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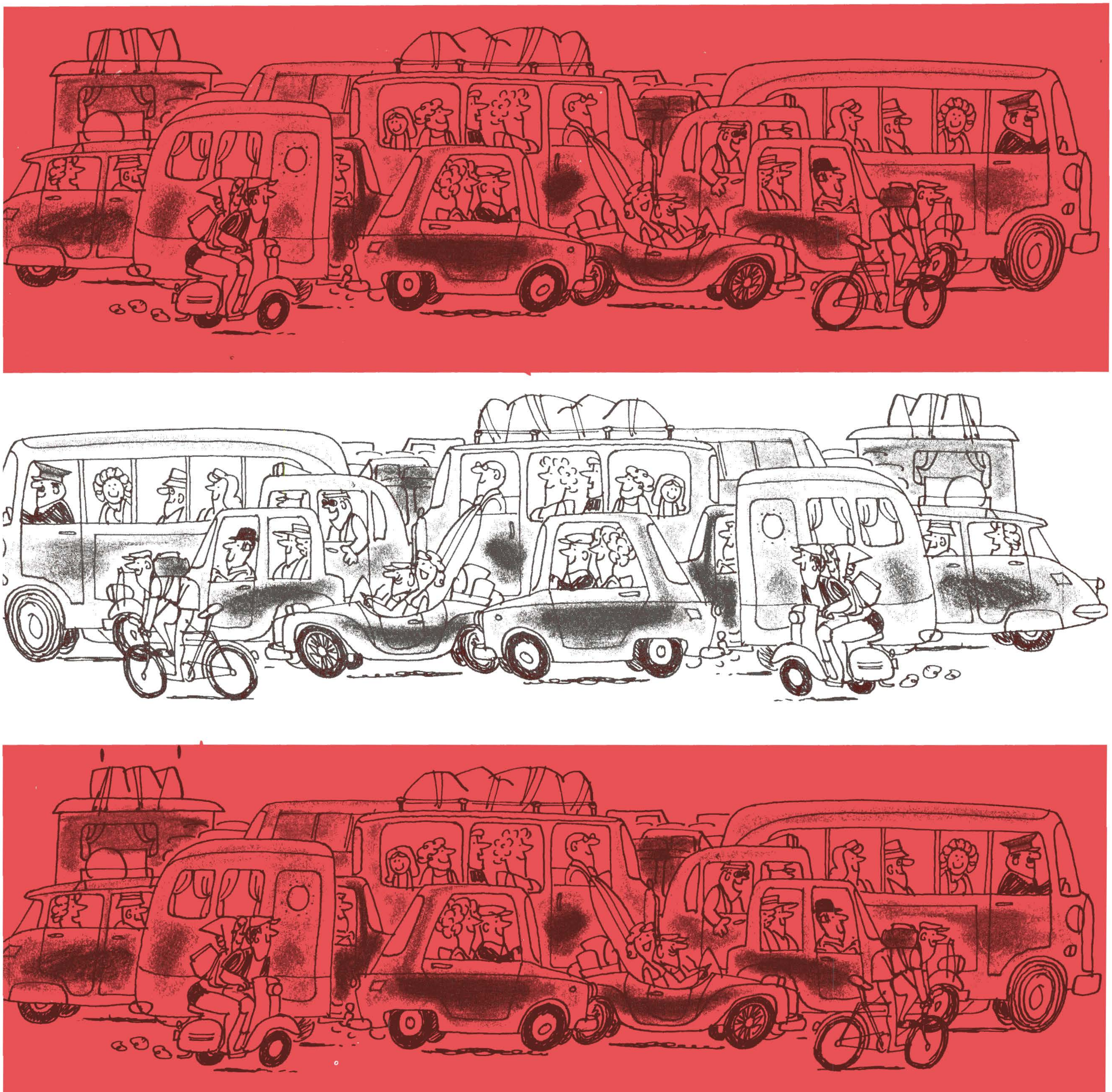

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After Vacation

WALTER SCHEEL

This outline of the Council's activities after the August recess is based on remarks by the German Foreign Minister in the Council meeting on July 20.

Nowadays, the change in the presidency of the Council is hardly more than a routine event, and that is how it should be. It is, nevertheless, a good time to look at what lies ahead.

Much has been done since our summit meeting in The Hague last December, but many new tasks face us in the next six months. The Community's internal completion and external enlargement will demand a large number of decisions on which we will have to work energetically, in close cooperation with the Committee of Permanent Representatives and the Commission. The desired enlargement beyond the circle of the Six is in keeping with the aims of our Community but will present all participants with serious problems. Negotiations will not be easy, so that we must get on with them in all determination.

We shall at the same time strengthen and develop the Community. The completion of the Common Market means the abolition of every internal frontier together with their troublesome legal and administrative obstacles. We need free and unimpeded movement of goods and capital as well as open frontiers without irksome controls.

We will press for successful continuation of the work on the multi-stage plan for economic union and a common currency. When the "Werner Group" reports on this plan in the fall, wide-ranging political decisions will be required of us for a stable, growing Community, open to the world, and capable of developing its economic and political strength fully.

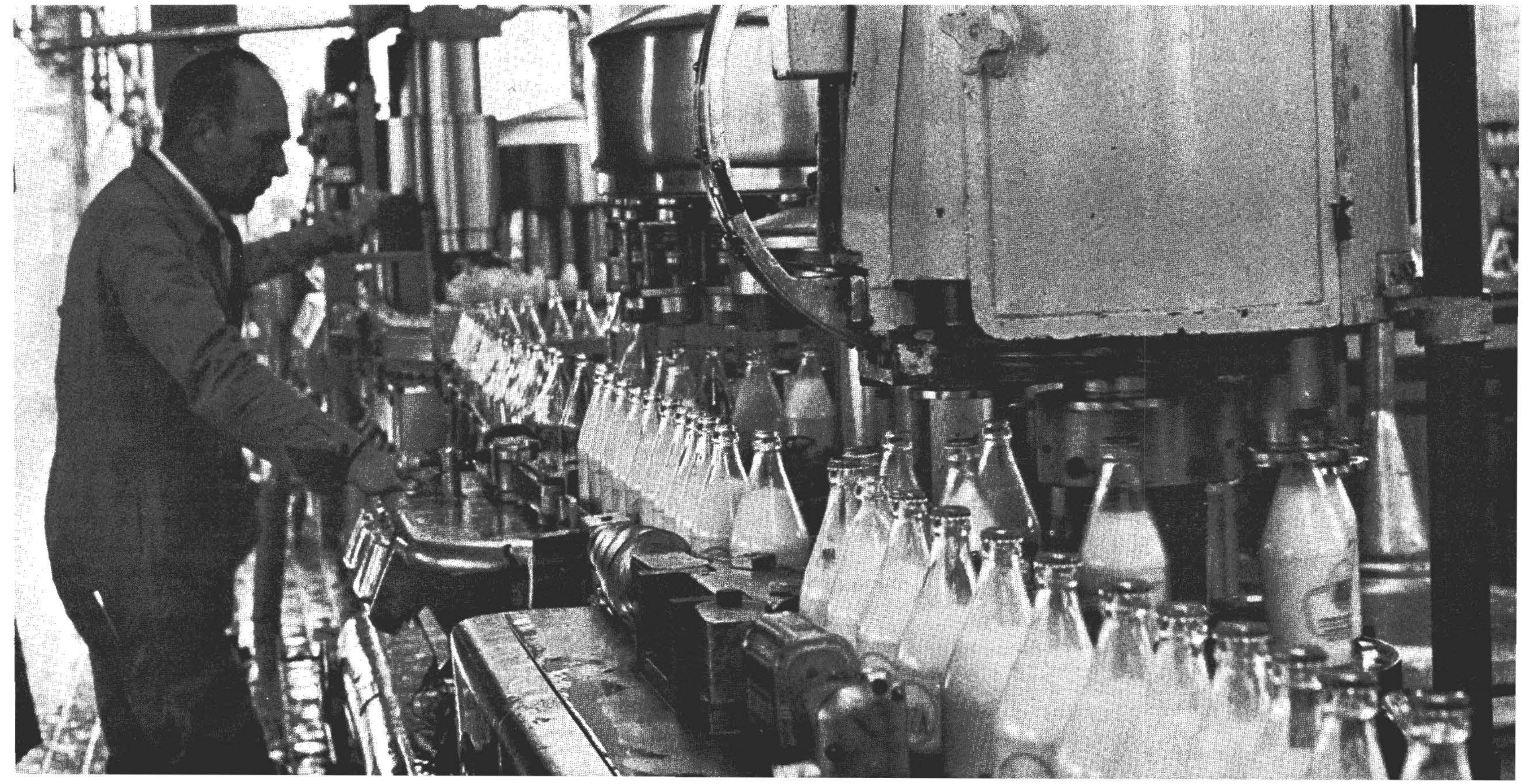
At the same time, we must also work to improve balance in the Community's economic and social structure. Complete leveling is neither possible nor desirable. However, where action is necessary to tidy up growth differentials between regions within the Community or to reduce other drawbacks in the interests of integration, we shall act with vigor. The Community's economic potential must be strengthened by a forward-looking industrial policy. We shall also have to direct our attention to agricultural problems.

All these challenges call for tight solidarity within the Community which will smooth the path towards political union, our ultimate aim.

New tasks also call for a strengthening of our institutions. A beginning has been made with the extension of the budgetary powers of the European Parliament. Beyond this, my predecessor in office, Belgian Foreign Minister Harmel, has resumed discussions with the European Parliament about direct elections. We shall have to continue these talks.

There is no alternative to this program. Europe will have to play its part in the world-wide concert of states. The Community must not cut itself off, either from its European partners or from other continents. The international division of labor, already achieved, must be maintained; further progress is necessary in world wide co-operation. Europe is called upon to build bridges to reduce world tensions. This will call for the continuation of our joint efforts during the coming six months.

Mr. Scheel said that this fall the Council should "direct its attention to agricultural problems, above all the elimination of surpluses," such as milk.



European Company Law

COMMON MARKET COMMISSION SENDS FINAL DRAFT TO THE COUNCIL

THE EUROPEAN COMMUNITIES COUNCIL of Ministers is considering the draft of a new European law on corporations submitted to it by the Common Market Commission. The statute, if adopted, will be the first step creating a European type of company in the Six governed by a uniform law directly applicable throughout the Community and which can be interpreted uniformly by the European Court of Justice.

The Commission adopted and sent to the Council the draft statute for a European company on June 24. It was discussed by the Council on July 20-21 and sent to the Economic and Social Committee for an opinion. In addition, on June 16, the Commission completed and sent to the Council for approval its third draft directive to coordinate national company laws, dealing with corporate mergers.

The European company statute will not replace national rules regarding companies but rather complement them by facilitating certain operations involving companies from different member states, such as mergers and the formation of holding companies and joint subsidiaries.

European Company Statute

By facilitating cooperation between firms with headquarters in different member states, the draft European company statute would help to integrate them in a common market.

Companies can already cooperate, but in a limited way, across frontiers under national laws: they may acquire holdings in companies registered in other member states, form subsidiaries there either alone or with other enterprises, and conclude cooperation agreements. This latitude is sufficient in relationships involving separate and independent national markets that are not to be fused into a single market. However, if a single economic area is to be created, all economic and legal barriers separating national markets must be removed.

One obstacle to the organization of multi-national enterprises has been that the national laws governing them end at the national frontiers. Despite attempts to remove disparities by making uniform provisions or by using different legal forms to obtain equivalency of effect ("approximation") to protect companies and others involved, the Common Market remains divided into areas governed by separate national laws.

The reluctance of firms to place themselves under a foreign and "unknown" legal jurisdiction impedes economic integration. Firms of all sizes, but particularly those whose names and reputations are associated with one country, are psychologically reluctant to change their "nationality." Having one statutory type of European company for the whole Community, equally accessable to firms anywhere within the Six, will help remove these obstacles and promote integration by creating conditions similar to those in a domestic market.

Access

At first, this type of company will be available for specific economic operations that are to be given priority in creating conditions similar to those in a domestic market. Three operations are involved between companies with headquarters in different member states: mergers, formation of holding companies, and formation of joint subsidiaries under European law.

To keep the rules brief and simple, they will apply only to corporations. Firms registered under other legal forms can reconstitute as corporations to get the advantages provided by the European company statute.

Only companies choosing one of these three forms of cross-frontier combination will be entitled to benefit from the Community's company law. Automatic conversion of companies incorporated under national law into companies under European law is not envisaged. Even national companies with an international character (because of their personnel, capital, type of operations, or branches or subsidiaries in other member states) are now sufficiently covered in their economic and legal relations by national company law. The proposed European company law will, however, exist side by side with national laws filling a gap that cannot be filled by their "approximation."

Requirements

The minimum capital for a European company would be \$500,000 for mergers or the establishment of a holding company, and \$250,000 for establishment of a subsidiary, according to the Commission's proposal. The minimum capital has been set so that even medium-sized firms can use the new company form.

The European companies will be under the jurisdiction of the Community's Court of Justice and will be entered in a European register of companies kept by the Court, with a branch office for this register in each member state.

A choice can be made between bearer shares (so that European companies' shares can be traded on stock exchanges) and registered shares.

European companies will be free to set up their headquarters anywhere in the Community and may have several headquarters; their location is to be determined by the articles of association. For tax purposes, however, these companies will be considered to have their headquarters at the place from which they are actually managed.

The European company will have a board of management (the company's decision-making center), a supervisory board, and a general meeting of shareholders.

Workers' Participation

The proposed regulation contains independent rules on the workers' right of participation in management decisions. There would be a European works council and workers would be represented on the supervisory board. There would also be arrangements for the possible conclusion of European collective wage agreements.

A European works council will be set up in all European companies having establishments in different member states. It will deal with matters concerning the entire company or several of its establishments. The national works councils in the establishments of a European company will be maintained to handle matters outside the responsibilities of the European works council.

The European works council will consist of representatives of workers at the European company's various establishments elected under the rules applying in the individual countries. It will have the right to be informed and consulted and also to give or withhold its agreement. Its agreement will be required for decisions by the board of management on: hiring, firing, seniority, vocational training, industrial health and safety, crea-

The European company statute would give Community companies a way to grow large enough, through mergers, to compete with international giants, such as the British Imperial Chemical Industries. ICI Plant in Rozenburg, the Netherlands. PHOTO: *Courtesy Imperial Chemical Industries, Ltd., London.*

tion and management of social facilities, wages, working hours, and vacations.

On the supervisory board, workers will be entitled to one representative for every two representatives appointed at the general stockholders meeting. Beyond this statutory minimum, a European company's articles of association may provide for a larger number. The workers' representatives are to be elected by the members of the national works councils, from lists made up by the national works councils, the European works council, the trade unions represented in the European company, and the workers of the European company.

When appointing the board of management the supervisory board must make one member responsible for personnel and labor relations.

Working conditions of a European company's employees can be fixed by collective agreement between the company and the labor unions represented in its establishments. These conditions will apply to all workers of the European company who belong to one of the unions party to the agreement. For the other workers, employment contracts may stipulate that the conditions of work fixed by collective agreement are to apply directly to the job.

Taxation

For taxes, the European company will come under the law of the state from which it is managed. There will be no tax preferences for the European company and it will be given the same treatment as companies under the law of the individual states. Any preferences would distort competition.

European companies will thus be governed by rules the Commission proposed in 1969 for a common tax for mergers between companies and for parent companies and subsidiaries from different member states. Under these rules, the profits of an establishment would continue to be taxed exclusively in the state where the establishment is located. Companies, however, would be given the right to opt for the system of world profit, allowing them to deduct in the country of tax domicile the losses suffered by establishments abroad.

Law for Integrated Groups

Because combination of enterprises under a single management (to form an integrated group) has assumed such economic importance, the regulation provides protection for independent stockholders outside the group and the creditors of controlled enterprises associated with the group when a European company is a controlling or controlled enterprise in a group. A European company that becomes a member of a group is required to make the fact known immediately. Independent holders of stock in controlled enterprises may accept cash payment for their stock, demand that their stock be converted into stock in the controlling enterprise or, in certain circumstances, ask for an annual compensation to guarantee their dividend. If the controlling enterprise grants independent stockholders this guarantee, it has the right to give instructions to the managing board of the controlled enterprise. The managing board of the controlled enterprise has to follow these instructions even if they run counter to its interests. The creditors of controlled enterprises are protected by the rule that the controlling enterprise has joint liability for the commitments of the controlled enterprise.

Third Directive: Harmonization of Company Law

On June 16, 1970, the Commission sent to the Council its proposal for a third directive to coordinate company law, dealing with mergers between companies.

The first requirement is that member states lacking merger legislation should introduce it. Two types of mergers are dealt with and harmonized: mergers involving the absorption of one company by another (acquisition) and mergers where two or more companies combine into a new company (consolidation).

The main purpose of the directive is to ensure adequate information on the merger to all interested parties. The public would be informed both of plans to merge and of the completion of mergers by entry in the register of companies.

In the interests of the stockholders, the boards of the companies involved are required to make reports explaining the merger plan. An opinion must be obtained from independent experts on the soundness of the stock-exchange ratio and the merger must be approved by a qualified majority vote at general meetings of the stockholders of the merging firm.

The interests of the workers must also be protected. As part of the transfer of rights and obligations accompanying any merger, those arising from employment with the acquired company pass on to the acquiring company too. The boards must also tell workers how the merger will affect them and must consult the works council.

Guarantees will have to be given to the creditors of the acquired company to protect them from loss of their claims.

Once a merger has been completed, it cannot be declared null and void.

Lastly, the directive provides that the member states are to apply the proposed safeguard rules to operations which, though not strictly mergers, are economically and legally akin to mergers.

The Statute, Conventions, and "Approximation"

In addition to providing authority to aproximate national rules affecting the establishment of the Common Market, the Common Market Treaty provides for two sets of measures on company law, differentiated by their subject matter and legal form: conventions and directives. The first calls on member states to conclude conventions covering mutual recognition of companies, international mergers, and the transfer of company headquarters.

A convention on the mutual recognition of companies was signed on February 29, 1968, and one on mergers between joint-stock companies is being prepared. Such conventions, like other international conventions, come into force only after all parties have ratified them. Directives, unlike conventions, are adopted by the Council on the proposal of the Commission. In company law, unlike approximation of most other types of laws, the Council may make a decision by a qualified majority vote, rather than by unanimity.

On March 9, 1968, the Council adopted a directive coordinating the rules and regulations for the disclosure of important documents, the validity of commitments made for a company, and the nullity of limited liability companies. On March 9, 1970, a second directive was submitted to the Council on the founding and capital of companies. On June 16, the Commission submitted a third directive on "national" mergers between companies (see above), involving companies in only one member state.

Two other directives, on company structure and on ways of submitting and assessing the annual statements of accounts of limited liability companies, are being prepared. Work is also going ahead on arrangements for the law on integrated groups and the liquidation of companies.

Despite "approximation" of laws and conventions, any given company in the Community will legally still be a "national" company.

The statute for a European company will carry this a step further to create a common type of company that operates throughout the Common Market. Companies will be able to choose, depending on their economic needs, between a uniform European type of firm and the various national forms.

Chronology

1959-1961. Trade and industry representatives and academic experts discuss the case for a uniform type of company for the Common Market.

1964. The Common Market Commission starts work to draw up a uniform type of company to give Common Market firms the legal and organizational means of strengthening their cooperation across frontiers.

March 15, 1965. The French Government proposes the creation of a European type of company by introducing a "uniform law" in the parliaments of the member states.

April 22, 1966. The Commission, in a memorandum to the Council of Ministers examines possible legal bases for a European company statute, and states a preference for a company under European law.

November 15, 1966. First meeting of an *ad hoc* Council working party on the European company.

End of 1966. Professor Pieter Sanders, Rotterdam, submits preliminary draft of a European company statute, drawn up in collaboration with experts from all member countries at the Commission's request.

April 26, 1967. The Council working party on the European company unanimously supports the case for a uniform statute but receives no mandate to draw up a statute.

May 29, 1968. The Commission proposes to the Council that a mandate be given to a new working party to proceed with the plans on the basis of the work completed.

March 5, 1969. The Commission decides to draw up its own draft.

October 1969. Professor Gérard Lyon-Caen, Paris, submits a study on provisions for the representation of workers' interests under the European company statute, at the request of the Commission. The Commission passes the report to the two sides of industry for discussion.

March 18, 1970. The Commission sends to the Council a memorandum on industrial policy, emphasizing the need to adopt as rapidly as possible a European company law.

April 1970. The Commission hears labor's and management's ideas for ways of representing workers' interests under the statute.

June 9, 1970. The Council discusses the report known as the Werner Plan for achieving full economic and monetary union in stages.

The European Social Fund

COMMUNITY TO GET A MODERN AND HUMANE EMPLOYMENT POLICY

THE MEMBERS OF THE EUROPEAN COMMUNITY have almost reached another target set at last December's summit meeting in The Hague: the reform of the European Social Fund. When completed, this reform will give the Six one of the world's most modern agencies for anticipating employment shifts and retraining and resettling workers before they become unemployed.

Administered by the Commission, the Social Fund was set up under the Rome Treaty to help resettle and retrain workers hurt by economic changes caused by the Common Market. Since it operated retroactively, rembursing member governments for up to 50 per cent of their completed retraining and and resettlement projects, the Social Fund was a relatively passive organization, administering a budget of about $10 million a year from 1960 to 1968.

On June 12, 1969, the Commission made a proposal to give the Social Fund power to coordinate national labor projects in view of the Community's overall situation and probable future trends. On the basis of this proposal, the Council of Ministers agreed, on July 27, on the main principles to govern the Fund's operations by 1971 which will make it a dynamic instrument of modern employment policy. No decision has yet been made on the size of the Fund's budget.

Major Changes

The major innovation in the new European Social Fund will give the Community the initiative to decide where, when, and whom to help. A steadily increasing proportion of the Fund's budget will be made available for Community-initiated projects to help workers directly affected or likely to be affected by the execution of Community policies.

The Fund will also continue its traditional activity of reimbursing governments for a host of uncoordinated national projects to aid workers caught in structural unemployment or under-employment (for example, in Southern Italy) as well as handicapped and older workers, women, and young workers.

For the first five years at least half of the Fund's budget would be used for the traditional type of operations. No decision has yet been made on the size of the Fund's resources, but each budget will cover three years and will be partly financed from the Commission's own resources (import duties, farm levies, and part of the revenue from the common turnover tax (TVA) after 1975). As the Fund's operations are financed from the Community's own resources, less pressure should come from member states trying to get as much out of the Fund as they put in.

$250 Million a Year Needed

The Fund's expenditures from 1960 to 1968 averaged about $10 million a year, or a total of $80 million to help 960,000 workers. In the future, the Commission thinks 150,000 workers a year will need the Fund's help and that eventually the Fund would need an annual budget of $250 million, which should come from the Community's own resources.

The new Fund will continue to pay up to half the total cost of expenditures, but in the future it will be allowed to aid private as well as public bodies. All workers in the Community, not just Community citizens, will be eligible for help, a significant innovation in view of the large number of foreign workers now employed in Community industries. Self-employed workers (farmers in particular) will also be eligible in special cases.

In financing projects on its own initiative, the Commission will have to consult unions and management before proposing to the Council of Ministers the:

- regions, industries, or types of workers to receive assistance
- kind of assistance to be given (retraining or relocation)
- duration of the aid.

The Council will make decisions by a qualified majority vote.

The Economics of Social Conscience

The decision to enlarge the Fund's operations is a further clear sign of the Community member governments' growing awareness that common economic policies must be combined with a forward-looking common social policy. There is, for example, no point spending money to entice new industries into depressed regions without training the local inhabitants to work in the new factories.

According to the Commission's investigations, rapid technological and economic changes could force one worker in ten to change jobs in the next ten years. In the course of a lifetime, a worker might have to retrain for as many as three completely different kinds of jobs. In addition, intra-Community competition could reduce the number of jobs and factories, especially in industries producing laminates, domestic appliances, shoes, gloves, carded wool, electrodes, enameled tiles, and ceramics. Mergers and similar attempts to strengthen the competitive position of Community companies could cause serious labor problems even if they do not reduce the total work force. Workers in the Community's declining regions, such as several coalmining areas, and in its vanguard industries, such as electronics, will need special assistance. Helping to retrain and relocate these displaced workers in an orderly way should become the responsibility of the new Social Fund, operating in conjunction with other Community agencies, such as the European Investment Bank and the European Agricultural Fund.

Towards a Flexible, Modern Job System

The reform of the Social Fund together with improvements in placement services, vocational guidance, and forecasting, decided upon last May, should contribute to balanced growth and full employment throughout the Community. *(See European Community No. 135, page 18.)*

"For the first time, Europe is to provide itself with the proper means of achieving a concerted employment policy," commented the European Confederation of Free Trade Unions within the Common Market about the decision to reform the European Social Fund.

Mediterranean Jigsaw Nears Completion

DAVID BLAKE

PREFERENTIAL TRADE AGREEMENTS between the European Community and Spain and Israel will come into force on October 1. They were signed in Luxembourg on June 29. Spain ratified its agreement on July 29. (*For the report on the contents of the Israel agreement, see European Community No. 133, page 7.*) Both accords have far more in common than being signed on the same day:

- Both Israel and Spain have been seeking a formal relationship with the Common Market for several years, and both countries' requests had run into opposition from within the Six.
- Both agreements go a long way towards liberalizing trade and should have far-reaching effects on the economies of the two Mediterranean countries, although the terms agreed on are much less than either Israel or Spain had hoped for in the early stages of the negotiations.
- Both accords fit into the context of the Common Market's trade agreements with countries bordering on the Mediterranean.

The Pattern

Starting with Greece and Turkey, which signed association agreements in 1961 and 1963 respectively, the Community has at a rapidly increasing pace reached agreements with Yugoslavia, Morocco, and Tunisia. Recently, talks were concluded with Malta (*see page 23*), and in the fall the Commission will start exploratory talks with Egypt and Lebanon (*see page 22*). Algeria and Cyprus are in the wings, Syria and Libya are the only Mediterranean countries that so far have shown no interest in trade talks.

This spate of agreements has not been without critics either inside or outside the Six. The Commission has put into cold storage the Greek association agreement because of the dictatorial nature of the Colonels' regime, and it took eight years to overcome opposition in the Six to any agreement with the Spanish Government which carried political overtones.

However the strongest criticism has come from outside the Community, especially from the United States. Fears have been expressed that the agreements represent Community Europe's attempt to build up a sphere of influence all around the Mediterranean. The principle of the General Agreement on Tariffs and Trade (GATT) that there should be general free trade, and that trade agreements of a preferential nature should be allowed only if they are a first step towards a full customs union, has repeatedly been invoked against the Six's trade pacts. The Community's efforts to reconcile the GATT principle with the difficulties of creating a full customs union in the foreseeable future have dominated many of its negotiations.

Spain

The question of trade relations with Spain shows this dilemma for the Community at its sharpest. On one hand, a trade agreement between Spain and the Six, no matter how much it might be in the interests of both sides, is against GATT regulations unless it is the first step towards a customs union, which would mean at least association status for Spain. The Spanish Government has made it clear that this is what it would like. Some members of the Six, particularly the French, support Spain's wish, but the Benelux countries, especially the Netherlands, oppose anything that could be construed as giving political approval to the Spanish Government.

The Spanish first sought a link in February 1962; and when their approach met with no response, they repeated it in February 1964. Only in July 1967 was the Council of Ministers able to agree on a mandate to open negotiations with Spain. When these negotiations started in September that year, they made little progress and had to be suspended in the spring of 1963. They were taken up again in October 1969 and moved ahead rapidly. Agreement was reached on March 12 this year.

Contents of Spanish-Agreement

The agreement which the Commission negotiated with Spain is in two parts. The first, which deals in detail with trade concessions and tariff cuts, will run for six years, and represents a considerable liberalization by both sides. The second is left deliberately vague as a way of meeting both GATT regulations calling for, and the Netherlands Government's attitude objecting to, Spanish association with the Six. It says that if all goes well in the first stage, an enlargement of the agreement will be discussed.

The tariff reductions in the first six years will have the greatest immediate impact on Spain's trade with the Community. The agreement will benefit over 95 per cent of Spain's industrial exports and 62 per cent of its farm exports to the Six, and 61 per cent of the Community's total exports to Spain.

In the next three years, the Community will carry out most of its part of the bargain. When the agreement comes into force, the Community will make a 30 per cent reduction on most industrial goods (coal and steel excepted). In January 1972, it will make a further reduction of 50 per cent, and a year later, 60 per cent. Some products, such as cotton fabrics and petroleum, will be subject to quotas. The Six will grant a 40 per cent reduction by January 1, 1977, on a smaller list of products, mainly some textiles.

In the next six years Spain will gradually reduce its industrial tariffs by 60 per cent on 60 per cent of the Community's exports and by 25 per cent on the other 40 per cent. These reductions will be increased to 70 per cent and 30 per cent, respectively, if the Six increase their reductions to 70 per cent on January 1, 1974.

Spain has undertaken to increase its import quotas on industrial goods by between 7 per cent and 13 per cent a year and abolish them before the accord expires. Spain will not maintain quotas on more than 5 per cent of its total imports from the Six.

Even the Community's butter surplus could benefit by the agreement, since Spain has promised to increase the Community's share of its butter imports to 30 per cent by January 1976 and to give preference to other dairy products from the Community. Other Community farm exports now subject to duties will receive tariff concessions.

David Blake is on the editorial staff of the European review Agenor. *He also writes on Community affairs for* The Times *and* The Sunday Times *of London.*

SPAIN'S TRADE
(in millions of dollars)

	Imports		Exports	
	1968	*1969*	*1968*	*1969*
Community	196.6	1,470.2	136.9	597.8
World	872.5	4,232.9	485.8	1,900.2

SOURCE: European Communities Statistical Office

Spanish Infant-Industries Protection

At first sight, this agreement, involving Spanish concessions on $900-million-worth of imports from the Community in return for concessions on only $180-million-worth of Community imports from Spain, seems an unfavorable deal for the Spaniards. However, Community sources point out that this reflects the much higher protectionism of the Spanish market, a result of the infant-industry stage through which it has been passing. In addition, Spain stands to gain in the agricultural field as 62 per cent of its total exports are farm products. Citrus fruits are Spain's most important agricultural export and the search for a legal way of assisting Spanish exporters has caused a great deal of difficulty within the Community. A Commission proposal that there be a generalized preference for all citrus fruit imports, but only during those months when fruit from the Mediterranean countries was in season, was turned down by the Council. Instead a preference clause was written into the agreement. All Spanish citrus fruit will thus

Israeli Minister for Foreign Affairs Abba Eban signs the agreement with the Community as René Seingry, of the Council Secretariat looks on.

ISRAEL'S TRADE
(in millions of dollars)

	Imports		Exports	
	1968	*1969*	*1968*	*1969*
Community	111.5	396.4	31.2	187.5
World	433.2	1,318.3	136.4	724.0

SOURCE: European Communities Statistical Office

receive a 40 per cent reduction on the Six's tariff, as long as its price does not fall below the Community's reference price.

The Six also made concessions to the Spanish olive oil industry and guaranteed that when the common wine policy becomes fully operative, Spanish table wines and sherry will be guaranteed access to the Community wine market. Finally, a wide range of other agricultural products will receive tariff cuts averaging about 50 per cent.

With about 95 per cent of Spanish industrial products getting some tariff cuts from the Community, and 61 per cent of Community exports getting a similar concession from Spain, the agreement is bound to boost trade considerably. Trade has been growing rapidly over the last few years despite tariff barriers. Spanish imports from the Community have risen between 1958 and 1967 from $197 million to $1.47 billion, and its exports to the Six from $137 million to $598 million. Receipts from tourism and remittances from Spanish workers in the Six go a long way to make up Spain's deficit.

Signing of agreement with Spain. Left to right: Commission President Jean Rey, Council President in Office, Pierre Harmel, and Spanish Minister for Foreign Affairs Gregorio Lopez Bravo.

Skyway Inns

EUROPE'S HOTELIERS AND AIRLINES BUILD AIR MOTELS

BARBARA BECK *Barbara Beck is on the staff of* The Economist, *London.*

EVERY RAILROAD HOTEL IN EUROPE bears silent witness to the early, and by 19th century standards successful, efforts at vertical integration by the transportation industry. Victorian railroads had to build hotels to accommodate their new passengers. The new communications system, initiated by combining steam with rails, generated so much traffic that, had the location of the old highway coach inns been right, there still would not have been enough room, or beds, to spare.

Airlines Face Railroads' Old Problems

Time has marched on. Today Europe's airlines face the same problem that the railroads had to solve a century ago.

At times of peak demand hotel rooms are scarce almost everywhere in Western Europe; but people, traveling in ever-growing numbers, increasingly expect their airlines to look after them beyond the airport arrival lounge. In fact, the airlines of tomorrow will have to be what the railroads of yesterday were: the all-providers for the masses on the move.

With the jumbo jets, lodging 350 people at a time presents a difficult problem, no matter how large the capital city receiving them. American airlines have been aware of this problem for some time. Pan American owns the American Intercontinental hotel chain, while Trans World Airlines bought the Hilton hotels in 1968. Both groups have a number of hotels outside America. Intercontinental is also cooperating with the British Overseas Airways Corporation (BOAC) in putting up new hotels in Britain. BOAC and British European Airways, both state-owned, are launching joint ventures with Forte's, the British hotel and catering group, which now offers an all-United Kingdom coverage following their merger with the Trust Houses combine.

Banks Pushed Joint Hotel Ventures

Until recently there have been no joint projects between European airlines of different nationalities, beyond the much-criticized "pool" agreement by which airlines agree to transport passengers but make no arrangements for their accommodation or comfort after the plane lands. Now, however, they are recognizing the need for cooperation, not only in transportation but also in ground accommodation.

Five European airlines—BOAC and BEA, Lufthansa (Germany), Alitalia (Italy), and Swissair (Switzerland)—spent almost two years discussing a joint project for a chain of hotels in key European travel centers aimed specifically at the jumbo-jet, mass tourist, who is used to a fairly high level of domestic comfort but who cannot afford to pay five-star prices for it.

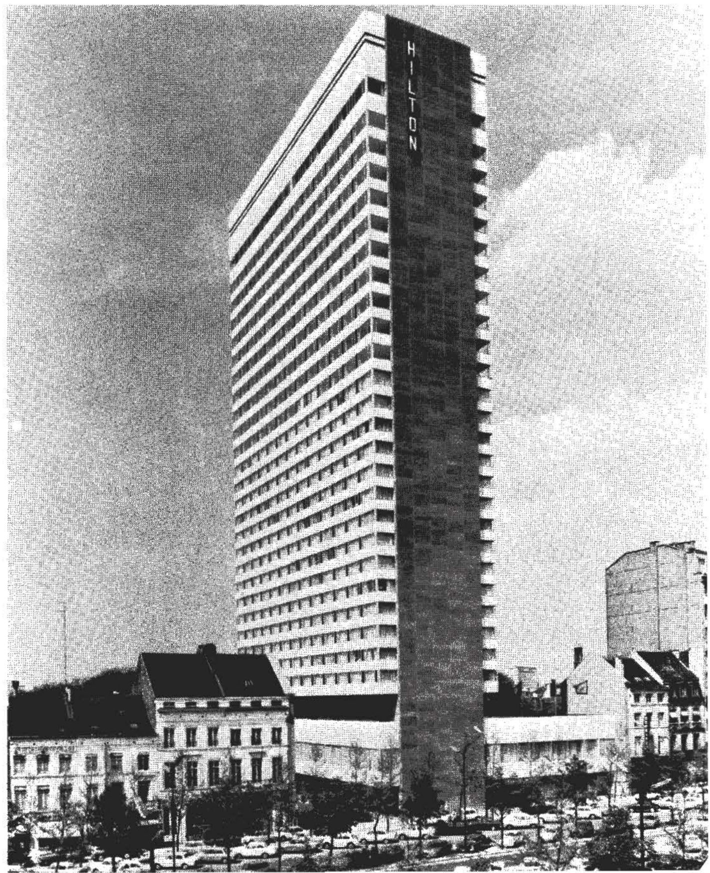
The idea was hatched and nurtured by S. G. Warburg, the London merchant bankers. Four other European banks joined the discussions: Banque de Paris et des Pays-Bas, Banca Commerciale Italiana, Deutsche Bank, and the Union Bank of Switzerland. With ten different opinions to be considered, there was so much disagreement on the details that at several stages the attempt was nearly abandoned. Last November consensus was finally reached, and the European Hotel Corporation was formed.

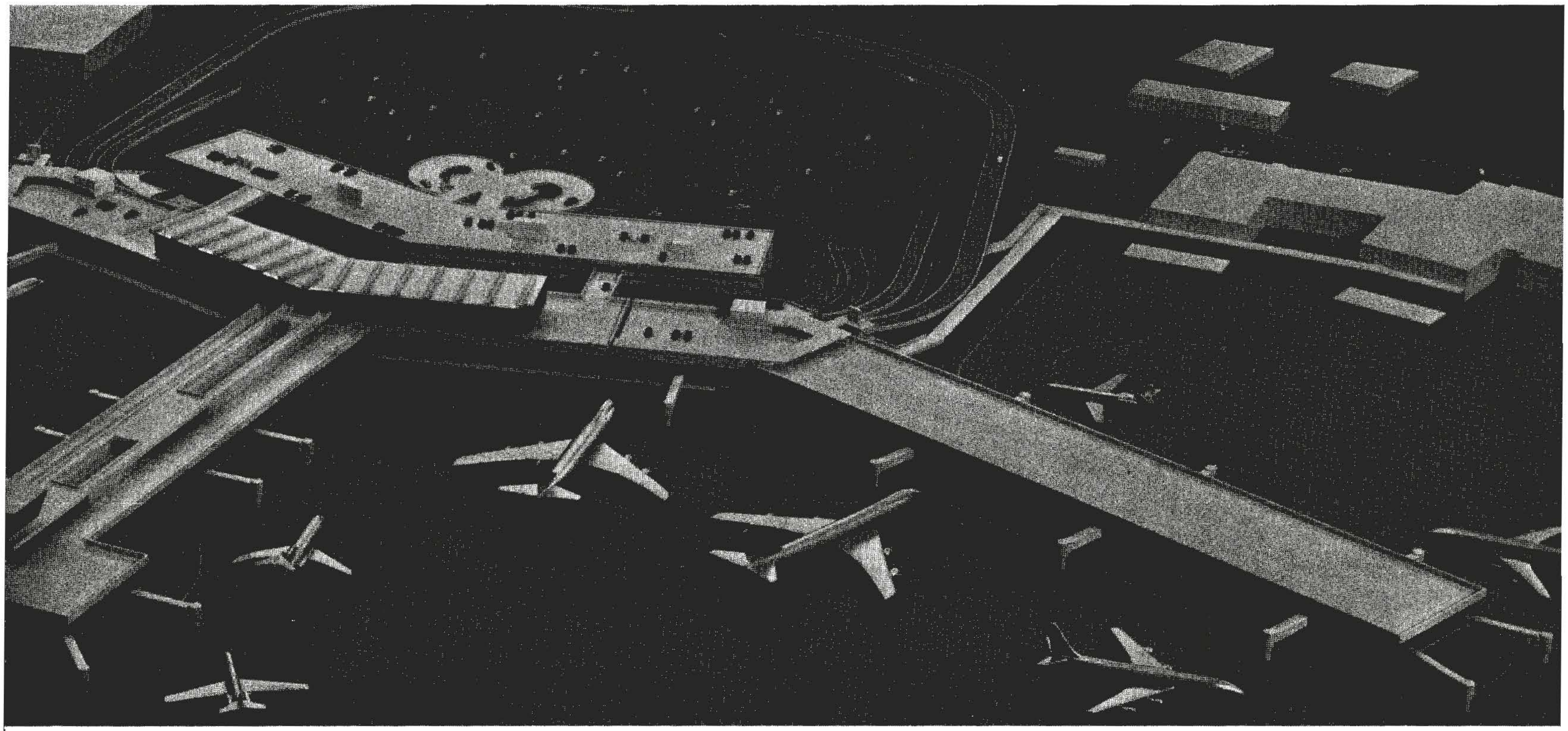
Convincing Economic Reasons

The economic reasons for the get-together were convincing. Tourism has become big business, is still growing fast, and West-

Model of the new Düsseldorf Airport, with Boeing 747 jumbo-jets (closest to the terminal). PHOTO: *Courtesy of the German Information Center, New York.*

The Brussels Hilton. Trans World Airlines bought the Hilton chain in 1968 to become one of the "all-providers for the masses on the move," in the tradition of the old railroads. PHOTO: *Courtesy Hilton International, New York.*





ern Europe is getting the lion's share of the total tourist cake. Of the 153 million foreign tourists recorded last year, Europe got 112 million, an 8 per cent rise over the year before.

Its share is visibly growing, but new hotel accommodations are not becoming available fast enough to cope with the stream of foreign visitors. Reasonably priced, modern, well-equipped hotels in or near the main cities are especially lacking. Center-city sites have become so prohibitively expensive that developers almost have to go after the luxury end of the trade to get a reasonable return on their investment.

Low Overhead Luxury

The European Hotel Corporation (EHC) is well aware of this difficulty but hopes to keep prices at least 30 per cent below first class hotel rates. A room with bath or shower will cost about $11.00. Keeping out of the center city is one way to economize, and EHC is prepared to consider sites up to a half hour's traveling time away. No corners will be cut on equipment: all rooms will have private baths and every modern comfort, but service will be kept to essentials to keep down payroll expenses. There will also be some economies of scale from building several hotels at the same time, even if they are in different cities and countries. Initially, investments of $48 million are planned for eight hotels, probably in London, Paris, Rome, Zurich, Frankfurt, and Munich. To save money, equipment and furnishings could be bought in bulk, but the biggest financial bonus for the hotels is expected to come from the room-filling power of the airlines. Together they have 1,200 ticket offices and agencies, all of which could become potential booking points for the new hotels. Fluctuation in demand has been one of the hotel industry's biggest problems, but the EHC hopes to achieve an average occupancy rate of 70 per cent.

The Corporation will own 51 per cent of its operations in individual countries. The remaining 49 per cent will be shared equally by the national airlines, the "flag carriers" of the tourists' host nations, and the selected operating company.

"Over-Capacity" Not in Sight

Preparations are going well, and work is likely to begin before the end of this year on the first two or three hotels, in London, Paris, and Germany. The hotel management partner selected for Britain, Grand Metropolitan Hotels, has brought into the deal a site, opposite the West London Air Terminal, which will probably become EHC's first hotel. Although this London venture is in a central position, costs are unlikely to run over the $14,400 per room investment limit that the EHC has set for its London operations.

Once the first few units are built and working well, the corporation suspects that other airlines may want to join the venture. Thus, the upper limits on growth are both flexible and, literally, sky high. The EHC has moved into a gap in the market and deserves some success. At the moment, there is not much competition in this price range from existing European hotel chains. Apart from Germany's Steigenberger and Italy's CIGA chain, only Britain's Grand Metropolitan and the newly-hatched merger of Trust Houses and Forte's (which in combination have become important) are of more than local interest.

America's Holiday Inns is planning a big invasion of Europe, aimed at roughly the same price bracket, and the Esso oil company is expanding its existing chain of hotels throughout Europe. Even so, travel is growing so fast that any talk about "over-capacity," the legendary disease of the hotelier, still seems premature.

The 1953 Proposal for Political Union

JEAN-PIERRE GOUZY

A YEAR AFTER ROBERT SCHUMAN called on Western Europe to pool its coal and steel industries under a common authority, the Six signed the treaty establishing the European Coal and Steel Community, in Paris on April 18, 1951. The parliaments of the Six ratified the treaty during the winter of 1951-52. The first "capital" of little Europe was established in Luxembourg, and the "Europe of the Six" was born.

Attention then focused on a second treaty, also signed in Paris on May 27, 1952, for the formation of a European Defense Community (EDC). Negotiated by France and her ECSC partners, it was designed to solve the problem of German participation in Western defense, an issue raised by the United States after the outbreak of the Korean War on June 25, 1950, and the resulting stiffening of cold-war attitudes.

Most supporters of European unity were resigned to German participation in a common defense system, provided that it was integrated within the framework of a European army and would not mean the reconstitution of a German general staff; but they felt strongly that a European political authority should have overall command. In their opinion, a "European army" could not be created if Europe did not yet exist as a political unit. With perseverance, they were able to introduce an article into the draft defense treaty dealing explicitly with the creation of a political organization of a "federal or confederal nature." The political institution was to be based on the principle of the separation of powers. It was to include a "bicameral system of representation" designed to "coordinate the various organs of European cooperation already established or about to be created."

On May 30, 1952, three days after the signing of the draft EDC treaty, the Consultative Assembly of the Council of Europe asked the governments of the Six to instruct either the new ECSC Common Assembly or the Consultative Assembly itself to draft a treaty for a European political community.

"Ad Hoc" Assembly

At the same time, the six governments formed a study committee to draw up a working plan. On July 23, 1952, the French and Italian Governments suggested that the ECSC Common Assembly draft a statute for a European political authority without waiting for the EDC Assembly to come into operation. To do this, members of the ECSC Assembly, grouped in national delegations, were to co-opt as many Consultative Assembly delegates who were not already members of the Coal and Steel Assembly "as . . . necessary to reach the required strength envisaged by each country in the EDC Assembly." The Franco-Italian declaration stipulated that if the EDC treaty had not come into operation within six months after the ECSC Assembly convened, the ECSC Assembly should transmit its conclusions to the ministerial committee of the Six.

Meeting in Luxembourg on September 10, 1952, the foreign ministers of the Six formally asked the ECSC Common Assembly to co-opt nine German, Italian, and French parliamentary representatives from the Assembly of the Council of Europe to constitute an *ad hoc* assembly, in accordance with the EDC Treaty. All democratic forces in the Europe of the Six were represented, except for the German Socialists. They remained aloof from European integration until Jean Monnet eventually brought them into his Action Committee for the United States of Europe which he established on October 13, 1955.

The *ad hoc* Assembly's job was to draft a statute for a European political community within six months. The 86-member *ad hoc* Assembly elected Paul Henri Spaak as its chairman; from its members, a constitutional committee, presided over by Heinrich van Brentano, was set up to prepare a draft European constitution. The constitutional committee—it had 26 members and 13 observers—presented a preliminary draft for a European political community on December 20, 1952. The *ad hoc* Assembly met from January 7-10, 1953, examined the text, and prepared guidelines and directives. On March 9, just one day before the end of the six-month period, Paul Henri Spaak presented a draft treaty to Georges Bidault, then Chairman of the Committee of Ministers for Foreign Affairs.

A Middle Road

Spaak reminded his listeners of the occasion on September 17, 1787, when George Washington, presiding officer of the Philadelphia Convention, conveyed the proposed Constitution of the United States of America to Congress. "The work which we submit to you here," Spaak said, "is the work of neither the 'maximalists' nor the 'minimalists' of the Assembly; the Europe which we propose to you is neither federal nor confederal. Our assembly has chosen a middle road between two extremes: on one hand, a purely intergovernmental system to link the states while still maintaining their sovereignty and, on the other hand, a constitution that will combine most of our activities, thus creating a political community of supranational character. . . .

"The statute prepared by our assembly fills an important gap. It proposes European political institutions to deal with those problems which our governments and our parliaments have decided to consider jointly and also those it may be considered advisable to include later. The statute applies the constitutional principles already in force in our countries within the European community. Through the election of a peoples' chamber of a European parliament by direct universal suffrage, it proposes for the first time to associate the people in the construction of the Europe on which their whole future depends."

George Bidault's reply was disheartening: "The governments must realize the difficulties ahead, for some men of great integrity are naturally anxious about the dissolution of their homelands. Each of the governments must examine the documents assembled and must then take stock of the situation." This clearly meant that the governments should work out a final draft at a conference.

Meanwhile, hundreds of experts, legislators, ministers, and five thousand militant Europeans discussed the proposed political community at a congress in The Hague in October 1953. In the summer, fall, and winter of that year, diplomats and government experts met in Baden-Baden, Rome, and The Hague to analyze the *ad hoc* Assembly's draft and to prepare

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a report for special ministerial meetings in Paris in January and March 1954. They recommended that the political community should incorporate the ECSC and the EDC and should be composed of a parliament with an upper and a lower house (one house to be elected by universal suffrage), an executive, a council of national ministers, and a court of justice. On May 4, 1954, the six governments published a statement committing themselves to arranging direct elections to the assembly as soon as possible, as stipulated in the Paris Treaties.

But between 1953 and 1954, the world moved out of the period of cold war straight into the "détente" period. On March 5, 1953, Stalin died. On July 27 hostilities ceased in Korea: the conflict between North and South Korea had been the origin of the demand for German rearmament. The three Benelux countries and Germany ratified the EDC Treaty, the legal basis for the proposed political community, but it was rejected by the French on August 30, 1954. With that, the plan for a political community also fell through. However, at Messina, in June 1955, the Six made a new start and chose a new route which led to the formation of the European Economic and Atomic Energy Communities three years later.

"Scrambled Egg," the European Defense Community that never hatched. © Punch, *London, through The Ben Roth Agency, Inc., Scarsdale, N.Y.*

Political Union: First, Timid Steps

THE FOREIGN MINISTERS of the Six are to meet on October 26 for the first of a series of consultations on political cooperation.

The candidates for membership in the European Communities will be associated with the procedure. After every ministerial meeting the four applicant countries will be informed of the foreign ministers' discussions, and given the opportunity to express their own views.

At the Hague summit last December the Community heads of government asked their foreign ministers to report by the end of July on steps the Six could take towards political unification. On July 20 the foreign ministers approved a final report by a committee of the heads of the political departments in the six foreign ministeries, with Belgium's Etienne Davignon in the chair.

In the report, the ministers stated their desire to progress in political cooperation. They said that at the Community's present state of development, this desire can be concretely expressed in the field of foreign affairs (possibly including defense, though the word was not mentioned). Culture and education had also been suggested previously. They said they aim to:

- assure, through an exchange of information and regular consultations, a better mutual understanding of each other's attitudes on major world problems. Any foreign policy issue may be raised.
- strengthen their solidarity by seeking to harmonize their point of view and, when it appears possible and advisable, by trying to adopt common policies.

The foreign ministers will meet twice a year. In emergencies or crises, the ministers, or the heads of government if it is opportune, will hold extraordinary sessions. Meetings will be prepared by a political committee (in effect, the Davignon group) which will meet four times a year. This body has a mandate to look into a wide range of topics and to convoke experts. The European Commission will be invited to give its opinion in the political committee's discussions whenever issues directly affecting the Community are on the agenda.

Mr. Davignon said the Six had taken "the first timid steps to political union." The foreign ministers themselves implicitly acknowledged that their report was a modest first step, by asking the political committee to suggest how the Six can advance from this preliminary phase to more advanced forms of political cooperation. The ministers will report to their governments on the results in 1972.

How the Council Secretariat Works

HANS MARTIN SCHMID *Hans Martin Schmid worked in the Secretariat of the Council of Ministers from 1962 to 1967.*

SINCE THE "LUXEMBOURG COMPROMISE"* of January 1966, there has been apprehension that the General Secretariat of the Council of Ministers would increasingly handle tasks for which the Rome Treaty had made the Commission responsible.

Up to that time, most of the public had been unaware that there was a Council Secretariat. Even today, the Secretariat operates behind the scene at meetings of the Council, the Committee of Permanent Representatives, and panels of experts that prepare Council decisions. Many people still have the wrong impression about the Council Secretariat's role in Community affairs. Some people exaggerate its importance while others treat it as a negligible quantity.

Physical Limits on Power Grabs

Most of the Council's annual budget—some $7.5 million in 1969—goes to Secretariat expenditures for personnel and materials. By comparison, the respective budgets of the European Parliament and the Commission are $8.5 million and $95 million. These figures reflect the staff strengths in the three institutions: 554 permanent posts in the Council Secretariat, 500 in the European Parliament's Secretariat, and 5,000 in the Commission.

The Council Secretariat is always busy, attending to the needs of the Council of Ministers and the Committee of Permanent Representatives of the Ambassadors of the Six, (not to mention the Association Councils that supervise the agreements with Turkey and other associates). The Committee of Permanent Representatives meets at least two days a week. The Council of Ministers usually meets several times a month. Working parties meet constantly. For years the Secretariat has been accustomed to night work. Under these circumstances the Council Secretariat would find little time to assume the additional responsibilities for tasks assigned to the Commission. Because of the relatively modest size of the Council's staff and the permanent pressure on the space available for meetings, serious difficulties would arise immediately if any of the Commission's powers were transferred to the Council's auxiliary bodies.

A typical example of these physical limitations is provided by the case of the "Collected Acts" begun more than four years ago by the Council Secretariat. The unfinished work had to be turned over to the European Community's joint publication services, as the Secretariat was unable to prepare the series for publication.

Super-Editors of Legal Texts

On the other hand, the Committee of Permanent Representatives and its working parties have been gradually assuming the task of putting into final form in the four official languages the Commission's proposals for regulations that have been agreed upon in the Council. In addition to changes of a purely formal nature, this process often leads to changes in the content of the original proposal. The Commission plays an active part in this process, but the Council provides the staff. The Council Secretariat prepares for meetings by circulating documents, including suggested compromises, which must be formally approved by the representative of the member state that presides over the Council.

The change in the chairmanship of the Council, which is made every six months, is particularly important for Secretariat officials, as it often means a change in the style of the discussions at all levels. The chairman can influence the progress of the Council's work and decide priorities. These prerogatives of the chairman sometimes cause awkward problems for Secretariat officials who, like all Community employees, are forbidden to accept or ask for instructions from individual member governments.

Intermediary Bodies

The Council could not function properly if officials from the member states were not permanently assigned to Brussels. To the Committee of Permanent Representatives of the member states, the Six have given extensive *de facto* decision making powers, a situation often criticized by the European Parliament because the Representatives have no direct political responsibilities. Nevertheless, intermediary bodies are necessary to prepare the many decisions, often of a purely technical nature, that the Treaty requires the Council to make itself.

These intermediary bodies consist of about a dozen working parties and committees which report to the Committee of Permanent Representatives which, in turn, studies each question and reports to the Council of Ministers. Most working parties are composed of government officials from their permanent delegations who are experts in a particular field.

The Council Secretariat provides the administrative help for these working parties. In agreement with the Council Chairman in office, the Secretariat convenes meetings of the working parties and drafts the agenda. The agenda is given to the member governments so that the ministries concerned can send instructions to their permanent representatives.

Ministries often send experts to Brussels to support the officials in their permanent delegation when a working party meets, or to represent the member state. French tends to be the working language. A working party's success depends partially on the terms of reference given to it by the Permanent Representatives. Often, questions are sent back to a working party when the Permanent Representatives cannot reach agreement in cases involving basic political differences, which cannot be solved by technical experts. In such cases, it is difficult, if not impossible, for the Council Secretariat to mediate successfully, but lack of political will to solve difficulties has become far less common than a few years ago.

**Ed. note: The Luxembourg agreements which ended the Community crisis of 1965 consisted of two texts. One, a four point document stressed the members' intentions of continuing the development of the Community despite differences between five of the member countries and France on the use of majority voting in the Council. The other, a seven-point document, dealt mainly with the conditions in which the Commission should consult with or inform the Council of Ministers or the Committee of Permanent Representatives about its activities. Commission President Jean Rey on July 3, 1968, told the European Parliament that these agreements had remained "in the drawer" because the Council had never consulted the Commission about them. (See European Community No. 115, page 17.)*

Labor Unions in the Netherlands

WALTER KENDALL *Mr. Kendall is a Fellow of Sussex University's Center for Contemporary European Studies.*

AMSTERDAM'S COLORFUL ANARCHISTS who set off smoke bombs during the wedding celebrations of the Dutch Princess Beatrix and her German husband Claus von Amsberg in 1966 are quite unrepresentative of the Low Countries' stolid, sedate, powerful, and eminently respectable mass labor movement. Dutch labor unions are cautious, disciplined, highly centralized, and not at all likely to indulge in such romantic ventures. The unions are very much a part of the society against which part of the new generation is in revolt.

Dutch society has known few of the social conclusions that have shaken France, Germany, and Italy since 1914. A nation of 12 million people, its longest border flanking the North German plain, the Netherlands remained neutral during the First World War. For centuries it has been a world trade center. Dutch habits of mutual tolerance and respect have avoided internal conflicts which in other nations would have taken a sharp and brutal form.

Three Federations

The Netherlands' unions, like those of France and Italy, are divided into three national federations. The Communists, who command the CGT (Confédération Générale du Travail) and CGIL (Confederazione Generale Italiana del Lavoro) in France and Italy respectively, are an isolated and unpopular minority in Holland. They are subject to limited legal discrimination and banned from membership in the largest labor union federation, the social democratic trade union federation NVV (Nederlands verbond van vakverenigingen).

Unions in other countries have divided along political or political-religious lines. In the Netherlands the religious organizations are themselves divided into a Catholic Trade Union Center NKV (Nederlands katholiek vakverbond) and a Protestant National Trade Union Center CNV (Christelijk nationaal vakverbond). Together with the secular social democratic NVV the three represent some 1,220,000 members, a third of the labor force. There are also a number of independent white-collar organizations and additional syndicalist groupings.

Such divisions might well be expected to produce severe internal tensions, unending jurisdictional disputes, and competition for members. In fact, this is not the case. Only West Germany can match the Netherlands' record of industrial peace since 1945.

The division of the labor movement is only one manifestation of what some observers call the "pillar" society of the Netherlands. Calvinist-Catholic estrangement in the Low Countries dates from the struggles of the Protestant burghers against Spanish Catholic occupation in the sixteenth century. Each group has tended to live its own separate life in a close, religiously oriented Community, deferential and respectful of the religious leaders of their respective cults. A whole range of religious, cultural, and economic associations have catered to the needs of the faithful. In a nation where no less than three political parties derive their origins from religious principles (the Catholic Peoples Party, the Calvinist Christian Historical Union, and the Anti-Revolutionary Party), and where there are Protestant, Catholic, and Liberal employers' associations, the existence of multiple union centers seems to have some rationale.

In postwar years, the Netherlands' most powerful union federation, the social democratic NVV, has lost ground to the Protestant CNV. Although all unions have grown, the NKV and the CNV have grown considerably faster than the Social Democratic federation whose membership now stands at 560,000. Thus, the Catholic and Protestant unions, with 420,000 and 240,000 members respectively, together outnumber the NVV by a considerable margin.

In the decade after the war all three union federations cooperated in centralized, global wage bargaining procedures at national level. Wage bargaining was subordinated to the "national interest" on a scale never before achieved outside the Soviet bloc or the Fascist corporate state.

Wage Restraint

The Dutch economy suffered severe damage in the long drawn-out battles which followed the defeat of the Allied airborne landing at Arnhem in September 1944. Output fell by 40 per cent. Once the war was over, the three union organizations joined with the employers in announcing, in May 1945, the creation of a joint foundation of labor.

A government-appointed board of conciliators was given full power over all collective agreements. No wage rate could be varied without the board's express permission. A central (short-term) planning bureau was established. Subsequently, provision was made for a national social and economic council on which employers, unions, and Government nominees might enunciate and agree on wage-policy decisions. Out of this interacting structure, there developed a policy of wage restraint enforced by unions and the state. Wage scales and wage differentials were fixed throughout the economy on the basis of widespread use of job evaluation procedures.

This policy to some degree redistributed income within the working class and for some years kept Dutch real wages below wages in other European nations. By the late 1950's, however, intolerable strains had developed. A migration of Dutch workers to higher paid neighboring territories, the emergence of "blackmarket wages" on a considerable scale, and a rise in unofficial strikes placed the system in jeopardy. The growth of independent labor unions outside the accepted semi-corporate structure helped to convince union leaders that it was impossible to hold the line any longer. The period of tight control came to an end.

Concentrated Power

This unique centralized bargaining experience would have been impossible had the Netherlands' union leaders not commanded a large degree of bureaucratic independence from their rank and file. Centralism in the Catholic and Protestant unions, grew out of their conscious subordination to the directives of the hierarchy in the early years. The social democratic labor federation gained its moderate and centralist orientation as a result of battles with its members.

All three union federations are involved in a wide network of social welfare, educational, vacation, and cultural activities. Their large treasuries and career and placement opportunities encourage the formation of bureaucratic élites and enhance the power and standing of their professional leaders.

The great power of Dutch union leaders, reinforced by the centralized bargaining procedures of the 1940's and 1950's, also originated in union constitutions. Congresses are held every three years, too long an interval to permit properly binding congress decisions to be taken. Most key decisions are controlled by an executive council, normally comprising each union's national president and the full-time national officers of the federation, and a smaller professional executive board which operates within the council. Between congresses, the executive is responsible to a general council, meeting several times a year, were respected rank and file activists figure more largely.

Union branches, geographically based, meet not more than three or four times a year, so that union activity below the national level is fairly effectively controlled by the full-time district officials. The concentration of power in the hands of full-time officials has left little scope for interest in the branch. Membership apathy has become a serious, and so far unsolved, problem.

Reorganization by Industry

All three national federations decided in 1945 to reorganize on a basis of industries. The social democratic federation reduced the number of its unions from 29 to 15 in subsequent years. The Catholic and Protestant centers have made less progress and currently have 24 and 25 affiliated unions, respectively.

The autonomous organizations which originally formed the three union federations had lost an important measure of their independence by 1939. The war and its aftermath further strengthened the tendency to centralism. Crucial decision-making has gradually become a function of the central executive, with the national unions assuming responsibility for the execution of national decisions handed down from above.

The NVV's constitution gives disproportionate executive representation to the smaller and weaker unions which are most liable to be dependent on the center for aid. The metal workers, with 20 per cent of the federation's membership, may claim only one executive seat. Every other minor union may do the same. As the federation's full-time officials occupy a bloc of nine seats on the 28-man executive, the central apparatus is able to exercise a considerable degree of autonomy.

Minimal Plant Representation

Union leadership in the Netherlands is dominated by a self-reproducing élite that can neither be appointed nor demoted

"Dutch labor unions are cautious, disciplined, highly centralized . . ." These automotive workers at the DAF plant in Eindhoven here make final headlight adjustments carefully by hand.

directly by the rank and file. Close collaboration between unions and para-governmental organizations has enhanced the status of union leaders and given them alternative career opportunites. Leaders must now see themselves at least as much representatives of the "national interest" as of their own dues-paying members.

Since the federations conduct collective bargaining, union organization in the plant is minimal. The social democratic metal-workers' union has sought to remedy this situation by appointing a union representative from among the union members in every plant and appointing a plant committee wherever appropriate. Neither the representative nor the committee can negotiate and may only accept grievances and pass them on to union district officials for action. Despite these limited functions, management has not been eager to go along with the metal-workers' proposals.

Throughout most of the Netherlands, the works councils, instituted by law in 1950, are the only means of giving employees representation in the factory where they work. All employees may vote in works councils' elections. In the first ballot, however, only affiliates of the three recognized union federations may present lists of candidates. Each list must contain members of all three union federations divided between the blue-and white collar employees at every level in the firm.

Management provides the works council chairman, pays all expenses, and may in certain circumstances depose employee representatives. Given access to certain company information, the defined role of the works council is "to contribute to its utmost to the best possible functioning of the undertaking." The works council also "polices" the union contract and protective labor legislation. It may offer opinions on minor aspects of management, especially working conditions. Although the 1950 law set a three-year time limit for compliance, half the firms covered by it have not yet complied. All three union federations are now considering proposals for extending the works council law to provide a Dutch version of Germany's co-determination law (Mitbestimmung) which gives workers a voice in management.

Dutch employers have long been accustomed to treat their employees in paternalistic or even patriarchal manner. There is little evidence to suggest that the works council law of 1950 has so far significantly changed this attitude.

The "Trinity" Challenged

The predominance of the "big three" federations in industrial relations has not gone unchallenged. In 1945-46, an independent left-wing union center with a strong base in Amsterdam mustered some 176,000 members against the 300,000 of the social democratic NVV. Through the joint efforts of the Catholic, Protestant, and social democratic trinity, of Government, and employers, and with the aid of the Communist Party's disruptive maneuvers, this rival was eliminated before the 1960's.

There are also a few small unions and a number of rank-and-file "action committees" within the "recognized" unions. In 1966, an action committee of the Amsterdam building union called a 24-hour strike in protest against a "big three" management deal which would have reduced the holiday pay of members of "non-recognized" unions by 2 per cent without touching the pay of members of the social democratic, Catholic, and Protestant federations. After demonstrations and riots, the offending proposals were eventually withdrawn. Both Amsterdam's mayor and its chief of police were subsequently dismissed for their inability to control the popular revolt provoked by the contract provisions.

White Collar Bodies

Syndicalist groupings and action committees apart, there are roughly 250 small, independent unions, which are excluded from bargaining at local and national level. It has been suggested that these "unrecognized" unions, mainly for white collar workers, have the support of up to 20 per cent of the organized labor force. Since the NVV-NKV-CNV trinity act as one in regard to the independents and rarely engage in jurisdictional disputes amongst themselves, the independents provide the only real competition for membership in the Netherlands.

Support for Europe

The Netherlands' "big three" have been staunch supporters of European integration from the beginning, although their allegiances are divided between the International Confederation of Free Trade Unions ICFTU (supported by the social democratic NVV) and the World Confederation of Labor (supported by the Catholic and Protestant federations). It is a measure of the Netherlands' standing in the international union movement that André Kloos, past president of the NVV, has recently been elected president of the newly founded European Confederation of Free Trade Unions, and that Harm Buiter, also a Dutchman, is the ICFTU's general secretary.

The Netherlands' unions do not fit into the same mould as their counterparts either in Britain or on the Continent. Despite a high degree of fragmentation, the general level of unionization is surprising high. The three major unions collaborate almost as one on a range of key issues. In the postwar years the unions, by their closely controlled national wage-bargaining within a framework of governmental economic forecasting, accepted a degree of integration in the machinery of government and administration unknown in any other society where genuinely free trade unions exist.

Modernizing Forces

Yet at the same time, in and around the Amsterdam port industry and in certain Northern provinces, the Netherlands retains some of the few syndicalist groups that still influence working-class attitudes in Europe. Anarchism in Amsterdam, a city with a long radical tradition, has on occasion hit world headlines with non-conformist demonstrations of a startling kind. Inside the powerful religious "pillars" of society, powerful modernizing forces are at work. Without them, the post-war NVV-NKV-CNV trinity would never have been possible.

Any deep-seated processes of social change among the people of the Low Countries are bound to affect the unions and the bargaining procedures of which they are a part. Such developments will certainly provoke severe disturbances among the hierarchy of unions and Government alike.

COMMUNITY NEWS

UK ACCEPTS COMMON AGRICULTURAL POLICY

Britain will adopt the common agricultural policy upon joining the European Community.

This categorical assurance was given by Anthony Barber when the British and Community negotiators met for their first bilateral working session, in Brussels on July 21. The following week, on July 28, Geoffrey Ripon, took over from Mr. Barber as chief British negotiator, when Mr. Barber succeeded the late Iain MacLeod as British Chancellor of the Exchequer.

Opening the meeting, German Foreign Minister and Council President in office Walter Scheel, as Community spokesman, recalled the position presented by the Community on June 30, when negotiations with the United Kingdom, Ireland, Denmark, and Norway were formally opened in Luxembourg. *(see European Community, No. 137, page 8.)*

Mr. Barber said that while Britain would like to discuss certain aspects of farming—eggs, milk, pork (especially bacon) and hill-farming, it in no sense meant a refusal to accept the farm policy.

The Transition Period

The United Kingdom also wanted to discuss the transition period or periods. Britain would like a year's breathing space before beginning the transition period for the Common Market and applying the Treaty and subsequent decisions. Mr. Barber said Britain wanted to keep open the possibility of suggesting measures other than a transition period for overcoming entry problems.

Other points the United Kingdom wanted to discuss were:

- Commonwealth sugar; New Zealand lamb, butter, and cheese, and association status for former British colonies in Africa and the West Indies
- the customs union
- other points that could be settled after entry, such as acceptance of the Community's agreement with Greece and Turkey.

Limited to Main Issues

Mr. Barber stressed that Britain wanted to limit the negotiations to the main issues. During the course of the negotiations it might be necessary to add new subjects that arose from the development of the Community. While Britain did not want to impede this development, he thought it would be difficult for the British public to believe that joining the Community meant pooling of interest if it saw the Six, without the four candidate countries, hastily deciding on the Community's development.

The Other Applicants

The first ministerial working session with Ireland will be held on September 21, and with Denmark and Norway on the following day.

The other candidates for full membership will be fully informed on the negotiations between the Six and Britain. This will be done by the President of the Council after each ministerial session with Britain and, when necessary, also after meetings of deputies.

Any agreement reached by the Six and Britain which affect the other candidates' interests will be of a provisional nature and will be submitted to a multilateral conference of the Six and all the applicants for final approval.

Britain thought that both sides should agree on the facts and figures before negotiating. Mr. Barber therefore suggested the creation of seven working groups to examine:

- the effects of enlargement on agriculture, food supplies, and the balance of payments
- the consequences for New Zealand's dairy exports
- the position of the Commonwealth's sugar industries
- the application of the common external tariff. Britain would like reduced or duty-free quotas (similar to those now in effect for current member states) for various raw materials on which the British tariff was lower than the Community's
- problems connected with the adoption of the Coal and Steel Community treaty
- problems connected with the Treaty creating the European Atomic Energy Community (Euratom)
- official English translation of the Community Treaties and acts, and their incorporation in the British legal system.

Fact-Finding Procedure Agreed

After adjourning for six hours, the Community agreed to a fact-finding procedure for all Mr. Barber's points, except discussion of Euratom which the Six wanted to postpone. However, instead of forming working groups, they suggested the Commission work with British experts to prepare the factual background.

Theoretically, there will be two ministerial sessions every three months, while the deputies meet twice a month to prepare for the ministerial sessions. Following the practice established by the Council of Ministers, ministerial sessions with the membership applicants will be held in Luxembourg in April, June, and October and in Brussels the rest of the year. The deputies are first to meet on September 16, the ministers in October.

Mr. Barber told the House of Commons on July 23 that he considered his meeting in Brussels "very satisfactory."

FRANCE TO MAKE FURTHER FARM PRICE REALIGNMENTS

France will soon make further reductions in its intervention prices for agricultural products to bring them into line with the European Community's price system.

After the 11.11 per cent devaluation of the French franc in August 1969, France was allowed to reduce its intervention prices by up to 11.11 per cent to discourage over-production and to keep consumer and producer prices stable. France decided to retain Community prices for powdered skim milk, olive oil, and fruits and vegetables. For the other products, France was given two years, until the 1971/72 marketing year, to raise its prices to the Community level.

At its July 13 meeting, the Council of Ministers noted its agreement on the price increases France will make in the 1970/71 marketing year: 2 per cent for oilseeds and sugar, 3 per cent for soft and hard wheat, 4 per cent for barley and rye, 4.5 per cent for corn, and 12.5 per cent for rice. Earlier this year, France raised its prices for butter and beef. Since March, the increases in pork prices have been calculated by a formula related to increases in feed grain prices.

COMMON TOBACCO MARKET ARRANGEMENTS COMPLETED

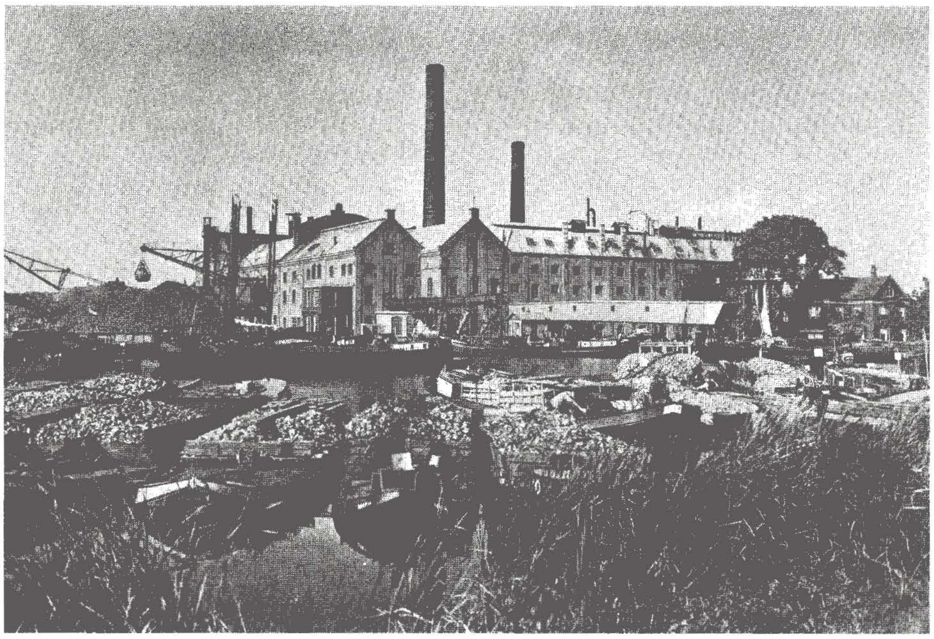
The European Community has completed arrangements for a common market in tobacco.

At its July 20-21 meeting in Brussels, the Council adopted regulations setting prices for leaf tobacco and packaged tobacco and premiums to buyers of leaf tobacco from the 1970 crop and outlining rules for market intervention in tobacco. Transitional arrangements were also made for designating intervention centers for unmanufactured tobacco. In accordance with the regulation of April 21, 1970, outlining the basic structure of the tobacco market, the Council also adopted a regulation limiting, in percentages of the 1970 crop and in absolute terms, the maximum stock that intervention agencies may acquire.

CRITERIA FOR FLAX AND HEMP AID DECIDED

Criteria for granting aid to flax and hemp producers in the European Community during the 1970/71 marketing year were adopted by the Council of Ministers on July 23.

The regulation containing these criteria supplements one passed by the Council at its July 13 meeting, setting the aid at $110 per 2.5 acres for flax and $80 per 2.5 acres for hemp. The common market organization for flax and hemp began operating on August 1.



Sugar beets on barges outside the Dutch refinery Suiker Fabriek of Haifwek.

INVESTIGATION OF COMMON MARKET EXPORTS TO U.S. OF BARLEY AND MOLASSES

The Common Market's exports of barley and molasses to the United States are being investigated, the U.S. Treasury Department announced on July 27, to see whether countervailing duties should be imposed on them.

According to U.S. law but contrary to international practice, the United States can impose countervailing duties on any import that has received a subsidy in the exporting country, without having proved damage to the domestic U.S. industry. The other members of the General Agreement on Tariffs and Trade (GATT) must prove damage to domestic industry to impose countervailing duties. This discrepancy in obligations among trading partners is a legal anomaly. Twenty-three years ago when the GATT was negotiated, the other signatories allowed the United States to subscribe to a "provisional," or "temporary," protocol to give it time to make domestic structural reforms so that it could accept fully the provisions accepted by its GATT partners. It is under this law, left intact by the provisional protocol, that the Treasury investigation is being made.

Small Amounts Involved

A spokesman for the Common Market Commission in Brussels said that, as usual, export rebates, which bring the prices of Community products down to the level of world market prices, had been made on the export of the barley and molasses shipments in question. Despite these rebates, both products were sold on the U.S. market at higher prices than those paid for the most expensive U.S. barley and molasses, according to the spokesman.

The Community traditionally exports about 20,000 metric tons of brewery-quality barley a year to the United States, 13.5 per cent of total U.S. barley imports, and 0.3 per cent of U.S. barley production. In view of these figures, U.S. imports of Common Market barley would not seem to pose a threat to American barley growers.

Molasses

The molasses involved in the Treasury investigation is 70,000 metric tons of French beet molasses of the high quality necessary for the manufacture of yeast, citric acid, and certain pharmaceuticals. Shipment was completed in July.

The Commission stressed that an export rebate was paid on this molasses by means of an "exceptional" procedure. Usually, the export rebate rate on molasses is set at zero. The Community is a net importer of molasses and does not generally run a surplus. However, in the last marketing year, regional imbalances in molasses supply occured and the French intervention authorities could not sell a local surplus of 70,000 metric tons of beet molasses within the Community. It therefore asked for, and received, permission to sell this molasses to exporters through competitive bidding. The bid was awarded to the exporter who would accept the lowest export rebate.

In view of molasses supply trends, the Commission said, it was unlikely that the Community's price support agencies would have to intervene during the current marketing year, and therefore future exports should not be subject to a countervailing duty.

U.S., EC Support Systems Vary

This investigation points up some basic differences between the support systems used by the Community and the United States, but both systems have two things in common:

- they protect domestic farm income, the Community by high prices, the United States by direct payments to farmers
- they export their surplus production.

Like the United States, the Community maintains parity or "intervention" prices for agricultural products. If the farmer cannot get that price for his crop, the U.S. or the Community intervention agency pays him the difference. The United States also pays a subsidy to farmers for not planting certain crops.

Unlike the United States, the Community does not restrict the importation of farm products by means of quotas. The Community collects levies at the border to equalize the price difference between imported farm products and domestic farm products; if there is no difference, there is no levy. The United States, by contrast, has a waiver from the normal GATT rules which allows it to apply the Agricultural Adjustment Act of 1933 and pursue restrictive import policies on items such as milk products, sugar, and meat, while subsidizing certain exports. The U.S. maintains quotas, beyond which imports are cut off until the next quota period opens, whereas farm imports can enter the Community freely after payment of the agricultural levy.

On exports of farm surpluses, the Community pays the exporter a rebate equivalent to the difference between the high Community price and the lower world price. The United States also subsidizes its agricultural exports under Public Law 480 and Commodity Credit Corporation programs.

COMMON ANIMAL FEED INSPECTION PROCEDURE

Animal feeds will soon be inspected for quality and composition by the same procedure throughout the European Community.

On July 20-21, the Council of Ministers adopted a directive specifying methods of sample-taking and analysis to be used for official inspection of animal feeds. This directive became effective on August 3, 1971.

UNITED STATES BUSINESS CLIMATE CHILLS EUROPEAN COMMUNITY EXPORTS

Demand for the European Community's exports has slackened as the U.S. economy has begun to cool off, according to the Commission's second quarterly economic report of the year, released July 24 in Brussels.

Despite the slackening of export demand, the Community's economy was growing briskly in late spring as internal demand picked up, especially from private consumers following massive wage increases. Imports have been growing faster, and the Community's trade balance has deteriorated. As supply failed to keep up with demand, businesses raised their investment goals to increase capacity.

In view of the strength of consumer demand, manufacturers have been able to pass on to their customers sharp cost increases that they have had for some time. As a result, consumer prices have continued to rise. For the full year, the rise in consumer prices could amount to between 4.5 per cent and 6 per cent.

Gross Community product for the year was estimated at 6 per cent in real terms.

Outlook for 1971

The Community's economic outlook for 1971 depends largely on how long it takes to restore balanced growth. If internal demand and price increases cannot be curbed soon, the business trend could take a sharp dip later.

However, if economic stability were restored promptly, there would be a good chance of achieving high employment and production and a growth rate of 4.5 per cent. For this reason, the Commission said, every member of the Community must give priority to anti-inflationary policies.

U.S. Economic Outlook Uncertain

The U.S. economic outlook remains uncertain, with price increases persisting despite decreases in production and employment, according to the Commission's report.

During the remainder of the year, business investment will expand very moderately. Private consumer spending will probably increase in view of the recent increases in social security benefits and Government salaries, the repeal of the income tax surcharge on July 1, the easing of credit, and the Federal Budget deficit caused by decreases in projected tax revenue.

In the Commission's view, even if production recovers in the second half of the year, U.S. gross national product will barely reach the level attained last year and could fall slightly below it. Imports may remain stable or fall slightly.

Economic recovery late in 1970 and into 1971 will have to be pursued in precarious conditions of internal as well as external equilibrium. Prudence in the monetary field will be essential, especially since the Federal Budget may run a sizeable deficit, the Commission remarked.

In early 1971 the overall growth trend of the U.S. economy will have little effect on employment or wages. Investments in capital goods will remain moderate, but imports could increase during the year.

U.S. gross national product in real terms could amount to 3.5 per cent in 1971.

The World Trade Outlook

Trade between industrial countries will continue to slow down this year, the Commission said, mainly as a result of the weakness of U.S. economic activity and restrictive actions that most industrial countries have taken. Economic buoyancy in the Community and in the United Kingdom will not stimulate the world economy enough to compensate for the restraining effects of the U.S. situation.

By the second half of 1971 economic expansion in the United States, the United Kingdom, and several other industrial countries should favor the growth of world trade. On the other hand, the Community's own internal growth rate and its indirect effects on imports from non-member countries are not yet clear.

Council Agrees with Commission

At its July 20-21 meeting in Brussels, the Council of Ministers discussed this report and expressed its agreement with the guidelines for economic stability that the Commission had suggested.

EURATOM, USAEC, GERMANY SIGN URANIUM CONTRACT

The Supply Agency of the European Atomic Energy Community (Euratom) and West Germany have signed a contract with the U.S. Atomic Energy Commission (USAEC) for the supply of enriched uranium under the U.S.-West German offset agreement.

Uranium to be supplied during the offset agreement is valued at $55 million, which includes $27.5 million to cover toll enrichment costs.

The contract, signed in Bonn on August 4, provides for USAEC to supply 208 tons of enriched uranium between now and April 1971.

Nukem (Nuklear-Chemie und Metallurgie G.m.b.H.) signed for West Germany.

PREFERENCES URGED FOR ALGERIAN WINE

A 40 per cent reduction in the tariff applied to Algerian wines was proposed by the European Communities Commission in July. The preference would last until August 31, 1971, pending the negotiation of a full-scale association agreement with Algeria, as the Commission suggested in a memorandum to the Council of Ministers in April.

Algerian exports of wine to the Six are now subject to divergent national policies. France is a major importer, and the common wine policy agreed upon earlier this year could severely affect Algerian exports.

At the moment, each Community member applies its own national regulations in trade with Algeria, with wide divergencies in the degree of preferences offered. Until its independence from France in 1962, Algeria as an overseas territory of a Community member, was treated like a Community member. France still treats Algeria almost as if it were a full member of the Community, other countries as if it were an associate member, while Italy considers it a non-member country.

An association agreement with Algeria, the first legal provision for its relations with the Community since 1962, would be similar to those signed with Morocco and Tunisia.

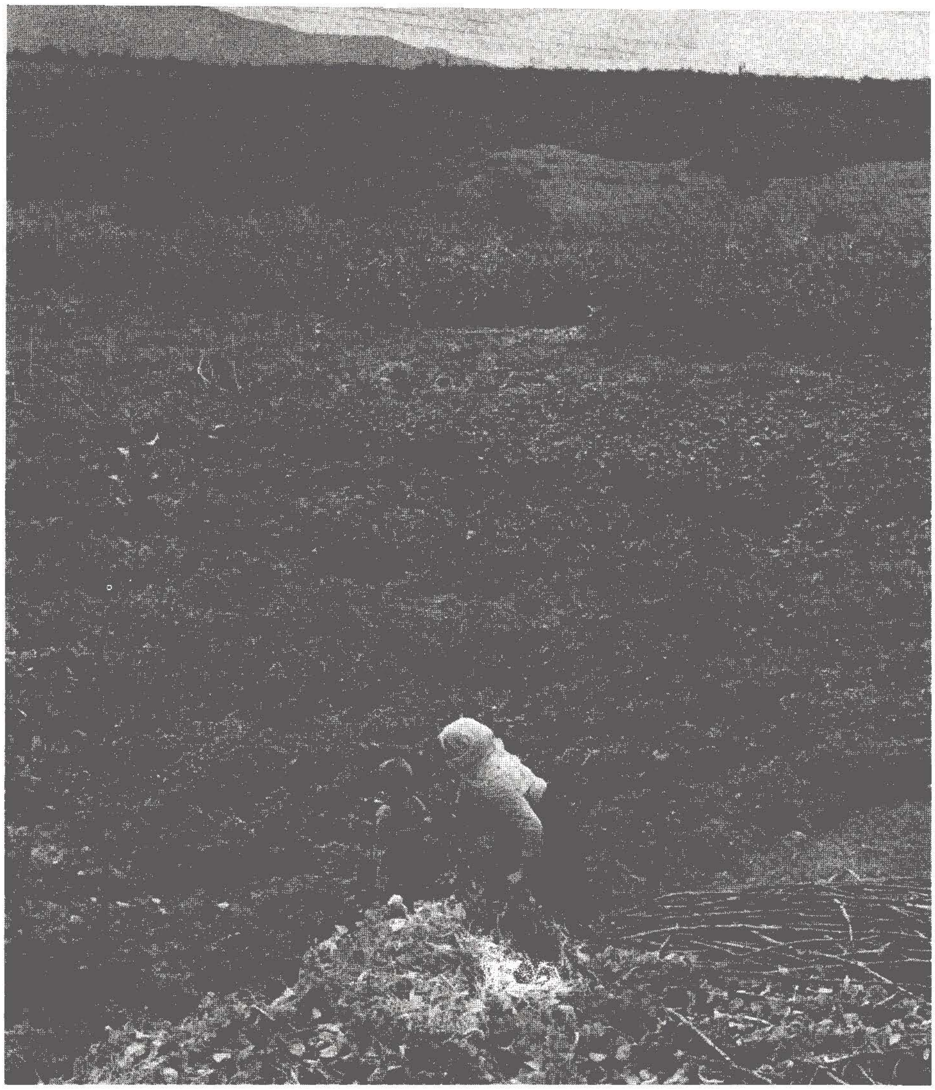
180 RECEIVE DIPLOMAS FROM EUROPEAN SCHOOLS

One hundred eighty students have received their baccalaureates from the European Schools this year, out of 211 candidates.

There are five European Schools sponsored by the European Communities now in operation. The baccalaureates awarded this year were distributed as follows: Brussels, 83 out of 99 candidates; Karlsruhe, 6 out of 6 candidates; Mol, 17 out of 17 candidates; Varese, 5 out of 39, and Luxembourg, the oldest of the five schools, 39 out of 50.

Holders of this diploma are eligible for admission to universities in the six European Community countries, Austria, and some universities in the United Kingdom, Switzerland, and the United States.

The curriculum of the European Schools, founded by the Communities to educate their employees' children, was especially formulated for their needs in a quadri-lingual Community. Its graduates are prepared to meet each member country's basic educational requirements. Classes are conducted in French, German, Dutch, and Italian, the four official languages of the Community. In addition to mastering their mother tongues, all graduates attain fluency in at least one other Community language.



A Turkish bean field. The Community will grant concessions on 90 per cent of Turkish farm exports.

COMMUNITY AND TURKEY AGREE ON ARRANGEMENTS FOR PASSAGE TO SECOND STAGE

After a year of difficult negotiations, Turkey and the Common Market, on July 22, completed negotiations for passage from the preparatory to the transition stage in the association. A protocol specifying the provisions of the new stage will be signed this fall and will come into force after ratification by both sides.

The Community's association agreement with Turkey was signed on September 12, 1963, and came into force on December 1, 1964. This agreement provided for economic union between the two partners to be reached in three stages: a five to nine-year preparatory stage, a 12-year transition period in which a customs union would be achieved, and a final period when the customs union would develop towards full economic union with the Six. By then, Turkey should be economically strong enough to apply for full membership in the Community.

During the preparatory stage, the Community has helped to strengthen the Turkish economy by granting duty-free quotas for tobacco, raisins, dried figs, and nuts, which together account for some 40 per cent of Turkey's export trade. Through the European Investment Bank, the Six have granted Turkey loans totalling $175 million to help finance economic development projects.

Community Concessions

Under the new arrangement, all Turkish industrial goods will enter the Community duty-free, with the exception of a few textile products, for which there will be progressive tariff reductions over a 12-year period. In addition, the Six will grant concessions on 90 per cent of Turkish agricultural exports to the Community. There will also be free entry for tobacco, a preference of 40 per cent for oranges and 50 per cent for other citrus fruits, and preferences for wine.

$195 Million in Development Aid

The Six will make available to Turkey $195 million for development aid as soft loans in the five and one half years after signature of the protocol. The European Investment Bank may supplement this with $25 million for loans on normal terms.

Other measures, such as the free movement of labor will be progressively introduced between the twelfth and twenty-second year of the transition stage. The accord also provides for the harmonization of economic and commercial policies and freedom of establishment.

Turkey's Concessions

Turkey will dismantle most of its tariffs over 12 years. However, for a list of products amounting to 45 per cent of its imports from the Community, Turkey will be given 22 years to abolish its quotas. Turkey will also adopt the Community's common external tariff according to a timetable ranging over periods of from 12 to 22 years.

UNCTAD FINANCING GROUP COMMENDS FOUR OF "SIX" FOR REACHING AID TARGET

Four members of the European Community —Belgium, Germany, France, and the Netherlands—were commended by members of the UNCTAD Committee on Financing for reaching the development aid goal of 1 per cent of gross national product. This target was set by the United Nations Conference on Trade and Development (UNCTAD). Switzerland was also praised for reaching the aid target.

The 45-member Committee on Invisibles and Financing Related to Trade, meeting in Geneva from July 20 to August 1, approved two resolutions recommending:

- continuity in the provision of financial resources for development
- special measures to assist the least developed countries.

In the resolution on continuity in financing, the developing countries asked the developed countries to try to prevent unforeseen fluctuations in flows of official development aid, so that projects requiring more than one fiscal year for completion can be started with a reasonable assurance that the necessary financing will continue and so that long-term planning of development programs can be related to each developing country's changing circumstances.

The resolution for special aid to the least developed countries suggested that the industrial countries and international institutions consider extending the least developed countries aid on lenient terms and giving them priority to funds available on grant-like terms for technical assistance of all types. It also asked countries giving technical assistance to consider the least developed nations' difficulties in meeting local counterpart requirements and economic and social aspects of development projects peculiar to the least developed areas of the world.

The United States was the only country to vote against this resolution, on the grounds that it was not in the best interests of the least developed countries to waive the requirements of local counterpart contributions in technical assistance projects. The Union of Soviet Socialist Republics, Czechoslovakia, Hungary, and Poland abstained.

MOVING TO A NEW ADDRESS?

To notify *European Community* of a change of address, please make corrections (including Zip Code) on the mailing label on the back cover and return it to the Washington office. Changes take a month to process.

FOREIGN MINISTERS REVIEW RELATIONS WITH UK, EFTA, UNITED ARAB REPUBLIC, LEBANON, AUSTRIA, AND JAPAN

Relations between the European Community and countries that have asked for agreements with it were reviewed at a meeting of the Council of Ministers in Brussels on July 20-21.

The United Kingdom was at the top of the agenda, as the first round of bilateral negotiations was scheduled to open the afternoon the Council adjourned. The Council adopted the Community's joint position for these negotiations.

Last December, at the summit meeting of the Six in The Hague, it was agreed that as soon as membership negotiations began, the Community would start discussing its relations with the European Free Trade Association (EFTA) members that had not requested membership in the Community. After debate, the Council instructed the chairman of the Committee of Permanent Representative to deliver a verbal message on this subject to the Austrian, Finnish, Icelandic, Portuguese, Swedish, and Swiss heads of Missions to the Communities. The contents of the message were not disclosed.

Pending an agreement with the other non-applicant EFTA members, the Council invited the Commission to draft a negotiating mandate for an interim arrangement with Austria. Austria does more than twice as much trade with the Community ($2,595,000 in 1969) as with other members of EFTA ($1,105,000 in 1969). The Council indicated that it would approve a mandate for negotiations with Austria after vacation.

Mediterranean

In response to the requests of Lebanon and the United Arab Republic, the Council gave the Commission a mandate to begin negotiations for agreements. These agreements would help to maintain balance in Mediterranean trading conditions.

Japan

Until the common commercial policy came into effect this year, each Community member was free to conduct its own trade policy with Japan. Now, however, commercial relations between the two trading powers have become increasingly important and must be brought into the context of the common commercial policy and regulated by a single, Community-wide agreement.

Thus, the Council gave the Commission a mandate to conduct trade negotiations with Japan, with the assistance of a special committee to be appointed by the Council.

Other Commercial Policy Actions

The Council adopted a regulation on the procedure for increasing ceilings on the Community's imports of products subject to voluntary restraints in the exporting country. It came into effect on July 30.

Within the Community system, these ceilings are in the form of quotas. The new regulation allows these quotas to be raised if warranted by the Community's economic or internal market conditions, with due regard to the considerations that had led to the voluntary restraints.

The Council also added some products to the Community's list of imports from state-trading countries covered by common arrangements.

"BIG FOUR" IN TRADE MEET

The Big Four in world trade—The United States, Japan, Britain, and the European Community—ended two days of informal and confidential trade consultations in Geneva on August 1 and agreed to hold further discussions "bilaterally and multilaterally."

Commission Member Ralf Dahrendorf represented the Community. The chairman of the talks, Olivier Long, Director General of the General Agreement on Tariffs and Trade (GATT), said "their purpose was not to engage in any kind of negotiations but to examine in a constructive way a broad range of current trade problems, such as the U.S. trade bill, agriculture, preferential arrangements, remaining protection, and textiles, and to exchange views on possible ways in which these problems might be taken up for solution."

TALKS WITH CYPRUS

The European Community Council of Ministers is studying the opening of technical contacts with Cyprus to see if the Six should negotiate an eventual association agreement.

In April this year the Commission recommended talks with Cyprus, but said that a final solution to the island's relationship with the Six could be reached only in the context of negotiations for British membership.

The Cypriot Government, in March, told the Six that it was still interested in an association agreement. Cyprus first applied for association in 1961, at the beginning of the first British entry negotiations.

Ralf Dahrendorf, member of the commission responsible for external relations, was scheduled to visit Cyprus August 27-30 to discuss the future relations of that country with the Community.

IMPORT-EXPORT PERMITS FOR FARM PRODUCTS GOOD ANYWHERE IN COMMUNITY

Import and export licenses for farm products issued by any one European Community country will, by January 1, 1971, cover shipments brought into or sent from any other Community country.

The Council of Ministers made this decision at its June 29-30 meeting in Brussels when it adopted a regulation amending earlier agricultural regulations on import and export licenses, certificates, and levies. The new regulation will enable Community traders to operate more freely within a single, Community-wide customs territory.

It states that import and export certificates and licenses can be used to set levies and tax refunds in advance of shipment or arrival. It also harmonizes the procedural rules for determining these amounts. The regulation postpones to January 1, 1971, the date on which the coverage of import and export certificates and licenses will be valid, and the import levies or tax refunds on exports payable, throughout the Community, instead of only on the territory of the country handling the administrative work connected with them.

The New System

Licenses and certificates, besides their use in setting import levies and tax refunds on exports, also give an idea of the future pattern of trade in farm products between the Community and non-member countries, facilitate market management, and indicate when safeguard clauses ought to be applied.

Initially these documents were to be purely national, valid, only on the territory of the issuing member country. According to the new regulation, after January 1, 1971, they will become valid for shipments or deliveries anywhere in the Community. For example, an import license issued in Belgium will entitle the holder to bring the licensed material into any other country in the Community. By the same token, any import levy appearing on licenses issued by Belgium would have to be charged by Italy, Germany, France, the Netherlands, or Luxembourg if the goods were imported into these countries.

The Council of Ministers agreed on the principle of this system in 1967, but agreement on the operating rules took more than two years. The system had to function properly without adding unduly to the guarantees required.

TRUCKS AND BUSSES TO GET MONITORS BY '75

All new commercial vehicles sold in the European Community after March 31, 1975, will be delivered with automatic devices to keep track of driving time.

The Council of Ministers formally adopted a regulation to this effect at its July 20-21 meeting in Brussels. The device, replacing record books, will improve control over compliance with the legal driving times and rest hours in the road transport of passengers and goods.

Monitors will also have to be installed by April 1, 1975, on used vehicles transporting dangerous goods. For other commercial vehicles registered before April 1, 1975, the installation and use of the monitor will be compulsory after March 31, 1978.

The Council said this time lag, between the decision and the compulsory use of monitors, was necessary to allow European industry to develop and market the devices. The specifications contained in the regulation allow industry some leeway to develop techniques guaranteeing safe and proper operation.

EC-MALTA TO CONCLUDE ASSOCIATION AGREEMENT

Malta and the European Community are planning to conclude an association agreement leading to a customs union in ten years.

The final round of negotiations for the agreement took place in Brussels on July 22-24. Each delegation will now submit the results of the negotiations for the approval of their respective authorities so that arrangements can be made for signature and conclusion of the agreement.

The United Kingdom and the European Community are Malta's two main trading partners. After the United Kingdom's May 11, 1967, application to join the Community, the Maltese Minister of Commonwealth and Foreign Affairs Borg Olivier, in a letter dated September 4, 1967, requested negotiations "with a view to establishing a relationship between Malta and the European Community" in an appropriate form. The new association agreement is the answer.

During the first 5-year stage of the agreement, as Malta begins aligning its tariffs with the Community's, it will receive more concessions from the Community than it extends. Full customs union will be reached during the second five-year stage. Details governing the second stage will be settled in negotiations beginning a year and a half before the end of the first stage.

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.

Europe's Would-Be Policy: Patterns of Change in the European Community. By Leon N. Lindberg and Stuart A. Scheingold. Prentice-Hall, Inc., Englewood Cliffs (New Jersey), 310 pages and index.

An analysis of the Community's decision-making process in relation to its achievements and the future prospects for integration.

After summarizing the conditions in postwar Europe, from which the Communities emerged, the authors focus on the Community's accomplishments in the economic, social, and political areas. They describe the functioning of the Community in terms of its powers, its institutions, and its patterns of behavior. Analytical models predicting change and development of the Community are posited. The models serve as the framework for several case studies on Community activity in agriculture, transport, and coal and on the problem of British entry. The final chapters present conclusions, based on these studies, concerning the possible future patterns of integration.

L'Organisation des transports dans le cadre de l'Europe des Six. By André Fischer. A. W. Sijthoff, Leiden, 1958. 323 pages.

An analysis of the problems of integrating the transport systems of the Community members.

The author describes the existing national transport systems and policies and gives a concise history of attempts to integrate them prior to 1958. The activities of the Coal and Steel Community and the Economic Community in the transport sector are examined in detail. The author concludes that integration can only be achieved by creating a European "Interstate Commerce Commission" endowed with supranational powers.

John F. Kennedy and a Uniting Europe. By George M. Taber. College of Europe, Bruges (Belgium), 1969, 183 pages with bibliography and index.

An examination of policy toward Europe and European integration during the presidency of John F. Kennedy.

The author outlines the postwar development of relations between the United States and Europe from 1945 to 1960 in the first chapter. The remainder of the book deals with U.S. policy toward the British application for membership in the Communities, trade questions and the Kennedy Round, North Atlantic Treaty Organization and defense problems, the Cuban missile crisis, the Kennedy-Macmillan meeting in Nassau, and the future of the "Atlantic Partnership' concept.

International Trade Policy and the GATT 1947-1967. By Karin Kock. Almqvist & Wiksell, Stockholm, 1969, 334 pages with index.

A study of the development of the General Agreement on Tariffs and Trade and the interrelationships of the GATT members and foreign trade policies.

The author reviews the events and negotiations which led to the establishment of the GATT. He also discusses tariff negotiations and negotiating techniques, comparing those used in the GATT before and during the Kennedy Round. Other topics treated are: regional economic cooperation and the GATT; quantitative restrictions; agricultural problems; state-trading countries and the GATT, and the developing countries. The final chapter contains general conclusions concerning the interplay of national policies and GATT activities.

Les Relations Economiques du Marché Commun et du Japon. By Madeleine Monloup. College of Europe, Bruges (Belgium), 1969, 132 pages with statistical annex and bibliography.

An analysis of the commercial relations between Japan and the European Economic Community.

The author reviews the development of Japanese trade with the world since 1945, the structure of its trade with the Community, and the efforts of the members of the Community to develop a common policy vis-à-vis Japan. The author also discusses the competitive advantages and disadvantages of Japanese products, particularly for the shipbuilding and textile sectors.

New Trade Strategy for the World Economy. Edited by Harry G. Johnson. University of Toronto Press, Toronto, 1969, 344 pages. Essays on a proposal for a multilateral free trade association of the North Atlantic countries.

In the introduction, Mr. Johnson presents a proposal for a multilateral free trade association and summarizes the other papers in the collection. The other articles, most of them written in 1967 and 1968, are: "Options after the Kennedy Round," by Garard Curzon; "World Politics and Trade Strategy," by Lionel Gelber; "Britain and the Free Trade Area Option," by Maxwell Stamp Associates; and "Scope for New Trade Strategy," by David Robertson.

PUBLICATIONS AVAILABLE

THE EEC IN THE SEVENTIES: INDUSTRIAL AND FINANCIAL PROBLEMS. Address by Raymond Barre, Vice President of the Commission of the European Communities, at the Fifth International Investment Symposium, Bellagio, Italy, June 2, 1970, 21 pages .... free

BASIC STATISTICS OF THE COMMUNITY: 1968-1969. Statistical Office of the European Communities, Luxembourg, 1969, 224 pages $1.00

1968 statistical comparison of seventeen European countries, Canada, the United States, Japan, and the Union of Soviet Socialist Republics on population, labor force, national accounts, agriculture, energy, industry, transport, trade, social security, standard of living, and finance. Additional data for the Community is given for education, regional product, and the iron and steel industry.

XX^e ANNIVERSAIRE DE LA DECLARATION DE ROBERT SCHUMAN: MAI 1950-MAI 1970. Office of Official Publications of the European Communities, Luxembourg. 47 pages....free.

Also available in German. Brochure commemorating the May 9, 1950, declaration of Robert Schuman. Contains the 1950 declaration, a speech made by Mr. Schuman in 1951, and the speeches made during the twentieth anniversary ceremony in Brussels by: Jean Rey, President of the Commission; Carlo Scarascia Mugnozza, President of the Political Committee of the European Parliament; Pierre Harmel, Acting President of the Council of Ministers; Robert Lecourt, President of the Court of Justice; Walter Hallstein, President of the European Movement, and Albert Coppé, Honorary President of the Friends of Robert Schuman.

RESULTATS DEFINITIFS DE L'ENQUETE INDUSTRIELLE DE 1963. *Etudes et Enquêtes Statistiques* No. 2, 1969. Statistical Office of the European Communities, Luxembourg, 1969, 675 pages $2.00

Available in French/German text. Results of an extensive industrial survey conducted by the Community in 1963. Over 150 industries are included covering the entire industrial spectrum of the Community. Statistics are given on number of employees, owners, apprentices, investments and capital expenditures, supplies and primary products, turnover, and gross value of production.

THE EUROPEAN COMMUNITY: PROMOTING A COMMON RESEARCH POLICY IN EUROPE. European Community Information Service, Brussels, May 1970, 8 pages .... free

A short history of the Community's effort to draft a common policy for scientific and technical research. Also describes the report of the Working Group on Scientific and Technical Research Policy, often called the "Aigrain Report."

TRAITE PORTANT MODIFICATION DE CERTAINES DISPOSITIONS BUDGETAIRES DES TRAITES INSTITUANT LES COMMUNAUTES EUOPEENNES ET DU TRAITE INSTITUANT UN CONSEIL UNIQUE ET UNE COMMISSION UNIQUE DES COMMUNAUTES EUROPEENNES—SIGNE A LUXEMBOURG, LE 22 AVRIL 1970, ET DECISIONS DU CONSEIL DES COMMUNAUTES EUROPEENNES DU 21 AVRIL 1970—RELATIVE AU REMPLACEMENT DES CONTRIBUTIONS FINANCIERES DES ETATS MEMBRES PAR DES RESSOURCES PROPRES AU COMMUNAUTES—CONCERNANT LES PREVISIONS FINANCIERES PLURIANNUELLES. *Document de Séance* No. 30, European Parliament, Luxembourg, May 1970, 36 pages .... $ .25

Text of Treaty modifying the budgetary provisions of the Treaties establishing the European Communities and the Treaty establishing a single Council and Commission and text of the decisions concerning the financial resources of the Community.

UNIVERSITY STUDIES ON EUROPEAN INTEGRATION: TUITION 1969-1970. European Community Institute for University Studies, Brussels, 1970, 159 pages .... free (limited distribution).

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