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CONTENTS

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Partnership and the Nixon Doctrine

President Richard M. Nixon reaffirmed the commitment of the United States to partnership with Europe in his "State-of-the-World" message to Congress on February 18. Some excerpts from his remarks on U.S.-European relations appear below.

"A MORE BALANCED ASSOCIATION and a more genuine partnership are in America's interest. As this process advances, the balance of burdens and responsibilities must gradually be adjusted, to reflect the economic and political realities of European progress. . . ."

"Intra-European institutions are in flux. We favor a definition by Western Europe of a distinct identity, for the sake of its own continued vitality and independence of spirit. Our support for the strengthening and broadening of the European Community has not diminished. We recognize that our interests will necessarily be affected by Europe's evolution, and we may have to make sacrifices in the common interest. We consider that the possible economic price of a truly unified Europe is outweighed by the gain in the political vitality of the West as a whole.

"The structure of Western Europe itself and the organization of its unity—is fundamentally the concern of the Europeans. We cannot unify Europe and we do not believe that there is only one road to that goal. When the United States in previous Administrations turned into an ardent advocate, it harmed rather than helped progress.

"We believe that we can render support to the process of European coalescence not only by our role in the North Atlantic Alliance and by our relationships with European institutions, but also by our bilateral relations with the several European countries. For many years to come, these relations will provide essential trans-Atlantic bonds, and we will therefore continue to broaden and deepen them. . . ."

"The agenda for the future of American relations with Europe is implicit in the statement of the issues we face together:

- the evolution of a mature partnership reflecting the vitality and the independence of Western European nations
- the continuation of genuine consultation with our allies on the nature of the threats to alliance security, on maintenance of common and credible strategy, and on an appropriate and sustainable level of forces
- the continuation of genuine consultations with our allies on the mutual interests affected by the U.S.-Soviet talks on strategic arms limitation
- the development of a European-American understanding on our common purposes and respective roles in seeking a peaceful and stable order in all of Europe
- the expansion of Allied and worldwide cooperation in facing the common social and human challenges of modern societies.

"In 1969, the United States and its Allies discussed most of these issues—some in the context of new proposals, but most of them in the form of new questions. These questions will not be answered in a year. As I said last February in Brussels, 'they deal with the vast sweep of history, they need the most thorough deliberation.' The deliberations will continue; we have the chance today to build a tomorrow worthy of our common heritage."

The Community - U.S. Dialogue

AGAINST A BACKGROUND of rising criticism of the Community's association and trade agreements, a Common Market trade team led by Jean-François Deniau visited Washington, on March 2-3 at the invitation of the U.S. Government, for talks on current U.S.-Community economic and trade relations.

Mr. Deniau, Commission member responsible for the Common Market's external trade relations, was accompanied by Edmund Wellenstein, director general for external trade; Theodorus Hijzen, director general for commercial policy, multilateral and agricultural problems; Helmut von Verschuer, director for international affairs relating to agriculture; Eberhard Rhein, assistant division chief for relations with the United States and the General Agreement on Tariffs and Trade (GATT), and Claude Trabuc, Mr. Deniau's *Chef de Cabinet*. The visit was one of a continuing series of exchanges between the world's two major trading powers. Since Mr. Deniau's last visit, in May 1969, a marked deterioration in the climate of opinion had occurred.

As Ambassador J. Robert Schaetzel, chief of the U.S. Mission to the Community put it recently,[1] "Americans see and feel the immediate economic problems and dislocations." However, they perceive "very little of [the] European preoccupation with, and excitement over, the process of unification," that has revived since The Hague summit meeting last December.

Setting the Facts Straight

Attempting to put some U.S. complaints about the Community into perspective and to clarify some points of fact, the Commission on February 26 issued a position paper: "A Review of Economic and Trade Relations Between the United States and the Community." *(The full text appears on pages 6-9.)*

The Commission noted the prevalence of concern on both sides of the Atlantic over the deterioration of U.S.-Community economic relations. One source of American concern was, however, excluded from the paper: questions related to the Community's agreements with Mediterranean countries and the international consequences of the Community's enlargement. "Such questions, whose importance cannot be minimized," it said, "will be examined in the appropriate framework," within the General Agreement on Tariffs and Trade.

Of the American complaint that the Community is inward-looking, it was pointed out that total trade (imports and exports) between the United States and the Community now amounts to $13 billion. From 1960-67, the Community ran an average deficit of $1.2 billion a year on trade with the United States. In 1968, as a result of strong import demand in the United States, the U.S. trade surplus with the Community was reduced, but in 1969, it again amounted to more than $1 billion. Furthermore, U.S. trade with the Community has been increasing at a faster rate than U.S. trade with other geographical areas.

Other topics treated in the paper were non-tariff barriers, generalized preferences for developing countries, and the delay by the United States in enacting legislation to abolish the American-selling-price system of tariff evaluation (in exchange for concessions made by Europeans during the Kennedy Round of GATT negotiations).

Subjects of Discussions

Mr. Deniau and other members of the trade group met with Secretary of Commerce Maurice H. Stans, Secretary of Agriculture Clifford M. Hardin, Under Secretary of State Elliot L. Richardson, the President's Special Representative for Trade Negotiations Carl J. Gilbert, Deputy Under Secretary of State for Economic Affairs Nathaniel Samuels, Assistant Secretary of State for European Affairs Martin J. Hillenbrand, Assistant Secretary of Agriculture for International Affairs and Commodity Programs Clarence D. Palmby, and Chairman of the Council of Economic Advisers Paul W. McCracken. The group also met with two members of Congress, Rep. Wilbur D. Mills, Chairman of the House Ways and Means Committee, and Rep. Hale Boggs, Chairman of the Subcommittee on Foreign Trade of the Joint Economic Committee. Upon completion of these talks, Mr. Deniau left Washington on March 3 to participate in a seminar at the Aspen Institute for Humanistic Studies.

On March 4, Mr. Wellenstein, at a press conference in Washington, said that the discussions had dealt with five main areas: normal frictions arising between two major trading powers, such as customs duties that had been increased, or not reduced according to schedule by the United States, for example on sheet glass and certain woolen textiles; worldwide problems in which the United States and the Community play a leading role, such as the plan for granting generalized tariff preferences to developing countries' manufactures and semi-manufactures, and the Community's common agricultural policy.

Mr. Wellenstein said the contacts had been useful for creating perspective and as an alternative to "shouting at each other across the Atlantic." There are problems, he added, but by and large, given the volume of trade between the United States, trade relations are really quite good. Of these problems, he said the Community considered the pending protectionistic bills in Congress among the most serious.

Asked whether there had been any progress on preferences, Mr. Wellenstein said he thought so, although some points had not been settled. The Community feels that equivalence of economic impact is more important than identity of detail, which in any case would be impossible to achieve because of differences in the industrialized countries' administrative systems. The Community's proposals for generalized preferences cover all products and contain no safeguard clause. In the event of import disturbances, the Community could end the preference. The U.S. system, on the other hand, would completely exclude textiles, shoes, and petroleum products and include a safeguard clause.

Commenting on the common agricultural policy and U.S. allegations that it gives too much protection to farmers, Mr. von Verschuer said that given European farming conditions and the social problems of European farmers, support is necessary, but that the Community was working to solve its surplus problem. He said the Community had considered paying farmers not to grow certain products but had given up the idea because it would do little good. Most European farmers produce a variety of products on relatively small farms, by U.S. standards, so that it would make little sense to take out a small bit of acreage. Instead, Europe is trying to remove farmers and farms from production.

Asked whether the United States now understands the Community's common turnover tax system (TVA) applied to the value added at each stage of distribution up to the retail level, Mr. Wellenstein said that he thought there was a fuller understanding of the TVA by U.S. officials and that discussion of it had narrowed down to marginal effects of introducing new tax systems on trade. He emphasized that as both inland producers and importers pay the tax, it is not discriminatory, and therefore not a non-tariff trade barrier.

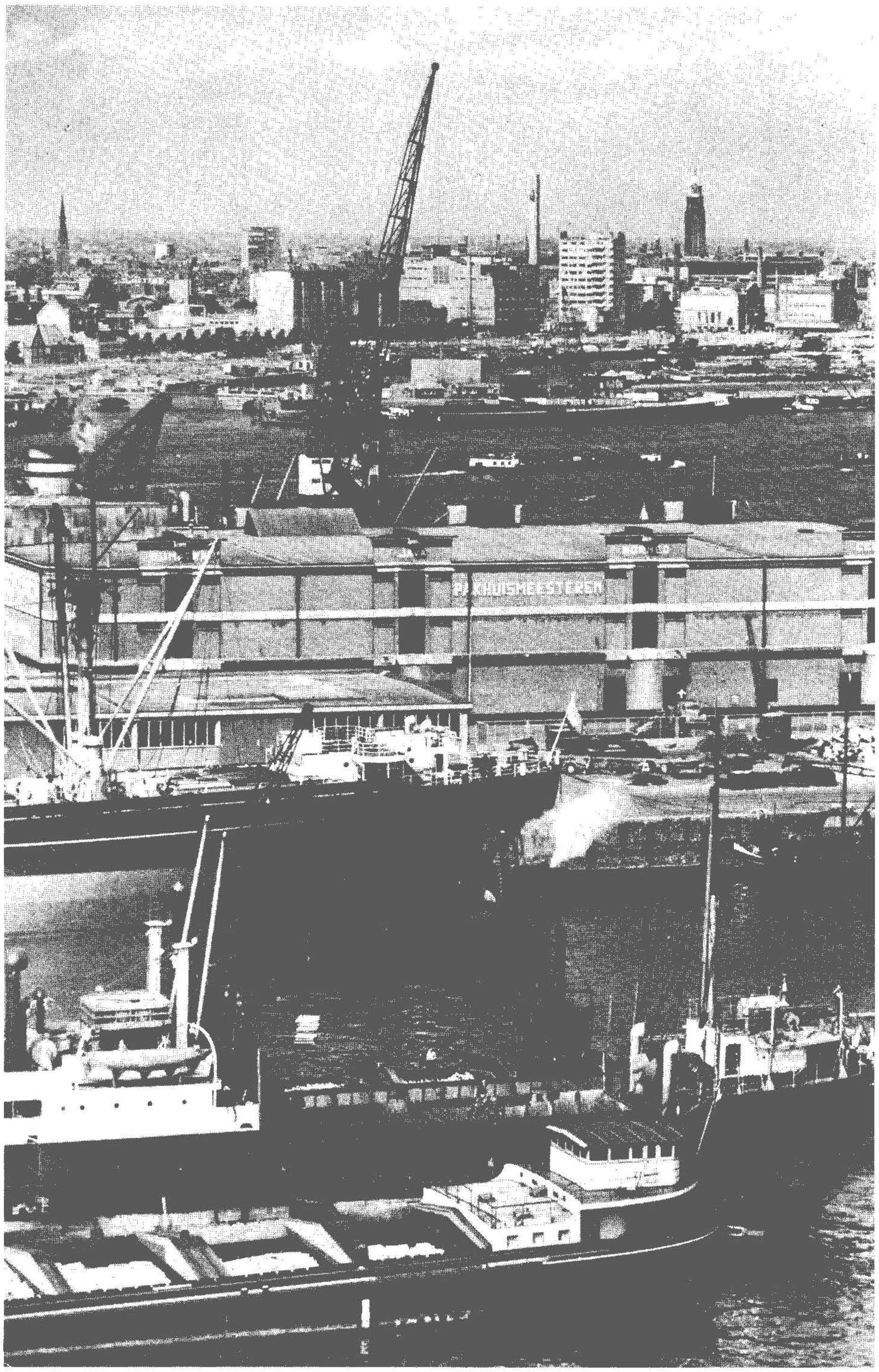
The Feedback

A few days after the departure of the Community officials, U.S. Assistant Secretary of Commerce for Domestic and International Business Kenneth N. Davis, Jr. commented[2] on newspaper accounts of this press conference. "The Europeans appear to have misunderstood what we were trying to say to them," he said. On March 11, the Commission responded in a statement that, "while it had no intention of becoming involved in polemics" on matters that could be solved only by "a continuing effort of cooperation and mutual understanding," certain statements attributed to Mr. Davis called for clarification:

TVA: The Commission repeated that TVA was a consumption tax, imposed equally on domestic and foreign goods consumed in a country. It could not, therefore, be considered a "border tax" or a non-tariff barrier. Studies in which U.S. experts participated, in the GATT and other international organizations, had improved understanding of the way this system works.

ASP: Concerning the chances for passage of the Trade Act of 1969, transmitted to the Congress on November 19,[3] the Commission (as did President Nixon's message) recalled that the United States had agreed to abolish ASP during the Kennedy Round of GATT negotiations in return for tariff and non-tariff concessions offered by the Community and other European countries. "It would therefore be very surprising if its abolition were to be linked to new conditions," said the Commission.

Textiles: Of the "report" that the Community had been "interfering" in U.S.-Far East textile discussions, the Commission said it had "no intention" of doing so. However, as one of the world's leading textile importers and exporters, "it cannot be disinterested in the world textile market and would be content if a generally acceptable solution were in view." (In answering a written question on January 1 from Ernest Glinne, Belgian Socialist member of the European Parliament, the Commission said that in the absence of any formal proposals to it for voluntary restraints on wool and synthetic textiles exported to the United States, it has had no occasion to take a stand on this issue. However, it said that it does not favor voluntary restrictions covering entire industries, and that such questions should be dealt with within the GATT. The proliferation of voluntary limits, it said, would gradually deprive the GATT of its substance, which could not be in the Community's best interests. As for the American textile industry, according to the Commission's information, only certain branches of this industry were in difficulty, which did not seem to justify the application of safegards to the entire industry.



U.S.-Community trade has been increasing faster than U.S. trade with other geographical areas.

Preferential agreements. The Commission said these agreements would be submitted to the GATT for examination in the light of the GATT rules. In Geneva at the last GATT session, Mr. Deniau said that the Community had concluded or contemplated only three kinds of agreements:

• with European countries that qualify for Community membership, such as Turkey or Greece. For these countries, the agreements are a preparation for their future entry. This category also includes countries such as Spain and Austria that could presently become full members.

• with countries that had "historical" preferences from a Community member prior to the formation of the Common Market, such as the 18 African countries associated with the Community by the Yaoundé Convention, or Morocco and Tunisia, both former French possessions. Because of the Community's customs union, it was necessary either to break these ties or establish new ties with the entire Community. The first alternative would have caused serious imbalances, so the Community chose the other.

• with countries bordering the Mediterranean, such as Israel, the United Arab Republic, and Lebanon. These countries would be hurt by the preferential agreements with other Mediterranean countries if the Community does not give them similar advantages. The Community's policy is thus motivated by the desire to preserve balance in the area.

The tripartite electronic components agreement. To the assertion that this agreement was a "major new non-tariff barrier," which would "impose discriminatory inspection standards against U.S. electronic components," the Commission replied that France, Germany, and the United Kingdom were merely trying to "standardize electronic components." It said their effort was no different in character from standardization efforts being made in other industries and other countries.

(The countries involved have explained that the arrangement was intended to provide a mechanism for mutual recognition of the quality of components, thus avoiding double inspections. Public and private purchasers will remain free to import components from countries that have not signed the agreement; and, in that case, guaranties issued in the supplier country would cover the product. This work is being done in application of directives by the International Electrotechnical Commission, of which the United States is a member. Through the European Committee for Electronic Standards (CENELCOM), the U.S. Government has been kept informed of this work and through diplomatic channels has been able to present its views, which were taken into consideration in drafting the proposed agreement.)

The Common Agricultural Policy. To the charge that the CAP discriminates against U.S. farm exports, the Community, the major importer of U.S. agricultural products, replied that problems of agricultural trade can be resolved only through mutual understanding.

NTB's. To the suggestion that the Common Market was delaying NTB negotiations, the Commission replied that its active role in GATT work on NTB's belied this allegation. Nevertheless, the Commission pointed out that the technical difficulties and problems resulting from the diversity of industries should not be underestimated. As an example, it mentioned the GATT negotiations on NTB's, during the Kennedy Round and pointed out that these agreements, namely for chemicals, ASP, and automobile taxes, have not yet been put into effect.

As to the charge that the Community did not appreciate the seriousness of its trade problems with the United States, Mr. Deniau said on February 26: "I do not want to minimize the problems; I want to de-dramatize them."

At a press conference in Washington on March 10, U.S. Special Representative for Trade Negotiations Carl Gilbert was asked several questions about Mr. Davis' comments. He replied that he believed the European Community was working honestly toward agreement on non-tariff barriers, but that he agreed that the Community's farm policy was one of the "major headache centers" for U.S. trade policy and one that would bear watching.

Schaetzel Suggestion

In Ambassador Schaetzel's words, "It seems to me that the moment may have arrived when consideration could be given to improved techniques for objective, authoritative fact-finding in defined commercial policy areas . . . I am not much impressed by the institutional means the Community and the United States have for working out solutions to problems."

1. *Remarks before the German Foreign Policy Association, Bonn, February 12, 1970.*

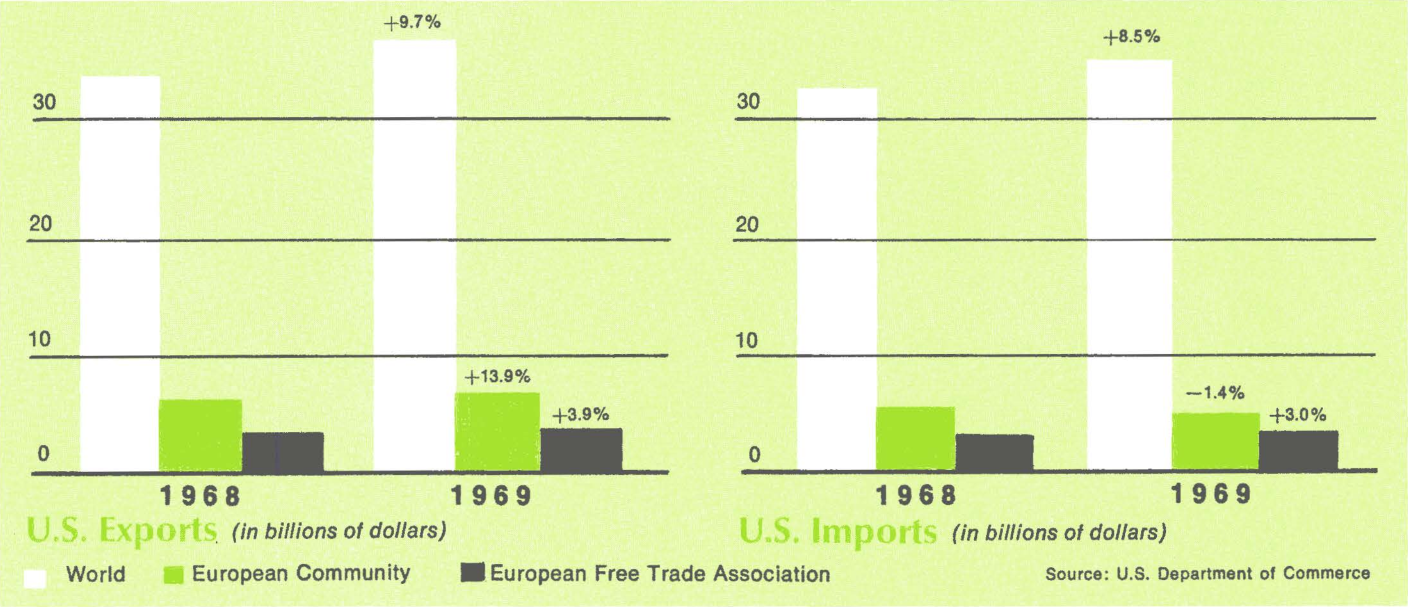
2. *Address before The Electronics Industries Association, Washington, D.C., March 9, 1970.*

3. *H. Doc. 91-194, 91st Cong., 1st Sess.*

A Review of Economic and Trade Relations Between the United States and the Community

This is the text of a note released on February 26 in Brussels by the Commission of the European Communities. The paper was delivered to the Chief Representative of the U.S. Mission to the European Communities, Ambassador J. Robert Schaetzel, on the eve of the departure of a trade delegation to the United States led by Commissioner Jean-François Deniau.

ECONOMIC AND COMMERCIAL RELATIONS between the United States and the Community are causing concern on both sides of the Atlantic. It has sometimes seemed in Europe that fairly profound misconceptions were current in certain American circles which have been trying to assess the results so far achieved by the U.S. policy of supporting European integration and to estimate its impact on economic relations between Europe and the United States. Consequently, it is useful to recall certain facts which may help to correct these misconceptions. This paper does not cover certain questions which have recently arisen in relation either to Community agreements with Mediterranean countries or to the international consequences of the Community's enlargement. Such ques-



tions, whose importance cannot be minimized, will be examined in the appropriate framework, in particular within the General Agreement on Tariffs and Trade (GATT).

Favorable Development of U.S.-Community Trade

Particular attention should be given to the way economic relations between the United States and the Community are developing. On an overall basis, this development compares very favorably, not only with the trend of relations between the United States and other parts of the world but also with developments in the period before the Community was established. Nothing suggests that the trend, which has been characteristic of the last ten years and more, will not be maintained in the future.

U.S.-EC Trade Tripled

At present, the total trade between the United States and the Community amounts to some $13 billion, three times as high as in 1958. This growth of trade, both in agricultural and industrial products, has been uninterrupted and has always been faster than the average for world trade. Every year from 1960 to 1967 the United States has had a large surplus—averaging $1.2 billion a year—in its trade account with the Community. From 1958 to 1969, exports from the United States to the Community grew by 182 per cent, during the same period American exports to the European Free Trade Area (EFTA) countries, for example, increased by 143 per cent and to the rest of the world by 118 per cent.

1969 U.S. Trade Surplus and Exports Rose

American exports to the Community have continued to grow. It was only the abnormally rapid expansion of domestic demand in the United States in 1968 which led to an exceptional growth of imports and sharply reduced a long-standing trade surplus. In 1969, however, the Community's trade deficit with the United States was once again in excess of $1 billion, exports from the United States totaling $7 billion and those from the Community to the United States $5.8 billion.

In 1969 American exports to the Community were 13.9 per cent higher than in 1968, while U.S. exports to EFTA increased only 4 per cent and to the rest of the world 9.5 per cent. Conversely, American imports from the Community decreased by 1.4 per cent, whereas those from the rest of the world went up by 10.6 per cent.

Moderate Tariff Levels in the Community

Among the factors that contributed considerably to the growth of U.S. exports to the Community, a major element undoubtedly was the rapid rise in the standard of living which went hand in hand with the creation of a very large market in the Community.

However, it must not be forgotten how much the establishment of the Community's common customs tariff and the reductions made in this tariff in major trade negotiations have given an impetus toward a liberal trade policy in the world. The Community has, as a result of a series of tariff reductions, ended up with the lowest tariff among the leading industrialized nations. Once the last two reductions resulting from the Kennedy Round are implemented between now and the end of 1971, the average Community tariff for industrial products will be substantially lower than the United States', the United Kingdom's, or the Japanese average. In addition, the Community's tariff structure, which resulted initially from the averaging of member states' former tariffs, does not have any of those very high rates, in some cases above 100 per cent, which are still characteristic of the American tariff on certain industrial products—and are thus assured a very substantial and, in some cases, even prohibitive level of protection. On valuation for customs purposes, the Community, but not the United States, follows the rules of the Brussels Convention and cannot, therefore, resort to practices which artificially increase the incidence of customs duties by an arbitrary assessment of the value of a product.

The effort that has been made by the Community in its tariff policy should be recognized when its role in the field of international economic relations is appraised.

U.S. and Community Non-Tariff Barriers

It has sometimes been suggested that the Community has systematically replaced tariff barriers by non-tariff barriers. This impression does not correspond to the facts.

The added value tax (TVA) is sometimes referred to as a non-tariff barrier. A better understanding of how this tax works has helped to dispel misconceptions which have arisen on this account and which have wrongly led to the term "border tax," with the implication that the added-value tax has the same effect as a customs duty. It should be stressed that the TVA applies to domestic products in exactly the same way as to imported products as do the sales taxes of individual states in the United States or other taxes of the same type at the federal level.

NTB's in GATT

On the subject of real non-tariff barriers, the United States and the Community have cooperated actively in the GATT in the preparation of a comprehensive survey which shows that these non-tariff barriers include a vast range of different measures, some intended to provide hidden protection, but many simply resulting from the proliferation of technical, safety, and health rules and regulations which are features of the modern world. In the synoptic table prepared by the GATT, the list of American measures to which other countries have raised objections is just as long as the list covering the Community and its member states. This was to be expected, and the reduction of these barriers on a reciprocal basis will require a considerable effort from all countries. Whatever the progress made in this direction, the partners of the Community will in any case benefit from what is being done to harmonize technical, safety, and health rules and regulations in the Common Market, and will in the future be faced with a single set of rules or regulations whereas until now there have been as many as six. In related fields, such as that of monopolies, the work now being done in the Community will undoubtedly have beneficial effects for non-member countries.

ASP: A Symbol

In this context, political and economic circles in Europe continue to express their disappointment at the existence of the American-selling-price system of customs valuation, which the United States should have abolished two years ago in accordance with the "chemicals agreement" concluded in the Kennedy Round. This delay is all the more regrettable because of the symbolic value of this agreement, the first on a major non-tariff barrier, and also because it prevents the tariff and non-tariff concessions made by the Community in the agreement from being carried out.

Increasing Activity of U.S. Firms in the Community

An analysis of the economic relations between the United States and the Community cannot overlook the extent to which a large number of American firms have developed their activities within the Community, where they have found additional opportunities for expansion.

From 1958 to 1968 direct investment by American firms in the Community increased nearly five-fold, their total assets reaching a book value of $9 billion in 1968 compared with $1.9 billion in 1958. In no other region of the world has investment by American firms expanded at such a spectacular pace. In fact, their investments elsewhere have only doubled in the same period. At present, American firms established in the Community account for about one-seventh of all new industrial investment. While at the beginning this development was sustained by large exports of American capital, the capital for these investments now often comes from issues floated in Europe. The U.S. economy, therefore, benefits doubly from European integration, from a considerable increase in trade between the United States and the Community, and from a substantial rise in income from investment in Europe which is making a major contribution to the improvement of the U.S. balance of payments.

An Outward-Looking Community

This overall picture of Community-U.S. relations clearly shows that the Community is not following restrictive or protectionist policies. The Community is the world's largest importer from both industrialized and under-developed countries, and the growth rate of its foreign trade is higher than that of the other Western nations. As a matter of fact, it is in the Community's interest to be outward-looking because of its dependence on world trade in the formation and growth of its national product. The Community's imports and exports account for nearly 20 per cent of its gross national product, while in the United States the corresponding figure is only 7 per cent.

Tariff Preferences for the Developing Countries

In view of its responsibility as the leading importer in the world, the Community has, starting with the first United Nations Conference on Trade and Development (UNCTAD I) in 1964, supported the establishment of a system of tariff preferences for manufactures and semi-manufactures exported by the developing countries in order to help them overcome their competitive handicaps in these products. Since then, ideas on the subject have taken more definite shape, and all the industrialized countries have declared themselves ready in principle to introduce tariff preferences for the developing countries.

The system proposed by the Community would provide duty-free entry for all these products without exception up to a ceiling which, once the system comes into force, would immediately be equal to twice the present total volume of exports of those products from developing countries to the Community. There is no safeguard clause, no reciprocity or any other condition for the participation of any developing countries in Latin America and Asia which are already relatively advanced on the road to industrialization. They would complement the considerable efforts already made by the Community and its member states through public and private development aid, which in relation to GNP is substantially greater than that made by the United States (in 1968, Community: $4.2 billion or 1.12 per cent of GNP, United States: $5.7 billion or 0.65 per cent of GNP).

The Community's Agricultural Policy

Of course, a satisfactory overall situation may conceal difficulties in specific matters or certain sectors. In the Community there is an awareness that the common agricultural policy, for example, is sometimes strongly criticized by the United States and other countries. Here again, any serious analysis should include both a product-by-product examination and a look at overall trends. Within the Community, efforts are being made to bring under control the surpluses which have occurred in some sectors, especially in milk and milk products, and to start the structural reforms that are indispensable.

U.S. Share of Market Remains Steady

However, the Community is still the most important market by far for U.S. agricultural exports. In 1968 the Community imported American agricultural products worth $1.4 billion (f.o.b.) compared to $1.1 billion in 1960. True, between 1966 and 1968 there was a drop in American agricultural exports, which in 1966 had risen to $1.6 billion. But the decline was not confined to exports to the Community. In the years 1967-69 American exports of agricultural products to all parts of the world were lower than in 1966, which was a record year. World trade in these products is slowed mainly by the stagnation of food consumption in the highly-developed countries and by the rapid growth of agricultural productivity and production. It would therefore be unreasonable to attribute the recent drop in U.S. agricultural exports to the Community solely to the effects of Community protection. Indeed, the share of the Community in U.S. agricultural exports has hardly changed during recent years (1964: 22 per cent, 1966:

23 per cent, 1968: 22 per cent). In this context it must also be pointed out that approximately 40 per cent of the Community's imports of agricultural products from the United States enter duty free and without any restriction.

U.S. and Community Support Ratios the Same

The growth of government expenditure on agriculture is common to all countries, even where the productivity per farm worker is higher and the farming population smaller than in the Community. (In the United States 4.6 per cent of the working population was employed in agriculture in 1968, in the Community the figure was 20 per cent in 1960, and today it is still 14 per cent.) If a comparison is made between agricultural support per person employed (budgetary expenditure plus cost borne by the consumer through higher prices) in the United States and the Community, the figures are of the same magnitude, despite the fact that the competitiveness of agriculture in America is on the whole higher than in the Community.

Support Systems Vary

The difficulties encountered in reconciling domestic agricultural policy and its human and social problems with import policy are common to all developed countries, but they solve them in different ways. The United States was granted a waiver of the normal GATT rules which allows it to apply the Agricultural Adjustment Act of 1933 and pursue restrictive import policies on items such as milk products, sugar, and meat, while it subsidizes certain exports. The Community has, for some major products, set up a levy system (which replaces the quantitative restrictions, customs duties, and other charges applied earlier by the member states) and export refunds. Other countries have other methods.

Discipline Needed on World Agricultural Markets

At present the international market for agricultural products is more often the scene of rivalry between public treasuries than of competition between producers.

On several occasions the press has spoken of "price wars" between the Community and other exporters on world markets for certain agricultural products, in particular grains and poultry. True, in some cases, Community grain exporters did not respect the minimum prices set by the International Grains Agreement. But the same has been true also for exporters of other countries, including the United States. Indeed, all had to cope with an excessive supply on the world market. With regards to poultry, American, Danish, and Community exporters compete by means of substantial subsidies in some European markets where the price level has also been affected by competition from East European countries.

It is urgently necessary, if not to remedy this situation, at least to limit its consequences; and this requires an effort by all the leading exporting and importing countries. It was in this spirit that the Community proposed, as part of the Kennedy Round, that support in agriculture, whatever its form, should be frozen on the basis of reciprocity, efforts must continue to find some form of international discipline which will obviate the damage produced by the clash of national policies on the world market.

Most cases which have of late created irritation on both sides of the Atlantic can be solved reasonably through a reciprocal effort.

American Measures Affecting the Community

In the United States one sometimes seems to have the idea that complaints about the Community by far exceed in number and importance any criticisms that the Community could make about the United States. It must be pointed out, however, that various events and tendencies in the United States have caused disappointment and concern in the Community.

For example, the GATT waiver obtained by the United States in order to protect its agriculture is considered an anomaly because of its comprehensive character and the fact that it has been maintained since 1955. Likewise, the fact that, because of earlier legislation, the United States is not subject to the common rules observed by other contracting parties concerning countervailing duties meets with less and less understanding; and this situation affects, for example, Community producers of canned tomatoes.

The American restrictions in the milk products sector, which were tightened up in 1968, seem excessive; and it is regrettable that the Community's efforts to solve by administrative cooperation the problems in this sector have met with no response.

In 1968 the United States unilaterally increased customs duties on certain woolen products which were consolidated in the Kennedy Round. This action, which was taken without following normal GATT procedures and without any offer of compensation, has caused understandable concern in the Community, particularly because of the precedent thus created.

Likewise, the introduction, in 1968, of import restrictions on certain products of the mechanical industries has done considerable harm to firms in the Community.

There is also concern about the general direction of American trade policy. This is so especially since sector-by-sector restrictions, either through private agreements or self-limitation imposed by the Government or even through quotas for whole sectors, have been advocated in the United States. Abandonment of the broadly liberal policy pursued by the United States since the Second World War and a return to such restrictive practices would inevitably start a chain reaction detrimental to the expansion of world trade. Such a development would not be in the common interest of the Western countries.

Need for U.S.-Community Cooperation

To the contrary, it would seem more necessary than ever for the two leading partners in world trade, the United States and the Community, to agree that the problems affecting individual sectors or causing temporary difficulties between them must be overcome. They must also agree on their fundamental long-term attitudes. In view of the importance of the United States and the Community, nothing that they do is without consequence for other countries.

Together, they have an essential responsibility for the future development of international economic relations. It is only through close cooperation between themselves and with the other trading nations that the continuation of the liberal trade policy, which has been the major factor in promoting world trade in the past 25 years, can be assured.

Squeezing the Aid Dollar

COMMUNITY TO COORDINATE ECONOMIC AID WITH WORLD BANK AND UN

TO GET FULL VALUE from every penny spent for economic aid to Africa, the European Community plans to coordinate its projects with those financed by the United Nations and the International Bank for Reconstruction and Development (World Bank). Coordination will take place at every level, from headquarters to field operations.

These plans were disclosed on March 3 in Brussels, following a visit to the United States on February 15-18 by Henri Rochereau, member of the European Communities Commission in charge of development aid. In New York, Mr. Rochereau met with Paul G. Hoffman, administrator of the United Nations' Development Programs, and next day in Washington, with Robert S. McNamara, director of the World Bank. During a meeting on February 19 in Ottawa, it was also agreed that the Community and the Canadian agency for international development would exchange information.

Explaining why he had chosen this moment for his visit to the United States, Mr. Rochereau said he thought it was an ideal time to see whether, by coordinating aid projects, competition and duplication of effort could be avoided. He considered his visit especially timely in view of general increases planned in aid to Africa and the growing tendency toward multilateral rather than bilateral aid.

Rising Community Aid to Africa

The Community is constantly increasing economic aid to the 18 African countries associated with it by the Yaoundé Convention. In addition to technical aid and easier access to the Common Market for African exports, the Community is committed to give $1 billion for economic aid over the next five years, 80 per cent of it as grants through the European Development Fund (EDF). In addition, the Community's European Investment Bank has $100 million at its disposal for lending at normal rates of interest, and the EDF can underwrite the interest charges.

Right now the Community is conducting a series of missions to Africa to get an overall idea of the outlook for economic development, based on information furnished by the African countries themselves. These studies, which should be finished by summer, will be kept up to date by economic performance evaluations, and the information will be exchanged with the World Bank and the United Nations.

Henri Rochereau, Commission member in charge of development aid.

When the African associates request aid for a specific project, the Commission will examine the request in relation to the country's own development plan and the Commission's study. If there are regular channels for coordinating the Community's economic aid projects with those of international aid organizations, projects that might be beyond the resources of the Community alone may be undertaken jointly with other organizations.

Community Aid to Africa through the European Development Fund (1959-January 1, 1970)

	First Five-Year Commitment		*Second Five-Year Commitment*		*Third Five-Year Commitment*
TOTAL AVAILABLE	$581,250,000		$730,000,000		$1,000,000,000
TOTAL ALLOCATIONS	$581,250,000		$700,381,000		
Rural modernization	$143,797,000	24.8%	$316,688,000	45.2%	This sum will become available upon ratification of the second Yaoundé Convention and after depletion of the funds remaining in the second EDF. As of March 3, 1970, ten of the signatories had deposited the instruments of ratification: Mauritania, the Central African Republic, Mali, Burundi, Gabon, Togo, Ivory Coast, and the Malagasy Republic, Niger, and Dahomey.
Infrastructure	255,986,000	44.0%	247,791,000	35.4%	
Education and training	115,253,000	19.9%	67,623,000	9.7%	
Health	51,241,000	8.8%	28,540,000	4.0%	
Energy	4,140,000	0.7%	24,457,000	3.5%	
Miscellaneous	10,833,000	1.8%	15,282,000	2.2%	

"Adjustment Assistance"–

Programs That Work

THOMAS BARRY-BRAUNTHAL

"FISHING IS GOOD AROUND HERE—most weekends I go out to a stretch of a river I share with some friends. Then there are the canals—five of them go through our town," Manfred Wilczewski told me. He is foreman at the Rheinzink zinc-rolling mill at Datteln in the Ruhr and earns $1.50 an hour. He is in his mid-thirties, father of a two-and-a-half-year-old boy and a member of the local handball club. For 15 years he worked as a miner, but there were no prospects for advancement, so he applied for a job in a local factory. After the factory hired him, he received on-the-job training. Mr. Wilczewski has managed to stay in his town but in a new trade.

The canals influenced the siting in 1965 of two new and interdependent plants in Datteln, where the whiff of coal dust in the evening air and the grit on cars left outdoors overnight proclaim that the town is right in the middle of that vast industrial complex based on coal and steel, the Ruhr. However, like other towns of the region, this typical German industrial city of 35,000 inhabitants was threatened with severe unemployment in the mid-Sixties by the declining demand for coal and the modernization of mining techniques.

For Helmut Preuss, now 53 years old, married, with a son aged 12 and a daughter of six, the situation was grim. He had been working at the coalface for 12 years, he was a union member in good standing, but he had nothing to look forward to in the pits. Younger workers, too, were affected: Friedhelm Schlünder, 31, for instance, who had been setting pit-props in the mine at $10.38 a day, was looking around for new possibilities; with a 15-month-old daughter he was determined to avoid a cut in his wage-packet.

Mr. Preuss is now a crane driver and Mr Schlünder a foundryman in the new zinc plant. Their wages have gone up, and they switched jobs without spending any time out of work.

Foresight Enabled Smooth Changeover

Behind this smooth changeover for individual workers from one industry to another lies more than the strength of the German economy.

Some 20 years ago, when the European Coal and Steel Community (ECSC) was being shaped, authorities in the six member countries were determined to exorcise the specter of workers' losing their jobs because of a long-term decline in an industry. The wave of mass unemployment that swept through the world in the 1930's, with its hunger marches and dole lines, its misery and despair, had left indelible marks on a generation. Labor unions, especially, insisted that they would not support the creation of the ECSC, or later, the Common Market, unless they received guarantees that workers would not again be abandoned to the mercy of the market alone—and face the risk of wage cuts and widespread unemployment. To cushion the effects on workers of major changes in industrial and economic patterns, the six governments accordingly agreed on measures to pay for retraining and resettling workers in a threatened area.

The Coal and Steel Community created a special Readaptation Fund, financed from a tax levied on the turnover of mines and steel works in the six member countries. Between 1952 and June 30, 1969, the ECSC made available $121.6 million to help 390,679 workers, of whom 310,525 were coalminers.

Later, the Common Market set up a European Social Fund to help retrain and relocate workers who had to change their jobs. The Social Fund reimburses half of approved expenditures for these purposes by the member states. By the end of 1968 the Fund had paid out $80 million to help retrain and resettle 960,000 workers, of whom 543,000 were Italian, 287,000 German, 109,000 French, and the remainder from the Benelux countries.

The Ruhrzink and Rheinzink Decisions

In deciding to establish new industries in Datteln, the availability of these funds and of trained labor force in the area were important factors. So, too, was the drive of Datteln's young mayor, Horst Niggemeier, an energetic man with a first-hand knowledge of the mines. An official of the mineworkers' union and editor of the union paper, he set in motion every lever of his municipal administration and lobbied the North Rhine-Westphalia provincial authorities to encourage the establishment of new industries, especially those using coal.

After new industry came to Datteln, Helmut Preuss, now a crane driver, was able to leave the coalmine where he had worked for 12 years. PHOTO: *Courtesy International Confederation of Free Trade Unions, Brussels.*

As a result, the electrolytic zinc plant Ruhrzink, which uses 4 million kilowatt hours a month of coal-generated power, and its sister plant, the zinc-rolling mill Rheinzink, were built in 1966-67 and began production in 1968.

It was an experiment in several ways, and the results so far have been positive. Ruhrzink, with a capacity of 80,000 metric tons a year, is Germany's first plant to produce special high-grade zinc by a hydro-metallurgical process. Part of the zinc concentrate comes by rail from Meggen in Germany, but the bulk comes from Canada and Australia through the Dortmund-Ems Canal, which is connected with German and Dutch North Sea ports. Each year Ruhrzink produces 165,000 tons of sulphuric acid. The zinc rolling-mill plant alongside—claimed to be among the most advanced in the world—produces 30 tons of zinc strip an hour. The average age of the management team is 38. Of the 12 members of the supervisory board of directors, four are workers' representatives.

Mr. Barry-Braunthal, press officer of the International Confederation of Free Trade Unions, describes the European Community's programs for retraining workers displaced by technology.

The Mayor of Datteln Horst Niggemeier (left) was instrumental in bringing the two new plants to his city. Here he chats with Manfred Wilczewski, a former coalminer who is now foreman at the Rheinzink zinc-rolling mill. PHOTO: *Courtesy International Confederation of Free Trade Unions, Brussels.*

On the economic side, the new factories have helped the coal industry, and boosted electric-power consumption and transport demand. There seems to be plenty of capacity for expanding output of the non-ferrous metal. The two plants have revived Datteln's fortunes; although over the past ten years its revenue from coal has sunk from 80 per cent of the total income to 48 per cent.

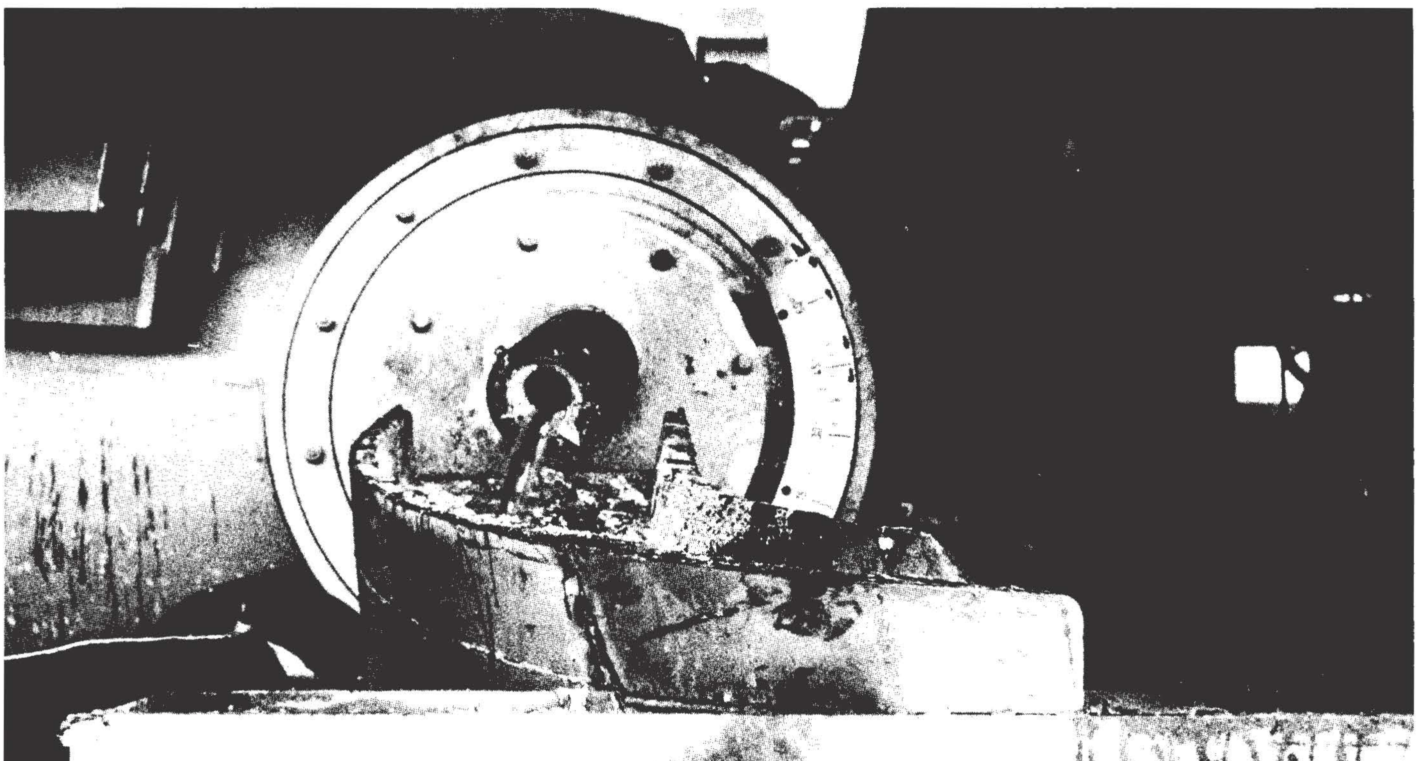
Retrained at Full Pay

However, on the human and social level, the impact can perhaps best be gauged. Formerly the pits employed 4,500 men, as compared to their current workforce of 3,500. Of the 600 workers engaged by Rheinzink and Ruhrzink, 180 are ex-miners. They were retrained at full rates of pay, and the companies received a state subsidy for each worker retrained. The Commission of the European Communities, which administers the European Social Fund, repaid half of this subsidy to the German Government.

"My retraining lasted three months, at full pay," Eugen Konrad told me. He sits in the control room and watches over some 60 temperature and pressure dials. He has an eight-hour shift, a 40-hour week, 21 working days off a year and earn $1.20 an hour. He is a local man, married, a keen amateur carpenter and a conscientious union member. Rolf Dortmann, 30, married, with two children, has been at the plant over a year and has become a foreman and safety inspector. He gets up to $628 a month with overtime—double what he earned in his former trade in a chemical firm.

The Datteln project has demonstrated that the economy of a region can be transformed without throwing workers on the scrap heap. Modernization of industry, and retraining and relocation of workers are objectives for which the labor unions in the Community have been striving for years, and in which the former High Authority of the European Coal and Steel Community and the present European Commission show a remarkable record. Putting the system into effect is far from simple; aid for relocating industries has to come from European, national, and local authorities. Institutional measures and dry statistics ultimately do come to mean well-paid, secure jobs—and contented workers.

A smelter at the Ruhrzink-Rheinzink complex. These factories have revived the fortunes of Datteln by providing a ready customer for the coal still mined there and boosting electricity consumption and transport demand. PHOTO: *© Reiner Kruse, Recklinghausen, courtesy International Confederation of Free Trade Unions, Brussels.*



1969: A Bright Finish

ANNUAL REPORT URGES CLOSER COLLABORATION WITH UNITED STATES

THE ANNUAL REPORT of the Commission of the European Communities, released February 17 in Brussels, stressed the need for greater collaboration with the United States "to overcome unduly numerous difficulties and conflicts of interest . . . since . . . both have extensive responsibility for the development of the world economy."

The report is the third on "the state of Europe" made by the Commission to the European Parliament since the July 1967 merger of the three executive branches of the Coal and Steel Community, the Atomic Energy Community, and the Economic Community. It reviewed Community activities during 1969 and surveyed tasks facing the six-nation Community at the beginning of 1970. The Six are: Belgium, France, Germany, Italy, Luxembourg, and the Netherlands.

U.S. Protectionism, a Major Fear

In the section dealing with commercial relations during 1969 with "third countries," three troublesome issues in U.S.-Community relations were mentioned:

- the persistent U.S. balance-of-payments disequilibrium
- the growth of protectionist tendencies in the United States
- increasing American concern over the Community's common agricultural policy.

The balance-of-payments problem indirectly affects the Community, whereas protectionist tendencies have caused the Community more immediate concern, since 16 per cent of its exports go to the U.S. market. As examples of protectionist trends, the Commission noted not only the numerous bills before Congress to restrict industrial and agricultural imports but also the Administration's attempt to obtain "voluntary" quotas from countries exporting to the United States, particularly for textiles. The Commission feared that these agreements could not be confined to one or two industries but would proliferate, inevitably undermining provisions of the General Agreement on Tariffs and Trade (GATT).

The Commission noted that many U.S. industries had also sought specific protection or safeguard measures under existing law. Plate glass, carpets, and other products for which U.S. industry requested additional protection, in 1969, are of particular interest to the Community. If the United States cannot offer equal, compensating concessions on other products, the Community might be forced to take appropriate retaliatory measures, the report said.

The Commission also singled out "administrative protectionism," especially by the U.S. iron and steel industry (such as mark of origin requirements), as a serious threat to Community exports to the United States.

Commenting on the proposed U.S. "Trade Act of 1969," the Commission welcomed the U.S. intent to abolish the American-selling-price system of customs evaluation (which should have been abolished by January 1, 1969, according to the agreement negotiated during the Kennedy Round). However, the Commission expressed reservations on the proposed relaxation of the 1962 Trade Act criteria for granting safeguard protection to U.S. industry. Too frequent recourse to safeguard protection could prejudice Community exports, the Commission said.

Greatest Irritation: the Community's Farm Policy

In the area of the Community's common agricultural policy (CAP), the Commission stressed that the Common Market is by far the most important outlet for U.S. farm exports and that the main products, such as soya, oil cakes, cotton, and hides, enter the Community duty and quota free. Despite this favorable treatment of U.S. farm exports to the Community, the Commission admitted that farm imports from the United States have declined since 1965, but this was primarily because consumption inside the Community has stagnated.

It was in this light that American concern over particular Commission proposals should be viewed. These have been: a proposal to set minimum import prices for canned fruits and vegetables (such as peaches, pineapples, and asparagus) exported by the United States; a tax on products made from vegetable fats and oils; and recent proposals setting up a common market organization for tobacco. In view of these points of irritation and the importance of trade relations with the United States, the Commission remained determined to continue its dialogue with the United States and to maintain constant contact with the U.S. Government, in order to prevent further difficulties and solve current problems.

The End of the Transition Period

Completing the 12-year transitional period and entering the "final stage" of the Common Market by January 1, 1970, was an overriding concern of the Community's throughout 1969. According to the Common Market Treaty, the end of the transitional period is the final date for the completion and enforcement of all measures for establishing the Common Market. Although some of the things that should have been done during this period (such as adjustment of state commercial monopolies) could not be finished by the end of the year, the Commission did not suggest the extension of the transitional period. Rather, it felt a deadline would encourage a last minute rush to complete the work. "Events bore out these expectations," said the Commission.

Thus, on January 1, 1970, the Market began its final stage, leading to economic union. On February 7, an extremely important decision was made on the future financing of the Community, to give it its own financial resources from common customs duties and levies and gradually replacing the current system of contributions from national budgets. A new financial regulation for the common agricultural policy was also completed and agreement was reached on strengthening the European Parliament's budgetary powers so that by 1975 it will have the last word on the budget. *(See European Community No. 131, page 3.)*

Summit Meeting of the Six at The Hague

The Commission attended the conference of the six heads of state or government in The Hague on December 1-2. Out of this meeting came two key declarations on major political issues confronting the Community, confirming the willingness of the Six to:

- advance towards full economic and monetary union along with the close alignment of social policies that this entails

• resume their efforts to enlarge the Community, by proceeding with the consideration of the membership applications of Britain, Norway, Denmark, and Ireland.

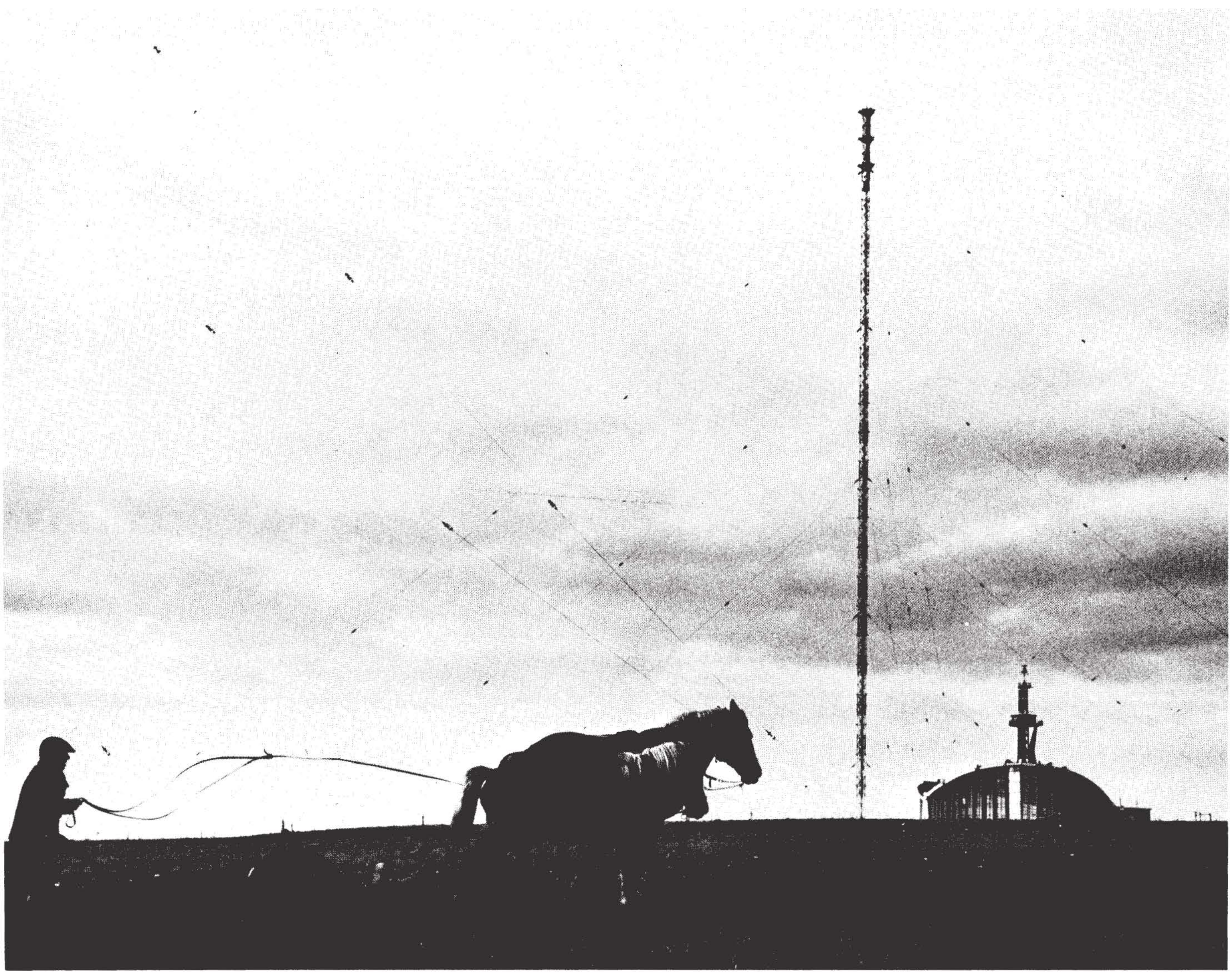
Monetary Crises Force Cooperation

On two occasions the Community was faced with serious monetary difficulties. In August 1969 France devalued its currency. Strict application of existing Common Market rules would have caused increases in French farm prices which would have nullified the advantages of the devaluation and encouraged production increases when the Community was already grappling with a serious surplus problem. Exceptional measures, therefore, had to be taken, in conjunction with the Council, to isolate the French market.

Hardly had these measures been put into effect when it became necessary to cope with fluctuations in the value of the mark and its subsequent revaluation. The unforeseen burden on the Community's institutions of these monetary upheavals was in part responsible for the postponement until early 1970 of some important decisions for the completion of the transitional period. These difficulties also strengthened the Community members' feeling that urgent action was needed to increase their monetary solidarity.

As a result, the Commission submitted proposals to the Council of Ministers for coordinating the member states' economic policies and reinforcing monetary solidarity. This plan, which includes a proposal for a common monetary reserves pool, won the support of the central banks and member governments. Coordinating procedures and arrangements for short-term monetary support of a member country having balance-of-payments difficulties were approved by the Council on January 26, 1970. *(See European Community No. 131, page 4.)* Discussion is continuing for medium-term monetary

A German farmer works his land in Felsberg using a centuries-old technique as Europe No. 1 radio station in the background broadcasts the latest "hits" for those who have time to listen. The Commission's proposals last year for reforming agriculture were directed at closing the gap between rural and urban living standards as well as at reducing agricultural surpluses.



support, the only major point in the proposal that remains unsettled.

Social and Economic Reform

Among its other activities during 1969, the Commission proposed an extensive reorganization of the European Social Fund to make it a more powerful instrument of social and economic policy. This Fund helps the Community members finance retraining costs and allowances for workers whose employment is affected by economic changes caused by the Common Market.

In addition, the Commission prepared the first overall program for regional development at Community level and submitted new proposals for reforming agriculture over a ten-year period and for eliminating agricultural surpluses.

Negotiations and New Agreements

In the field of external relations, the Commission completed association negotiations with Tunisia and Morocco, resumed negotiations with Spain, Israel, and Yugoslavia and talks with Austria, and began exploratory talks with the United Arab Republic. It was also authorized to open exploratory talks with Japan.

In September, the Commission sent to the Council a new, detailed opinion on the problem of enlarging the Community and strengthening its institutions. The opinion also dealt with the procedure for negotiations with the candidate countries.

In the sphere of development aid, a new Association Convention with the 17 Associated African States and Madagascar was signed in Yaoundé in July; and a new, similar agreement with the East African States—Kenya, Uganda, and Tanzania—was signed at Arusha in September.

Several regulations essential to the functioning of a common commercial policy from January 1, 1970, were also passed and "Community" transitional solutions found for commercial policy towards the East bloc countries.

Science and Technology

During the past year, considerable thought was given to the reorientation of research policy. In the nuclear sector, the fresh political climate after The Hague summit meeting brought agreement on Euratom's future activities. The report briefly surveyed the progress of the research program in 1969 and the various stages in the preparation of a new multiannual program which is to concentrate upon three important sectors: support for reactor development (including fuel cycle studies), nuclear projects of a public service nature, and basic nuclear research.

The Commission also reported a slight improvement in the nuclear industry's market situation. Six nuclear power stations using light-water reactors and representing an installed power of about 4,750 MWe were ordered from suppliers in the Community—two in Belgium, two in Germany, one in the Netherlands, and one in Italy. In addition, one direct-cycle high-temperature test reactor was ordered in Germany, one prototype fast-neutron power plant in France, and a fog-cooled heavy-water prototype reactor in Italy.

The change in the orientation of French nuclear policy confirms "that a technological success cannot lead to economic results unless an adequate pooling or concentration of resources has been achieved at the research and development levels, the new product enjoys a very wide market, and its development and commercial exploitation are in the hands of a technically and financially powerful industry." For the first time there is *de facto* agreement in the six Community countries on the type of reactors to be built in the next few years.

In the non-nuclear sector, the Commission noted the Council's decision on October 28, 1969, to initiate joint projects in seven research fields. Proposals were sent to nine non-member countries with which negotiations can be opened shortly. The Commission mentioned its proposal that Euratom's Joint Research Center do some non-nuclear research in environmental hygiene and data processing. The Center would also be used to create a Community Bureau of Standards which would help the drive to harmonize technical standards and regulations within the Community with a view to eliminating technical barriers to trade.

Public Research and Development Expenditures in the Community *(in millions of dollars)*

	Germany	Belgium	France	Italy	Netherlands	Total Community
1969: TOTAL	1,439	106	2,008	334	271	4,158
Civilian purposes	1,116	103	1,391	320	256	3,236
International contributions	144	15	247	50	17	473
Per Cent Change						
1967-69	8.5	9.5	8.0	8.0	15.3	8.7
1969-70 (est.)	13.0	16.8	—5.8	37.2	13.7	6.0

Tasks for the Future

Last, the Commission turned to tasks that remain unfinished. First on the list was economic union. Though no longer behind the timetable set out in the Treaties, progress fell short of present day needs. The foundation of an industrial policy has been laid, but it has not answered major changes now taking place. Similarly, rapid progress is needed in the field of common economic and monetary policies.

The Community institutions, though adequate at the beginning, are now too weak and limited to deal with today's job of completing the Community and managing its affairs in more and more complex fields. They will have to be strengthened.

All this, said the Commission report, leads to political union. The Community is already political in essence and in the form of its institutions, but it still must accelerate its political progress, increase the powers of its institutions, align the policies of its member states, and work out step by step a foreign policy at Community level.

Preparations for Entry Talks

RICHARD NORTON-TAYLOR

THE BALL IS ROLLING AT LAST. In March, the six members of the European Community seriously began to prepare a common position for negotiations with the four candidates for membership: the United Kingdom, Ireland, Denmark, and Norway. The Community members had agreed at The Hague summit meeting last December to complete this position by the end of June.

There is now little doubt that this deadline will be respected and that the first, long-awaited meeting of the Community and the applicants will take place before the August vacation.

Both the Commission and the Committee of Permanent Representatives of the Six in Brussels are establishing a common negotiating position—theoretically under seven broad topics: a transitional period for the four candidates, negotiating procedures, institutions in an enlarged Community, adaptation of the common farm financing policy, European Atomic Energy and Coal and Steel Community questions, the Commonwealth, and economic and monetary issues.

The foreign ministers treated these problems for the first time at a Council meeting in Brussels on March 6. The most important issue is the nature and length of a transitional period, for it will determine the initial cost of entry for Britain.

The Six agree with Belgian Foreign Minister Pierre Harmel's description of a transitional period as being an exceptional period which should not involve any alterations in the Community's existing rules, notably the common agricultural policy. The Commission has confirmed this hypothesis, pointing out that food prices should not be an issue in the entry negotiations.

It is also generally acknowledged that the transitional period (and the entry talks themselves) should be as short as possible. Before the talks open, a time limit should be set, and one year is considered reasonable. It is also acknowledged that negotiations should be kept strictly to essential problems. (The lengthy discussions about canned kangaroo soup imports during the 1961-63 negotiations are by no means a dead memory.) The Six have not yet made a list of essential points for talks, but it can be expected to include farm financing, tariff alignment, New Zealand butter, Commonweath sugar, safeguard measures, and institutions.

The Transition Period

The Commission has so far given clear indications of the time span a transition period should cover. In its report on economic and monetary union (*see page 18*) the target date for complete membership was 1978 (with the possibility of extending the deadline to 1980). In another paper, on the enlargement of the Community in the perspective of economic and monetary union, the Commission used the hypothesis that the transitional period would start on January 1, 1973.

However, the exact length of the transitional period will be one of the two crucial issues to be worked out in membership negotiations (the other being modification of the farm financing system). For its part, the British Government would like more than five years, while the Danes would take twenty minutes if they could. (The Permanent Representatives have made it clear that in trade matters the transition period should be the same for all four candidates.)

Trade: Quick Adaptation

For trade, the Commission made specific proposals. After a three-month standstill, during which the candidates would enact the Community's three thousand or more legal regulations and establish the various food market organizations, the new members would move to adopt the Community's common customs tariff and achieve full customs union with the Six in three or four stages in a relatively short period. These conditions would force industry in the applicant countries to adapt quickly to the new market conditions.

The national government experts of the Six have gone along with this idea and, in their report to the foreign ministers, spoke of a mutual and significant tariff reduction in the industrial sector immediately or soon after the beginning of the transition period. They also insisted that there should be adequate parallelism between tariff cuts in the industrial and in the agricultural sectors.

As far as the candidates' alignment to the Community's food price levels are concerned, the Commission stressed that a strict rhythm should be worked out in advance, so that Britain, for example, would not leave all price rises to the end of the transition period.

The Institutional Problems

Institutional problems arising out of enlargement will probably be the most difficult to solve. In this area, the Commission has no doubts at all and has already told the Council how important it considers the dangers of weakening the Community institutions. In every one of his recent speeches, Jean Rey has stressed the need to abolish the unanimity rule in the Council which, if maintained in a Community of ten, could seriously endanger the workings of the whole Community structure and network of common policies.

If this is a real danger, it is equally clear that the Six themselves are not yet ready to abandon the "Luxembourg compromise" on which the absence of majority voting in the Council is based. It is also clear that this established practice is attractive to the British Government. However, it is not likely to feature in the negotiations themselves, although the question of whether or not the candidates, once they are full members, should have full voting rights remains unanswered.

Who Will Negotiate for the Community?

To a great extent, the nature of the negotiations will depend on who negotiates for the Community. It was evident at the March 6 Council meeting that none of the six member states was entirely happy about entrusting even a first phase of entry talks to the Commission, or even to the Council President, as was the case for the Yaoundé Convention negotiations last year.

It was also evident that the Commission would fight tooth and nail to negotiate on those issues directly affecting the common policies based on the Rome Treaty. Jean Rey him-

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self continues to cite the successful Kennedy Round talks, where the Commission and he, as member responsible for external relations, negotiated for the six member states.

Although Belgium's Foreign Minister Pierre Harmel, current chairman of the Council of Ministers, favored such a scenario, with the Six taking up the cudgel on political questions, his colleagues in the Council were hardly sympathetic. Some, including Dutch Foreign Minister Joseph M. A. H. Luns, pointed out that it was hard to distinguish technical issues from political issues, while Mario Pedini, Italian State Secretary for Foreign Affairs, proposed an *ad hoc* negotiating committee, with the Council chairman as spokesman for the Six. If, however, the objective is speedy negotiations, it is as much in the interests of the candidates as of the Six to work out the negotiating procedure.

Last month the six foreign ministers also discussed future political cooperation and internal development of the Community. The significant thing about these discussions was the agreement that the candidates would be kept fully informed of these talks. The four applicants are being treated like real, prospective members of the Community. Their entry is no longer beyond the horizon but rather clearly in sight. Entry talks will be tough, but this time their success or failure will depend as much on Britain as on the Six. For the first time, the political will for them to succeed is present throughout the Community.

Britain's Benefits of Entry Likely to Outweigh Costs

Provided that the outcome of entry negotiations is not too adverse, there seems a reasonable likelihood that the long-term benefits for Britain of joining the European Community will outweigh the costs.

This was the conclusion reached in the British Government's White Paper, published on February 10. The White Paper had been ordered by Prime Minister Harold Wilson for the purpose of bringing up to date the assessments given in May 1967 in a similar document, when the British Government formally applied for membership in the Community.

Membership in the European Community will involve a substantial and continuing balance-of-payments cost, attributable primarily to the common agricultural policy and its financing, according to the White Paper. Against this cost must be set the substantial economic benefits expected from the dynamic effects of membership, as well as the expected increase in invisible earnings.

The cost has undoubtedly risen since the previous application in 1967, because of the rising farm surpluses in the Community as well as the sterling devaluation in November 1967, the White Paper said. The farm-finance contribution could range between \$360 million and \$160.8 million offset to the extent of \$120 million to \$240 million by receipts from the operation of the Community's farm policy; the change in the cost of imports could be anything from a reduction of \$204 million to an increase of \$612 million, and visible trade in goods other than food might produce an adverse "impact" effect of between \$300 million and \$660 million (ignoring completely the "dynamic" effect of new opportunities and competition). The cost of living could rise by 4-5 per cent during the transitional period as a result of an 18-26 per cent increase in food prices. Farm production could rise by 5-10 per cent.

Courtesy The Guardian, *London.*

Expanding Home Market

The White Paper stated that the total effect of entry "cannot be assessed by adding together the extremes of the ranges given. The result—an overall balance of payments cost ranging from about \$240 million to about \$2.4 billion—not only makes no allowance for the dynamic effects but is also far too wide to afford any basis for judgment, and is positively misleading in that it is inconceivable that all the elements in the calculation will work in the same direction, whether favorable or unfavorable. The cost—ignoring the dynamic benefits—is likely to lie well within the extremes of this range."

The White Paper stated that membership in a rapidly-expanding European home market could provide large and lasting benefits for British industry, in addition to an improvement in the invisible earning of the London capital market. Just how great these benefits might be, it did not attempt to forecast, but stated that an increase in the rate of economic growth of considerably less than 1 per cent would offset any probable cost.

Toward a European Currency

PAUL BAREAU

FULL MONETARY AND ECONOMIC UNION by the end of this decade is the goal of a plan completed on March 4 by the Commission of the European Communities.

The target date is early 1978, a significant date, first because it will mark the Common Market's twentieth year, and secondly, because, as the Commission pointed out, it could coincide with the end of the transitional period to be negotiated with the four candidates for membership in the Community. This last suggestion implies that Britain and the other candidates might become members by the beginning of 1973 and would have five years of transitional membership before becoming full members. The target date 1978 is, however, flexible and under the Commission's proposals could be extended to 1980.

Symbol and Result of Political Unity

A common European currency, the ultimate objective of the project, would signal the member countries' arrival at complete economic and, in most respects, political unity. It will symbolize its achievement and flow logically from it.

A common currency implies a complete community of economic policy, budgets and fiscal measures, monetary policy, and central banking operations. The policy and institutional implications of accepting a common currency concern the very core of national sovereignty. These issues have been most vehemently defended in the past—both by root and branch opponents of the Common Market and by those who see it as "Europe of the Fatherlands." If sovereignty over these aspects of policy and execution is to be sacrificed to the cause of European union in this decade, the ideal of a not merely federal but unified Europe will have won a great victory.

It may be argued that this Europe would only have arrived at the point reached by the members of the Latin Monetary Union between 1865 and 1914 *(see box)*, or between an even larger number of countries during the classic period of the gold standard. In these earlier circumstances, however, the necessary harmonization of economic policy was ensured by the free convertibility of the currencies concerned and by the impersonal discipline which induced the participating countries to adjust their economic policies according to the virtually automatic guidelines of movements of bullion and changes in their central reserves. Those days have gone. The required harmonization of economic and monetary policies in the circumstances of today and the next decade involves a very different set of problems.

The Magnitude of the Task

The extent of the ground to be covered before arriving at a common currency was symbolized by the fact that within twenty-four hours after the Commission's report was issued in Brussels, the Bank of England had reduced its discount rate by 0.5 per cent while the central banks of Germany and Italy had each raised theirs by 1.5 per cent. The disparity of monetary conditions reflected in these divergent movements is paralleled by the radical differences in tax systems among the Common Market's current and potential members.

To state these differences and difficulties is not to disparage the objective of monetary and economic union, but rather to establish the magnitude of the task. Only by honest appraisal of the logistics of the project will the required resources of strength and determination be mobilized and successfully applied.

This report on continued progress towards monetary union elaborated on the theme of the plan put forward in February

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Pierre Werner, Luxembourg's Prime Minister and Finance Minister, who has been appointed chairman of the committee that will report to the Council of Ministers by the end of May on proposals

THE LATIN MONETARY UNION

The Latin Monetary Union tried to stabilize the international monetary markets after the drain of silver coinage in the 1850's and 1860's had become so serious that the international trade of France and other European countries was harmed. In 1865, Belgium raised the problem with the French Emperor Napoleon III who called a conference in Paris at which France, Belgium, Italy, and Switzerland worked out a common solution.

Napoleon, in accord with delegates from the other three participating countries, but in opposition to traditional French banking circles, strongly favored the adoption of the gold standard. Silver coinage would be reduced to token money, thus halting the drain of silver and easing international trade. Opposition from French bankers, however, proved too powerful, and a compromise solution in the form of the Latin Monetary Union came into being in December 1865. The bimetallic system was nominally retained, but all members adopted a new standard of reduced silver content in subsidiary coins. The conference decided that the Union would regulate both the issue of subsidiary coinage and the convertibility of members' currencies, and that formal consultative meetings would be held once a year.

The Latin Monetary Union, joined later by Greece, Spain, Venezuela, and other countries, disintegrated during World War I and was formally ended in 1926.

by the Commission and various member governments for creating an economic and monetary union. At Mr. Werner's left is Paul Henri Spaak, Belgium Minister of Foreign Affairs when photo was taken.

1969 by Raymond Barre, member of the Commission responsible for monetary and economic policy. The Barre plan contained proposals for the creation of a common $2-billion reserve fund for short-term help to a member state in temporary economic difficulties. *(See European Community No. 131, page 3).* It also recommended closer monetary consultation and, in particular, appropriate forewarning of any impending national economic policy decisions likely to affect other Community members. This requirement clearly reflected the Community's concern about the currency crises of previous years and last year's parity changes that had undermined the common agricultural policy and much of the Community's other work.

That elusive but imperative harmony of economic policy that helps all member countries advance while remaining in step with one another inspired the Commission's new report. Only if it can be achieved over a fairly protracted period can the existing cohesion be transmuted into the full union symbolized by a common currency.

The Logistics of the Plan

Progress towards this goal is to be made in three stages. In the first stage, covering 1970 and 1971, alignment of the rates of turnover taxes would begin and a program would be enacted for harmonizing excise taxes. A system would be put in place for medium-term monetary support, including the members' special drawing rights on the International Monetary Fund. Perhaps most significantly, beginning in 1971, the ministers of finance would meet once a year to discuss their national draft budgets.

The second and key stage, covering 1972 to 1975 with a possible extension to 1977, would be devoted primarily to assuring convergence of the members' economic trends. Complete freedom of capital movements between member countries and uniform turnover, excise, and corporation tax rates would be achieved. An important move towards monetary union would be made through a narrowing of the permissible margins of currency fluctuation between Common Market countries to 1 per cent from their current possible range of 4 per cent.

The third and final stage would cover the years 1976 to 1978 with a possible extension to 1980. This stage can begin only if all necessary powers to ensure economic and monetary union have been granted to the Community's institutions. The member countries' central banks would become members of a European Federal Reserve System, with a central board. A central reserve would be created, and an ever increasing proportion of national reserves transferred to it. The members' currencies would be rigidly stable in terms of one another without any permissible margins of fluctuation between them. The Commission concluded: "The conditions for the creation of a common European currency will then be satisfied."

Britain's Unmentioned Presence

This report made no direct reference to the position of sterling, but Britain's membership in the Common Market is clearly anticipated. The advent of sterling within the monetary union is implied in the Commission's criticism of the exclusive use of the dollar, both as anchor and intervention currency, and the suggestion that Common Market currencies should fill this role.

The position of sterling in this context is not, and indeed cannot be, defined in the Commission's report, but it is relevant to this problem to quote what the Governor of the National Bank of Belgium, Hubert-Jacques-Nicolas Ansiaux, said in a recent speech in London: "Sterling is an international currency which none of the present Common Market currencies is. When the National Bank of Belgium intervenes on its foreign exchange market, it does so in dollars, not in German marks or French francs. British membership would make it easier for the Common Market countries to deal among themselves and with third countries in one of their own currencies."

References in the Commission's report to the need for strengthening a European capital market have the most direct relevance to Great Britain's membership in the Community. London is the most important and closely integrated capital and money market in Europe. This strength is shown by the fact that it has acquired the major share of the Eurocurrency market. London, with its galaxy of domestic, foreign, and merchant banks, discount houses, and its incomparable galaxy of financial markets from the Stock Exchange to bullion, foreign exchange, insurance, etc., would provide the basic structure of a market to which all member countries would contribute part of their resources and satisfy their capital needs, to the mutual advantage of all concerned.

It is even conceivable that in the European Federal Reserve System, the central board might sit in London, (even though it already meets in embryo every month in the board room of the Bank for International Settlements in Basle).

This blueprint for monetary union unfolds with balanced and seemingly inexorable logic. The last word must, however, be one of caution. This move to monetary union is the most ambitious and indeed climactic phase in the evolution of the Common Market. Success will be far more difficult to achieve than the common market in industrial and agricultural products.

Germany's Labor Unions

WALTER KENDALL

LAST FALL'S BALLOT BOX VICTORY of the German Social Democratic Party (SPD) also thrust the 6,500,000-strong German labor union federation, DGB (Deutscher Gewerkschaftsbund) firmly towards the center of the Federal Republic's social and political stage.

Willy Brandt's election, giving Germany its first Socialist Chancellor in almost 40 years, came on the twentieth anniversary of the re-establishment of a German free labor union federation at Munich, in October 1949. As the DGB leaders have minds of their own, and as their goals do not always mesh smoothly with those of the Socialist Party, the relationship between the majority coalition and the unions promises to be interesting.

First Recognition Came Under Weimar Republic

The DGB shares with the British Trades Union Congress (TUC) and the American Federation of Labor - Congress of Industrial Organizations (AFL-CIO) the distinction of being one of the three largest and most powerful union federations in the world. This distinction has not come about easily. German management has traditionally been authoritarian, jealous of its powers and privileges. In their early years, the state railroads, for example, simply forbade labor union organization. Not until the Weimar Republic did the unions receive some degree of social recognition, but at a time when inflation undermined union power. At its peak, unemployment put almost half of Germany's union members on relief.

The Nazis shattered the German unions—destroying their organization, confiscating their funds and buildings, and jailing their leaders. German workers were forced into the Nazi Labor Front, which sought to capture the entire working class within the prison walls of Hitler's corporate state. This tragic experience continues to weigh heavily on the DGB. Top leaders are mainly men who gained their formative experience in the second and third levels of the labor organizations during the Weimar regime. German union leadership is dominated by a desire to prevent any repetition of the past.

In 1945, within hours of the arrival of Allied troops, union meetings were called amidst the ruins and starvation of defeated Germany. All agreed that there must be no revival of the sectarian division into the Socialist, Catholic, Liberal, and Communist union federations which had helped leave the door open for Hitler's conquest of power. Once it became clear that a united confederation covering both Western and Eastern occupation zones was impossible, and as soon as the Allied ban on interzonal organization was lifted, the West German unions joined forces in a single federation. All political and religious opinions were gathered under one broad roof. Union unity in Germany, unlike that briefly established in France and Italy, has survived all postwar strains. This is a major reason for the massive strength of the German unions today.

New Post-War Foundations

Nazi terror had totally destroyed the existing German unions. The pioneers who set about the work of rebuilding in Munich were thus able to reconstruct on entirely new foundations. In place of the Weimar confusion, they established one national labor union center, the DGB. Sixteen industrial unions, each covering a clearly defined sector of the economy, were formed. Thus, one union now covers engineering, another chemicals, another building, yet another public services, transport, and communications. Each industrial union is directly represented on the executive of the DGB, which can thus speak with great authority for the entire labor movement.

The German unions have a well established membership and dues structure. The German labor federation, wealthy and well staffed, receives 12.5 per cent of the dues income of its 16 affiliates. Governed by a congress which meets every three years, the DGB organizational structure extends down to regional and even local level. The president of the DGB, elected by the congress, remains in office as a full-time worker until retirement.

Confronted with an exceptionally highly organized group of employers, the unions have become centralized and powerful institutions in their own right. High dues, regularly paid, and effective organization have combined to enable the unions both to pay out large benefits and to build up large funds. Well-paid professional experts are employed on a considerable scale. The unions own banks, run housing programs and insurance companies, and generally possess a material endowment quite unknown elsewhere in Western Europe. These resources have enabled the labor movement to establish a separate career structure and have led to the formation of a powerful and self-confident bureaucratic élite within the labor movement itself.

The harsh experiences of the Weimar Republic, the Nazi era, the presence of the Ulbricht regime across the border of a divided Germany, a certain scepticism about the commitment of some elements of Germany's ruling élite to democratic principles, have combined to give to dominant German union circles an air of cautious moderation. Restrained wage demands in postwar years greatly aided the re-capitalization of shattered German industry and with it the re-establishment of the fortunes of certain entrepreneurs. At first the German labor force was almost totally involved in the struggle for simple physical survival. More recently, engaged in accumulating the delayed benefits of an affluent society, heavily diluted by refugees from the lost territories in the East and from the un-democratic German Democratic Republic, it has not been of a militant turn of mind. Recent spontaneous strikes in the Ruhr suggest that a new generation with very different habits and attitudes may now be coming to the fore.

Two Types of Agreement

Collective bargaining in Germany hinges on two types of agreement, usually concluded between unions and employers' associations rather than between unions and individual employers. Normally a basic *Manteltarif,* or master agreement, which regulates overall conditions is negotiated nationally at intervals of several years. Supplementary *Lohntarif,* or wage (and sometimes holiday) agreements, are negotiated within the framework of the Manteltarif. Lohntarif are usually renewable annually. Negotiated closer to the point of produc-

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The majority of these workers belong to unions affiliated with the DGB, Germany's powerful union federation, one of the world's three largest. PHOTO: *Courtesy German Information Center, New York, and Krupp Steelworks, Essen.*

tion, they may regulate affairs not only at federal but also at the state or lower level. In cases where union agreements already cover at least half of those employed in a trade or industry, the existing agreement may, on application, be legally extended to the whole sector.

Labor relations in the Federal Republic have a pronounced legalistic bias. A network of local, state, and federal labor courts covering the country are assigned the duty of settling disputes over the interpretation both of contracts and disputed points of labor law. A judge and two lay assessors preside at local and state level; three qualified judges, at the Federal Court. Lay or legal representation may be appropriate, according to the level of the court.

Harsh experience with arbitration of disputes in the past has led the unions to look upon compulsory arbitration with pronounced disfavor. Contracts normally include "no strike" provisions and are legally enforceable.

Conciliation Procedure

The complicated nature of contract and conciliation procedures places something of an embargo on strike action. An official stoppage normally requires a two-thirds majority on a specially arranged poll. Postwar legal decisions have tended severely to circumscribe the right to strike. An official strike in 1956 left the Metal Workers Union facing damages of $420 million (100 million marks).

The German unions have no widespread rank-and-file system of shop-steward representation. Supervision of union contract provisions at plant and enterprise level is in the hands of legally obligatory "works councils." Elected by all employees, whether members of a union or not, the works councils also have some limited welfare, individual grievance, safety and other "in plant" responsibilities. Works councils are expressly excluded from exercising union functions over wages and working conditions.

In the immediate postwar years the iron, coal, and steel industries, taken over from their Nazi owners, were administered by the Allied occupation authorities. The unions and the Socialists were united in the belief that the Allies would never return them to their former stockholders but instead hand them over to the future re-constituted German state. When it became clear, after the foundation of the Federal Republic, that this would not be the case, the labor unions determined to try to maintain some check on the resuscitated iron, coal, and steel barons.

German company law rests on a three-tier structure: the stockholders, a supervisory board *(Aufsichtsrat)* appointed by the stockholders, and a board of management *(Vorstand)* appointed by the supervisory board. After a fierce agitation and the threat of a national strike in 1951, unions obtained a *Mitbestimmung* (co-determination) law which applied to the major firms in the iron, coal, and steel industries. The provisions of this law confer on the workers and their unions a 50 per cent representation on the supervisory board and the right, in effect, to appoint one of the three working directors who comprise the Vorstand.

In 1952, a modified Mitbestimmung law, giving only one-third representation on the supervisory board, was extended to major firms in the rest of the economy. While it would be untrue to suggest that Mitbestimmung in coal, iron, and steel has in any way transformed these industries, it does seem to have made some real inroads into a long standing pattern of paternalism. Outside these industries, the minority status of the workers' representatives has meant that in most cases their formal rights have been circumvented by adroit maneuvers on the part of management.

Migrants Absorbed

The strength of the German unions has been a major reason for the Federal Republic's success in absorbing, without serious dislocation, about a million workers from territories as far afield as Southern Italy, Spain, Greece, and Turkey. Union pressure has ensured that immigrants have been hired only if specific jobs at proper rates of pay and suitable housing were guaranteed. Specially appointed foreign-language organizers and native-language newspapers have been used with some success to maintain effective contact with the *Gastarbeiter,* as the foreign workers are called.

White Collar Workers Aloof

In Germany's class-conscious hierarchic society, the DGB has had great difficulty in organizing white-collar workers. The DGB organizes blue- and white-collar workers inside the same industry-wide unions. Status-conscious employees and civil servants have, as a result, been reluctant to join. At present, some 500,000 employees are organized outside the DGB in the Deutsche Angestellten-Gewerkschaft (DAG). German civil servants are enrolled in the autonomous Deutsche Beamtenbund with 700,000 members. Both policemen and soldiers in Germany may join a union. The policemen's union has enrolled 100,000 men and is outside the DGB. Both officers and private soldiers in the armed forces are accepted into the DGB's public service union.

Including the rump Christian organization (Christlicher Gewerkschaftsbund Deutschland, 190,000 members) which arose from an unsuccessful attempt to split the DGB in the 1950's, Germany's total union strength emerges at some eight million workers out of a labor force of about 29 million. Although union membership thus represents only 27 per cent of the labor force [compared with 25 per cent in the United States], the figures understate the real power of the German unions. A large part of the German labor force is either engaged in peasant economy, or in a large and uneconomic retail distribution system, both fields that unions find extremely difficult to organize. In key sectors of the economy, the DGB remains very strong.

The original German unions were largely an offshoot of the Socialist Party. Over the years they have steadily gained more independence. The DGB now accommodates both Catholics and Social Democrats and as a result no longer officially adopts a party political stance. Nevtrtheless, a general sympathy in its ranks for the Socialists is fairly evident.

The most powerful union within the DGB is the 1,800,000-strong metal workers' organization, I.G. Metall. Led by Otto Brenner, the left-wing metal workers have allies in the chemical unions and, to a lesser extent, in the print workers' unions. A key spokesman for the opposing wing in recent years has been George Leber, president of the builders' union and Transport Minister in former chancellor Kurt Kiesinger's coalition, as well as in Willy Brandt's government.

Company Law

The German unions have been, and remain, in the forefront of the movement of European unification. Inside the labor world of the European Community, the DGB is by far the most important organization. The DGB's concern to safeguard its Mitbestimmung gains under any future European company law, and its ability to rally all other unions in Europe in its support, make it extremely probable that some version of co-determination will appear in whatever form of European company law is eventually approved.

The German unions—strong, powerful, organized in a single federal center—have a great deal in common with those of Britain's TUC. Should Britain enter the Community, the DGB would be by far the most important of the partners with which the TUC would have to deal. British entry would quickly redress the disproportionate power held by the DGB (but by intent rarely used) within the union councils of the Six.

In a German society where 1.2 per cent of the population still owns 66 per cent of industry, and where only 6 per cent of secondary school graduates come from working class families, the German unions represent one of the greatest single forces for progress and reform.

Now that the burden of postwar recovery is over, and the benefits of "affluence" to some degree assimilated, more stimulating and lively attitudes among German unions are likely to emerge. Two decades of the Bonn regime have helped to establish firm habits and traditions of democracy which, stifled under Hitler, had first been given play under the Weimer Republic. Since the postwar generation of DGB leaders is likely to leave the stage within the next ten years, new styles and methods of labor union action may lie ahead. If, as last year's Socialist gains, at the polls suggest, German social and political attitudes are changing, the effect on the DGB and its affiliates may well prove startling.

DGB Resumes Contacts with Moscow

THE DEUTSCHER GEWERKSCHAFTSBUND (DGB)—the German labor federation—is now working on a rapprochement with Soviet labor unions.

The rapprochement program, begun in 1967, was brought to a standstill by the Soviet invasion of Czechoslovakia in 1968. Recently, contacts between the Central Council of Soviet Trade Unions and the German labor federation were resumed. These renewed contacts paralleled the German Social Democrat Government's own bid to establish normal relations with Moscow, which have been frozen for more than 20 years.

As a result of the World War II alliance, organizations in the West and in the Soviet Union formed the World Federation of Trade Unions. The major hold-out against this united front was the American Federation of Labor. [The CIO joined and remained a member until the Communist and non-Communist unions split over the Marshall Plan.] From 1945 until the Marshall Plan in 1948, the world federation had an uneasy existence. Its viability as an East-West organization collapsed when Stalin and Communist unions in France and Italy denounced the Marshall Plan while non-Communist European labor union organizations, particularly the British Trades Union Congress, supported it. The split led to secession by the TUC, the CIO and other Western national labor unions from the world federation and the formation of the International Confederation of Free Trade Unions. Among the ICFTU founding members was the DGB. A "cold war" broke out between the Communist WFTU and the ICFTU, as each organization vied for affiliates, particularly in the ex-colonial world.

Last December, the Central Council of Soviet Trade Unions received a visit from DGB chief Heinz Vetter. The next step could be a visit to Bonn by Alexandr N. Shelepin, head of the Russian Council. The DGB invitation to Mr. Shelepin and his acceptance in principal has been formally welcomed by the DGB executive board, and his visit is now scheduled for some time in May

Europe's Battle Against Pollution

JOHN LAMBERT

EUROPEANS ARE SUDDENLY becoming aware that they are creating a world that is unfit to live in. It has been widely realized that it is not merely a problem of nature conservation—saving wildlife from extinction—but of preventing the deterioration of our whole environment: oil-covered beaches, rivers unfit to swim in, and undrinkable water, poisonous air, unbearable noise from airports, and a steady and irreversible disappearance of green spaces before the inroads of industry and urban sprawl.

These problems are not new· nor are human beings more thoughtless today than a few hundred years ago, when the streets of our towns were full of stinking refuse. Today's pollution problems arise from the rapid development and extension of modern industrial society. Before Europe, the United States realized the gravity of these problems: but there are more Europeans in less space, so there is less scope for letting things slide. If public opinion could grasp the mass of evidence which the experts have now assembled, the present mood of vague concern might—and ought to—lead to the priority political action that is needed.

Europe's problems have a Continental dimension although they are felt, seen, and smelled locally. The best framework for solving them might seem to be the national one, but they are common to all our countries, and many of them can be solved only through international action. Polluted air or water shows no respect for national frontiers; chemicals released into the Main River in Germany kill fish in the Rhine in Holland, waste from textile factories in northern France makes the water of Belgian rivers unusable for human consumption. It is understandable that international organizations should have taken up the problem of environment—though not always forgivable that they should have done so in competition rather than in concert.

The European Community has no direct competence in the field of environment protection, though its policies in certain areas have a bearing on natural surroundings. Thus the Mansholt plan for structural changes in the farming economy would have major effects on the countryside of the member countries, and it provides for a large-scale program of reafforestation. If the Community were to move on, in the coming years, to an effectively coordinated regional policy, it too would be of vital importance for some aspects of environmental questions. The "Aigrain Group" of national civil servants that studied the possibilities for international technological research has listed a number of projects which are relevant for the environment.

A less likely candidate for taking an interest in the environment was the North Atlantic Treaty Organization: yet the NATO Council at the end of last year established a committee on the challenges of modern society. This committee has wasted no time in establishing a list of areas, including road safety, air pollution, pollution of open waters and inland waterways, which may be intensively studied with one or another member country as a "pilot nation." NATO has justified its incursion into this field—a direct reflection of the U.S. Government's concern with these problems—on the grounds that

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Children play in the Cinquantenaire park in Brussels, a green traffic and noise free haven in the midst of the city.

it has the most effective methods for the transmission of scientific and technological experience between countries.

Council of Europe

The most important framework for concerted European efforts in the environmental field, however, is the Council of Europe. For years the Council has had an active committee working on nature conservation *(See European Community No. 124, page 13.)* The Council named 1970 "European Nature Conservation Year," and in Strasbourg from February 9 to 12 several hundred experts and politicians attended a conference on the theme "The Management of the Environment in Tomorrow's Europe." The Strasbourg conference put the emphasis firmly not just on conservation but on positive action: "The basic concept of the conference is that conservation is not merely a palliative to stop the impact of growing population numbers and technological progress on our physical environment. Far more, it must be a concerted effort to make the right choices in improving the quality of the environment and creating surroundings that satisfy man's present and future needs." It also extended the range of fields officially considered relevant farther than ever before: information was gathered from all the member countries on problems, and first efforts to solve them, in the field of urban conglomeration, industry, agriculture and forestry, and leisure.

The picture that resulted is frightening. It shows the irreversible nature of the deterioration of the environment and the all-pervading nature of the onslaught. It is not just a matter of factories' polluting air and water. Waste from our cities, more and more of it indestructible, is getting out of hand. Pesticides and fertilizers used without foresight or adequate knowledge are poisoning the soil to the point where food produced from it can be unfit for human consumption. The dangers of carbon monoxide in the atmosphere caused by massive climate changes are hardly realized. Hot water from thermal power stations can fatally upset the ecology of lakes, rivers, and coast lines. Perhaps most threatening of all, industry and urban development are using more and more land, putting more and more pressure on water supplies, and spewing out more and more waste.

Heightened Awareness

The Strasbourg conference and the Conservation Year help increase the awareness among the public and among politicians of the scope and urgency of the environmental problem. However, it is far from certain that it will be adequate to turn the tide. The Duke of Edinburgh, addressing the conference, gave a clear-headed warning that "It is totally useless for a lot of well-meaning people to wring their hands in conference and to point out the dangers of pollution or destruction of the countryside if no one is willing or capable of taking any action. It will be a waste of time and effort to establish even the most brilliant advisory body . . . all the impassioned speeches will be so much effluent under the bridge unless it is followed by drastic political action."

The action that can follow the Strasbourg conference is hardly likely to be drastic. The work planned for this year could encourage the national governments to act and could also lead in the end to a European conservation convention binding them to observe certain rules and priorities or to pass legislation on certain matters. Clearly there are areas where legislation can help; some experts were optimistic about dominating the most obvious ills of water and air pollution within a period of years, but this is only a part of the problem. Our whole economic system is a vast pollution machine. It will take a fundamental shift in priorities, together with far-sighted planning and courageous choices. As the review *Agenor* put it in the conclusions to a feature on "Europe Unfit to Live In": "To arrest this collective crime of irreplacable destruction of our environment will take more than good information, and it is too urgent to wait until a slow change in education has produced a generation aware and involved. It will take more than a new approach to physical planning or even the passage of legislation establishing the fundamental right to protection of the environment. It requires nothing less than a thorough questioning and a total re-appraisal of the goals and priorities of our society."

The destruction of the environment calls for plain speaking. It is a more urgent and more vital problem, for us and above all for our children, than almost any other in our society.

Joint Efforts to Fight Pollution Urged

AT ITS CLOSING SESSION on February 12, the European conservation conference in Strasbourg called for a European ministerial meeting to promote international cooperation in the fight against pollution. A draft declaration issued by the conference said high priority must be given to curbing man's abuse of nature.

The declaration urged that a European ministerial meeting should give instructions to secure internationally-agreed standards for European industry, particularly for pesticides, vehicle exhaust fumes and aircraft engines. The ministerial conference should also study the possibility of creating a European fund for combating pollution and draw up a protocol to the European Convention on Human Rights guaranteeing the right of every individual to enjoy a healthy and unspoiled environment.

This protocol would cover the rights to breathe air and drink water reasonably free from pollution, the right to freedom from undue noise, and to reasonable access to the coast and countryside.

The conference, attended by 350 delegates from 21 countries, also called on national governments to do as much as possible to prevent pollution and improve the environment. Governments were urged to reclaim derelict and waste land, particularly for recreation and wild life.

The conference also asked governments to enact laws to ensure the effective planning and management of the environment and draw up long-term plans for the rational use and management of land.

It said all practicable means should be used to reduce pollution to a minimum; in particular the unwanted effects of the international combustion engine, jet aircraft, and chemicals.

COMMUNITY NEWS

COMMISSION TO NEGOTIATE ON WORLD COTTON ACCORD

The Council of Ministers, at its February 5-7 meeting, authorized the Commission to negotiate for the Community the possible renewal of the long-term agreement on international trade in cotton textiles. The agreement expires on September 30.

The Rome Treaty specifies that after the transition period negotiations on all matters of external trade policy shall be conducted, not by the member governments acting individually, but by the Community acting jointly. As the Treaty provides, the Commission will be assisted by a special committee on which each country has one representative. The Commission will report regularly to the Council on the progress of negotiations. Previously, the Commission has conducted external trade negotiations on an *ad hoc* basis, as for example during the Kennedy Round.

On February 20, Olivier Long, head of the General Agreement on Tariffs and Trade, urged importing and exporting nations to decide by April whether they would extend the present accord regulating world trade in cotton textiles. He told the 76 GATT member nations at their annual assembly in Geneva that governments and the cotton textile industry itself needed to know by April where they stood.

Now in its eighth year, the accord tries to permit an orderly expansion of the exports of low-cost producers to the industrialized countries without causing market disruption. Japan and other low-cost exporting countries dislike the pact because it permits restraints to be imposed on their shipments.

Present plans call for a three-year extension of the pact if individual exporting and importing countries can work out agreements on the growth rates to be permitted their trade.

SECOND ALLOCATION OF FARM REFORM AID

The European Communities Commission on March 2 decided to allocate $45,434,408 to help member countries finance 180 projects to improve methods of producing and marketing agricultural commodities.

This was the second of four allocations of funds set aside for such purposes in the 1969 budget of the common farm fund's Guidance Section which helps finance structural changes in farming.

The grants just approved are distributed as follows:

	Amount of Aid	*Number of Projects*
Germany	$12,663,761	47
Belgium	3,464,191	16
France	9,881,570	33
Italy	15,776,083	53
Luxembourg	94,550	3
Netherlands	3,554,253	28
TOTAL	$45,434,408	180

Most of the projects involve irrigation, drainage, vines, olives, dairy, and fruit and vegetables. Eighty of them, designed to improve the structure of production, received 58 per cent ($26,391,279) of the current award. Eighty-eight projects, to improve marketing, received 37.3 per cent ($16,921,823) of the award, while the remaining 12 "mixed" projects received 4.7 per cent ($2,121,306).

Aid to Irrigation, Wine, and Olives

To increase agricultural productivity and improve living conditions for agricultural workers, the Commission selected irrigation projects that would enable farmers to diversify, thus helping to reduce their production of traditional crops by substituting new ones for which there is a growing market. Drainage and flood control projects which will make the farmer's life easier were also chosen. Aid was increased, for example, for the dry area in Southern France around the Provence Canal.

For the wine industry, the Commission tried to ensure that its grants would not lead to production increases and that new vines would be varieties recommended by legislation in the individual states. Projects to improve production conditions and wine quality were also approved for seven Italian provinces which, together with two French provinces, also received aid for wine cellars.

This was the first time the Commission had made large sums available for olive-growing projects. Some of the projects approved involve replanting olive groves or improvements in oil mills. Switching from oil olives into table olives is the main purpose of a replanting project in Corsica.

Dairy, a Main Beneficiary

The dairy sector, traditionally a main beneficiary of the farm fund, has been allotted almost 24 per cent ($10 million) of the grants just made. The Commission chose only projects that would not increase milk production but would help, instead, to improve distribution and encourage production of items like yogurt and cream cheese for which demand is growing.

Grants to the fruit and vegetable sector amounted to a little less than 10 per cent of the total. These grants will finance refrigerated stores and storage and packing centers in five Italian provinces and two German states.

REDEVELOPMENT PROJECTS GET $160 MILLION BOOST

The value of industrial investment projects aided by the Commission's regional development measures in 1966-69 exceeded $1 billion, the Commission announced at the end of January. These measures have created 100,000 new jobs, mainly for former coal and steel workers.

The Commission's own contribution to the cost of these new projects was $160 million in loans, plus interest rebates on the loans, which cost the Commission some $3 million a year. The funds for the Commission's loans were raised on international capital markets on more favorable terms than would be available to the individual companies or other bodies.

The Commission's powers to raise loans derives from the European Coal and Steel Community Treaty. By using them, the Commission has played a major part in encouraging the growth of new industries in many areas in the Six hit by the decline of coalmining and iron ore industries.

On the basis of its successful experience, the Commission last fall proposed that the Council of Ministers extend these powers in order to attract public and private capital to structurally weak regions—other than coal- and steel-producing areas—where regional policy measures are necessary for the coordinated development of the Common Market.

NORDEK TREATY SIGNED

The Norwegian, Swedish, Danish, and Finnish Governments on February 4 approved the draft of the "Nordek" treaty strengthening economic cooperation between their countries.

The treaty provides for a customs union and common external tariff with alignments in two steps, the first on January 1, 1972, and the other on January 1, 1974. The common external tariff will be based on the four countries' average current tariffs and will be at the same general level as the European Community's tariff.

News of the agreement was welcomed by European politicians and press, and by the Nordic Congress which met in Reykjavik, Iceland, on February 8.

REY: UK ENTRY TALKS COULD OPEN THIS SUMMER

The European Community could open membership negotiations with Britain and the three other candidates (Ireland, Denmark, Norway) before the Commission's summer recess (August), Commission President Jean Rey told the European Parliament on February 4. He thought the Six would be able to work out a common negotiating position by then—as they had agreed to do at The Hague summit. After negotiations opened, the Six would have a clearer idea of the main points at issue.

Announcing the Commission's priorities for the year ahead—an innovation welcomed by Parliament President Mario Scelba as a further move making the functioning of the Community more democratic—Mr. Rey said the entry talks would dominate the Community's activities this year.

Among other urgent tasks cited by Mr. Rey were:

- improvement of relations with the United States, which had deteriorated because of U.S. protectionist tendencies and because of America's misgivings about the Community's policy of negotiating preferential trade agreements
- preparation of a stage-by-stage plan for an economic and monetary union. The plan would include new proposals on tax harmonization, capital movements, and harmonization of social welfare systems
- launching of a common industrial policy that would help companies in the Six compete more effectively on world markets. The Commission plans to publish a memorandum on this topic shortly
- reorganization of Euratom's Joint Research Center so that its work could be extended to non-nuclear activities and its research more easily applied by industry
- putting into effect the proposals made by the Commission's group of experts for technological cooperation among the Six, and with other interested European countries
- establishment of common markets for wine and tobacco—and the reduction of farm surpluses. Mr. Rey warned that the surpluses could endanger the Community's relations with its trading partners.
- reform by the European Social Fund.

Effective Institutions Needed

The Communities' institutions should be strengthened—but the immediate goal should be their functioning according to the Treaties (a reference to the continued practice of unanimity voting in the Council). Mr. Rey thought that The Hague summit's silence on this point meant that member states were still contesting the issue and that it would continue to cause difficulties.

He criticized attempts to encourage "the illusion that it is in the capitals that what the Community must do is decided: the decisions must be made in the institutions, according to the rules of the Treaties." He thought it paradoxical that the applicants should be told that they would have to accept the Community mechanisms when some existing members themselves did not entirely do so.

Barre on Plan for Monetary Union

Commission Vice President Raymond Barre told the Parliament that 1969 had been a year of "strains and shocks," and of "lost illusions." Because of a false sense of security, insufficient attention had been paid to economic policy coordination and to monetary solidarity in the Community. However, 1969 was also the year when the Six started to act in the economic and monetary fields, and he retraced the Community's progress after the Commission submitted its memorandum of February 12, 1969 ("the Barre Plan").

Commenting on the substantial results achieved in carrying out the Barre Plan, at the Council meeting of January 26, he pointed out that the Commission's proposals meant getting to grips with the long and arduous task of harmonizing medium-term economic policies.

"The Commission," he said, "is fully aware of the difficulties that will be encountered before this program is finally settled." While it is easy to promise the highest growth rate, perfect price stability, a substantial surplus on the balance of payments, and the disappearance of unemployment, all at the same time, he said it was more honest and useful to try to establish a medium-term policy that corresponds with reality.

In the next few weeks, Mr. Barre said, the Commission and the Council would begin to prepare a plan leading to an economic and monetary union.

The Commission Vice President highlighted four international factors now influencing the Common Market: the economic situation in the United States; the recovery of the British balance of payments; the improved way in which the international monetary system was functioning; and the high level of interest rates. Mr. Barre stressed that the economic outlook called for vigorous and rapid disinflation in all member countries. "Disinflation, that is, a progressive return to equilibrium, but not deflation which could interrupt growth and would be socially unacceptable." He said: "Vigorous action, concentrated in the first half of 1970, is essential," to avoid a later "slow-down in growth coinciding with a persistent rise in costs and prices against a precarious international background."

Among the main instruments available for slowing down the expansion of domestic demand were:

- increased budgetary austerity
- maintenance of a restrictive credit policy
- stimulation of private saving in order to put a brake on personal consumption and transfers of capital abroad
- intensification of competition.

Commission President Jean Rey.

REY: MAJORITY VOTING ESSENTIAL IN ENLARGED EC

A ten-nation Community would be virtually unmanageable if the present system of unanimity voting were retained in the Council of Ministers, Commission President Jean Rey suggested at a press conference in Brussels on February 27.

He urged the Six to solve the problem of majority voting before enlarging the Community. He doubted whether the Six or the four applicant countries would want to retain the unanimity principle. Either this year or 1971, before the end of the enlargement negotiations, the Six will have to review the working of the "Luxembourg compromise," Mr. Rey said. It was "not a question of theology, but of efficiency."

Following the Luxembourg compromise of January 1966, reached after a seven-month French boycott of the Community, the Council has tried to avoid voting by majority where "vital national interests" were at stake. This practice is in violation of the Rome Treaty and has been consistently criticized by the Commission.

Enlargement Negotiations

On the enlargement negotiations, Mr. Rey said it would be "reasonable to suppose" that the negotiations should be conducted by the Commission, at least in a first stage, and at least for economic questions. He envisaged a first meeting with the candidate countries for a general survey of the problems involved—to be followed by a period of "study and reflection" before the second round of talks. The Six should not try to adopt a definitive negotiating position before they have listened to what the candidates had to say, Mr. Rey stated.

Mr. Rey said that he was not surprised that British opinion polls reflected opposition to membership, in view of the treatment the United Kingdom had suffered at the hands of the Community in the past. He recalled that the Six had given no proper political explanation for breaking off the first series of negotiations in 1963, and said it was inevitable that British reactions should have been negative. Mr. Rey thought that it was also natural for British housewives to worry about higher food prices, when the British agricultural system was designed to keep prices low. However, he was sure public opinion would rally to the Community once negotiations began and compromise solutions, reconciling the "real problems" on both sides, could be assessed.

Mr. Rey hedged on the sensitive question of whether the Commission should be reduced from 14 members to nine on July 1, as provided in the 1967 treaty merging the original three Community executives, and whether any members of the present Commission should be replaced at that time.

COMMISSION APPROVES TRIPARTITE AGREEMENT ON GAS CENTRIFUGES

The European Communities Commission on February 18 approved the plans of Germany, the Netherlands, and the United Kingdom to cooperate on the construction of two test plants for the production of enriched uranium for peaceful purposes by the gas centrifuge method.

The Treaty covering this joint project was signed on March 4 in Almelo, the Netherlands, the site of one of the plants. The other will be located in Capenhurst, England.

The Commission dropped its initial reservations about the agreement after receiving assurances from Germany and the Netherlands that it would be open to other countries, such as Italy and Belgium which have asked to participate. The Commission also asked Bonn and The Hague to make immediate studies of any problems the accession of new members might cause. In addition, the United Kingdom assured its two partners that it would not ask them to do anything against the Treaty creating the European Atomic Energy Community.

NEW MEMBERS WOULD PAY ECSC LEVY, COPPE SAYS

Britain will have to pay a levy on its steel and coal production if it joins the European Community, Commission Member Albert Coppé said at a meeting of the European Coal and Steel Community's Consultative Committee, in Luxembourg on February 13.

Mr. Coppé said that the present levy of 0.3 per cent on the value of production was likely to be maintained, and any new member states (which would automatically join the Coal and Steel Community) would have to pay the levy if they wanted to enjoy the financial benefits. The levy pays for retraining workers phased out through industrial reorganization, such as pit closures, and for encouraging research.

About $155 million has been spent on retraining about 408,000 workers since the formation of the Coal and Steel Community in 1953. This figure would reach $180 million by the end of the year, Mr. Coppé said. The Community has also spent $112 million on research ($45 million in steel, $35 million in coal, and $32 million on social and medical research).

Several members of the consultative committee, which includes respresentatives of producers, workers, and consumers, complained that, while the coal and steel industries paid production levies, the rest of the Common Market was financed through direct contributions from governments.

UK LAW SYSTEM COULD ENRICH COMMUNITY LAW

If Britain joined the Common Market, its "greatly-respected legal experience" would enrich the Community, Pierre Pescatore, Judge at the Court of Justice of the European Communities, told the British Chamber of Commerce for Belgium and Luxembourg, in Brussels on February 5.

Of the problems facing Britain in the judicial field upon entry into the European system, he said: "One must remember that by past decisions of the Court, a vast body of case law has been created on the basis of the Treaty provisions. These developments form an integral part of the Community law, all of which has to be accepted by acceding states."

Most prominent in this jurisprudence, he said, was the doctrine of the self-executing character of the Common Market's basic rules. Mr. Pescatore said that this meant British tribunals will be responsible for applying and enforcing Community law, as is already common practice on the Continent. Through "preliminary rulings" on questions of interpretation of Community rules and validity of acts of the Community institutions, close contact and cooperation will be established between the Court of Justice and British tribunals, including the highest courts of the United Kingdom, to ensure uniform interpretation.

Mr. Pescatore said that he did not foresee any insuperable obstacles in the judicial branch. "On the contrary," he said, "I would expect an enrichment of the Community system by the greatly respected legal experience of Great Britain." The introduction of English as one of the Community's official languages may cause changes in working habits, Mr. Pescatore said, adding that the Court had found that differences arising from national backgrounds were "not a factor of paramount importance or difficulty in legal decisions."

Commenting on the Continental practice of publishing only the majority opinion, without naming the dissenters or giving their reasons, Mr. Pescatore said he felt that British judges and lawyers would come to appreciate the advantages of the existing rules. He described the rules as "simple and well adapted to the kind of control exercised by the Court in a multinational context." He said he hoped no suggestion would be made to introduce dissenting opinions which would be "detrimental to the independence of judges nominated by governments for limited terms of office. In these circumstances, only a fully collegiate system covered by the secrecy of deliberations can guarantee the full independence of the judiciary," Mr. Pescatore stated.

PRODUCTIVITY RISES AS COALMINE JOBS DROP

The number of pitworkers in Community coalmines last year fell by 25,800 to 244,800. The reduction took place in all the member countries except Italy, where the number of coalminers rose to 900 from 800 at the end of 1968. Productivity per worker and per shift rose, on average, to 7,181 pounds in December 1969, compared with 6,978 pounds in December 1968 and 6,219 pounds for all 1967. On average, labor productivity in Community coalmines rose by 7 per cent in 1969, and the share of total coal production by mechanized mines increased to 83 per cent.

ASSOCIATION WITH GREECE FROZEN, SAYS HARMEL

The association between the European Community and Greece has not progressed at all since the coup d'état on April 21, 1967, Pierre Harmel, president of the Council of Ministers told the European Parliament on February 3.

Answering an oral question from Ernest Glinne (Belgian Socialist), Mr. Harmel said the Council and the Commission had decided to limit their activities to the minimum necessary to carry out the commitments made under the Athens Agreement up to that date. However, all development of the agreement, which is intended to lead to full Community membership for Greece, has been halted. Accordingly, there had been a minimum number of meetings at ambassadorial level, but no ministerial meetings were taking place, Mr. Harmel said. He acknowledged that as Greece had no parliament, the joint parliamentary association committee between Greece and the Six could not function; the committee was a vital part of the association.

The Council of Ministers shared the European parliament's concern at the failure to restore democratic liberties in Greece, the Belgian Foreign Minister said. The Community would be ready to revise its attitude as soon as a normal political situation had been re-established.

Mr. Harmel's statement was welcomed by the Christian Democrat, Liberal, and Gaullist groups in the Parliament. However, the Socialists and Communists made it clear that they would have liked to see the Council go much further, by taking action to suspend or cancel the agreement altogether.

Current Status of Agreement

Shortly after the coup, the Commission told the European Parliament that it could not remain indifferent to the constitutional system of a country which was destined to become a member of the Community.

Since the coup, only those provisions of the Athens Agreement and decisions of the Community-Greece Association Council entailing clearly defined obligations have been applied, principally in the area of customs arrangements and trade. However, nothing further has been done to carry out provisions of the agreement which do not specify obligations, but merely furnish a framework for the future development of the association, such as for harmonization of the agricultural policies of the Community and Greece.

After the time-limit for using the sum of $125 million lent to Greece under the Athens Agreement expired on October 31, 1967, the uncommitted balance of about $56 million was not allocated to any new operations; nor have negotiations for new measures of financial assistance to Greece been pursued.

Although the referendum of September 29, 1968, led to the adoption by the Greek people of a draft constitution drawn up by the government, most of its provisions guaranteeing fundamental human and civil rights have not yet come into force. The Government has also suspended implementation of the articles dealing with freedom to found political parties and with parliamentary and municipal elections. Consequently, the joint parliamentary association committee still cannot function.

Therefore, the Commission has said that it cannot modify its attitude that the application of the association agreement must, at present, mean merely dealing with current matters as they arise, instead of developing the agreement.

A MILLION GERMAN FARMERS WILL LEAVE THE LAND BY 1980

Germany's agriculture must expect to lose another one million self-employed farmers and farmhands to industry by 1980, the German Government said on February 26 in a report analyzing the long-range prospects of farming.

In its annual "green report" on the state of the nation's agriculture, the Government predicted that Germany's current farm labor force of 2.4 million would drop to 1.4 million by 1980. This was based on the assumption that the 1970's would bring no widening of the gap between industrial and rural incomes, the report said. Annual per capita income in agriculture now amounts to $2,400, against $3,250 in industry.

Since 1950, the start of Germany's rapid postwar reconstruction and industrialization, the nation's agriculture tripled its productivity, but its share in the gross national product (GNP) dropped from 10 per cent to 3.4 per cent in the same span, the report said.

Highlighting the sociological and economic problems of Germany's shrinking agriculture, the report said that farming's 3.4 per cent contribution to the GNP contrasted with a 9 per cent share in the nation's total workforce. (Agricultural employment for the Community as a whole is 14 per cent of the labor force.)

In the last 20 years, the Government had spent an estimated $10 billion to finance agricultural improvements. The report pledged continued aid to modernize farms.

Jacques-René Rabier, new head of the European Communities Directorate General for Press and Information.

RABIER APPOINTED CHIEF OF EC INFORMATION

Jacques-René Rabier has been appointed head of the European Communities Directorate General for Press and Information. He succeeds Karl-Heinz Narjes, who resigned last year.

Mr. Rabier, who was born in Paris in 1919, was graduated in law before acquiring higher degrees in political science, public law, and economics. He was subsequently an official of the French national economic planning board (*Commissariat au Plan*) and in 1946 was appointed chief executive assistant to the President, Jean Monnet. In 1950 he became deputy secretary general to the Commissariat.

When the European Coal and Steel Community was established, Mr. Rabier was appointed chief executive assistant to Mr. Monnet, the ECSC High Authority's first President. In 1955 he became the ECSC Director for Information, in 1958 Director of the three European Communities' Joint Information Service, and in 1967, after the merger of the three Communities' Executives, senior Director in the Directorate General for Information.

PARLIAMENT URGES FREER TRADE WITH JAPAN

The European Parliament on February 4 voted unanimously in favor of broadening trade between the Community and Japan. Concessions would be needed on both sides to ensure "a balance with reciprocal advantages," said Jean-François Deniau during debate. Mr. Deniau is the Commission member specially responsible for foreign trade.

Last November the Council of Ministers authorized the Commission to hold exploratory talks with Japan, and Mr. Deniau went to Tokyo last month for preliminary talks.

TEN STEEL GROUPS WILL BE RIGHT FOR COMMUNITY

Ten large steel groups controlling 90 per cent of the European Community's market would be just about right, according to the Commission's guidelines for competition in the steel industry.

In "Guidelines for a Competition Policy for the Steel Industry's Structure," published in the Official Journal on January 30, 1970, the Commission said it would favor the concentration of the Community's 100 steel companies into ten major groups by 1975. For this reason, it said it would consider favorably requests to merge, acquire holdings in other companies, and arrange for joint control of production as long as none of these operations impaired competition. Under the Paris Treaty creating the European Coal and Steel Community, all plans for concentration in the steel industry must receive the Commission's approval before they are activated.

Effective competition might be seriously threatened, the Commission said, if any one group controlled more than 12-13 per cent of the Community's total steel production. The Commission said it would investigate very carefully any concentration that would result in one group's producing more than this share.

12 Groups Now Make 78.6% of Steel

In 1968, according to Commission figures, the Community's 99 million ton steel output was produced by 113 companies of very unequal size. The 12 most important groups produced 78.6 per cent of the total; the 22 groups which each produced more than 1 million tons accounted for 91.7 per cent; and 91 small companies produced the remaining 8.3 per cent. (In the U.S. market, in 1968, the top ten steel companies accounted for 80 per cent of production and the top three, 47 per cent.)

The Commission stated that it would see to it that "financial or personal links" did not compromise a major group's independence. Big companies may not coordinate their sales policies, and each major group must operate its own sales network, the Commission said. Among the smaller and middle-sized companies, however, the Commission said it would encourage exchanges of production capacity, specialization agreements, and common sales policies, as long as they improve production and distribution.

CULTURAL PASSPORTS SUGGESTED FOR STUDENTS

Students should be furnished with "cultural passports" that would admit them to courses at any university in the European Community. The European Parliament's Political Committee made this suggestion in a report on mutual recognition of degrees and diplomas.

Since 1967 the European Commission has presented to the Council proposals for mutual recognition of diplomas and degrees for architects, doctors, dentists, and engineers. The parliamentary group chided the Commission for trying to remove restrictions on freedom of establishment instead of creating a common cultural policy.

In addition, the Committee said that these restrictions would not be abolished by the end of the transition period January 1, 1970. It attributed part of the blame to the laborious nature of the Commission's procedure, which names every institution whose diplomas would be mutually recognized and indicates the supplementary qualifications, such as training periods, that would have to be met.

Recommendations

According to the Committee, the Commission should encourage Community universities and technical colleges to make their courses and examinations more similar, but not identical. This harmonization would make it easier for students to follow courses at various universities. Germany already has such a system, the Committee noted.

Under such a system, France's higher education in particular would have to be made less rigid. French students now must obtain a number of annual certificates before they can graduate.

Inter-University Exchange

The Committee also suggested that Community students be compelled to spend at least a year in a university of another member state.

Outlining the Community's activities in the field of inter-university exchanges, the Committee stated that the European Atomic Energy Community

- welcomes "stagiaires" (temporary trainees) at undergraduate and postgraduate level
- makes grants to research workers and engineers wishing to specialize
- organizes symposia and grants financial aid to scientific foundations
- trains scientific and technical staff.

In all these activities, Euratom remains in close contact with universities. The European Communities Commission, the report said, could create a European exchanges office to stimulate and coordinate the activities of existing organizations, allocate grants, establish greater uniformity in school and university courses and degrees, and open a documentation center that would collaborate with the centers of the Council of Europe, the Organization for Economic Cooperation and Development, and the United Nations Educational, Scientific, and Cultural Organization.

PHARMACEUTICAL TEST PROCEDURES READY FOR STANDARDIZATION

Standardized test procedures for pharmaceuticals, uniform reporting of test results, and common criteria for considering requests for marketing permits would help protect the public from fraudulent or careless safety claims by drug manufacturers. On February 9 , the European Communities Commission put proposals for such a system before the Council of Ministers.

Both the public and the press are concerned about dangers inherent even in medicines reputed to be harmless, the Commission said. As more and more medicines become available, the need for common test standards increases.

A Boost to Free Trade

Standardized test procedures would also contribute to free trade in pharmaceuticals within the Community, since authority to issue marketing permits still rests with the individual member countries which require different tests. While previous Council directives specified the governing principles for granting marketing permits, processing an application involves not only recording facts but also interpreting them. Because of this latitude, permit agencies in different member countries could reach different decisions about the safety of a product, thus curtailing trade in it.

Besides the medical and trade benefits, the Commission pointed out that this proposal would also free scientists for research work, since tests performed in one member country would not have to be repeated in the other five.

CORRECTION

In "Europe in the Seventies," (*European Community No. 130, pages 8 and 9*), the last four paragraphs appear out of order. From the subhead "European Idea to the Fore?" to the end of the article should appear following the last full paragraph in the first column on page 8, and before the last sentence in the column.

EXPERTS SUPPORT UNIONS ON VOICE IN MANAGEMENT

Workers' participation in management is one stated goal of the German Social and Free Democratic (SPD/FDP) coalition Government.

In the Government policy statement on October 28, Chancellor Willy Brandt heralded a reform of works council *(see page 20)* legislation saying: "We want a democratic society in which everyone can contribute his views on extension of responsibility and participation."

Since then, on January 21, the Biedenkopf Commission submitted to Chancellor Brandt its report on workers' participation, the result of more than two years' work. The Commission was made up of nine professors headed by Bochum industrial lawyer Kurt Biedenkopf, a member of the industrial policy committee of the Christian Democratic Union (CDU). The main conclusion of the report was that workers' participation in management on equal terms should be rejected while extended participation in other respects was essential. The report pointed out that German employers feared the prospect of equal representation.

The Commission suggested that on the 12-member supervisory boards of firms with between 1,000 and 2,000 employees there should be six management representatives. Four members should represent the staff, two of them representing their labor union, too. The remaining two seats should be filled by agreement between the two sides, meaning in practice seven seats for management and five for the staff. On the other hand, the commission made recommendations designed both to make it more difficult to override minority opinion on the supervisory board and to allow staff a greater say.

The first response of the DGB labor union confederation, varying between praise and disappointment, suggested that the unions acknowledge that the commission had tried to reach a tolerable compromise. Press reports said the report took much of the wind out of the workers' participation sails while the opposition would find little fuel to resume last year's heated debates. So far, the new Government has not taken a position in this debate.

IAEA-EURATOM TALKS ON SAFEGUARDS NEEDED SOON

The European Atomic Energy Community (Euratom) and the International Atomic Energy Agency (IAEA) should agree as soon as possible on procedures for safeguards and inspection after the Treaty for the Nonproliferation of Nuclear Weapons (NPT) comes into force, the European Communities Commission said on March 2. This comment was made in response to a written request from Adriaan Oele, a Dutch Socialist member of the European Parliament.

Article 3 of the NPT, which came into force on March 6, permits Euratom instead of the IAEA to perform inspections of its members' nuclear installations to make sure that fissile materials are being used only for peaceful purposes. The IAEA would still be able to check the effectiveness of Euratom's control system. On the condition that Euratom retain its authority to enforce safeguards, the Commission allowed Euratom members to sign the NPT. Belgium, Germany, Italy, Luxembourg, and the Netherlands signed the Treaty but, as the Commission recommended, will not complete the ratification process until the IAEA and Euratom reach a satisfactory solution for the verification of Euratom's control system. France announced it would not sign the NPT but has officially declared that it would respect its provisions.

NETHERLANDS ANTILLES TO GET EDF GRANT FOR PORT

The total commitments of the European Development Fund since 1964 were raised to $702,112,000 by three decisions of the European Communities Commission on February 10. These decisions involve a total amount of $6,825,000.

The Netherlands Antilles: $5,993,000 to improve the port of Willemstaad on Curacao, the largest of the six islands, which are an integral part of the Netherlands. The project includes dredging to accommodate 120,000 ton oil tankers, construction of a new berth, and several new docks.

Cameroon: $572,000 to improve crops in the 1969/70 marketing year. This project includes structural improvements in cotton, peanut, and coffee farming; distribution of fertilizers and pesticides; purchase of sprayers, and financing an agricultural research program.

The third project approved provides $260,000 to consolidate a vocational training and refresher program run by the African Training Center, Abidjan, Ivory Coast. Nationals of ten African countries associated with the Community are enrolled in the program of courses in the fields of agriculture and development economics.

EIB LOAN FOR PROVENCE

The European Investment Bank in January lent Electricité de France $14.4 million towards the costs of building a $44.7 million hydroelectric project at Sainte-Croix on the Verdon, a main tributary of the Durance River. This project includes the construction of a dam to store 767 million cubic meters of water.

TVA REDUCES TAX EVASION, OECD FINDS

A report published in February by the Organization for Economic Cooperation and Development concluded that a system of taxing the value added (TVA) reduces tax evasion, increases control of business profits, and shifts the burden of administrative work from the revenue authorities to the private sector. These are some of the advantages governments receive when switching to TVA.

Denmark, Sweden, and Norway have changed from a sales tax system to TVA in the past three years, the OECD report said. Of the Community members, Germany, the Netherlands, and Luxembourg have changed from cascade taxes to TVA, while France has modified and extended its TVA system. Belgium and Italy are committed to adopting TVA by January 1972.

The report said that opposition to TVA has been based largely on the fear that its introduction might have an inflationary effect on retail prices.

DECISION POSTPONED ON NTB ROUND NEGOTIATION

The 76 members of the General Agreement on Tariffs and Trade (GATT) have decided to put off for a year the decision to hold negotiations for the reduction of non-tariff trade barriers (NTB's).

The GATT Secretariat was asked to finish preparatory work by the end of this year so that the conference could begin in 1971. This decision was made at GATT's 26th session in Geneva, February 16-27.

Commenting on negative press reports of the meeting, U.S. Special Representative for Trade Negotiations Carl Gilbert said at a press conference on March 10 that he did not consider the lack of agreement on a timetable for negotiations a failure. More work has to be done to identify the real NTB problems, he said. While GATT contracting parties had not been able to accept the timetable laid down by its Secretariat, they had shown no reluctance to continue seeking solutions.

COMMUNITY CAN MEET ONLY 20% OF ITS NATURAL URANIUM REQUIREMENTS

The European Community will need between 325,000 tons and 525,000 tons of natural uranium in the next 30 years, according to the Commission's estimates. These amounts correspond to an installed nuclear capacity of 310,000 MWE and 410,000 MWE, respectively.

The Community's known reserves, on the other hand, amount to only 58,000 tons, most of it in France, where current production is about 1,600 tons a year. Therefore, the Community will have to import most of its nuclear fuel.

Through 1975, existing stocks and installed production capacity in the West should suffice to meet the Community's needs of about 30,000 tons a year. In 1980, annual requirements will be between 56,000 tons and 80,000 tons. Thus, new cheap ore deposits must be found to allow for the delay of three to six years between the discovery of a deposit and its development.

Prospecting Efforts

Every Community country is trying to obtain direct access to the available resources outside Europe, particularly in Africa. So far, however, only France has increased overseas reserves at its disposal, by at least 35,000 tons, permitting a production of about 2,700 tons in 1975, as compared with 500 tons at the moment. In view of the estimated increase in the Community's total uranium needs in the next 30 years, the Commission said an urgent, new impetus should be given to the search for new sources.

The Community's enriched uranium requirements in 1980 are forecast at between five million and eight million kg. units of separative work. The U.S. Atomic Energy Commission can meet all the Community's enriched uranium needs, but the supply agreement now in force expires in 1975. All the Community authorities now agree that European enrichment facilities should be set up.

The U.S. Atomic Energy Commission said, on February 12, that last year Euratom members had purchased $8.6 million in enrichment services from it. According to Community statistics, the corresponding figures for 1967 and 1968 were $37.5 million and $6.3 million, respectively.

BOOM CAUSES RECORD RISE IN ENERGY CONSUMPTION

Last year's economic boom boosted the European Community's total energy consumption to 721.7 million metric tons coal equivalent, an increase of 7.5 per cent over 1968. For 1970, an increase of 6.0 per cent over 1969 is expected.

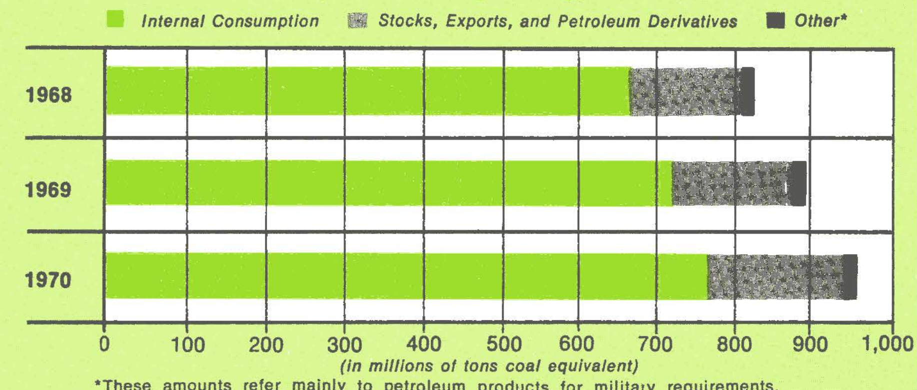
The 9.3 per cent growth rate for internal consumption of energy in 1969 was the highest since 1963 (9 per cent) and far exceeds the 4.4 per cent average annual rate of increase which the inter-executive energy group estimated for 1965-80.

All Forecasts Exceeded

The rate of growth recorded in the member states last year was more uniform than in 1968, except that the Netherlands recorded a much higher growth rate than the average. In the Netherlands, the growth in demand for natural gas in homes and in industry was the main cause of the 11.2 per cent increase in internal consumption during the year. This relative uniformity was due to the economic boom throughout the Community.

In Germany, the increase was much stronger than forecast (6.7 per cent as compared with 2.9 per cent) because of intense industrial activity responding to strong internal and external demand. In France the rates forecast were only slightly exceeded. The French economy had to make up for the slowdown caused by the social unrest in 1968; moreover, its monetary situation deteriorated early in 1969. In Italy, the expected rate was only slightly exceeded because of limitations in industrial production capacity and industrial stoppages in autumn.

The Community's Growing Energy Needs



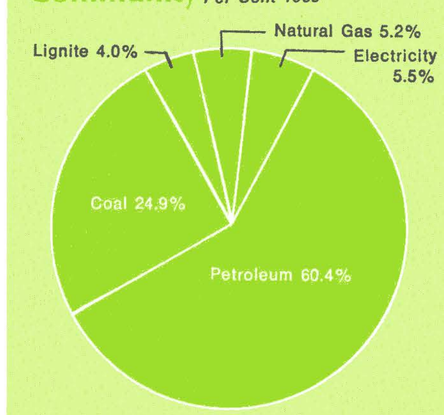
*These amounts refer mainly to petroleum products for military requirements, increased stocks, and fuel in pipelines.

COMMUNITY OIL IMPORTS HAVE TRIPLED SINCE 1959

From 1959 to 1968 petroleum imports by the European Community rose by 244 per cent, from 92.2 million metric tons to 317.2 million metric tons, according to a report by the Commission.

The report, "Energy statistics of the European Community, Supplement No. 3-4, 1969," also said that the value of petroleum imports had risen by 172 per cent, from $2.33 billion in 1959 to $6.35 billion in 1968. The fall in crude oil prices during the period explains the different percentages.

Sources of Energy in the Community *Per Cent 1968*



World production doubled during the period, from 977 million to 2 billion tons. Community consumption increased from 9.5 per cent to 16 per cent of world production.

Libya, a Leading Supplier

Much more petroleum now comes into the Community from North Africa. This is due to the large-scale development since 1961 of the Libyan oil wells. Libya now supplies more than a quarter of the Community's total oil imports. Other leading suppliers in 1968 were Iraq (14 per cent of Community imports), Kuwait (13 per cent), Saudi Arabia (12 per cent), and Algeria (11 per cent).

PUBLICATIONS AVAILABLE

SECOND GENERAL REPORT ON THE ACTIVITIES OF THE COMMUNITIES 1968. Commission of the European Communities, Brussels, 1969, 484 pages $4.00

English edition of the Commission's 1968 annual report. Contains a detailed description of the activities of the European Coal and Steel, Economic, and Atomic Energy Communities.

SECOND EUROPEAN DEVELOPMENT FUND: SITUATION AT JANUARY 1970. *Information Memo* P-1/70, Commision of the European Communities, Brussels, January 1970, 14 pages .... free

Balance sheet of the second European Development Fund after five and a half years of activity.

REPERTOIRE DES ORGANISMES COMMUNS CREES DANS LE CADRE DES COMMUNAUTES EUROPEENNES PAR LES ASSOCIATIONS INDUSTRIELLES, ARTISANALES, COMMERCIALES ET DES SERVICES DES SIX PAYS; ASSOCIATIONS DE PROFESSIONS LIBERALES; ORGANISATIONS SYNDICALES DE SALAIRIES, ET GROUPEMENTS DE CONSOMMATEURS. Commission of the European Communities, Brussels, 1969, Loose-leaf binder and basic volume $4.00

Second edition of a list of lobbies at Community level. Includes industrial, professional, trade, and craft groups as well as labor unions, transport and consumer organizations. Gives each organization's address, officers, and membership.

LES REGIMES COMPLEMENTAIRES DE SECURITE SOCIALE DANS LES INDUSTRIES DE LA C.E.C.A. Commission of the European Communities, Luxembourg, May 1969,

Vol. I (Mines de houille) 131 pages, 25 cents

Vol. II (Sidérurgie) 303 pages ....25 cents

The High Authority of the European Coal and Steel Community published a detailed study on social security systems in the coal, iron, and steel industries in 1959. The new volumes bring the 1959 edition up to date as of April 1, 1968.

LA RECHERCHE ET LE DEVELOPPEMENT EN ELECTRONIQUE DANS LES PAYS DE LA COMMUNAUTE ET LES PRINCIPAUX PAYS TIERS. *Série Industrie* No. 2, Commission of the European Communities, Brussels, 1969, 375 pages $6.00

*Following the publication of a report on the Community's electronics industry (*SERIE *Industrie No. 1, (see* EUROPEAN COMMUNITY *No. 128), the Commission presents a study on research and development in the same industry. It describes the structure and trend of the electronic industry, national and private expenditures, and policies for research and development. Available in French and German.*

ECONOMIC UNION & ENLARGEMENT. European Community Information Service, Brussels, 1969. 64 pages ....free

Reprint of the "Opinion Submitted to the Council Concerning the Applications for Membership From the United Kingdom, Ireland, Denmark, and Norway (October 1, 1969)" in pamphlet form. (See the announcement in EUROPEAN COMMUNITY *No. 131).*

EXPOSE ANNUEL SUR LES ACTIVITES D'ORIENTATION PROFESSIONNELLE DANS A COMMUNAUTE. Commission of the European Communities, Brussels, 1968, 90 pages $1.00

Second annual report on Community members' vocational training activities. Covering the years 1965-1967, it discusses training of youth and adults, evolution of legislation in vocational training, and basic organization and administration of national governments in this sector.

L'EVOLUTION DES PRIX DU FUEL-OIL DANS LES PAYS DE LA C.E.E. DE 1955 A 1965. *Etudes et Enquêtes Statistiques* No. 4, Statistical Office of the European Communities, Luxembourg, 1969, 151 pages $2.00

Evolution of consumer prices of fuels in 18 places in the Community. Covers light fuels for domestic purposes and heavy fuels for industrial purposes. Includes data about tax charges and separates their contribution to the sales price.

REGIONAL POLICY IN AN INTEGRATED EUROPE. *Community Topics* No. 33, European Community Information Service, London, November 1969, 8 pages ....free

Based on a speech by Hans von der Groeben, Member of the Commission of the European Communities, to the European Parliament on May 6, 1969. Describes problems of regional policy and the Community's role in solving them.

1969 IN RETROSPECT. *Information Memo* P-72/69, Commission of the European Communities, Brussels, December 1969, 52 pages ....free

Summary of the Community's activities in 1969.

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