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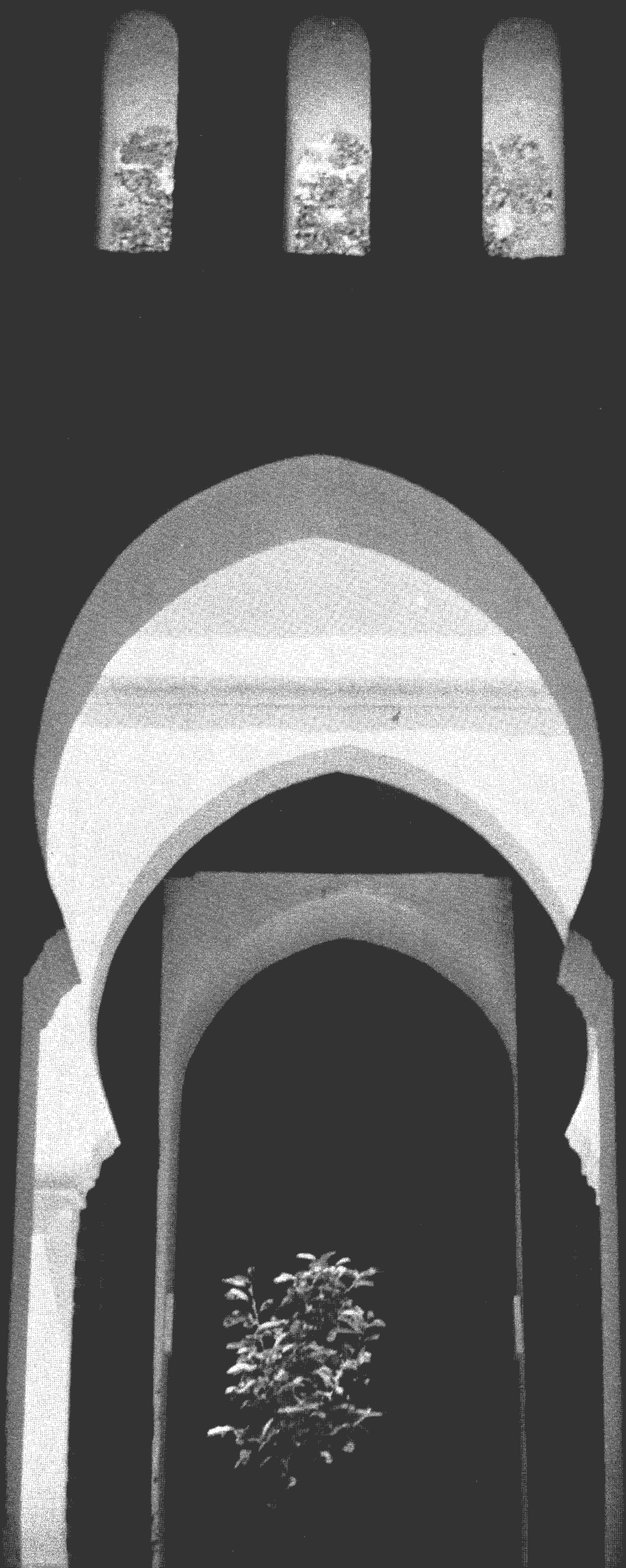

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COVER: The Palace Courtyard, Tangiers, Morocco, one of the countries with which the European Community has a limited association agreement that has recently been criticized. *See story on page 3.*

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Preferential Agreements

A PLEA FOR BETTER UNDERSTANDING

There is growing concern in the United States about the enlargement of the European Communities and its association and preferential trade agreements with certain European, Mediterranean, and African countries. Fears have been expressed that these agreements will handicap U.S. exports by subjecting them to less favorable tariff treatment than that applied to competing products supplied from within the preferential area. It has also been said that the continuation of such a policy by the Community might induce the United States and other countries to take a similar tack, thereby undermining the post-war pattern of world trade which has been based on the "most-favored-nation" clause (MFN) *of the General Agreement on Tariffs and Trade* (GATT).

In view of this situation and of the prospects for the Community's enlargement and association with it of certain developing countries now in the British Commonwealth, the United States has strongly pleaded in favor of replacing all regional preference agreements (Community and Commonwealth) with generalized preferences, which the United Nations Conference on Trade and Development (UNCTAD) *has invited all industrialized countries to grant all developing countries. This article explains some basic facts about the Community's preferential agreements, the motives behind them, and their possible impact on trade.*

BY APRIL 1970, the Community had concluded agreements involving reciprocal trade preferences with 22 countries: 18 African countries [1] (former French, Italian, and Belgian colonies); Greece and Turkey (which are scheduled to become members of the Community), and Tunisia and Morocco (which had special trade privileges with France).

An agreement with Kenya, Tanzania, and Uganda is awaiting ratification. Negotiations with Spain and Israel were recently concluded. The United Arab Republic and Lebanon have shown interest in negotiating similar agreements.

Questions are often asked about the rationale behind these agreements, about the Community's plans for concluding more of them, about their contents, and about the way they fit into the general trade principle of non-discrimination.

No "Grand Design"

An outsider looking at this chapter of the Community's foreign economic policy should realize, first of all, that these agreements cannot be thrown, summarily, into the same pot, as far as motivations and objectives are concerned. There are in fact three different types of countries involved:

- countries whose special trade relationships with one or more Community members pre-dated the creation of the Common Market (for example, the 18 African associates, Tunisia, and Morocco). Since more than half these countries' exports went to the Community, severance of their special ties would have caused them an unjustifiable hardship. As a result, the Community concluded with them agreements intended to introduce free trade gradually by abolishing tariffs and other restrictions on commerce on practically all trade between them. (In addition to assistance through trade, the Community also gives direct development aid to the 18 African associates [*see page* 00]). Thus, these agreements are historically motivated and most of them have already led to free trade areas as described in Article XXIV of the GATT.
- European countries that will eventually become members of the Community but which, for the time being, cannot assume the political and economic obligations of full membership. Considering their close commercial and economic relations with the rest of Europe, it has been considered necessary to devise transitional arrangements, essentially in the form of customs unions, to help them adjust gradually to their future status of full members. Greece and Turkey have been the classical examples of these pre-membership association agreements. Negotiations with Austria (which is a special case because of its neutral status) and with Spain also have to be seen in the perspective of eventual membership in the Community.
- Mediterranean and African countries (for example, Kenya, Uganda, Tanzania, the United Arab Republic, and Israel) which have asked to be associated with the Community since their economies and exports are very similar to those of currently associated countries.

Thus, there is no "grand design" behind the Community's special trade relationships. They were motivated by the desire for pragmatic and reasonable solutions to special situations that arose as a consequence of the Community's founding.

Criticism Within the GATT Welcomed

Any such agreements concluded by the Community are submitted to its trade partners in the GATT for comment and even criticism. Indeed, the Community intends neither to deviate from the basic principle of international trade as laid down by the most-favored-nation clause nor to embark on a process of "proliferation" of association agreements. As the world's largest trading unit, the Community has a vital interest in increasing its trade with all parts of the world.

Even critics admit that the Community's preferential trade ties may have positive political effects, though difficult to measure. They stress in particular that the Community's close economic relations with the 18 countries associated with it by the Yaoundé Convention has substantially helped them to overcome enormous difficulties in their early post-independence years. Similarly, they point out that in the agreements that the Community has concluded, or is contemplating, with some Mediterranean countries, the content is less important than the political and psychological impact.

Two Systems Not in Conflict

There is a good deal of confusion about the relationship between the Community's preferential agreements and the generalized preference plan for developing countries and about how they fit together. People often ask whether the Community and the Commonwealth systems will disappear when generalized preferences come into force.

In this context it should be realized that the Community's agreements with developing countries do not limit preferential treatment to industrial products (as the generalized preference plan does). Moreover, they are often only one part of a comprehensive system of economic cooperation between the partners. In addition, the countries associated with the Community are not likely to benefit substantially from the generalized preference plan because they do not export significant amounts of dutiable industrial products.

Far from being in conflict with each other, the two preference systems are actually complementary. Indeed, the Community was one of the first industrialized countries to come out in favor of generalized tariff preferences for developing countries.[2] It considers their early application most important, particularly for Latin American and Asian countries whose industrialization is already relatively advanced.

Perhaps, after the introduction of generalized preferences, some of the developing countries now interested in bilateral arrangements with the Community may find it more convenient to renounce them and be satisfied with the advantages given by the general system. Developing countries that have arrangements with the Community are formally involved in a free trade area which means allowing some Community products duty-free entry (reverse preferences). Although this obligation has been adapted to the special needs of developing countries (protection for infant industries, budgetary resources) and though the developing countries remain free to modify their external tariff, they may nevertheless prefer not to be bound by any bilateral commitments. In this indirect way, generalized preferences may, in the long run, affect the existence of bilateral preference arrangements.

No Proven Damage to U.S. Exports

Some people claim the Community's policy may damage U.S. export interests because of the "discriminatory effect" automatically involved in any arrangement whereby two countries decide to remove duties and other barriers to trade between them. There are several weak points in this argument.

First of all, U.S. exports to countries associated with the Community have never amounted to much in the past: in 1968, the 18 African associates imported $1 billion from the Community but only $124 million from the United States. In addition, the Community's association agreements have not yet proven a handicap to U.S. exports: since 1957, U.S. exports to the Eighteen have actually grown three times faster than the Community's. For its part, the United States can freely negotiate tariff reductions with the associated countries, as members of a free trade area reserve the right to change their duties on goods from third countries. In fact, in March 1970, the members of the Central African Economic and Customs Union (Cameroon, Gabon, Congo-Brazzaville, and the Central African Republic) lowered their duties on practically all products by 50 per cent, thus substantially reducing the Community's margin of preference. Similarly, the Ivory Coast has also lowered duties on three manufactured products of special interest to the United States: cars, tractors, and air conditioners.

The only associates of the Community that are not free to negotiate tariff reductions for imports from third countries are those involved in a customs union with the Community. These are usually European countries, such as Greece, that will eventually become full members of the Community.

Far from damaging U.S. export interest, eliminating tariff barriers and quotas between the Community and its associates seems to have had a liberalizing effect on trade in the associated countries. This effect has been most apparent in the case of the African associates, many of which previously ran very restrictive and protective foreign trade systems. In this way, "regional liberalization" between the Community and its associates has often been the forerunner of world-wide liberalization.

In the case of associated countries that have a customs union with the Community, the United States benefits from the fact that the Community tariff, which is substantially lower than the associated country's, will be applied to imports from the United States (the Community's average tariff on industrial products is 7-8 per cent). In this connection it should be remembered that since 1958 U.S. exports to the European Community—which is also a "discriminatory" trade pact area—have grown faster than to any other country.

Disadvantages Only Temporary

All this does not mean that certain branches of U.S. industry will not find competition more difficult as a consequence of the "enlargement" process now under way in Europe. Spain, Greece, Turkey, and Austria together import almost $1 billion from the United States, roughly 2.5 per cent of total U.S. exports. Neither is it excluded that in these countries Community exporters (now subject to smaller import duties and in the long run none) may eventually get a higher share of the market at the expense of third countries, whose exports need not, however, shrink in value.

Regardless of the sectorial, and for the most part temporary, disadvantages that may result to third countries trade, the European countries have both the right and the obligation to organize their economies on a "continental scale," just as the United States and the USSR did in the 19th century. In any case, the trade creation effects accompanying the formation of bigger and more prosperous trading blocs have in the past outstripped trade diversion effects and will likely continue to do so in the future.

In the next decades, foreign trade will essentially involve inter-continental relations as trade within the continents becomes more and more similar to U.S.-interstate commerce, free from most traditional trade barriers. The remaining trade barriers—both tariffs and non-tariff barriers—will continue to be lowered, so that the "discriminatory" effect of any special trade agreements (customs unions, free trade areas) will tend to diminish.

By the year 2000 the enlargement of the Community and its preferential trade agreements with certain countries will undoubtedly be seen in perspective: as an effort to organize trade and economic environment on the European side of the Atlantic according to the requirements of the Eighties and Nineties.

1. *Mauritania, Mali, Niger, Chad, Central African Republic, Rwanda, Burundi, Congo (Kinshasa), Congo (Brazzaville), Gabon, Cameroon, Dahamey, Togo, Upper Volta, Ivory Coast, Senegal, Somali Republic, Malagasy Republic.*

2. *The Community proposed that all industrial products from developing countries should be imported free of duty, within quantitative ceilings allowing a duty-free increase in their current exports.*

The Community's Role in the Developing World

EDOARDO MARTINO

EUROPEAN MASS MEDIA give little attention to the European Community's efforts to aid the developing world.

While public apathy towards the topic may partially explain this new gap, it must also be submitted that after 12 years of European unification, each of the six member countries still holds tightly to most of the instruments for cooperation with "its own" countries in the developing world. There is one exception to this rule, the Community's association with the 17 African countries and Madagascar. Even here, each member government still drives a hard bargain in negotiating its financial contribution to the operation of the Yaoundé Association. In many parts of the developing world, the Community of Robert Schuman, Alcide de Gasperi, Konrad Adenauer, and Jean Monnet means a "business first" Europe, and not a "Europe working for development, justice, and peace in the world." Nevertheless, through direct aid and trade, the Community has made a contribution towards development in certain areas of the "third world."

The Developing World's Best Customer

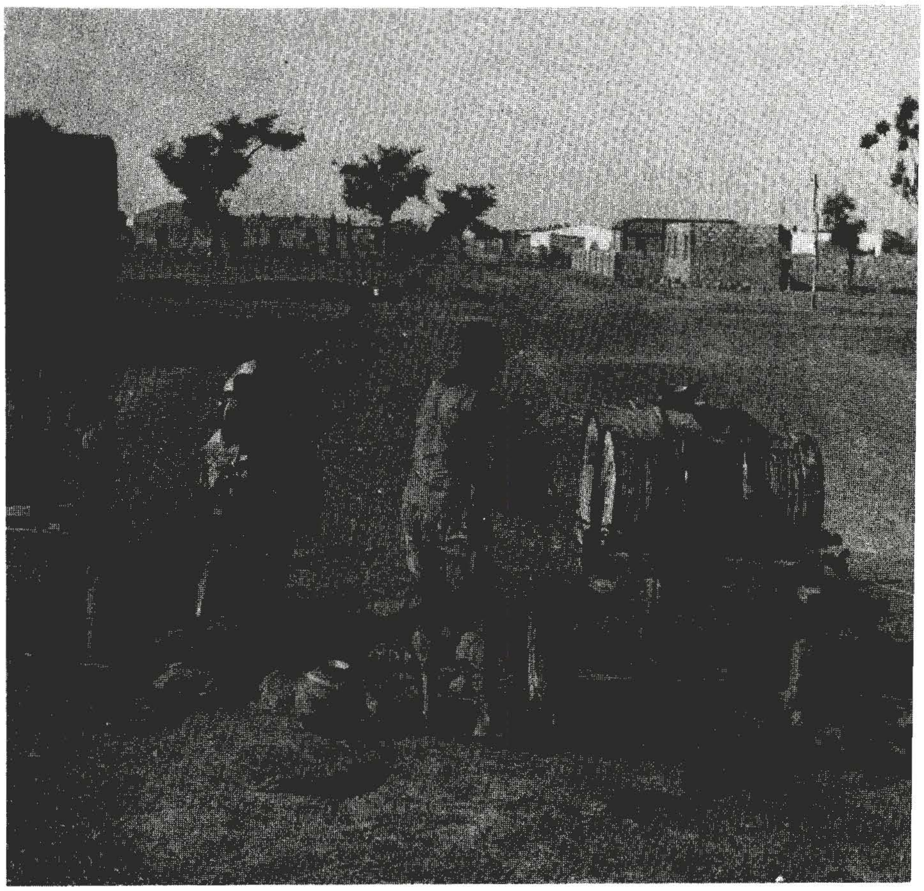
The Community is the developing world's best customer for basic exports, such as coffee, bananas, cocoa, tin, copper, rubber, cotton, and, above all, petroleum. For processed and manufactured exports, the Community is the developing countries' second most important outlet, after the United States. These products include wine, sugar, preserved fruit and vegetables, fabrics, clothing, carpets, chocolate, instant coffee, and cocoa butter and powder, all of which, however, are still subject to customs duties, levies, or quotas. Despite these restrictions, the developing countries run a surplus on trade with the Community, which gives them almost as much foreign exchange as development aid does. In 1968 their trade surplus amounted to \$3.3 billion, as compared with \$4.2 billion received in public and private financial aid from the Six.

Trade Trends Differ by Area

The trend of trade between the Community and developing countries is more or less satisfactory in different parts of the developing world.

In Latin America, it is fairly satisfactory. Between 1958 and 1967 the Community's imports from Latin America increased at an average rate of 7 per cent a year, while its exports to Latin America grew by 2.3 per cent. During that time, Latin America's surplus on trade with the Community rose to \$2.45 million dollars. At the same time, the Community's tariff preferences in favor of the African associates did no harm to Latin America's exports of tropical products, which grew faster than the Eighteen's competitive exports to the Community. Latin American exports of manufactured goods to the Community also benefitted from the Kennedy Round of trade negotiations under the General Agreement on Tariffs and Trade (GATT) and could gain further advantages from a system of generalized preferences for all developing countries.

For Asia, the most highly populated continent of the world, the Community is a relatively small customer. From 1958 through 1967 South and East Asian countries ran a cumulative deficit of \$3.53 million on their trade with the Community, but the deficit is narrowing. In 1968 the Community sold 4.6 per cent more goods in Asia than it bought there, as compared with 6.5 per cent more in 1958.



The eighteen African countries associated with the Community by the Yaoundé Convention receive development aid, in addition to "aid through trade." This photo shows water carriers drawing water from a well drilled with the Community's help, in Ouahigouya, a regional capital of Upper Volta. This well was the first improvement in water collection methods ever made in this town of 12,000 inhabitants.

With the Mediterranean and Middle Eastern countries, the Community has close trade ties which swell their foreign exchange earnings. Petroleum is by far the Community's biggest import from this area. Between 1964 and 1968 the cumulative surplus of the six oil producing countries (Iran, Iraq, Kuwait, Saudi Arabia, Bahrein, Libya) amounted to \$11.2 billion (almost equivalent to the Belgian and Dutch gross national product in 1960). With four Mediterranean countries, the Community has concluded association agreements: Greece (this agreement was frozen by the Community after the *coup d'etat*), Turkey, Morocco, and Tunisia (the only oil-producing country of the four). Unlike the agreements with Greece and Turkey, the agreements with Morocco and Tunisia do not provide for financial and technical aid; like other agreements that the Community is negotiating or planning to negotiate with Mediterranean countries, they deal only with trade.

Mr. Martino is a member of the European Communities Commission with special responsibility for external policy. This article has been adapted from a paper which he prepared for delivery at the European Labor Conference in Luxembourg on May 10-21.

OFFICIAL DEVELOPMENT AID

(in millions of dollars)

		Projections	
	1968	*1969*	*1970*
Belgium	88	120	110
France	855	850	800
Germany	554	594	700
Italy	165	140	150
Netherlands	134	168	200
Community Total	1,796	1,872	1,960
United Kingdom	428	450	480
United States	3,314	3,250	3,000

Source: Organization for Economic Cooperation and Development.

Some Motivations for a "Third World" Policy

Without minimizing the importance of the Community's overtures towards the developing countries, even more attention could be given to the needs of the developing world, and particularly to the Mediterranean countries who are its closest neighbors. So far, no comprehensive plan has been made for developing the agricultural, industrial, and touristic potential of the Mediterranean countries. Neither have any sectoral studies been done to help channel investments and avoid duplication, as has been done in the case of the Yaoundé associates. In the Mediterranean the problems of manpower and the creation of new jobs also seem sufficiently urgent to motivate a more coherent and active policy on the part of the Community. More than two million workers from Spain, North Africa, Greece, and Turkey are now employed in temporary jobs in the Community countries. One of the mainstays of the economy, they furnish real assistance to the Community countries, filling the most tedious and unrewarding jobs.

Great Britain's entry into the Community will bring almost every African and Asian country into the Community's sphere of influence. From that point on, Latin America will live under the threat of becoming still more isolated and dependent on the United States than it is today. In the opinion of the Latin American countries, the Community could be a mediator in their efforts to avoid polarization of the Western Hemisphere, since it is strong enough to counterbalance North America and sufficiently familiar with both partners to save them from sterile confrontations. The enormous potential of the Asian market provides the Community's main motivation for increasing its commitment there. Both the Americans and the Japanese appreciate that potential, and it is time for the Community as such to take a greater interest in Asia.

Some Possible Commitments

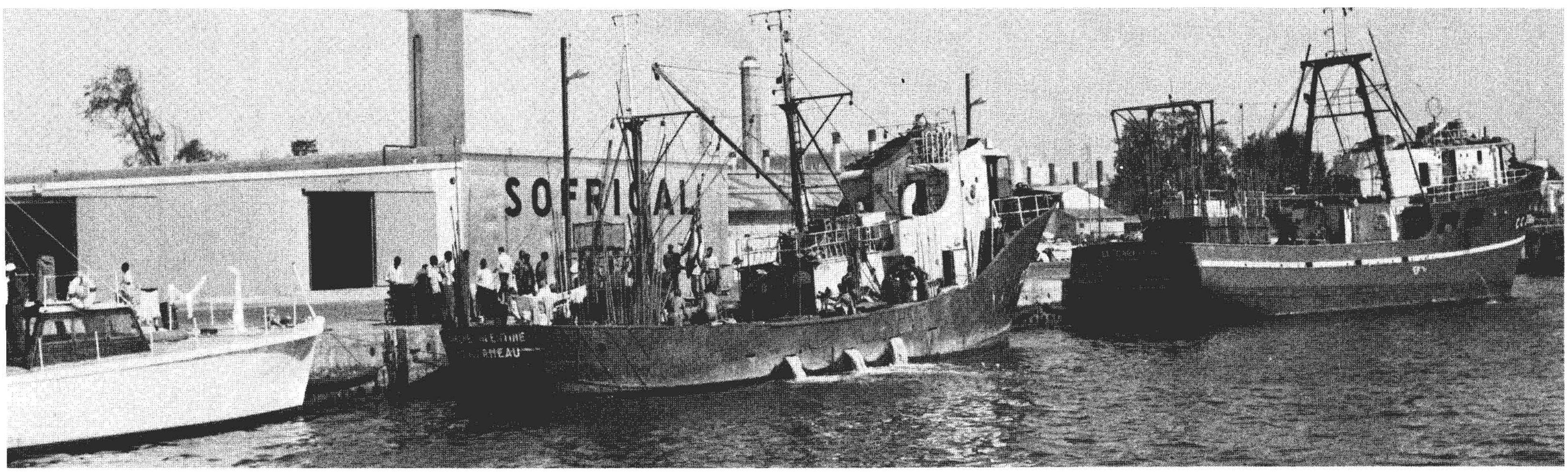
The Community policy toward the developing countries will have to embrace a number of interrelated commitments in which the public will play a part.

If consumers are to buy products from the developing countries, these products cannot be filtered into the Community through tariffs and quotas. For this reason, the Community took the initiative in suggesting that other industrialized countries join in removing tariffs on imports of all industrial goods produced in developing countries—manufactured and semi-manufactured imports alike—and on a number of processed agricultural products.

The reception given migrant workers from the developing countries could also be improved. Vocational training, in particular, should be expanded and made more effective so that when workers return to their countries of origin they will be trained for jobs necessary for economic development. Such a policy would be a significant contribution to extending technical cooperation within the Community and beyond its frontiers.

As tariffs are lowered, traditional commercial instruments (such as tariff preferences) lose their effectiveness as a tool for development, since their main beneficiaries are industrialized developing countries. The Community needs more extensive powers in the area of technical and financial cooperation if it wants to help organize the world economy against the blind laws of the marketplace, to do something about the deterioration in the developing countries' terms of trade, and to stop the widening disparity in income between the developed and the developing worlds. A coherent Community policy could help to stop the division of the world into two zones incapable of communicating with each other.

The Community helped finance the construction of this dock in Dakar, Senegal, so that development of the fishing industry in this area would lessen dependence on the peanut crop.



Farm Reform in Legislative Phase

FIRST PROPOSALS TO CARRY OUT "MANSHOLT PLAN"

THE MANSHOLT PLAN for modernizing and reorganizing farming in the European Community, after fifteen months of public debate, has moved into the legislative stage.

On April 30, the Commission approved five draft directives and one draft regulation to carry out reforms first explained in a December 1968 memorandum to the Council of Ministers drafted by Commission Vice President Sicco L. Mansholt. These proposals were then sent to the Council of Ministers for debate and passage into law. They deal with farm modernization, meat production, reduction of the number of farmers and the land area under cultivation, vocational guidance and training, and formation of producers cooperatives.

While taking into account views expressed by the public, they leave the general purposes of the Plan intact:

- to create viable modern farms run by well-trained farmers receiving an adequate income
- to protect farmers who leave the land to retire or to learn a new trade
- to convert farmland into forests and parks
- to switch production from surplus commodities (wheat, sugar, and dairy products) to shortage commodities (beef and veal)
- to increase the responsibility of farmers for marketing their own produce.

The Mansholt Plan spread the reform over ten years. The cost of these first proposals, covering a five-year period, was estimated at $5.707 billion, to be divided between the member states and the Community's farm fund.

Farm Modernization

A basic premise of the Mansholt Plan was that there were too many small, inefficient farms in the Community. Farmers were to be persuaded to leave the land by granting Community aid to modernize only to farmers who could earn an adequate income from the land. This policy has been retained, but the criteria for granting aid have been relaxed, partially in response to complaints from farmers.

The revised proposals set a minimum level of gross output (after deducting seed and feed) of $10,000 to $12,500 a year per man and a maximum working year of 2,300 hours a man. The original plan, by contrast, set minimum standards for the factors of production for a viable farm: 200-300 acres for grain and root crops; 40-60 cows for dairy farming; 150-200 heads of cattle for beef and veal production; 100,000 chickens for a poultry production and 10,000 laying hens for egg-production.

Farmers who apply for Community financial assistance must also submit a development plan for their farms. Development plans can be submitted either by individual farmers or by groups of farmers who wish to work together.

If a plan is approved, by organizations to be designated by the national government, interest rebates can be obtained on development loans, but not on loans to buy land or livestock. The rebate would not exceed 6 per cent and would be limited to 15 years, and the beneficiary would have to pay at least 2 per cent himself. Loan guarantees could also be obtained. In addition, a farmer could obtain $100 a year for three years to pay off existing debts in addition to a general starting-up grant of up to $5,000. Joint ventures would also be encouraged by grants of up to $5,000. Total estimated cost is $1.921 billion for a five-year period; the farm fund would pay half.

Meat Production

A supplementary grant would be paid to farmers whose development plans have been approved and who go into meat production in the next few years. This grant amounts to $60 per hectare (about 2.5 acres), with a ceiling of $6,000, payable over three years. Farmers who qualify for the grant would also receive first consideration for agricultural land released under the arrangements for retirement of land from farming.

A slaughter premium of at least $200 per cow will be awarded up to December 31, 1973, to farmers who give up dairy farming. Total estimated cost of these measures is $649 million.

Reducing the Number of Farmers

To reduce the number of farmers (now 14.5 per cent of the active labor force) the Community would pay at least $1,000 a year to persons 55 years of age or older who retire from farming. Old-age pensions would be deducted when the beneficiary reached 65. Farm owners and tenants under 55 who gave up farming would receive premiums of at least eight times the rental value of the land they left. Owner-farmers who took advantage of one of these provisions and who leased their land for at least 18 years to holdings receiving farm-modernization aid would be entitled to a lump payment equal to at least 6 per cent of the first nine years' rent.

These beneficiaries would have to give up farming and place their land at the disposal of the European Community's program. This land could then be used for afforestation or recreation, or made available to other farmers for modernization of their holdings. To encourage long-term tenancy, the Community would make grants equal to 15 per cent of the rent.

Total cost of these measures for the five-year period is put at $2.08 billion.

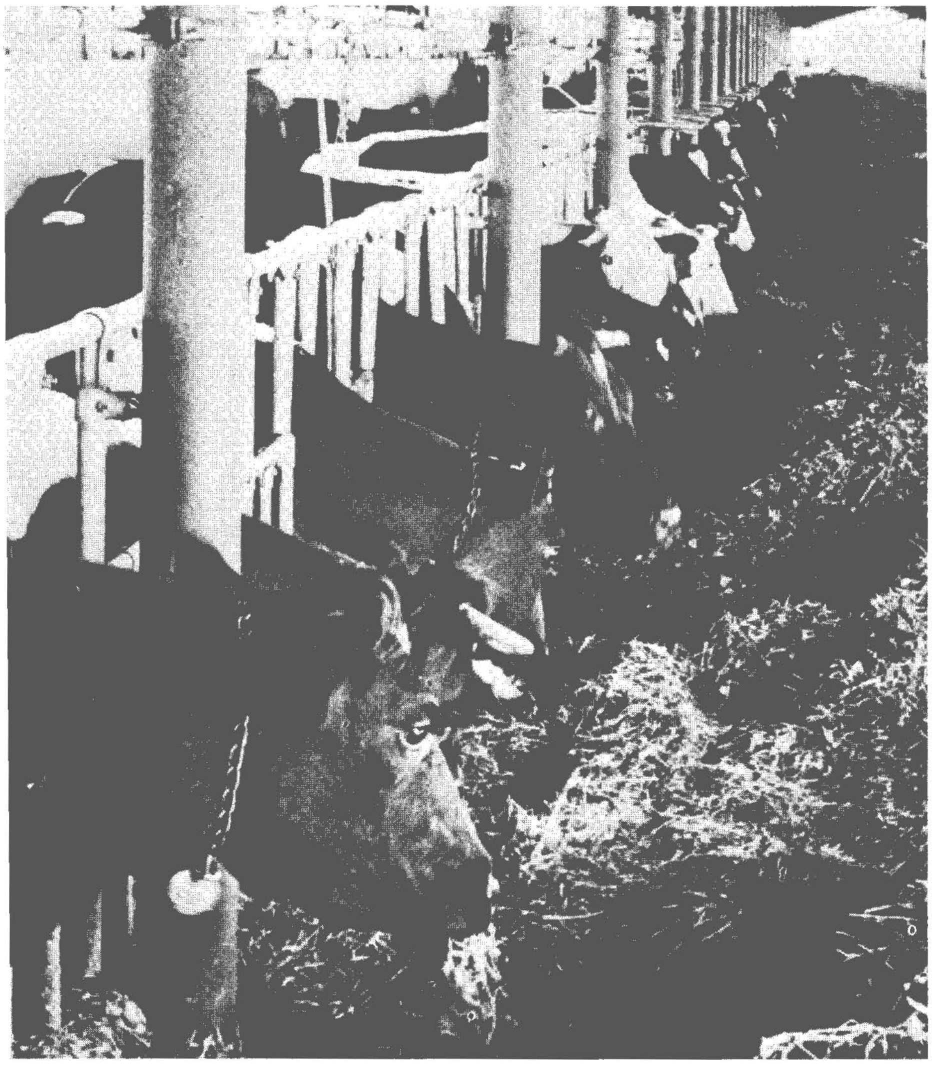
Limiting Total Land Under Cultivation

Equilibrium cannot be re-established on the agricultural market unless the area of cultivated land is reduced, in the Commission's opinion. Reclamation of new farmland from the sea and elsewhere would be banned, and clearance of land for farming discouraged. The Commission would have to be notified of all new reclamation plans. There would be financial incentives for turning farm land into woodland or recreation areas. In comparison with the U.S. program of non-planting subsidies, the Commission's program offers taxpayers the advantage of a limit in the duration and the amount of the payment, thus preventing non-planting from becoming a permanent source of income for the land owner.

These measures would apply to land farmed profitably for the last three years. The total cost of executing this measure is estimated as $2.08 billion.

Vocational Guidance and Training

The Commission wants to establish additional training facilities for those who remain in the Community's modernized agricultural sector. This would involve both general education and technical training for persons who have passed the minimum school-leaving age. The Commission also proposed the establishment of social and economic advisory services which would



To reduce the dairy surplus, the Commission would offer farmers supplementary grants to switch from dairy farming into meat production.

provide information to persons wishing to leave farming, change to other types of farming, or transfer to other occupations. Advisers would need a special knowledge of local farming and rural domestic problems. The estimated cost of these measures is $288 million.

Producers' Cooperatives

To help raise farm incomes and living conditions, the Commission would encourage the formation of producers cooperatives. (A draft regulation on this topic, submitted to the Council in 1967 has not yet been examined.) The scope of the Commission's new draft regulation has been extended to cover the following markets: pork, beef and veal, mutton and lamb, fruit and vegetables, oilseeds, and fish. The proposed conditions for recognition have been changed to include provisions on minimum economic activity, legal personality, and bookkeeping. Cooperatives could be recognized even if products were marketed by individual members, as long as rules made by the cooperatives were respected.

On the other hand, the Commission would stop exempting cooperatives from the Rome Treaty's competition rules. A cooperative would no longer be prohibited from marketing more than 5 per cent of Community production.

A development grant was also recommended for producers cooperatives. Based on reimbursements of 30 per cent of expenses, the Community's total expenditures on producers cooperatives were estimated at $407 million for five years.

Role of Member States

Execution of the draft directives would be left to the member states which are expected to adopt a common approach. This decentralization means that in enacting the various measures the Six would recognize regional differences.

Mansholt's Explanation

The Six proposed measures take "constructive criticism" fully into account, Mr. Mansholt told a news conference in Brussels on May 6. The original plan had deliberately presented stark options to provoke widespread public discussion.

He explained that five of the six application proposals had been made in the form of draft directives because they would allow:

- national parliaments to debate the measures. (According to the Rome Treaty, directives are binding, "as to the result to be achieved," while leaving the choice of form or means to the national governments.)
- national governments to take local conditions into account in carrying them out
- regional and local authorities to be directly involved in the Plan.

Mr. Mansholt stressed that reducing the number of farmers was not the only goal. He said the Commisssion wanted farmers to relate their production more closely to consumer demand and to cooperate in reafforestation, park, and recreation projects. He also emphasized that efficient farming would improve productivity and that the reforms by themselves would not curb the Community's mounting surpluses. To achieve a balance, the Commission advocated a price policy and a gradual increase in the responsibility put on farmers to market their own produce.

Surpluses Not Unilateral

May 23, Jean-François Deniau, a member of the Commission of the European Communities, also spoke on the agricultural proposals, in Vichy to the Congrès National de la Mutualité de la Coopération et du Crédit Agricoles. Referring to some causes of malaise among the agricultural population, Mr. Deniau pointed out that the Commission's proposals had been designed to narrow the gap between rural and industrial income and living conditions.

He also mentioned that since November 1969 a new scale of farm prices had been proposed to improve outlets for farm products and lessen the financial burden on the Community. The Community's annual market support expenses could be put to better use in farm modernization, he said.

In conclusion, Mr. Deniau said that when speaking of agriculture, both products and farmers had to be kept in mind. Simultaneous action in industrial and regional policy was necessary to create jobs outside agriculture while modernizing agriculture.

"Tripartite" Employment Conference

LABOR, MANAGEMENT, AND OFFICIALDOM SURVEY JOB SCENE TOGETHER

THOMAS BARRY-BRAUNTHAL

Mr. Barry-Braunthal is press officer of the International Confederation of Free Trade Unions in Brussels.

IT HAS TAKEN A LONG TIME to get off the ground: twelve years after the creation of the European Economic Community, the first "tripartite" European conference on employment—held in Luxembourg on April 27-28—finally brought together labor, management, and policy makers of both the Commission and the national ministries.

At least one constructive proposal came out of the conference: representatives of labor and employers urged the Council of Ministers to create a new institution to bring labor and employers' organizations into the formulation and execution of a common employment policy for the whole Community. Its object would be to achieve structural stability at Community level between the supply and demand for labor.

The conference answered a long-standing wish of labor and management to tackle the issues on a tripartite basis.

Accelerating Pace of Change

The need for a coordinated employment policy has generally been recognized for years, but it has steadily grown more acute with the systematic application of technological progress to industry. This has meant swifter changes in methods and more direct effects on employment. Formerly, it was possible, as new techniques gained acceptance gradually, to adapt industry step by step. This is no longer the case.

Individual workers or entire groups of workers have to bear the cost of progress unless they can be retrained, or unless a program has been readied for the redeveloping of declining areas and for replacing obsolescent industries. Planning of this type, however, is not justified solely by the need for social justice but also by the requirements of the economy. If adequate measures for adaptation are not taken in time, the economy suffers. Bottlenecks occur in the supply of skilled personnel and resources, raising the cost of technological innovation and, at worst, bringing whole regions to a standstill. Today, shifts from countryside to city, from agriculture to industry, from industry to services are foreseeable. They need not take the Community by surprise.

Louis Major, Belgian Minister of Labor and conference chairman, pointed out that the individual member states were trying to maintain a balanced labor market and fight unemployment on the national level. He recognized, however, that economic changes in one member country affected employment in another and that coordination was therefore essential.

Speaking for the Commission, Vice President Lionello Levi Sandri went further, saying that to achieve a genuine economic and monetary union, the Community needed a common employment policy. He also advocated a computerized system of forecasting employment needs on the European level and through reform of the European Social Fund, which helps the member countries defray the costs of retraining and resettling workers put out of jobs as a result of economic changes caused by increased competition within the Common Market.

Manpower Statistics

There was a general consensus of opinion that the Common Market Treaty had given employment too little attention and that its provisions had been overtaken by economic developments. The same was said of the regulations for the free movement of workers. There was no basic divergence of views on the central theme, voiced by André Kloos, president of the Dutch Social Democrat labor union federation. He said that a comprehensive and active Community employment policy had to be devised because national policies pursued by the individual governments would no longer be able to deal with growing economic integration. Manpower statistics would have to be standardized and forecasts of future trends centralized, as the Employers' Liaison Committee suggested. Also discussed in detail were problems arising from the retraining and the occupational distribution of workers, means of improving vocational guidance and career information, training of young people and adults, placing workers in jobs, resettlement, and financial aids for improving the geographical mobility of labor and for social work.

Employment Council

All parties represented at the conference agreed on the principle of an active common employment policy, its importance for the Community's progress towards economic and monetary union, and the means of executing such a policy. However, the question of who would ultimately be responsible for it—and to what degree—was left open. The largest union delegation—from the European Confederation of Free Trade Unions—called for the creation of a European employment council to represent governments, the Commission, employers, and workers. The employment council would make proposals to the Commission and administer a reformed and more amply endowed European Social Fund. The final text, submitted to the governments, gained the approval of the employers' organizations and almost every labor union organization present. (The two major Communist labor federations, France's Confédération Générale du Travail and Italy's Confederazione Generale de Lavoro, abstained.) While it avoided defining the powers of the body to be responsible for employment policy, it did insist on its tripartite composition. The Council of Ministers will have to decide whether management and labor share the responsibility with governments for formulating a joint employment policy, or whether they should merely be consulted.

It was not to be expected, of course, that this first European conference on employment problems would provide all the answers. In face of the many obstacles which had to be overcome even before it was convened and the earlier dragging of feet, the conference managed to contribute to a remarkable narrowing of former divergencies. The problem was defined and recognized: measures to resolve it were analyzed and approved, and an institution to execute these measures was proposed. As all parties involved have learned from disappointing experiences, the best recommendations remain on paper unless there is a viable institution to put them into effect. If this machinery for carrying out a common labor policy is created, the Community will have made a great advance in this area.

Labor Unions in France

WALTER KENDALL

THERE IS A STORY THAT, early one morning, at the height of the May 1968 disturbances in Paris, a group of hard-pressed students resisting an assault from the riot police in the Latin Quarter frantically telephoned Georges Séguy, general secretary of the Communist-led Confédération Générale du Travail (CGT) and asked for aid. "Two o'clock in the morning is no time to rouse the proletariat," Mr. Séguy responded, and slammed down the receiver.

Apocryphal or not, the anecdote well illustrates the French Communist Party's ambivalence toward radical social change and the extent of its control over France's largest labor union federation. Revolutionary in words, thoroughly reformist in deeds, and the most slavishly pro-Soviet of the major Communist parties in Europe, the Party's sclerotic grip on French working class life is a prime cause of the weakness and sterility of French unionism and socialism today.

The Sociology of French Unions

The dominance of the family enterprise and the highly centralized character of the French state have found their direct reflection in the attitudes of both capital and labor.

In large areas of the French economy, the abstract criteria of economic rationality even today take second place to the paternalistic outlook of the small businessman. The enterprise exists "by and for the family and the honor, reputation, and wealth of one are the honor, reputation, and wealth of the other." Bred in such a school, the employer or *patron,* and indeed the *patronat* as a whole, is markedly hostile to labor unions. The union appears not only as a harbinger of revolution to come, not only as a threat to profit and family wellbeing, but also as an uninvited and unwanted intruder into the cozy domesticity of the very family hearth and home.

French unionism has subsumed much of the national revolutionary tradition into working-class language within its own ranks. The first unions, a minority movement of skilled artisans in relatively small enterprises, developed a belief in spontaneity and the confidence of a revolutionary élite derived from their actual social situation. Among the parents and relatives of early French unionists were many of the 20,000 martyrs and exiles of the 1871 Paris Commune, workers imbued with a deep hatred of bourgeois society. Revolutionary in terminology, anti-political in essence, and existing in a hostile terrain on which the development of large-scale industry came late, French unions were hindered by serious obstacles from the start. In 1914 the CGT organized only 600,000 of the six-million-strong industrial labor force. (At that time the affiliated membership of Britain's Trades Union Congress already exceeded 2.25 million.)

The church was a pillar of the "old régime." Church-state conflicts over education and the rights of the Republic in this profoundly Catholic country have found organizational reflection in the mass labor movement. A tradition of separate Catholic union organization has existed now for over 60 years.

Low Membership Rosters

Immediately after the liberation in 1944-45, the CGT, under Socialist-Communist leadership, rose to a record total of five million members. By 1947, the Cold War, the Marshall Plan, and a flood of Communist-manipulated strikes in support of Russian political objectives had brought collaboration to an end. The CGT split, the Communists retaining control. Their opponents moved out to set up their minority organization, Force Ouvrière (FO). Membership in the CGT fell sharply.

The CGT is now by far the largest labor federation in France. Force Ouvrière, its main base resting on white collar and professional groups, follows far behind. The former Catholic labor federation, Confédération Française des Travailleurs Chrétiens, (CFTC) shed its confessional character in 1965 and was renamed the Confédération Française Démocratique du Travail (CFDT)*. Although not the largest, it is France's best organized and most militant union federation at present.

France's low union membership contrasts sharply with the strong unions of Germany, Belgium, and the Netherlands. Dues are low and paid irregularly. Membership figures are notoriously exaggerated and imprecise. Yet even in inflated figures the CGT claims only two million members (a true figure would be nearer one million), and the FO and CFDT only some 500,000 each. Judged by the successes of its neighbors, postwar French unionism has a record of disastrous failure. Outside the three competitive, globally oriented union federations, there also exist independent white-collar organizations. In 1948 the teachers withdrew rather than split their membership between adherents of the CGT and the FO. They have since formed a wealthy and powerful independent organization, Fédération de l'Education Nationale (FEN), of some 400,000 members. A further 200,000 white-collar workers are organized independently in the Confédération Générale des Cadres (CGC).

Chronic weakness has meant that, despite their anti-political declarations, French unions have been heavily dependent on political pressure for many of the gains they have made. Modern collective bargaining in France is largely based on the legislative provisions of the "Matignon Agreement of 1936." In that year the Popular Front government had been confronted with a working-class insurgence much like the students' demonstrations in May 1968. Two million workers, mostly unorganized, spontaneously occupied factories, sat down, and refused to go home until something positive was done to improve wages and working conditions. Only a high-level deal between frightened capitalists and astonished union leaders, negotiated under the presidency of Socialist Premier Léon Blum in his home in the Hotel Matignon, ended the "sit-down" and put the factories back to work.

Political Strikes

Once the sit-down was over, French management successfully resisted further inroads into its power. By 1939, aided by a Socialist-Communist split in the CGT, it had gone far towards re-establishing its former position. The unions' present weakness may be traced to a whole series of adventurist political strikes launched by the CGT after the Communist Party's ex-

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**Ed. note: Some CFDT members did not choose to follow the majority into the CFDT. Although a small CFDT is still in existence, it plays a minor role in the French labor movement.*

clusion from General Charles de Gaulle's coalition cabinet in 1947. These stoppages broke the back of the new postwar membership drive and brought nothing in return. CGT membership fell by some 60 per cent. CGT-FO-CFTC competition, especially in the 1940's and 1950's, led to a series of shifting union alliances designed more to win sectional advantage than to advance the interests of the working class as a whole. In these manoeuvres the CFTC/CFDT has felt free to cooperate at will with either the CGT or the FO, or both, whichever seemed appropriate. The FO by contrast has found it far more difficult to cooperate with the Communist-controlled CGT, from which it split in 1947. The CGT has been, at least in part, dependent on Communist Party or Russian sources for funds, as indeed the FO has been, in aid from the United States.

Constitutionally, all three French federations are decentralized. A national congress, meeting every two years, decides major policy issues. Between congresses, a smaller national council makes the major decisions. An executive committee, comprising a full-time general secretary, a number of full-time departmental secretaries, and some lay-members, controls day-to-day business.

The congresses of all three major federations are dominated not by the affiliated national unions but by the local units which alone have the right to attend. The effectiveness of this apparently democratic structure is nevertheless eroded by hidden political and financial ties which greatly aid the concentration of power in the hands of top-level union officials.

Wage Agreements

The Matignon Agreement, reactivated in 1950, provided comprehensive collective contracts *(conventions collectives)*, which under certain conditions were eligible for legal extension to an entire industry. To qualify as conventions, collective agreements had to meet certain obligatory and wide-ranging criteria. The Agreement also provided for more limited wage agreements *(accords salaires)* that were ineligible for extension. Owing to union weakness, most agreements have fallen into the second category rather than the first. Political pressure intended to adjust the uneven balance between capital and labor has led to the regulation by law of many issues, such as paid vacation, workers' "inplant" representation, and factory committees.

A legal minimum wage (*salaire minimum interprofessionel garanti:* SMIG) was also established in 1950. Upward revisions of the SMIG have tended to become generalized. One result has been that unions have come to view with a considerable, and not unjustified, scepticism the acuracy of the official cost-of-living scale on which SMIG depends.

French employers, determined to maintain managerial prerogatives, have been successful up to now in imposing their own terms on the collective bargaining process. Better staffed, better funded, and more united than the unions, they have been content to bargain through employers associations at provincial *(département)* and regional level. Bargaining procedure has been kept out of the factory arena. Paris, a major industrial area (employing about a third of the engineering labor forces, the élite of French unions) has tended to represent the key bargain on which others depend.

"Factories, Universities—Unions"

This poster, proclaiming a worker-student coalition, was one of hundreds that appeared on walls overnight during the May 1968 demonstrations in Paris.

Wage levels under the existing form of contract have tended to resolve around those which marginal firms might be expected to pay. Larger and more efficient undertakings have been free to offer better conditions and skim the cream off the labor market if they wished. A form of institutionalized wage-drift has resulted. Certain sophisticated management teams, such as Renault's, have sought to stabilize and domesticate their labor force by voluntarily negotiating agreements notably above the rates and conditions prevailing.

Collective Bargaining

Collective bargaining legislation does not require any sole bargaining agent as in the United States. Instead, provision is made for signature by the "most representative organization." This is in part explained by a desire to prevent the Communist-dominated CGT from sweeping the field. It has led to a perpetuation of union rivalry and division. The "most representative organization," or indeed several "most representative organizations," even although duly recognized as official bargaining agents, may still represent a clear minority of the work force.

The weakness and divisions of French unions have thus become institutionalized. The spontaneous upsurge manifested by the masses in May 1968 conceals the very real weakness of most French unions. Thus, at Renault's large Boulogne-Billancourt plant in Paris only some 20 per cent of the workers are organized. A majority of the workforce did not join the May stoppage at all. Some important union recruitment has taken place across the economy since 1968, but whether these new members will be held is still far from clear.

Politics and Union Allegiance

Union allegiance in France has been less a means towards job control than a reflex of class consciousness. The CGT has been cynically manipulated and used as a transmission belt for passing Communist directives to the masses. Here, in part, are reasons for the weakness of French unionism. Many workers, discontented with the instrumental use to which the unions have been put, refuse to join them. Others, lacking confidence and self-assurance, find an excuse for remaining passive in the union's weakness and present incapacity to challenge employers effectively. France's greatest "union" is that of those who lack either the will or consciousness to join any labor organization at all.

Statistics show that voting Communist does not in any way involve a willingness to join and participate in trade union affairs. The CGT claims to organize two million workers, yet this figure is less than half of the four to five million Frenchmen who have voted consistently for the Communist party in postwar years. Party membership stands at considerably less than 400,000, so that the Party is clearly a minority of the membership of the CGT as a whole. Despite the Communist leadership of the CGT, the number of man-hours lost through strikes in France has been low, but short official strikes do occur from time to time. No national center possesses adequate strike funds, the key to an effective long-term stoppage. Lacking proven membership and effective on-the-job organization, unions frequently can convince employers of their support and determination only by calling a stoppage.. The idea of a strike, as accepted in Britain and the United States, as a dispute which, once opened, continues until the exhaustion and surrender of one or another of the combatants is so unusual as to merit the special term of *grève illimitée,* a strike without end.

As might be expected in a movement so divided on political grounds, the attitudes of French unions to the European Community have differed greatly. The Communists, and thus the CGT, have from the beginning condemned proposals for European integration as a conspiracy of the monopolies at the expense of the people and as part of preparations for war against the Soviet Union. The Socialist Force Ouvrière, the Christian CFTC and its spin-off, the CFDT have, on the other hand, been among the foremost backers of the European idea in France. In the last decade, the CGT, in part as a result of pressure from the large Italian Communist-dominated labor federation, has shifted its attitude towards the Common Market. The CGT now accepts the existence of the Community as an institution; it seeks representation on the Community's Economic and Social Committee and, in general, the same rights of access to Community institutions as those already gained by the FO and the CFDT.

In sum, the French union movement is weak and organizationally fragmented along political lines. Unorganized workers far outnumber union members, partly because of the nature of French society and the French economy. It is also in large measure the result of the cynical manipulation of the labor movement for political ends, in which the Communist Party and its agent, the CGT, have played the foremost part. The future of unionism in France depends to a large degree on its ability to recruit the workers that remain unorganized. In accomplishing this task, the force to watch is the CFDT, now by far the most thorough, militant, and serious of the French union organizations.

Renault Workers to Get Stock

Renault will create stock to be given free of charge and tax-free to employees, who will enjoy the normal rights of shareholders, including representation on the board of directors.

A government decree will define the maximum number of shares an employee may own and the time limit for assigning stock to a new stock holder (five years is the time limit mentioned). Stock will be distributed according to criteria such as length of service and responsibilities exercised by workers. Employees leaving the company will be able to keep their stock. Stock will be in the name of each holder and, to avoid speculation, will be assignable only to the members of the staff or to the company. The state will continue to hold three-quarters of the company's capital.

Last December, the French National Assembly adopted, by a vote of 381-92, the Government's bill enabling workers in the nationalized Renault car works to hold stock in the company. The bill arose out of the proposal put forward by President Georges Pompidou in his press conference of September 22, 1969.

This new system of distributing stock to workers may be extended to other nationalized industries, among them the aeronautical industry (44,000 workers), the three major banks (90,000 employees) and the insurance companies (80,000 employees).

The distribution of Renault shares to employees is part of the second stage of the French Government's policy of improving industrial relations through workers' participation. The first stage was the "profit-sharing" decree of 1967. A third stage would aim at some participation in management responsibilities.

The Confédération Générale du Travail (CGT) opposes the idea that workers should take part in the management of industry as "small capitalists" instead of managing it as workers.

Dunlop-Pirelli Merger

RICHARD K. SHEPHERD

DETAILS ARE NOW BEING SETTLED on the largest international merger since the formation of Unilever in 1929.

Britain's Dunlop and Italy's Pirelli plan to combine their operations, thus becoming the third largest tire manufacturer in the world, big enough to compete with the American leaders, Goodyear and Firestone.

The Dunlop-Pirelli link-up, announced on March 3, differs from the numerous other mergers that have recently occurred throughout Europe in that it cannot be defined as a purely defensive move against the American giants. In fact, the European tire industry is one of the few sectors in Europe providing the United States with technology, instead of receiving it.

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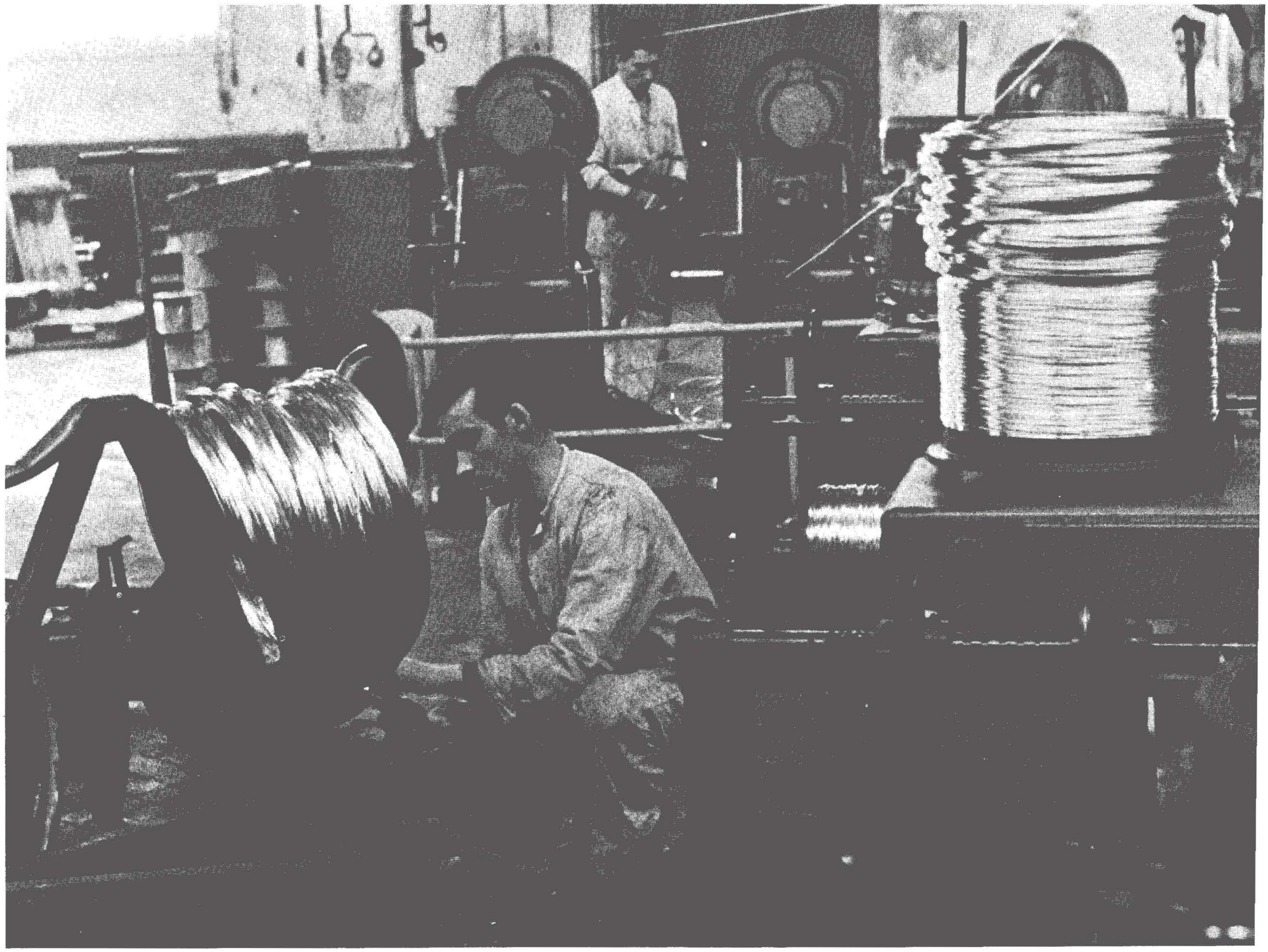
Transnational mergers like the German-Belgian Agfa-Gevaert combine in the photographic business five years ago or last year's aircraft industry marriage between Holland's Fokker and Germany's Vereiningte Flugtechnische Werke have produced companies still tiny when compared with American counterparts, such as Kodak or Boeing. Even relatively uncomplicated "domestic" mergers in the chemical industry, which produced such major national groups as Holland's Akzo and France's Rhône-Poulenc, are regarded by experts as defensive moves against the sheer size and power of British, American, and German chemical companies like Imperial Chemical Industries, Union Carbide, and Bayerische Anilin und Soda Fabrik (BASF).

The Pirelli Plant in Bicocca, near Milan, manufactures electrical cables as well as tires.



Cooperative Arrangements Extended

The Dunlop-Pirelli venture, between Europe's largest and third largest tire producers respectively, follows the pattern set early this century by Shell and Unilever, with separate companies remaining in each of the home countries. Details still have to be settled, but the formula is expected to include a system of holding companies to direct both companies' activities in various market areas, with a "steering committee" to guide joint affairs. Both companies will probably retain their names (although wits have already christened the new union "Dunelli").

Dunlop will take up to 49 per cent of Pirelli's stock in its European subsidiaries and 40 per cent of Pirelli's stock in companies in other parts of the world. Pirelli will take similar shares in the Dunlop daughter companies.

The Dunlop-Pirelli merger can be regarded as an extension of cooperative arrangements that have been growing steadily for years. Dunlop has used Pirelli technology as a base for its own move into radial-tire development. In France the Dunlop plant has been manufacturing Pirelli tires, while in Italy Pirelli has reciprocated, turning out tires with the Dunlop brand name.

Now the same pattern can be applied to more of Dunlop's 128 factories and Pirelli's chain of 82 plants. Indeed, the geographic spread of each company's markets is ideally suited to this kind of exchange. Dunlop is strongest in Britain, Germany, France, Ireland, and the Commonwealth countries, while Pirelli has a strong influence in Italy, Spain, Turkey, Greece, and South America.

Strengthened Market Position

Dunlop-Pirelli, with total 1969 sales of $2.26 billion (as compared with Goodyear's $3.2 billion and Firestone's $2.28 billion) will have around 30 per cent of the European market. This market position would put them well ahead of Michelin which has 12 per cent of the total market, but a much larger share of truck tire sales.

For Michelin, Europe's second-biggest tire producer, the culmination of Dunlop-Pirelli cooperation in merger could cause serious worry. It was Michelin that first developed the long-wearing, road-hugging radial-design tire, later taken up by Pirelli, which substituted textile for steel reinforcement. In February Pirelli and Dunlop, along with Europe's fourth-largest tire company, Germany's Continental, announced plans to build a jointly-owned steel tire-cord plant in Germany, a potential launching pad for the companies' own take-off into steel reinforced radial tires directly competitive with Michelin's.

With the radial tire now being recognized for the first time in the U.S. market (principally by Ford), the big question is how and when Dunlop-Pirelli will move into Goodyear's and Firestone's home ground. Michelin has a head start in the United States where it is building an integrated steel reinforced radial tire plant in Canada for the North American market.

Effects on Competition

Within the Community, the Commission's competition experts will investigate whether the merger proposals should be challenged under the yet untested Article 86 of the Rome Treaty which forbids the abuse of dominant positions in Community markets. Dunlop-Pirelli's existing arrangements in France and Italy have already been investigated and cleared by the Commission, but approval of the proposed merger may be harder to come by. One of the first questions that Commission officials will ask is: "What happens to the links with Continental?" The extension of existing three-way links into a three-partner combine would certainly create a dominant position on the Community market to the detriment of Michelin and other, much smaller, Community tire producers.

Brussels will have to balance the advantages of having a world-wide company capable of competing with the Americans against the disadvantages of restricting local competition. On the eve of the opening of membership negotiations, it is a tightrope act that many British and Community companies will be watching.

Six Reasons for Merging

Dunlop Chairman Reay Geddes on March 3 in London explained why the two companies had agreed to merge.

- They were similar in size and would, without changing their headquarters, form a group capable of competing with the U.S. leaders.
- They had a common technology, and their union would allow greater variety of research and development.
- They were "complementary in their geographical spread," with Pirelli strong in Southern Europe and Latin America and Dunlop, in Northern Europe and North America.
- They would benefit from product diversification. Dunlop would share in Pirelli's cable manufacturing activities, while Pirelli would move into plantations, sports goods, and engineering.
- Their organization and management practices were similar, therefore presenting few barriers to realizing the benefits of the union.
- They could "select and undertake new ventures more boldly, giving a greater capability to punch our weight around the world."

Mr. Geddes thought the formation of a multinational group would increase the profitability of both groups. The chosen method of integration would preserve the Dunlop and Pirelli names. It would also avoid many problems normally connected with full mergers because the Community lacks a common company statute and harmonized tax laws.

In Milan, Pirelli President Leopoldi Pirelli suggested that a major result of the link could be a combined attack on the North American market for radial-ply tires.

Union Reactions

Pirelli's agreement with Dunlop led Italy's three major labor federations, Confederazione Generale Italiana del Lavoro (CGIL), Confederazione Italiana dei Sindacati Liberi (CISL), and Unione Italiana de Lavoro (UIL), to express "anxiety at the danger inherent in the constitution of large concentrations which, by monopolizing certain productive activities, ensure for themselves a position of privilege on domestic and foreign markets."

They complained that they had not been consulted in advance and demanded a meeting at ministerial level with the Italian Government.

Peking Eyes the Community

三、共同市場與美帝國主義矛盾的發展

This headline reads: "The Inconsistent Developments of the Common Market and American Imperialism."

"GONG-TONG-SH-CHANG" say the Chinese—meaning the Common Market. Communist China regards the European Community as politically relevant, and the Chinese press regularly reports on developments in the Six. Articles on the West's economy in general cover the Community, and on occasion Commission President Jean Rey is quoted by name. In Chinese he is called Lei, which also means "thunder." China's economic press comments regularly on the Community's problems and publishes news agency reports from Brussels.

In addition, Chinese newspapers and magazines take articles word for word from Commission publications. Recently, they have reprinted translations of "Why the Added-Value Tax Was Chosen" and "How Tariff Levels Are Changing," both of which were first published in *European Community* last year.

The picture of the Community painted by the Chinese press is, naturally, colored by Marxist modes of thought and expression. The Community countries figure among the "imperialist" nations. Chinese commentators analyze the common agricultural policy according to Marx's theory of capitalist overproduction crises. Agriculture, they say, is the battleground where the clash of contradictions within imperialism is sharpest.

In Peking's view, the customs union achieved on July 1, 1968, will intensify the imperialist countries' struggle for markets. According to Marxist-Leninist economic theory, this competition is bound to lead to a slump in production and prices. The Chinese press therefore emphasizes the Community's declining coal output and the slow decrease in the West's share in world trade. According to Chinese analysts, Community policy is determined by conflicts rather than by a community of interests because of the "still very great" contradictions of capitalism. Non-Communist analysts would probably describe the conflicts as the results of nationalism.

As is their custom, writers first define the basic ideological line before turning to the facts. Chinese journals appear to have a special interest in detailed factual information on such subjects as the trend of economic development in the Community, the role and aims of the Common Market in the capitalist world, the effects of the common external customs tariff, and the introduction of the value-added tax. They also report on the development of a common labor market, efforts to reduce the technological gap, and the problems that the Common Market poses for industry in Hong Kong.

China's bid to increase its influence in Africa may explain Peking's interest in the joint development aid that the Six give to the African associates. Under the heading "West Wind Brings Disorder Into Africa's Economy—the Central African Countries Which Depend on the EEC," an article interpreted the overall relationship between the Six and Africa along the general lines of Chinese foreign policy; but the report kept to facts where specific matters such as trade agreements and development plans were concerned.

The Communist Chinese press attaches great importance to the Community's relations with Britain and the United States. The problems of enlargement of the Community are dealt with under headlines such as "British Industry Insists on Entry." Relations between the Community and the United States directly affect China's foreign policy interests. The Chinese cannot be indifferent to the relations between the Community—by far their most important trade partner—and the United States—the country they regard as sworn enemy no. 2. Headlines are sometimes ideological—"Increasing Divergencies Between the Common Market and American Imperialism," sometimes straightforward—"America Tightens the Screws on the Community."

The Chinese press has not yet touched on the relationship between the Community and Eastern Europe.

Based on a study by Ernst August Findorff, an official of the Commission.

COMMUNITY NEWS

COMMON MARKET INVITES APPLICANTS TO OPEN MEMBERSHIP NEGOTIATIONS ON JUNE 30

The European Communities have formally invited the foreign ministers of the United Kingdom, Ireland, Denmark, and Norway to attend the opening session of membership negotiations on June 30.

The invitations, from Pierre Harmel, President of the European Communities Council of Ministers, were presented on June 11 to the heads of the applicant countries' Missions to the European Communities: British Ambassador Sir James Marjoribanks, Danish Ambassador Olav Gundelach, Irish Ambassador Sean P. Kennan, and Norwegian Ambassador Jahn Halvorsen.

Calendar Set for Negotiations

The current members of the European Community—Belgium, France, Germany, Italy, Luxembourg, and the Netherlands—reached agreement on the negotiating procedure at a Council meeting in Luxembourg on June 8-9. They also set a calendar for the first phase of negotiations, to be held in Luxembourg:

- June 30, 1970: opening session with the four applicants
- July 21, 1970: first session at ministerial level with the United Kingdom
- September 21, 1970: first ministerial session with Ireland
- September 22, 1970, (morning): first ministerial session with Denmark
- September 22, 1970, (afternoon): first ministerial session with Norway.

In meetings with candidate countries, the European Communities delegation will be led by the President of the Council of Ministers. (Every six months, the Council presidency is held by a different member country. When negotiations open on June 30, Belgian Foreign Minister Pierre Harmel will preside, but the role of chairman passes to Germany on July 1.)

The Negotiating Position

The Community's position will be explained and supported in negotiations with the applicant countries by the Council President or by the Commission, particularly on matters involving existing common policies. As specific problems arise during negotiations, the Commission will receive mandates from the Council to explore possible solutions with the candidates and then to make proposals to the Council.

At the June 8-9 meeting, the Council also completed preparatory work on the common negotiating position.

Franco Maria Malfatti

NEW COMMISSION NAMED

The members of the nine-man Commission of the European Communities, scheduled to take office in July, were named on May 29 during a meeting of the foreign ministers of the Six near Viterbo, north of Rome.

Reduction of the membership of the Commission from fourteen to nine was in accordance with the treaty which, in July 1967, merged the executive bodies of the European Economic Community (EEC) and the Atomic Energy and Coal and Steel Communities (Euratom, ECSC). The nine-man Commission will hold its first meeting on July 2 in Brussels.

The Six named as new Commission President Franco Maria Malfatti, a 43-year-old Italian Christian Democrat whose governmental career has included positions as Under Secretary of State for Foreign Affairs, Minister for State Participation, and, most recently, Minister for Post and Telecommunications.

Other new faces in the Commission will be Ralf Dahrendorff (Germany), Albert Borschette (Luxembourg), and Giorgio Smoquina (Italy). Staying on in Brussels will be Commissioners Albert Coppé (Belgium), Jean-François Deniau (France), Wilhelm Haferkamp (Germany), and Commission Vice Presidents Sicco L. Mansholt (the Netherlands) and Raymond Barre (France).

The Vice Presidents of the new Commission have still to be chosen and responsibilities assigned for particular areas of policy.

Retiring Members

The retiring members of the 14-man Commission are: President Jean Rey (Belgium), Victor Bodson (Luxembourg), Guido Colonna di Paliano (Italy) who resigned in May, Hans von der Groeben (Germany), Fritz Hellwig (Germany), Lionello Levi Sandri (Italy), Edoardo Martino (Italy), Henri Rochereau (France), and Emmanuel M.J.A. Sassen (the Netherlands).

BRITAIN SEES FARM FINANCING AS THE MAIN NEGOTIATION ISSUE

Britain wants the membership negotiations with the European Community to be confined to four major issues:

- the effects on Britain of existing Community financial arrangements for agriculture
- the need for a transition period
- the Commonwealth's developing countries and the territories whose economies are dependent on the Commonwealth Sugar Agreement
- New Zealand's dairy products.

George Thomson, Chancellor of the Duchy of Lancaster, who will lead the British delegation in the talks with the Community, addressing a Chatham House conference, in London on May 7, also said that farm financing was the most important of those problems. "The task of integrating the economy of a great food-importing country into a community of nations who are largely self-supporting in food is no light one. It presents new problems for the Six of a different character from the difficult enough problems they have had to solve among themselves in the agricultural field. A solution which imposed an unfair balance-of-payments burden on Britain would damage the economy both of this country and of the Community," Mr. Thomson said.

SCHAETZEL AFFIRMS U.S. SUPPORTS POLITICAL UNITY

The United States has no intention of intervening in Europe's unification process, according to Ambassador J. Robert Schaetzel, Chief of the U.S. Mission to the European Communities.

He also reaffirmed U.S. support for political unity during an invitation appearance in Brussels on May 20 before the European Parliament's Committees on Political and Foreign Economic Relations.

Mr. Schaetzel also discussed U.S.-Community trade relations, generalized preferences for the developing countries, and the possible creation of a U.S.-Community trade commission.

Carlo Scarascia-Mugnozza, Italian Christian-Democrat, who presided over the meeting, said that Mr. Schaetzel's appearance before the Parliamentary Committee was in keeping with the Community's desire for improved consultation with the United States.

Members of the European Parliament have also indicated interest in establishing contacts with members of the U.S. Congress. July 3 has been mentioned as a possible date for the meeting.

TRADE POLICY COMPLETED; COMMISSION GETS NEW TRADE NEGOTIATING POWERS

The Common Market Council of Ministers added the last two blocks to its common commercial policy, at its May 25-26 meeting in Brussels. The Council also gave the Commission general authority to negotiate "housekeeping" tariff adjustments without getting Council approval in each case.

The two commercial regulations adopted—one establishing a common system for imports from third countries, the other a common procedure for handling quotas—replaces three provisional measures that were adopted on December 10, 1968.

A Common Import System

The common system for imports into the Community covers all countries except state trading countries (East European countries and other Communist regimes), which were covered by a regulation passed last December 19.

The new regulation consists of:

- a common liberalization list of products that have been freed to date by each of the member states. This list of imports may be lengthened by future Council decisions.
- an information and consultation procedure to allow the Community to keep track of import trends
- a Community surveillance procedure which would cover products if market conditions started to cause severe damage or threaten Community producers
- possible safeguard measures which would consist of removing certain products temporarily from the liberalization list.

Safeguards could be applied only in conformity with Community procedures and in the event of serious damage or threat of serious damage to Community producers. Such measures, if taken, must respect the Community's international obligations, especially within the General Agreement on Tariffs and Trade (GATT). In principle, the Council will activate safeguards. However, in an emergency, the Commission or the individual member states can do so, although their action is limited in time.

Common Quota Management

The second regulation sets up a common system for managing import and export quotas for trade with third countries—set either unilaterally or as a result of negotiations. The system establishes a procedure for dividing the quotas among the six member states and sets rules for granting authorizations and for cooperation between national and Community authorities. Import licenses will continue to be issued by the member states, but in accordance with Community rules. A quota management committee will be formed of representatives from each member state, presided over by a Commission representative.

These two new regulations, together with previously adopted measures, complete the basic foundation of a Community commercial policy. The other principal elements already in operation are the system for imports from state trading countries, and a decision adopted on December 16, 1969, providing that trade agreements between member states and third countries gradually be made uniform and that such agreements eventually be replaced by ones negotiated by the Community.

Commission Gets "Housekeeping Authority"

The Council also authorized the Commission to negotiate or consult with third countries, after consultation with a committee on commercial policy set up by the Common Market Treaty, if any of these countries wish to modify or withdraw a tariff concession or other commitment. This general mandate allows the Commission to take the necessary adjustment actions authorized by the GATT without asking the Council's permission in each case.

BASIC ACCORD REACHED ON POLITICAL UNION

The foreign ministers of the six members of the European Community reached tentative agreement on the means of increasing their political unity, at a meeting on May 29 near Viterbo, north of Rome.

The basis for discussions, which will continue in July, is a report by a committee headed by Etienne Davignon, chef de cabinet to Belgian Foreign Minister Pierre Harmel. The report, which has not been made public, was requested last December at the summit meetings of heads of state and government in the Hague.

FINET AWARDS MADE TO 203 ECSC ORPHANS

The Paul Finet Foundation awarded 203 scholarships on May 5 to orphans of miners and steelworkers who died as a result of a work accident or occupational illness. Since the Foundation's creation in 1965, it has made 1,012 grants, totaling $156,287.

Contributions from the budget of the European Communities Commission and from private sources pay for these awards. To be eligible for assistance, a student must live in a Community member country, be at least 14 years old, and excel in school studies. The student or his legal guardian may apply.

CURRENCIES OF THE SIX TO KEEP FIXED PARITIES

The finance ministers of the Six, meeting in Venice on May 29-30, agreed that their currencies would retain their present .75 per cent margins of fluctuations around parity, even if the International Monetary Fund (IMF) were to sanction wider margins.

This agreement represents the first step towards achieving a full economic and monetary union by 1980, when all fluctuations between their currencies should be eliminated.

In addition, they agreed on five main priorities for the first three-year phase of the plan for attaining monetary union, due to start next year. The priorities are: coordination of budgetary policies, harmonization of budgetary procedures, alignment of credit policies, adoption of Community targets for medium-term economic planning, and gradual coordination of cyclical policies.

ELDO SEEKS NEW LAUNCHER

ELDO, the Paris-based European Launcher Development Organization, announced in April that it has decided to abandon Britain's Blue Streak rocket as the main booster for its future communications satellite rocket.

Instead, ELDO's permanent council will recommend the development of a new $500-million launcher for Europa III. Science ministers of France, Germany, Italy, Belgium, and the Netherlands will meet in Brussels in June to approve the project.

The British Government in 1968 said that it would reduce its contributions to ELDO and would not participate in the launching of Europa III.

ANTI-DUMPING RULES INVOKED AGAINST GREECE

The European Community's anti-dumping regulation, which superseded national procedures in 1968, was used for the first time, on April 30. The Commission took action following a complaint by the Italian Government about rapidly mounting imports of nitrogenized fertilizer from Greece.

Italy stated that the fertilizer imports were entering the Community at prices 25 per cent below prices charged in Greece. If the practice continued, imports would reach 55,000 tons this year as compared with just under 15,000 tons in 1969, forcing a 25-30 per cent cut-back in Italian production.

At the Commission's suggestion, Greece was given 15 days, until mid-May, to end dumping on the Community market. During this period interested parties could seek hearings with the Commission. If the practice continued beyond the 15-day limit, the Community could impose countervailing duties.

EMPLOYMENT CONFERENCE SUGGESTIONS ACCEPTED

As a result of the Conference on Employment Problems (*see page* 9), the European Communities Council of Ministers has issued guidelines for promoting cooperation between the six national employment services.

It has also agreed that a Standing Committee on Employment should be set up and has put the Committee of Permanent Representatives in charge of getting labor's and management's ideas on this subject. The Committee will be responsible for ensuring discussion, coordination, and consultation between the Council, the member governments, the Commission, and labor and management.

Both actions were taken at a Council meeting in Brussels on May 25-26 after discussion of reports and studies on the national employment services, vocational guidance, job-filling techniques, the use of computers in employment services, and labor forecasts at national and Community level.

Economic and Social Motives

Placement activities, at first purely social in nature, are becoming economically important for their contribution to balanced growth and full employment, the Council said. It praised the member governments' attempts to improve the organization and operation of their placement services, especially:

- by making use of modern communications equipment
- by forming specialized placement services to answer specific needs in certain professions and industries.

Further improvements in placement, the Council said, will depend heavily on detailed knowledge of the labor picture. For this reason, it asked the Commission to report in the future on the member countries' vocational guidance activities, particularly in relation to: their knowledge of employment trends; the frequency and rapidity with which they give out employment information; their general and specialized placement activities, and their systems of aid to promote occupational and geographical mobility.

The Council also thought the structure of professions and trades and the common elements in aptitudes and training for them should be studied so that a common nomenclature could be developed for use by computerized placement services.

Computerization of Placement Services

Some member countries have begun to use computers for placing workers in specific job openings, for gathering statistics, and for preparing vocational guidance and training programs. During the Council meeting, solutions to some of the problems involved in automating an employment service were discussed. Among them, the Council mentioned that specialized people have to be hired and old personnel retrained. To help overcome internal psychological resistance to the introduction of computers, the Council said the existing personnel should be deliberately involved in the preparatory work.

EIB RAISES INTEREST RATE

The Board of Directors of the European Investment Bank decided at a meeting in Brussels on April 28 to raise the annual interest rate from 8 per cent to 8.25 per cent on loans of less than 12 years. The annual interest rate on loans of 12 to 20 years remains unchanged at 8.25 per cent.

FRONTIER CONTROLS OUTLIVE TARIFFS


Traffic jam at customs

Despite the completion of the European Community's customs union almost three years ago, the average European still has to line up at customs every time he crosses from one Community country to another.

To smooth the flow of trade across internal borders, and to give the weary traveller some evidence of the custom union's success, the Commission would like some of these controls removed, even though they do not violate the Common Market Treaty. In the meantime, flexibility in enforcing them should be the keynote, the Commission suggested in a memorandum to the Council of Ministers on May 20.

The Commission listed seven types of customs formalities still in use:

- customs checks for irregularities in shipping documents, invoices, and declarations
- controls stemming from differences in systems applied to third countries, imports and exports
- controls to levy indirect taxes and excise duties
- controls on movements of gold and foreign currencies
- controls based on common market regulations, for example in transport, agriculture, and subsidies for coking coal
- controls for statistical purposes
- controls to check on travellers' identities and motorists' car insurance.

The Commission thinks the Six should harmonize laws and agree to mutual recognition of controls. In the short-term, the Six should interpret customs laws flexibly, for example by making random, instead of systematic, checks.

EDF AID TO AFRICA

Commitments made by the European Development Fund since 1964 were raised to $705,101,000 by four financing decisions on May 15.

The decisions involve a total amount of $1,978,000—$898,000 of it as non-repayable grants, $1,080,000 of it as a loan on special terms. They are:

Ivory Coast: a loan of $1,080,000 to complete a fishing port in Abidjan. Previous work on the port was done with aid from the Community.

Togo: $187,000 to continue a crop improvement program. This project includes aid for running multi-skill training centers and providing supervisory personnel.

Mali: $363,000 to purchase pesticides and fertilizers to improve the cotton crop.

Senegal: $349,000 to improve crops. This project includes the distribution of peanut seeds, soil conservation, and the completion of centers for breaking in livestock.

AUTO CARTEL SCRAPPED AFTER COMMISSION QUERY

A Dutch and a Belgian automobile association has bowed to Common Market antitrust laws and scrapped an import-distribution cartel, it was announced in Brussels on May 21.

Following action by the European Communities Commission, the Dutch association, De Rijwiel-en-Automibiel Industrie (RAI), and the Belgian association, Chambre Syndicale du Commerce Automobile de Belgique (Comaubel), released their members from obligations resulting from exclusive contracts, with foreign firms that either created or guaranteed absolute territorial protection in buying, importing, and reselling automobiles, parts, accessories, or workshop equipment.

The Commission acted on the basis of the Common Market Treaty's prohibition of cartels. (Article 85 bans price fixing, production and sales quotas, restriction of technical development, market sharing, discrimination, and tied sales.)

Horizontal Agreement Eliminated

RAI kept a registry of its members' exclusive contracts covering these automotive imports into the Netherlands. Once such a contract had been registered, the other RAI members had to refrain from direct dealings with the foreign firm. No other member could import or resell the same products. Other members could obtain distribution rights for the registered products from the manufacturer only subject to a number of restrictions

Members of Comaubel were forbidden to import into Belgium similar automotive parts, accessories, and shop equipment, as well as motor cycles, once the exclusive purchase rights with a manufacturer had been granted to another member. In this case, other members could not even approach a manufacturer to eliminate the purchase rights already granted. Comaubel had also recommended that members use a standard contract that guaranteed importers absolute territorial protection of distribution rights. Comaubel has released its members from such obligations and established a new standard contract which is in line with the Community's competition policy and which, particularly, does not contain a system of export restrictions.

Comaubel-RAI Agreement Terminated

Comaubel and RAI also terminated an agreement between them under which the members of each association were not allowed to export into the other association's country any of the automotive products protected by an exclusive contract registered with either association.

Companies previously bound by conditions imposed by the associations are now free to buy from third parties and to import and resell products they could not obtain directly from the manufacturers because exclusive rights were held by another Dutch or Belgian importer. In addition, manufacturers can no longer guarantee absolute territorial rights for distribution.

STEEL TARIFFS LOWERED

The European Community has lowered customs duties on three types of iron to 1 per cent and has opened zero-duty tariff quotas for six special steel products.

The Council of Ministers decided upon these actions at a meeting in Brussels on May 25-26.

During the second half of 1970, the 1 per cent rate of duty will apply to vanadium and titanium pig iron and cast iron imported from non-member countries. The zero-duty quotas, also for the second half of 1970, apply to wire rod for use by the tire industry; wire rod for the manufacture of springs and piano wire; iron or steel coils for re-rolling; rolled alloy steel; used rails intended for rerolling, and electrical sheets.

UNIFORM TRUCK SIZES URGED BY MANUFACTURERS

The Automobile Liaison Committee of the European Community has for the first time asked the Commission to put forward legislation for the harmonization of weights and dimensions of trucks in the Community. This Committee considers current disparities between national legislation a barrier to trade, with serious consequences for both the automobile and the road transport industries.

The Committee favors the adoption of containers 40 feet long and weighing 30-48 tons when loaded, a standard which has been defined by the International Standards Organization. Standards now enforced by members of the Community are not uniform.

The automobile industry has asked the Commission to authorize:

- a maximum total weight for all types of vehicles, whether trucks, trucks with trailers (a combination outlawed in the United States for reasons of safety), or semi-trailers
- a maximum load per single axle of 13 metric tons (3 tons more than now permitted by Italy, Germany, and the Netherlands)
- a total length of 20 feet for trucks or semis with trailers
- a maximum total weight of 46 metric tons (as compared with 38 tons suggested by the Commission).

This is the first time vehicle manufacturers in the Community have taken a joint stand on truck sizes and weights.

RECENT BOOKS ON COMMUNITY TOPICS

EUROPEAN COMMUNITY periodically lists books dealing with Community and Atlantic topics. This presentation does not indicate approval or recommendation of these publications.

European Political Parties: A Handbook. Edited by Stanley Henig. Praeger Publishers, New York, 1970. 594 pages and bibliography.

A comparative study of recent changes in the system and structure of Western European political parties.

Individual chapters deal with the five largest Community countries (with an appended note on Luxembourg), Austria, the Republic of Ireland, Switzerland, and the United Kingdom. The Scandinavian countries are treated in a single, comparative chapter. The remainder covers nascent transnational groupings in the European Parliament and assemblies of other European regional organizations, as well as traditional international links of national parties.

Economic Relations After the Kennedy Round. Edited by Frans A. M. Alting von Geusau. A. W. Sijthoff, Leiden, 1969. 244 pages.

A compendium of papers presented at the colloquium on "Atlantic Relations After the Kennedy Round," sponsored by the John F. Kennedy Institute, Tilburg, the Netherlands, December 14-16, 1967.

The topics covered by the papers include negotiating techniques and issues in the Kennedy Round, the developing countries and the Kennedy Round, international organizations and trade relations, and future negotiating issues in foreign trade. The collection also includes a paper on post-Kennedy Round commercial relations by Theodorus C. Hijzen, Director General of the Community's external trade division.

The Economics and Politics of East-West Trade. By Josef Wilczynski. Praeger Publishers, New York, 1969. 416 pages.

An examination of the development and problems of East-West commercial relations.

In the first section the author discusses East-West trade in its historical context and its impact on the world economy. The second section is a comparison of the principles, policies, and practices of Western and Communist bloc trade systems. The final sections focus on trends favoring continued growth of East-West reform in East Europe, the easing of attitudes in the West, and the effect of politics on commercial relations.

PUBLICATIONS AVAILABLE

THE REFORM OF AGRICULTURE IN THE EUROPEAN COMMUNITY. *Information Memo* P-21/70, Commission of the European Communities, Brussels, May 1970, 6 pages .... free

Summary of the first draft directives for executing the Mansholt Plan of farm reform. The directives deal with farm modernization, withdrawal from farming activities, vocational training and advisory services, establishment of producers' groups, and reduction of the area devoted to agriculture.

RAPPORT SUR LA COMPARAISON DU SYSTEME BRITANNIQUE DE SECURITE SOCIALE AVEC LES SYSTEMES DES PAYS DE LA COMMUNAUTE. Commission of the European Communities, Brussels, 1970, 81 pages .... 50 cents

A comparative study of the structure and operation of social security systems in the Community countries and Great Britain. In view of Great Britain's application for membership in the Community, it is an interesting and timely report.

NON-PREFERENTIAL TRADE AGREEMENT WITH YUGOSLAVIA. *Information Memo* P-14/70, Commission of the European Communities, Brussels, March 1970, 2 pages ....free

Summary of the non-preferential trade agreement between the Community and Yugoslavia.

NATIONAL ACCOUNTS 1958-1968. Statistical Office of the European Communities, Luxembourg, 1969, 273 pages $3.00

The most recent data on the national accounts of the European Community's member countries. Also contains certain national accounts aggregates for the United Kingdom, the United States, and Japan. Includes financial transaction tables for the first time.

LES ACCIDENTS DU TRAVAIL DANS LES INDUSTRIES DU PAPIER, DU VERRE, ET DU CAOUTCHOUC. *Statistiques Sociales* No. 7-1969. Statistical Office of the European Communities, Luxembourg, 83 pages $2.00

Results of a study on the comparability of national statistics on industrial accidents. The paper, glass and rubber industries were selected for the study. Publication includes analysis of methodology and resulting data.

THE ENERGY SITUATION IN THE COMMUNITY: POSITION 1969-PROSPECTS 1970. *Information Memo* P-10/70, Commission of the European Communities, Brussels, March 1970, 15 pages ....free

English summary of the report on the energy situation.

THE ENERGY SITUATION IN THE COMMUNITY: POSITION 1969—PROSPECTS 1970. *Information Memo* P-10/70. Commission of the European Communities, Brussels, March 1970, 15 pages .... free

English summary of the Community's annual energy report.

STATISTIQUES HARMONISEES DES GAINS HORAIRES BRUITS ET DE LA DUREE HEBDOMADAIRE DU TRAVAIL OFFERT DANS L'INDUSTRIE. *Statistiques Sociales* No. 8-1969. Statistical Office of the European Communities. Luxembourg, 137 pages $2.00

Statistics as of April 1969 covering gross hourly wages and average work week in the industries of the Community.

BALANCES OF PAYMENTS 1958-1968. Statistical Office of the European Communities, Luxembourg, 67 pages $2.00

Data on balance of payments of the Community countries, overall and by area, and overall balances of the United Kingdom, the United States, and Japan. Includes breakdowns by area for various services, transfer payments, and capital movements.

CARTE DES ENTREPRISES SIDERURGIQUES. Commission of the European Communities, Brussels, 1970, 34 inches long by 47 inches wide, plastic coated $3.00

Map of steel mills in the European Coal and Steel Community as of January 1, 1969. Includes information about production processes and mills under construction.

THE COST OF FARM SURPLUSES: NEW FIGURES. *Information Memo* P-28/70, Commission of the European Communities, Brussels, June 1970, 8 pages ....free

New figures showing what the Community's surpluses of grain, sugar, and dairy products cost it.

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