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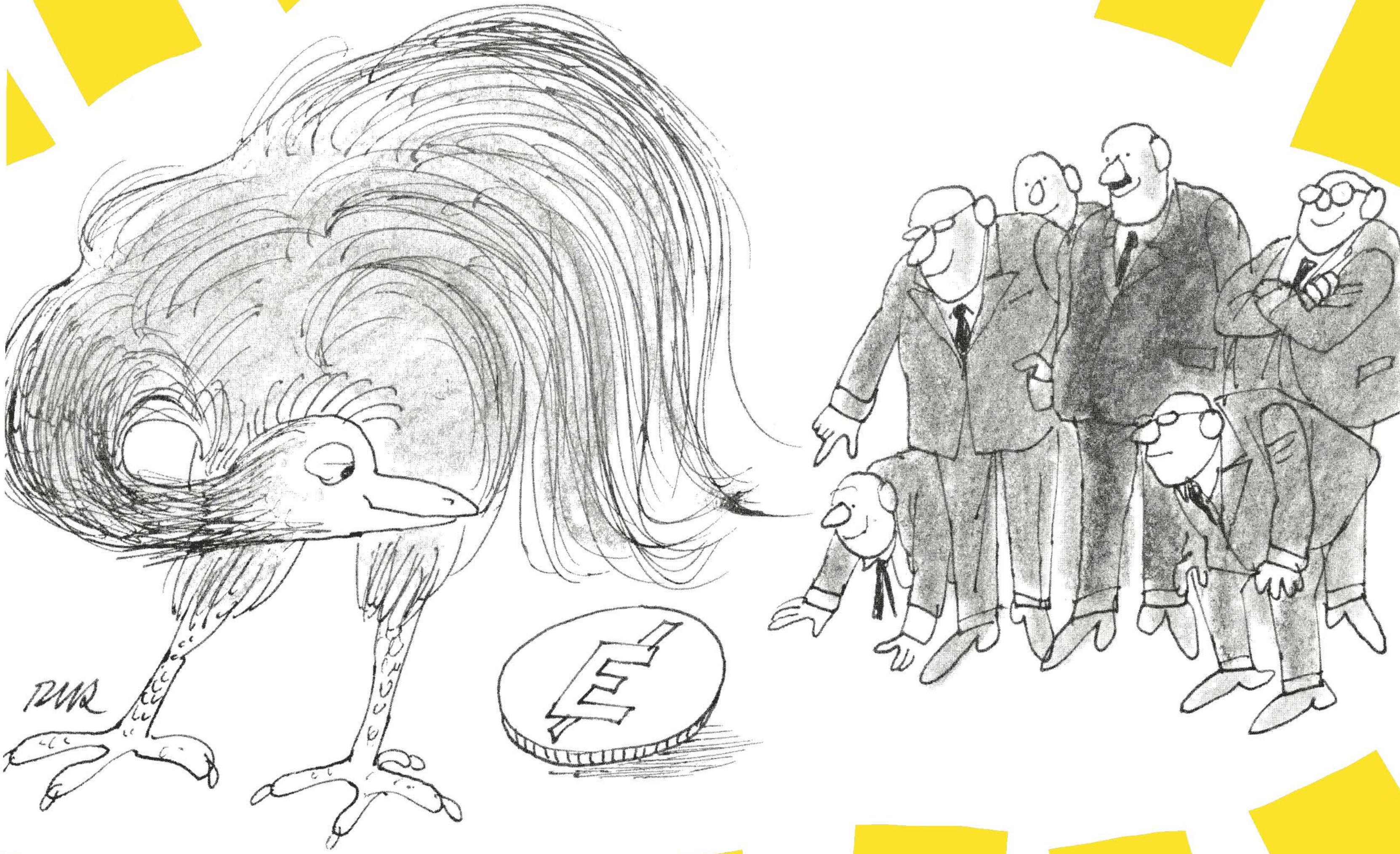

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COVER: Community-watchers have discovered the first EMU ever seen on the European Continent, but not the feathered kind. See story, page 6. © 1971 Ralph V. Robinson.

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1970: A European Year

EUROPE'S EMERGING ROLE IN WORLD POLITICS

RALF DAHRENDORF

1970 MIGHT WELL BE described as a European year. To be sure, most if not all the major crises of the year occurred outside Europe, in the narrow sense of the term, but in few other parts of the world did constructive developments take place with comparable momentum. Not surprisingly, some were pleased, others alarmed, or at least concerned about these developments.

In some countries, there is today a sensitivity about European developments which feeds the obvious interests in keeping Europeans apart. Insofar as these sensitivities are founded in false or lacking information about us, we must supply and correct such information; insofar as they are founded on the fear of the emerging power of European countries cooperating in more and more fields, they are simply an indication of a new fact in world politics.

The conference of heads of government and chiefs of state in The Hague on December 1-2, 1969, will probably go down in the annals of the European Community as one of the three or four crucial events of motive force. At this conference, 16 points were laid down for the future path of Europe, thereby helping to overcome a period of doubt and depression.

Three Major Developments

Since The Hague, at least three significant developments have taken place. On January 1, 1970, the transitional phase of the Community of Six came to an end. The Community has now entered its final phase, which among other things, means that the Commission is now in charge of important common activities, notably in the field of commercial policy. Beyond the representation of the Six in a number of international organizations, the treaty-making power for commercial agreements now rests with the Commission. Apart from the conclusion of a number of agreements in the Mediterranean area, our initiative for the introduction of generalized preferences in favor of developing countries and our negotiations with Japan are examples of the activities for which the Community is responsible in its new phase.

A second, equally important, event during the year was the opening of negotiations with Britain, Ireland, Denmark, and Norway for full entry into the Community. Of the long and somewhat unhappy story of the Community's enlargement, suffice it to say that there can be little doubt that this time everybody around the table means business. Particularly in the case of Britain, another failure to come to an agreement would have grave consequences for Europe and beyond. These negotiations may well be concluded before July 1972. The growing concern of third countries and their wish to be kept informed is perhaps an index of our progress. We shall make sure that every country that is materially affected by the enlargement of the European Community will be heard and its case considered. At the same time, we have to follow our policy of enlarging the Community with all the hopeful consequences this process has for those who have grown accustomed to seeing Europe divided. We trust that in balance these consequences will be favorable even for those who still fear them.

A third, less spectacular, development set in motion at The Hague is possibly the most important of all: The Community's first move towards an economic and monetary union. The implications of this plan range from the immediate problems of flexibility—or, in our case, the inflexibility—of exchange rates, through questions involving the relation between European currencies and the dollar, to the political and institutional aspects of the attempt to design a common economic policy for the member countries of the Community.

Political Union Based on Realities

This last statement deserves one further comment. At The Hague, the Community members committed themselves to promoting political union. A special committee headed by Etienne Davignon, political director of the Belgian Foreign Ministry, presented a report which met with more criticism than applause. Indeed, its proposals for what are essentially inter-governmental and not Community contacts in fields not yet covered by the Treaties were modest *(see page 18)*. But perhaps the inadequacies of this proposal are less unfortunate than the romanticism of some of their critics who invoke political union and, in their fascination with an imagined final state, overlook realities that have developed and which may develop starting here and now. Luckily, therefore, realistic Europeans are taking the lead in Brussels as well as in the member states. Political union and the Community's current work are not two different things; it makes no sense to try to add some imaginary political union to what we are doing today. The political unification of Europe is a process, and one that

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will probably always be as unfinished as that of any federal political community.

We have already gone through a few important stages on this road; further stages will be reached in the next few years. It is a constant process of adding substance to Community action. It may be in the field of commercial policy or planning research, or market regulations for wine, or adaptation of social legislation, exchange rates, economic policy for stability, or the traditional realms of foreign and defense policy. As long as the Community gains in substance for common decision-making, it is growing in political strength. Europe is taking long strides in this direction at the moment, and if the road ahead is still long, it is a challenge and not a cause for despair.

East-West Détente

The European Community is gaining in substance and scope at a time when its member states, as well as many other countries in East and West, are trying to find ways to promote détente by exploring areas of common interest between formerly conflicting parties. When I described 1970 as the year of Europe, I was not referring to the German-Soviet treaty, or to French President Georges Pompidou's visit to Moscow, or to the slowly crystallizing idea for a European security conference. These developments are still at an early stage, and it is difficult to tell what their outcome will be, although they will affect the European Community in more ways than one.

There are no direct relations between the European Communities and the communist countries of Eastern Europe (with the exception of Yugoslavia which has a commercial agreement with the Community and an ambassador to the Communities in Brussels). However, the Commission represents the Six in a number of international organizations of which East European countries are also members, such as the General Agreement on Tariffs and Trade (GATT) or the United Nations Conference on Trade and Development (UNCTAD). Our treaty-making power is still waived with respect to East European countries until January 1, 1973; by that time, it will come into full force. Even today, member states are bound to consult the Community about bilateral agreements and abide by certain rules in their conclusion. Thus, the hesitation of the Soviet Union, and consequently of the smaller countries of Eastern Europe, to establish formal relations with the Community or to "recognize" it internationally can be no more than a matter of time.

The European Community is an entity in its own right, not merely in constitutional terms but also with respect to its position in world politics. It is more than, less than, the sum of, and something different from, its member states. Confusing as such a description may sound, it is nevertheless fair to expect that this new reality be recognized by all those who favor a realistic approach as the safest guide to world peace.

In its policy towards the East, the European Community is taking part in developments but not, as such, leading them.

Mediterranean Contribution

There are, however, certain aspects of world politics to which the European Community, at its own initiative, has contributed to peace and prosperity. I want to mention two of them, because they are both important and controversial.

Apart from South East Asia, the Eastern Mediterranean is the second seat of violent conflict in the world today. Anyone who wants lasting peace in the Mediterranean must assist the countries of the area in their economic and social development, while respecting their right to decide their political future themselves. This is how the European Community understands its obligations in this area.


Ralf Dahrendorf

The traditional relations between Europe and the Mediterranean countries have been close and manifold. Our agreements with these countries reflect this situation. Besides the Community's current members, other countries feel they belong to Europe, and therefore seek full membership in the Community. Last year, our association agreement with Greece was partly suspended; but I sincerely hope that conditions in Greece will soon permit the continuation of the association process. With Turkey, we have just concluded the second association agreement involving Turkey's courageous decision to begin the transitional stage, in which obligations become increasingly mutual. Our relations with Spain, Israel, Yugoslavia, Malta, and Cyprus are looser and different in each case, but the agreements we have or intend to conclude foresee increasingly close cooperation.

The term "preferential trade agreements" has given rise to international debate about our Mediterranean policy. The attempt to carry this debate into the GATT, and to censure our agreements there, has failed again this year. Still, the opposition runs deep and requires a clear statement.

Our agreements with countries around the Mediterranean basin are an attempt to discharge what we regard as our responsibility for this area. We do not want to harm anybody in doing so, but we insist that it is a European obligation to promote long-term stability in that part of the world. Moreover, because of our historical relations, we offer many of the countries concerned the prospect of full association with the Community. The only legitimate criticism of our policy might be that there is an inconsistency between our political goals and the economic instruments we are using. Certainly, preferential tariff reductions of 50 per cent on lemons are inadequate to promote social and economic stability in a developing country. Here, the power and the weakness of the European Community as it stands today become evident.

I trust that the Community will have the strength to overcome this inadequacy by adding new instruments rather than by changing old goals. Our preferential trade agreements are limited to the Mediterranean area: our political responsibilities are not.

Latin America: A Different Approach

In July 1970, 20 Latin American countries agreed on the "Declaration of Buenos Aires," asking the European Community to work out with Latin America a policy for closer cooperation. Whatever form cooperation takes, whether commercial or political, it will be motivated by different intentions than our Mediterranean policy. This means that we do not intend to translate our Mediterranean policy to Latin America. For Latin America, another type of policy and another set of instruments for cooperation will have to be developed to satisfy the specific needs of this continent and its cooperation with Europe.

Generalized Preferences

One such instrument has been the subject of multilateral discussion and has finally been accepted by the UNCTAD Council: the EC proposal to grant generalized preferences to developing countries. Perhaps no other single measure demonstrates with equal clarity the ways in which the European Community wants to discharge its responsibilities in the world. The offer to all developing countries of non-discriminatory preferences for all industrial goods is intended to further the growth of industry in the less-developed parts of the world. The Community (and unfortunately, nobody but the Community) has shown that it means what it says by including textiles in its offer despite protests by the domestic textile industry. We felt, and feel that, considering the special role which the textile industry plays in the industrialization process almost everywhere, there was little justification to exclude this branch.

Europe and the United States

For many years, the United States has encouraged all developments leading to greater cooperation between European countries. Today, this attitude is no longer so clearly in evidence. In the words of U.S. Deputy Under Secretary of State for Economic Affairs Nathaniel Samuels, the United States is no longer prepared to trade short-term economic disadvantages for long-term political goals. Such statements may belie a growing doubt about the long-term goals of European cooperation, coordination and, some day, unity. Recriminations about agricultural policy, about preferential agreements, about special and reverse preferences are expressed in bilateral talks as well as in international organizations and are used as an excuse for U.S. measures which in their impact are of a different order of magnitude altogether. We feel that developments in the United States have led to certain changes which we cannot follow with enthusiasm. Some of these developments, such as the much-discussed trade bill, involve considerable, unprecedented injury to legitimate interests in the European Community and elsewhere. Our lack of enthusiasm is also due to the underlying philosophy of the new approaches taken by the United States.

Some Guiding Principles

At this point, a few principles might usefully be recalled to guide us in avoiding any deterioration in our mutual relations.

First, it is important to remember that the European Community and the United States subscribe to a similar set of assumptions about the way to organize our social life politically. Liberty has rarely been more precious than in these days.

Secondly, free trade is part of freedom. The 1930's are still fresh in many memories. It would be useful if our mutual insight led us to decide that, whenever faced with a choice of alternatives, we shall opt for liberal rather than protectionist solutions. The escalation of restrictions is an escalation of anxieties; it is unworthy of free countries.

Thirdly, to maintain good relations, free countries must avoid mutual injury. This requires an outward-looking attitude on the part of all. Despite assertions to the contrary, the European Community has so far hurt none by our association and we do not intend to do so in the future. If the United States can say the same, it would follow the principles on which it was founded. I am, of course, aware that this is the position of reasonable people on both sides of the Atlantic. At the same time, I must express the Community's deep concern about the inward turn of American public and political opinion which causes surprise and concern among all who like to see America play a responsible role in world politics.

There is a fourth point that I have to make, that the road from dependence to partnership is always difficult, especially considering the complex mixture of interdependence and independent partnership that now exists between Europe and the United States. We, who have become the largest trading power in the world and who are now increasing our assembled political strength, intend to use our position maturely and moderately. We hope that you will accept those facts which are the concomitant of partnership, including the facts of life of the European Community, as it stands today. Our agricultural policy, for example, is not directed against anyone, but it is one of the facts to be accepted if real partnership is to develop.

I do not want to be misunderstood. The European Community is a process. We are prepared to change our policies wherever we consider change necessary. This means that we are also open to arguments from outside. But this again must be a mutual preparedness. Therefore, whatever happens, Europe and the United States should continue to talk, and to talk frankly. The demand sounds modest, but it is meant very seriously indeed. Both the United States and the European Community are free to make decisions in accordance with their goals and interests, but it would seem to be in the interest of both to continue the exchange of views before, during, after— and perhaps not least—*about* our decisions.

EMU: Precursor of a Common Currency?

ROBERT PRINSKY *Robert Prinsky is Brussels correspondent for the AP-Dow Jones News Service.*

EMU'S, EUROPEAN MONETARY UNITS (not the feathered kind), have aroused the curiosity of the international monetary community.

The European Coal and Steel Community (ECSC), a frequent international borrower, has started the ball rolling by floating a 15-year, $50-million bond issue denominated in EMU's, each equivalent to a U.S. dollar. Symbolized "Ɇ", the EMU is backed by the national currencies of the Six. As interest payments and capital reimbursements can be made in any one of these currencies at the parity rates in effect on the date of issue, EMU's guarantee investors protection against devaluation and assure them all the benefits of any upward revaluation. The borrower obtains money at below-market rates but assumes the risk of a devaluation.

What's New?

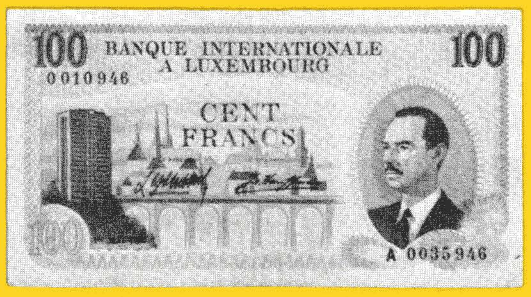
The idea for the EMU issue was developed by the Commission's Credit and Investment Directorate General in Luxembourg and seven major banks: Amsterdam-Rotterdam Bank, Banca Nazionale del Lavoro (Milan), Banque Internationale (Luxembourg), Deutsche Bank (Frankfurt), Dresdener Bank (Düsseldorf), Lazard Frères (Paris) and Société Générale de Banque (Brussels). These banks advised the Commission about the terms of the issue and type of consortium to handle it, as they had on previous ECSC borrowings which were re-lent to develop the Community's coal and steel industries.

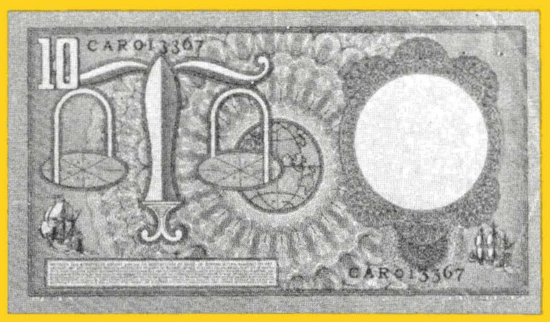
The idea of a common currency unit is not entirely new. In their internal accounting, the Six use the common "unit of account" for calculating payments into and out of the Community's budget. The unit of account, like the EMU, is defined in terms of gold at the same value as the U.S. dollar. Another group of European banks is promoting a unit of account for Eurobonds, but it includes 15 currencies and its design is considerably more complicated than that of the EMU's.

Part of the EMU's novelty lies in the official impetus given this common currency unit by the Commission and in the tacit agreement that the member states' governments and central banks have given by refraining from objecting. Direct approval was not needed, as the ESCS Treaty, unlike the Treaties creating the Common Market and the European Atomic Energy Community (Euratom) empowered the executive body, the High Authority to raise money on the capital markets. The Commission has exercised this power since July 1967 when the three executive bodies were emerged into the Commission of the European Communities.

The device could be an important first step towards the use of a common currency within the Common Market and could help unify the capital markets of the Six. Officials hope it will tap new sources of funds. Small savers can buy bonds as small as $100 instead of the usual $1,000 minimum. In any case, it is in keeping with the Community's efforts to achieve full economic and monetary union during the Seventies. Both a common currency and a unified capital market would allow the Community to assert its "monetary personality" and reduce its dependence on the dollar.

The existence of six separately managed currencies and separate capital markets makes it difficult for large borrowers to raise the amounts they need in any one Common Market currency. As a result, many borrowers have turned to the





Eurodollar market which has flourished under the demand of both U.S. and European businesses.

Lately, Euromarkets have developed in the German mark and, to a lesser extent, the Dutch guilder. As these currencies are prime candidates for revaluation, investors are eager to have positions in them. Anyone exchanging his national currency to invest in marks, for example, would get more of his own currency back if the mark were revalued before the bond's maturity. The EMU was designed to take advantage of investors' desires to gamble on revaluation.

An investor in an EMU issue can profit from a revaluation even if he does not have a position in the revalued currency. Once he has purchased bonds in any Community currency, in case of revaluation he can decide to take his payment in the revalued currency.

For example, if there had been an EMU issue two years ago before the devaluation of the French franc and the revaluation of the mark, anyone who had paid for bonds in francs and wished to be repaid in francs could claim payment at the original rate of exchange. He would not have lost anything when the franc's value was lowered in relation to the dollar. On the other hand, a person who had paid for the bonds in Italian lira, for instance, could have chosen to be paid in marks at the old rate. He would get the same number of marks as had been spent by an investor who had originally purchased the bonds for marks. When the investor took payment in marks and converted it to lira at the new rates of exchange, he would get back more lira than he had put in, because the mark was later worth more in relation to the other currencies.

The EMU bonds' built-in guarantee against "currency risk" is an attraction for international investors who must consider the risk of devaluation as well as the usual factors, such as interest rates and the security of the borrower. Initial reaction was therefore favorable, although investors noted that the suggested 8 per cent interest rate on the first issue was below the normal 9 per cent rate on Eurobonds.

As revaluation would raise interest charges and the amount to be repaid, the borrower assumes a risk. However, Commission officials point out that as the economic and monetary union progresses, the chance of devaluations and revaluations will diminish. If all goes according to plan, parities among the six currencies will be permanently fixed by 1980. On the other hand, officials think, large companies operating in all six countries easily acquire revalued monies from their business, enabling them to minimize any revaluation effects. It therefore remains to be seen whether non-government borrowers will use this new device.

An official of one of the leading banks handling the loan said that while the EMU issue had aroused the curiosity of major European companies, they were not planning to follow the ESCS's lead until the results of the issue and details of its operations become generally known. *The International Herald Tribune* summarized the situation this way: "If the [EMU] concept catches on in the open market—if the hard-nosed banking community as well as the general public can be lined up behind it—it will present a hesitant and divided [Community] with the kind of *fait accompli* which puts meat on the theoretical bones of economic union."

Food Aid: The Community's Record

JOHN LAMBERT

The Six are responsible for nearly a quarter of the food aid that the richer nations have undertaken to grant over a three-year period to poorer nations. Mr. Lambert, a member of the editorial staff of Agenor, *a European review, here asks whether the Six have properly executed their responsibility.*

FOR THREE YEARS, 1968-71, the European Community is giving 1,035,000 tons of grain a year to countries which need the food. This commitment represents 23 per cent of the total annual world "food aid" program of 4.5 million tons. In April 1969 the Council of Ministers of the Six also decided to start giving powdered skimmed milk and butter oil as food aid. Instead of being destroyed or turned into animal feed or glue, this food provides many millions of meals each year to men, women, and children who might otherwise have gone hungry.

If the operation is open to criticism—as the European Parliament maintained in a report written in June by Hendrikus Vredeling, Dutch Socialist member of the European Parliament —it is because the Community could afford, without depriving itself, to be more generous than it has been; and because of the slow and complex way in which the food aid has sometimes been granted and administered.

The idea of a world agreement to give up surplus wheat to the hungry of the developing countries came out of the closing stages of the Kennedy Round of negotiations in the General Agreement on Tariffs and Trade (GATT) in 1967. In the immediate postwar years, shiploads of grain had been the symbol of the United Nations' effort for the victims of the disruption caused by World War II. Later it became a commonplace to argue that shipping food surpluses solved nothing: what mattered in the long run was that the people in the developing countries be able to produce the food for themselves, or produce other goods which they could export in order to buy the food they needed. At times, the accent was on technical assistance; at others, on the pattern of trade, because a swing in the terms of trade could cancel out the benefits of generous investment aid. The flow of food continued, particularly from the United States, but there was no widespread program.

During the Kennedy Round, the European Community, in an attempt to keep down surpluses, had sought a worldwide agreement on national agricultural policies and trade in farm products. In refusing this initiative, the United States proposed instead a world food aid agreement which would complement the world wheat agreement. After some hard bargaining, a total of 4.5 million tons of wheat a year was decided upon for food aid over a three-year period.

The aid given by the Community in the first year of the program (911,900 tons, on which deliveries continued until the summer of 1970), went to 24 developing countries—some of it directly, some through international organizations. Countries in Asia (India, Pakistan, Ceylon) received 42 per cent, and 31 per cent went to African countries (including Tunisia and the United Arab Republic).

Mr. Vredeling's report, prepared for the European Parliament's Committee on External Economic Relations, raises a number of questions about the Community's effort.

Are the Six Giving Enough?

"From the humanitarian point of view," Mr. Vredeling said, "it may be asked whether in fact the Community has done all in its power to use its output and reserves to help the peoples suffering the most from food shortage. Since Community output of soft wheat is 25-30 million metric tons and the level of self-sufficiency is 22.5 million tons, the Community could meet all its own needs and make available twice the million tons it is currently committed to supply under the food aid convention." The members of the European Parliament therefore concluded that the Community could increase its contribution when the food-aid convention is renewed: "Faced with the tragic hunger that prevails in the world, it cannot let itself be put off in this field by the extra cost."

Have the Six Kept Their Promises?

According to the Vredeling report, by the end of 1969 (the deadline for the first year of the aid plan), the Six had delivered 80 per cent of the amount they had undertaken to provide. By mid-1970 the figure had reached 90 per cent, but the Community had still not completely fulfilled its obligations.

The story behind the delay shows how institutional problems can hold up an operation whose urgency is obvious in humanitarian terms. The food aid convention was signed in Rome in August 1967. The Council of Ministers first agreed on a program for its execution in the spring of 1968. The Commission submitted its proposals in January 1969. Only in February 1969 was the first aid given, on an emergency basis, to Turkey. The last agreement with a country receiving aid was concluded in April 1970. The timing for the second year of the program, officially running from July 1969 to June 1970, is a little more advanced.

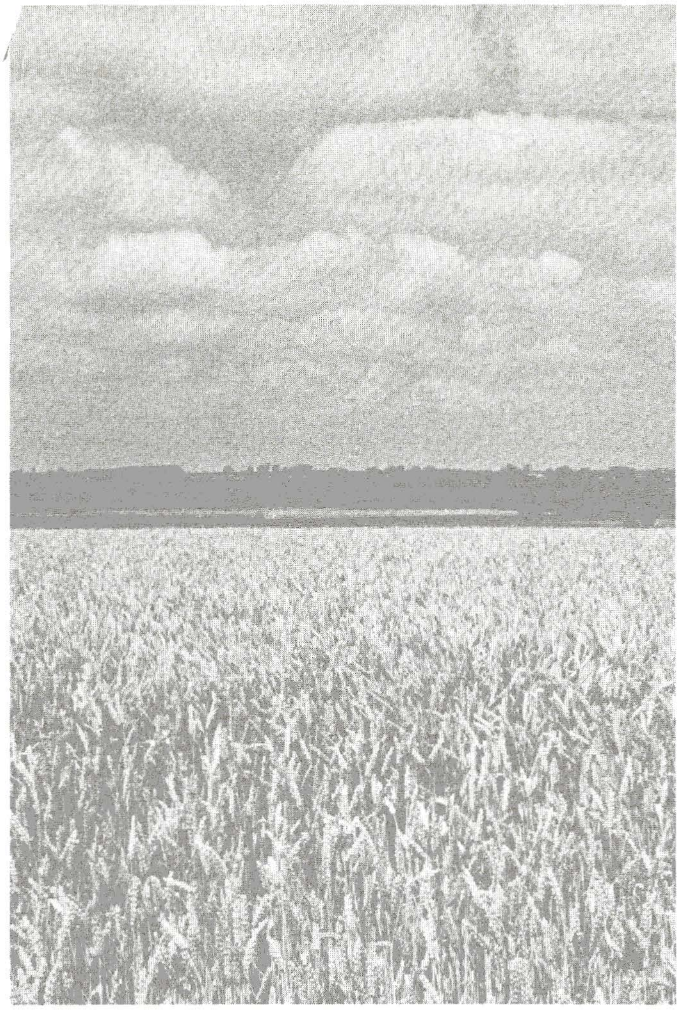
There was an especially long delay in the case of Biafra. On July 15, 1968, the Commission proposed to the Council that the Six give powdered milk as emergency aid to Biafra. In March 1969, answering a written parliamentary question, the Council said it had not been able to agree to the idea "owing to practical, technical, and procedural difficulties . . . related to the eating habits of the people concerned and the problems of shipment." The Council decided instead to give 25,000 tons of grain of which two thirds was never delivered because of practical difficulties in the war-torn area. In March 1970 a grant of 600 tons of gruel and 3,000 tons of ingredients for soup was made instead.*

Is There a Community Food Aid Strategy?

Mr. Vredeling concluded that the Six's food aid had not, so far, led to any coherent development strategy.

The Community made rules about the conditions under which the food supplied should be sold, so as not to disrupt normal commercial channels. However, although the sale of the food in the recipient countries brings in considerable sums, to be used to further their economic development, there have been no consultations between the Community and the receiving countries to see how the money could best be used. For Pakistan alone, the aid for 1968-69 and 1969-70 will represent a sum of $15 million.

**Ed. note: In the most recent emergency aid operation, however, the Community improved its performance. On Monday, November 23, it was decided to fly in 1,000 tons of soup and 200 tons of broth to East Pakistan. Delivery began on Friday, November 27. The Community also decided to pay the transport costs.*



The idea of giving away surplus wheat to help the world's hungry grew out of the closing days of the Kennedy Round of negotiations within the General Agreement on Tariffs and Trade.

FOOD AID BALANCE-SHEET FOR GRAIN TO AUGUST 1970
(in metric tons)

	1968-69			1969-70		
	EEC & Member States' Commitments	Delivered	Undelivered	EEC & Member States' Commitments	Delivered	Undelivered
Community Operations	301,000	284,333	16,667[1]	336,900	300,400	36,500
National Operations	734,000	636,000		688,100	220,200	477,900
Belgium	50,000	50,000		45,750	—	45,750
Germany	228,500	228,500		226,700	136,000	90,700
France	228,500	228,500		226,700	31,500	195,000
Italy	173,000	75,000	98,000	147,100	25,100	122,000
Netherlands	54,000	54,000		51,850	27,600	24,250
Total	1,035,000	920,333	114,667	1,035,000	520,600	514,400

[1] Aid intended for victims of the conflict in Nigeria, through the agency of the International Red Cross.

By far the largest proportion of the aid has been given on a bilateral basis, either by the Community itself or by a member state directly to a particular country. Yet no valid criteria seem to have determined the choice of countries to receive aid. The parliamentary committee would prefer the Community to give more of its aid through the special organizations that exist for this purpose, in particular the World Food Program, of which the countries receiving aid are members. The Community now gives only 6.5 per cent of its grain aid through the Program (the U.S. proportion is 10 per cent).

Why Doesn't EC Handle All Food Aid for Six?

Well over half the food aid is being given on a national basis, rather than by the Community as such. Mr. Vredeling calls this "the most striking example of the return to national prerogative—to the detriment both of the needy countries and of the political and material interests of the Community." He added: "All the criticism expressed in the report derives from the fact that a part of our food aid is supplied in the national framework." The Commission proposed that all the aid be given by the Community, but the Netherlands and Germany, and later also Italy, fought for the right to give their share of the aid nationally. After many months of argument in the Council of Ministers, a compromise was reached whereby some aid comes from the Community, and some from the member states.

As a result, what should have been a straightforward operation has turned into an intricate situation. The Council of Minisers originally decided that national aid (734,000 tons of grain a year out of the 1,035,000 total) should go to different countries. In fact, some of the national aid went to countries that also received "Community" aid, and in every case but two, the member country concerned gave more than the Community.

The situation is full of unexplained differences of treatment. For example, most of the countries getting both national and Community aid finished up with 30 per cent of the amount requested, but Tunisia got 89 per cent and the United Arab Republic, which had asked for 175,000 tons, got 172,000 tons. To confuse things further, information about where national aid had gone was not always available. Different member states give aid on different terms, and each discriminates in practice between the recipient countries. In addition, a different ration has been applied for dividing between the six countries the cost of each aid allotment.

Mr. Vredeling concluded that the member states' nationalistic attitudes towards food aid and the lack of coordination at Community level had made the food aid apparatus "a series of compromises that nothing in the legal situation or the facts [could] justify."

Dairy Products Aid: A Better Start

Fortunately, the mistakes made in the grain program have not been repeated in the gifts of other products decided on by the Council of Ministers in 1969 as part of its program for reducing the butter surplus. The first round of aid, consisting of 35,000 tons of butter oil and 125,000 of powdered skimmed milk, will be distributed entirely through the World Food Program (except for 5,000 tons given to the International Red Cross). Up to the summer of 1970, that part of the total already allotted had been given entirely by the Community as such, drawing on the stocks held in the various countries. Powdered milk has gone to Nigeria (together with an additional grant of soup) and to India. Butter oil has been earmarked for the World Food Program pool.

Food aid from the Community seems likely to continue in the future. It is a good way for the Community to dispose of its surpluses instead of destroying them or dumping them on the world market. The formula might be extended to other products. However, the experience with grain is a warning of the dilemma that the Six may face when they are torn between their concern for preserving sovereignty and their wish to act as a Community.

The Role of the Council of Ministers

ERNST WOHLFARTH *Ernst Wohlfarth is legal adviser to the Secretariat of the European Communities Council of Ministers.*

FRENCH FOREIGN MINISTER ROBERT SCHUMAN did not mention the creation of a European Council of Ministers when on May 9, 1950, he proposed that Europe's coal and steel industries be placed under a supranational authority whose decisions would be binding on the member states and the coal and steel firms involved.

Germany and the Netherlands wanted to add a Council of Ministers to the supranational, centralized system designed on French lines. Composed of ministers of national governments, the Council would enable the member states to exercise some control over the European Coal and Steel Community's High Authority. Models for the Council abounded in international organizations such as the Organization for European Economic Cooperation, the Western European Union, the North Atlantic Treaty Organization, and the Council of Europe's Committee of Ministers.

The April 1951 Paris Treaty establishing the European Coal and Steel Community (ECSC) did not empower the "Special Council of Ministers" to make decisions of its own. Only certain decisions of the High Authority were made subject to approval by the Council. The Treaty, in particular, did not give the Council any power to issue its own decisions in place of those of the High Authority. There was some criticism of this system, whereby power of decision was given to a supranational authority, controlled only to a limited extent by a European parliamentary assembly, Council of Ministers, and Court of Justice.

Powers Shifted in 1957

When, at Messina in June 1955, the six Foreign Ministers proposed the creation of a Common Market, a new type of institution was decided upon. The six governments agreed to shift the chief power of decision from the centralized, strictly supranational body to a "federative" Council of Ministers, consisting of one representative of each member government. The Rome Treaties, signed on March 25, 1957, establishing the European Economic Community (EEC) and the European Atomic Energy Community (Euratom), gave the respective Commissions the right of initiative in proposing common policy measures and, once decided, the right to carry them out. The Councils, on the other hand, would be the repository of sovereignty and make the essential legislative and political decisions.

The Council's Powers

The Merger Treaty of April 8, 1965, moulded into a single "Council of the European Communities" the different and hitherto legally separate institutions: the ECSC Special Council of Ministers, the EEC Council, and the Euratom Council. (At the same time, it combined the ECSC High Authority, the EEC Commission, and the Euratom Commission into a single "Commission of the European Communities.") The Merger Treaty did not change any of the arrangements on powers in the original Paris and Rome Treaties. The Council's powers and duties in the iron and steel sector are still governed by the original ECSC Treaty, in the nuclear field by the Euratom Treaty, and in the economic field by the EEC Treaty. Member governments intend to unify or align these varied functions when the three Treaties themselves are merged.

The Council's most important duties are those vested in it by the EEC Treaty. Its powers under the EEC Treaty correspond to the duties assumed by various separate institutions in a national state, but are similar to those of legislative bodies such as Germany's *Bundestag* (Lower House) and *Bundesrat* (Upper House).

Among the Council's main task is the shaping of law through regulations and directives. Council "regulations" are in effect European laws; they must appear in the Community's Official Gazette, published simultaneously in the four official languages (Dutch, French, German, and Italian), and are directly valid in all member states. Within the Community's field of jurisdiction, they take precedence over any conflicting national legislation. In particular, they are binding on national courts and administrative authorities.

"Directives" are instructions to one or more member states, which are binding in respect of their aim, but not as to the means of application, so that the member states are left some latitude for individual action. Directives become effective once they have been communicated to the government of the member state concerned, which must then apply them at the national level, for example, by amending the relevant law or laws.

Among the major sectors in which the Council has the right to issue regulations are agriculture, free movement of workers, transport, competition, and the European Social Fund. The Council is empowered to issue directives in fields such as right of establishment and freedom to supply services, capital movements, and harmonization of legislation.

The Council, theoretically, can act only in the fields assigned by the Treaties. Another important limitation is that it can enact regulations only on the basis of a proposal from the Commission. If the Commission does not submit a proposal, the Council is blocked. If the Commission does make a proposal, the Council may deviate from it, but only by a unanimous decision of the member governments.

Power of the Purse

The Council also has the classical privilege of national parliaments: the power of the purse. On the basis of a Commission proposal, the Council agrees on the draft budget for the three Communities and sends it to the European Parliament for its opinion. If the Parliament suggests any amendments, the Council consults the Commission and, if necessary, the other Community institutions concerned, then enacts the final budget. It is not, however, legally bound by the opinions of the other Community bodies. The Council appoints the auditors and gives the Commission the task of carrying out the budget's provisions.

After 1975 the European Parliament will, under certain conditions, have the power to override the Council by a three-fifths vote of its members and to propose increases in the part of the budget covering administrative and information expenses, but not expenditures made under Community policies, such as the common agricultural policy, which now absorbs more than 95 per cent of the budget.

Political Prerogatives

The Council has the power to make basic political decisions of the kind associated with decisions by the national governments. According to Article 145 of the EEC Treaty, the Council "ensures the coordination of the general economic policies of the member states." The division of responsibilities between the Community and the member states gives rise to certain problems, as a clear separation of these powers is difficult, and a successful economic policy demands cooperation between the member states and the Community institutions.

The Council also has powers in the field of external relations. Although the Commission is responsible for negotiating agreements between the EEC and one or more states or an international organization as far as the Treaty provides for such agreements, the conclusion of any agreement is, theoretically, a matter for the Council. The Council gives the Commission the terms of reference for the conduct of negotiations. The Council may conclude agreements with non-member countries on the common customs tariff and other trade matters, as well as association agreements with a non-member country, a grouping of states, or an international organization.

For countries wishing to join the Communities, it is the member states themselves which have the power to conclude agreements on conditions of admission and any necessary adjustments in the Treaty, and the Council decides by unanimous vote on the admission of an applicant country.

Management Powers

Like national authorities, the Council has important powers of organization. Article 5 of the Merger Treaty gives it the right to determine its own rules of procedure. Under Article 217 of the EEC Treaty it determines the question of the languages used by the Community.

Substantial powers over the rights of Community officials are vested in the Council. On a proposal from the Commission, and after consultations with the other institutions involved, the Council issues the statute of service of officials and conditions of employment of other agents of the European Communities. On the basis of a Commission proposal, it works out the procedure whereby a Community tax is levied on the salaries of personnel (who are exempt from national taxes).

A conference of member states appoints the members of the Commission and the Court of Justice, but the Council may amend the number of Commission members by a unanimous decision. (This summer the number of Commission members was reduced to nine from 14 as scheduled in the Merger Treaty.) On a proposal of the Court of Justice, the Council can increase, by a unanimous decision, the number of judges and advocates-general. The Council has the right to fix the salaries and allowances of the President and members of the Commission, and the President, judges, advocates-general and registrar of the Court of Justice.

The Council has the final word in the composition of the Community's advisory committees. It appoints the members of the Economic and Social Committee and of the ECSC's Advisory Committee, which consist of representatives of labor, management, and consumers.

Decisions Outside Scope of Treaties

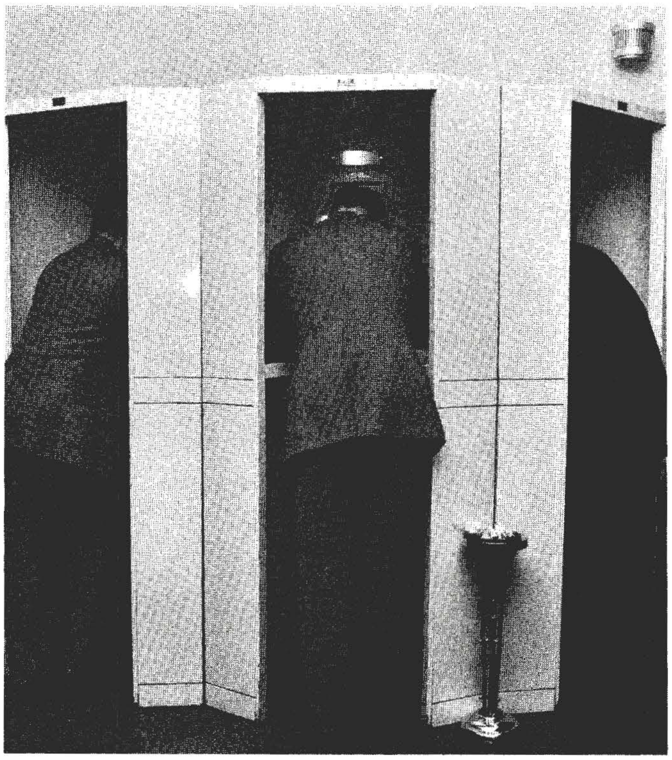
Difficulties may arise when the Council has to make decisions outside the fields assigned to it by the Treaties but which are relevant to stated Community objectives. The question arises whether such issues should be settled by traditional forms of international negotiation between individual member states, or whether the problem should be brought into the Community context as an exception and decided on by the Council, or whether to use an intermediary solution. All three possibilities have been used.

Of the first possibility, negotiations between member states, the EEC Treaty, understandably, says nothing. Article 220, however, provides for agreements between member states in the fields of company law and double taxation.

Article 235 of the EEC Treaty provides for the second method: "If any action by the Community appears necessary to achieve, in the functioning of the Common Market, one of the aims of the Community in cases where this Treaty has not provided for the requisite powers of action, the Council, acting by means of a unanimous vote on a proposal of the Commission and after the Assembly [European Parliament] has been consulted, shall enact the appropriate provisions."

The intermediary solution means that legally the decision has the status of a treaty concluded the traditional way. As a procedure, however, it falls within the jurisdiction of a Community institution, the Council. Actions of this type can take the form of a "decision by the representatives of the governments of the EEC member states, meeting in the Council." Alternatively, the form of an agreement may be used, with a preamble stating that it was reached by "the plenipotentiaries of the six heads of state meeting in the Council" after exchange of evidence of their powers. Two examples of this alternative are the Convention of February 29, 1968, on the mutual recognition of companies and legal persons, and the Convention of September 27, 1968, on jurisdiction and the execution of judgments in civil and commercial cases. Both provided for ratification by the signatory states.

Reporters rush to the telephones to file their stories at the close of Council meetings.



Public Bids

SIX MOVE TO ELIMINATE DISCRIMINATION IN CONTRACT AWARDS

RICHARD NORTON-TAYLOR *Richard Norton-Taylor writes on Community affairs for* The Observer *and* The Washington Post.

UNTIL RECENTLY, the members of the European Community have tended to ignore the question of discrimination by nationality in public procurements, although it constitutes a major non-tariff barrier to free trade between them. For the past six months, however, they have been working hard on a solution.

"The Europe of public works' markets remains to be built," an expert complained recently in the Parisian newspaper *Le Monde*. Although theoretically illegal since January 1 this year when the Common Market began its final stage, discrimination by nationality in public procurements still occurs. In France, the only Common Market country keeping records of contract awards, companies from other Community countries received only 0.51 per cent of the total in 1968.

Among the discriminatory features of public bids in the Six is the requirement that a bidder have a mailing address or a bank account where the work is to be done or where the goods are to be delivered. Governments have also been known to write technical specifications that effectively prevent companies in partner states from competing on an equal basis.

The Main Points of Debate

Council discussion this year has focused on:

- the minimum size of contract to be treated as a "Community" rather than a "national" affair
- the procedure for compulsory publication of the bids
- formation of a watchdog committee to adjudicate the contract awards
- sufficient guarantees that the choice would go to the most advantageous offer
- abolition of discrimination of a technical nature.

In September the Commission submitted a draft directive suggesting a way out. Pointing out that public works contracts represent "a considerable amount of construction work," the Commission urged the Six to eliminate throughout the Community the legal, administrative, and technical restrictions which protect nationals against competition from companies and individuals in other member countries. It also called on the Six to make credits and subsidies available to companies in partner states on the same terms given firms in their own countries.

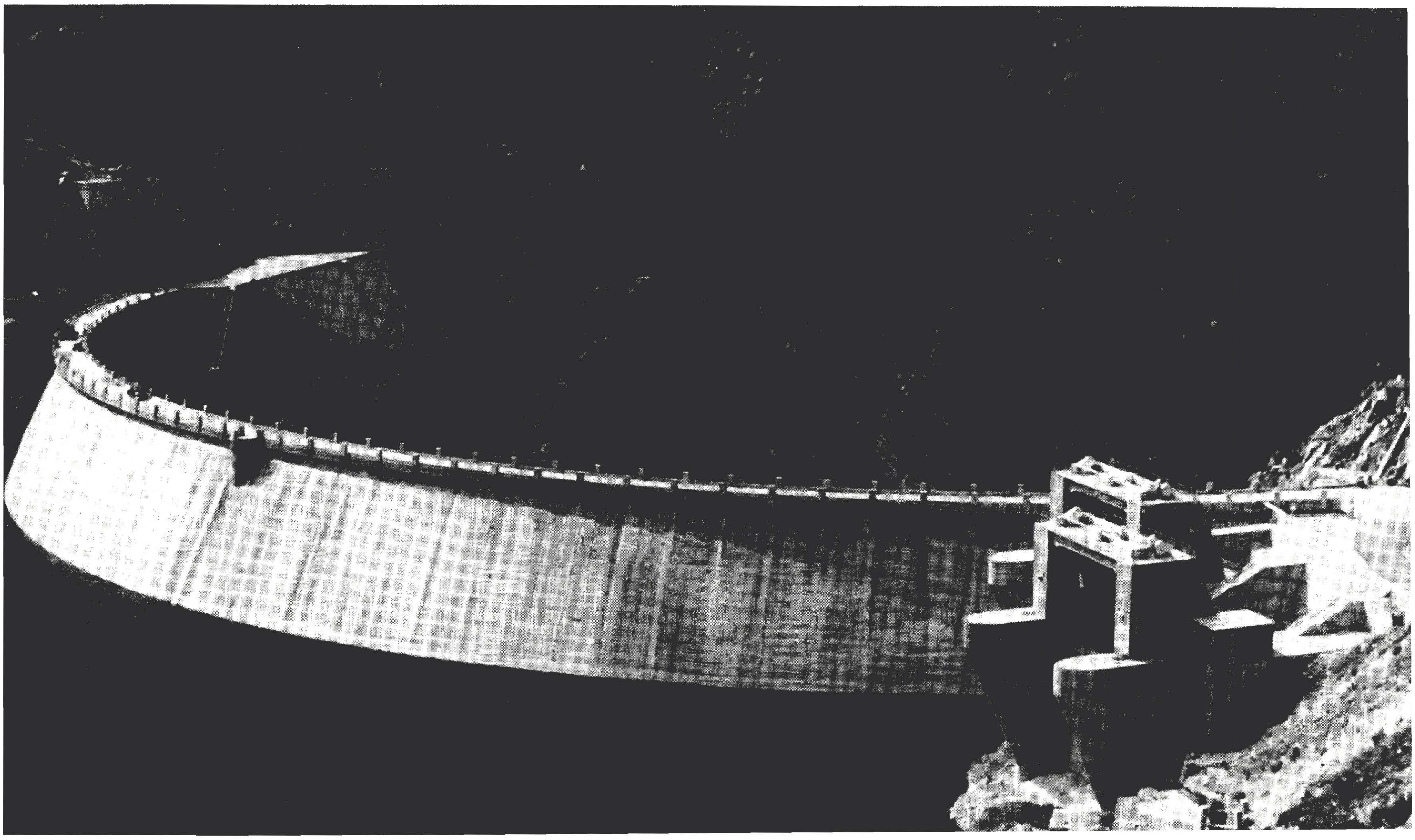
Activities that would be "freed" include most branches of building and civil engineering (including heating, electrical installations, and telephones). The Commission would exclude the nuclear and mechanical industries, and excavation works.

Award Procedures Now Used

The Six have agreed that the liberation and coordination of procedures for awarding contracts should concern only projects involving more than $1 million. However, difficulties have arisen over the three procedures that the member countries now use: the system of concessions (France and Italy); the system of building teams (the Netherlands), and the "secret envelope" method (Italy).

The Dutch building-team system caused the least problem and need not be incompatible with a Common Market, as long

The Flumendosa Dam, Sardinia. Italy's "secret envelope" bidding procedure has come under heavy fire from the other member countries and is now almost certain to be eliminated.



as contractors from anywhere in the Community have equal opportunity to submit tenders. In the Netherlands, whole areas of towns are built by consortia, which include not only the building contractor but also architects, urban planners, and sociologists.

All the other member countries have strongly criticized the Italian "secret envelope" procedure, which is now almost certain to be phased out. Under the Italian system, a secret file, drawn up by the Government, sets a minimum price limit for a given contract. Bids below this limit would be rejected on the grounds that the quality of workmanship could not be guaranteed at such a low cost. Italy's partners, somewhat suspicious of this procedure, oppose it on the grounds that the lowest tender should always be accepted, since inspectors should check the work carried out in any case. A compromise has been accepted whereby, for contracts of between $1-2 million, Italy must phase out its "secret envelope" procedure within seven years; for bigger contracts, the current Italian system will be maintained for only three years.

Brussels' Circumferential Beltway. Perhaps the most difficult issue still to be settled is the policy on subcontracting highway construction and other major public works projects.

"Concessions"—Biggest Problem

Perhaps the greatest problem concerns the granting of concessions. According to this technique, the state, instead of carrying out infrastructure work (such as highway construction), entrusts it to private groups, responsible for managing the project when completed as well as building it. The concessionaires raise the necessary capital and repay it out of their management fees. This method allows many public works projects to be carried out simultaneously, even when the public authorities themselves do not have the necessary means.

In France, this system has been used mainly for highway construction, but the French Government has indicated that it could be extended to other sectors in urgent need of investment, such as the telephone system, and, eventually, to ports, airports, and bridges.

The points of disagreement arise over differences in the freedom allowed French and Italian concessionaires to subcontract. France insists that the concessionaires must be completely free to decide whether or not to sub-contract part of the work. Italy, on the other hand, while agreeing that the contract must be awarded objectively, insists that the concessionaire should sub-contract at least half the work.

The two points of view illustrate the divergent interests of the two countries. France wants to attract capital and as many large firms as possible giving them as much freedom as possible. Italy is above all concerned at the plight of small and medium-sized firms, and wants to give them an opportunity to take part in the large public works contracts. Italy argues that, in view of the large amounts of money involved in the concessions, complete freedom would eliminate competition by giving large companies a monopoly, thereby forcing the small firms out of an increasingly important market.

A Compromise Nears

As things stand now, compromise formulae are being worked out which would ensure that a certain proportion of the work would be sub-contracted on the basis of Community-wide, and not only national, competition.

There are two further issues at stake in the public procurement debate. The first, involving working conditions, is causing no difficulty. Specifications will be made on wages, working conditions, safety, and working hours. The other is a legal problem—the status of temporary groupings or consortia. All member states but Italy provide for such "temporary companies." In Italy, however, such consortia have to become full-fledged companies. Here again, there is room for compromise, provided that the final agreement does away with national discrimination.

New Yaoundé Accord

The new Yaoundé Convention became effective on January 1, 1971, for a five-year term. The ratification process was completed on December 14 when Italy deposited its instruments of ratification with the Secretariat of the European Communities Council of Ministers.

The Convention, signed on July 29, 1969, replaces the one that came into force on June 1, 1964. It, too, covered the 18 newly independent African countries that had been among the 30 overseas territories and dependencies of the Six covered by a protocol to the Common Market Treaty.

Trade

The Convention is based on the principle that products originating in any one of the signatory countries will be traded freely without customs duties or charges with equivalent effect. However, arrangements will be made, case by case, after consulting the Association Council, for imports into the Community of agricultural products subject to the Community's common agricultural policy. The agricultural exports of the Eighteen will, nevertheless, receive preferential treatment as compared with agricultural imports from other nonmember countries.

The Convention allows the Eighteen to retain or introduce customs duties and charges with equivalent effect to meet developmental or budgetary needs as long as such measures do not discriminate between the Community members. The Eighteen are also allowed to retain or introduce quantitative restrictions on imports of Community products, to meet development needs or to alleviate balance-of-payments difficulties.

Reciprocal freedom of trade does not, however, rule out the possibility of special treatment on certain products covered by world agreements. It also leaves the Eighteen free to establish customs unions or free trade areas among themselves, or with other African countries at a similar level of development.

Aid

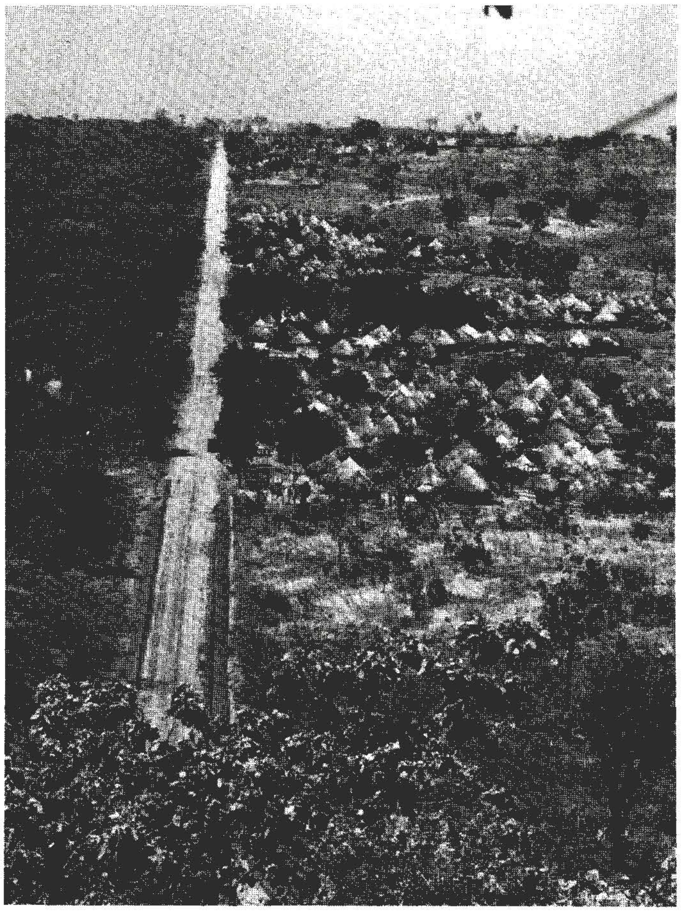
In the area of financial and technical cooperation, the basic amendment, as compared with the 1963 Yaoundé Convention, is the increase in the total amount of the Community's financial aid, to $918 million, to be used as follows:

- $748 million in the form of grants
- $80 million in the form of loans on special terms, the acquisition of shares and other similar operations
- $90 million in the form of loans from the European Investment Bank (EIB) on normal terms, possibly carrying a rebate on interest.

The Community's aid is to be used to finance projects that, as far as possible, fit into development plans or programs. Aid intended to further the industrialization of the Eighteen will be emphasized. This aid is to be used principally for:

- investments in the fields of production and the economic and social infrastructure
- general technical cooperation measures or technical cooperation measures linked with investments
- measures encouraging the marketing and sales promotion of the products exported by the Eighteen.

The new Convention, unlike the old one, does not provide for direct measures to stabilize prices. However, by setting up a



This road, the only one linking Cameroon's industrial north with its farming regions in the south, was built with Community aid.

Reserve Fund financed from the money set aside for grants, it will help the African countries to meet exceptional situations, such as a fall in world prices or from calamities such as famine or floods. A sum of $65 million has been allocated to the Fund. Under certain conditions, it may be increased to $80 million.

Non-Discrimination

Any natural or legal person from the Six or the Eighteen can bid on contracts to be financed with the Community's help. However, the Eighteen may apply measures to encourage local companies to fill procurement contracts from local production and to participate in the execution of public works contracts.

The provisions of the new Convention for right of establishment, freedom to offer services, and free movement of capital generally follow those of the 1963 Yaoundé Convention. They are based on the principle of prohibiting discrimination between the signatories' nationals and companies and guarantee free transfers of capital.

Institutions

The institutional arrangements are the same as those in the 1963 Yaoundé Convention. The Association Council, assisted by the Association Committee, the Parliamentary Conference of the Association, and the Court of Arbitration will continue to perform the same functions.

The new Convention has been concluded for a period expiring on January 31, 1975.

The Overseas Territories

During the term of the new Yaoundé Convention, an additional $82 million will be made available as development aid to the Community members' overseas countries and territories (St. Pierre and Miquelon, the Comoro Islands, the French Territory of the Afars and the Issas, New Caledonia and dependencies, the Wallis and Futuna Islands, French Polynesia, the Southern and Antarctic Territories, Surinam, and the Netherlands Antilles). This decision was made on December 16 at a meeting of the Council of Ministers in Brussels. For trade and every other area in which the Community has common policies, these countries and territories are covered by the Common Market Treaty.

ECSC Research

PREVENTING PULMONARY DISEASE AND ACCIDENTS IN MINES AND STEELWORKS

ACCIDENTS AND HEALTH HAZARDS have exacted their human toll in the European coal and steel industry, as elsewhere, and have stimulated concern about working conditions.

Since 1957 the European Coal and Steel Community (ECSC) has sponsored research on the prevention of accidents in the coal and steel industries. It has also done research into the nature, causes, and possible cures of pulmonary diseases among coal miners. A tax on coal and steel production helps finance this research.

Accident Prevention: Coal Mining

The study of accident prevention has encompassed both the diagnosis of the causes of accidents and proposals for specific measures to improve safety. Interviews and questionnaires have helped to elicit the opinions and suggestions of workers themselves.

According to Belgian work supervisors, the industry must constantly emphasize safety regulations to reduce the frequency of mining accidents. Protection against accidents, they say, is best learned through experience, but this learning process can be shortened by competent training beforehand. The most important factor causing accidents is, in their opinion, too frequent changes in work teams or work locations, as a result of absenteeism and personnel fluctuations. Qualified workers should see no conflict between security and production efforts: it takes the same or less time to do a job while observing security precautions as not, they say.

Belgian coal miners cite inattention, chance, and negligence as factors contributing to accidents; but, contrary to their supervisors, they find production requirements to be the major cause of accidents: 85 per cent of the workers interviewed see a security-production conflict. An insufficient working force and disorganization contribute to the conflict. In their opinion, production standards should be related to the experience, strength, and age of the worker.

The salary system may incite a lack of caution, forcing the worker to think in terms of quantity of production. Because he is accustomed to danger, the worker may, furthermore, not realize the risk involved in the unsafe habits he has adopted, merely because accidents have not occurred in the past.

Metallurgy

For the iron and steel industries, the ECSC has sponsored accident prevention research in Germany, Belgium, France, Italy, and the Netherlands.

Italian and French research emphasized the necessity of acquainting new personnel with the dangers involved before they began work. This precaution applied particularly to migrant workers and to workers learning new jobs within the same industry, because their habits might not be equally well adapted to the new work.

Older workers should be brought up to date on modern technical modifications and changes in work methods. Workers should also be taught how to react if an accident does occur, the results showed. French, Italian, and German research emphasized the relationship of noise, light, and heat to safety risks and suggested steps to improve the physical working environment in the iron and steel industries.

Coal Dust and the Human Lung

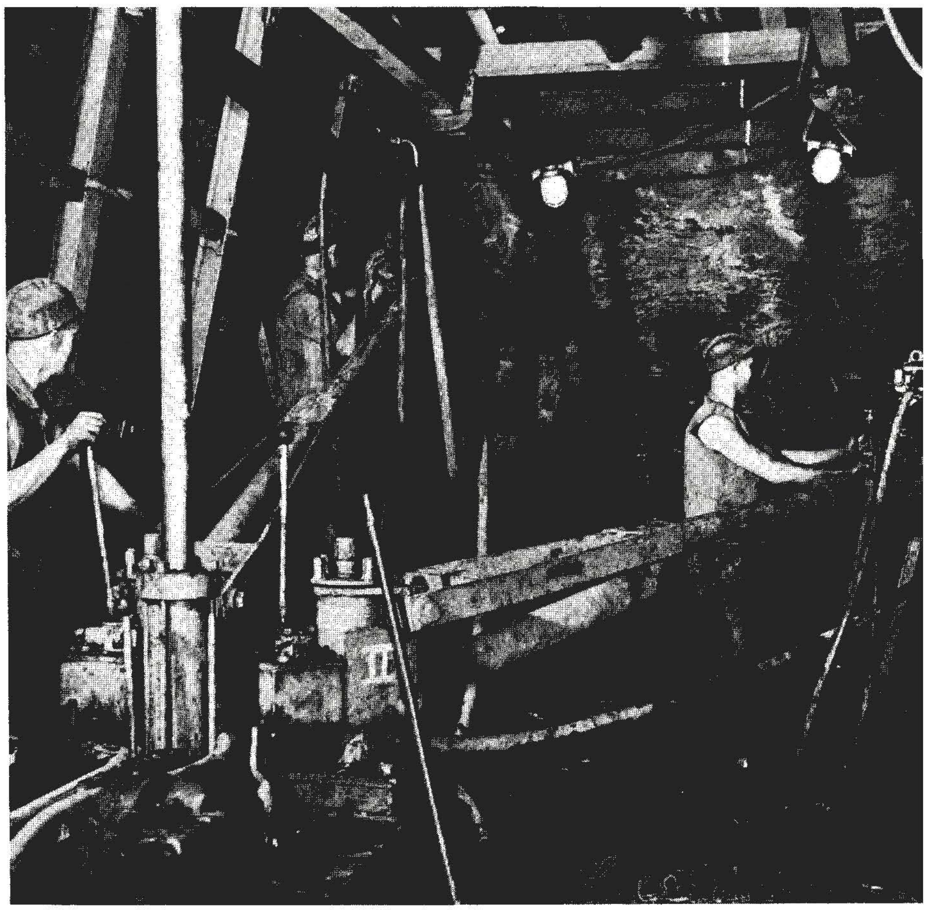
Over a period of 30 years a miner breathes in an average of 130-150 pounds of dust. Only the very finest dust particles, however, (.5 to 5 microns) enter the lungs, where they cause progressive congestion often resulting in pneumoconiosis, a hardening of the lungs as a result of inflammation caused by the dust. The history of the disease is not well known, but Community studies are helping to determine the causes.

The disease can be held in check if caught early enough; otherwise, it becomes irreversible. Coal dust builds up in the lungs or in the bronchial tubes, initially causing difficulty in breathing. If congestion progresses, the victim dies of asphyxiation. Cardiac complications may also become involved, due to lack of oxygen.

Community-financed studies of Belgian and German anthracite coalminers have shown that the quantity of coal dust in the lungs does not have a direct relationship on the disease's stage of advancement and that the exposure time and the size of the dust particle seem equally important factors.

Eventually, air at the coalface will be classified according to its dust content and its effects on lungs over various periods of time. Further work on this topic is being done, this time on Sardinian miners of soft coal. In this way, the results of research on hard coal miners is being tested and broadened.

A miner working 30 years at the coal face can inhale as much as 150 pounds of dust. By financing studies to determine at what point this dust becomes fatal, the Community hopes to reduce the incidence of black lung disease among miners.



COMMUNITY NEWS

SPECIAL EC GROUP FORMED TO WATCH U.S. TRADE BILL, JAPAN

The Commission of the European Communities has formed a special committee to keep track of trade developments in the United States and Japan and to study means of protecting the Community's interests, especially in textiles.

Ralf Dahrendorf, committee chairman and Commission member with special responsibility for trade, explained the special committee at a news conference in Brussels on November 26, after returning from talks with the Japanese Government in Tokyo. He said that he had found the Japanese attitude still "closed."

Mr. Dahrendorf said he considered the Community's interests to be jeopardized by the prospective textiles agreement between the United States and Japan. The agreement would provide for the orderly marketing of textiles, allowing U.S. imports to rise by 5 per cent a year. However, Mr. Dahrendorf said that while he thought "orderly marketing" a good idea, he considered 1968, under discussion as the base year, too early a year because it would result in too low an annual increase in imports. The Community has repeatedly expressed fears of market disturbances resulting from the diversion of textiles from the U.S. market to the Community's.

Questioned about the Community's course of action in the event that the U.S. legislation as currently passed by the House of Representatives becomes law, Mr. Dahrendorf refused to be specific. He said it would depend, among other factors, on the reference year and the annual rate of increase written into the U.S.-Japan textile pact.

COMMON MARKET AGREES TO EXTEND ASP DEADLINE

The European Community has for the third time agreed to extend the deadline of the agreement with the United States on tariff cuts on chemicals in exchange for the abolition of the American-selling-price (ASP) system of customs valuation.

The Council of Ministers on December 16 authorized the Commission to negotiate a new extension of the 1967 accord in which the United States had agreed to abolish ASP in return for tariff and non-tariff concessions offered by the Community and other European countries. Reaffirming the importance it attached to the accord, the Council said the Community would only accept an extension for a limited time, and only if the other signatories agree. The accord was concluded in Geneva as part of the Kennedy Round negotiations. It was to have come into effect by January 1, 1969. The deadline was previously extended, first until January 1, 1970, and then until January 1, 1971, because the U.S. Congress had not been able to pass legislation abolishing ASP.

ASP applies to an extensive range of organic chemical products and constitutes an obstacle to exports to the United States because of the prohibitive level of duties on certain products. The 1962 Trade Expansion Act contained no authority to abolish the system, hence the U.S. Administration agreed to submit to Congress a proposal to do so. In addition to the chemicals provisions, the agreement also provided for concessions on certain non-tariff barriers, such as European automobile road taxes. Signatories to the agreement, besides the European Economic Community and the United States, were: Belgium, France, Italy, Switzerland, and the United Kingdom.

COMMISSION AUTHORIZED TO NEGOTIATE RENEWAL OF EXIMBANK CREDIT

The European Communities Council of Ministers agreed on December 7 to authorize the Commission to extend a $1-million credit line with the Export-Import Bank of Washington (Eximbank).

This $1 million is the only part remaining of the $44.8 million contract signed by Eximbank and the European Atomic Energy Community (Euratom) on August 10, 1959, to finance exports of American nuclear materials. Euratom would relend the $1 million to the Société d'Energie Nucléaire Franco-Belge des Ardennes of Chooz, Belgium, to help finance a Westinghouse nuclear reactor.

NOTICE

In accordance with the U.S. Securities and Exchange Commission regulations, the European Coal and Steel Community published its Balance Sheet as of June 30, 1970, and its Statement of Revenues and Expenditures for the period January 1, 1970, to June 30, 1970.

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

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

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


David M. Kennedy.

NIXON CREATES CABINET-LEVEL POST FOR EC AFFAIRS

Common Market affairs have apparently been upgraded in the U.S. Administration with the appointment on December 14 of a Cabinet-level ambassador-at-large to handle them.

President Richard M. Nixon, at a press conference to announce the resignation of U.S. Secretary of the Treasury David M. Kennedy, said that Kennedy would stay on in the Cabinet after February 1 as an ambassador-at-large in the areas of finance and monetary policy. Kennedy would be assigned to the State Department to concentrate on European Community matters and foreign aid. A State Department spokesman said: ". . . Secretary Kennedy will be available for any assignment which the President or the Secretary (of State) deem necessary. His principal duties will be to follow developments in the European Community and also to guide policy in the (State) Department's interests in the field of multilateral aid."

TRADE PACT WITH IRAN RENEWED FOR ONE YEAR

Iranian carpets, caviar, raisins, and dried apricots will continue to enter the European Community at preferential tariff rates.

The non-reciprocal trade agreement to this effect has been renewed for a year, from December 1, 1970. This is the fourth extension of the agreement signed on October 14, 1963, for a period of three years, and renewed in November 1967, 1968, and 1969.

This year the Government of Iran asked the Community to strengthen and improve the existing agreement to promote the harmonious and balanced development of trade. The Community was also asked to consider some difficulties that Iranian exports to the Community are encountering.

EC MAY INVESTIGATE U.S. CHARTER REGULATIONS

The proposal by the U.S. Civil Aeronautics Board (CAB) to regulate foreign charter flights operating on normally scheduled routes may affect Common Market airlines, according to the Commission of the European Communities.

The Commission ventured this opinion on November 19, answering a written question from Ernest Glinne, Belgian Socialist member of the European Parliament.

The U.S. proposal would require non-American airlines operating charter flights to or from the United States over regularly scheduled routes to apply for CAB authorization. According to Mr. Glinne, the CAB and the National Air Carriers' Association indicated that they consider the proposal a means of dissuasion aimed at "foreign carriers whose governments impose unjustifiable restrictions on U.S. charter flights."

Mr. Glinne mentioned the problem of U.S. charter flights, operating without sufficient financial backing, that have left passengers stranded abroad with no return transportation to the United States.

The Commission said it had not received any information from member governments or Community airlines about the possible consequences of the proposal. Air transport is not covered by the Community Treaties.

ARGENTINA AND EC TO NEGOTIATE TRADE PACT

Argentina and the European Community plan to negotiate a non-preferential trade agreement.

The Council of Ministers meeting in Brussels on November 23, authorized the Commission to open negotiations.

The agreement will deal with the most important Argentinian export products, such as beef and veal. A joint commission may also be created to examine trade trends periodically and make suggestions.

IRELAND TO SWITCH TO TVA IN 1971

Ireland plans to replace its turnover tax and wholesale tax with a tax on the value-added (TVA) in 1971.

Basically, this change involves no more than an alteration in the method of collection. Under the new system the tax will be payable in fractions at the various stages of production and distribution, instead of at the wholesale or retail level as now.

Special arrangements similar to those applied in the European Community will be made for agriculture. Virtually all farmers will be excluded from the full application of the value-added tax.

COMMON MARKET MARKS DE GAULLE'S PASSING

Both the Commission and the Council of Ministers of the European Community sent condolences to the French Government on the occasion of General Charles de Gaulle's death, November 10, 1970.

Heinz Dieter Griesau of Germany, acting President of the Council, conveyed the Council's profound sympathy to the French delegation, the French Government, and the people of France.

In a communiqué issued from Brussels on November 11, the Commission praised the moral strength, courage, and leadership of the late general. It noted his contributions in particular to twentieth century European history and to present-day European stability.

Franco Maria Malfatti, President of the Commission, sent telegrams of condolence to French President Georges Pompidou and Prime Minister Jacques Chaban-Delmas.

CUSTOMS UNION FOR MALTA AND COMMON MARKET

Within ten years Malta will become part of the European Common Market's customs union.

The European Community and the Government of Malta signed an association agreement to help speed up Malta's industrial development and bring the country into full customs union with the Community in two successive five-year stages.

The agreement was signed in Valletta, Malta's capital, on December 5. The agreement is expected to come into force on April 1, 1971, following the necessary ratification procedures.

Malta became independent from Britain in 1964 and immediately faced adjustment problems as Britain reduced its defense expenditures on the island. When Malta started an industrialization drive in 1959, it realized that it had to develop its export industries and decide whether to court the European Free Trade Association or the European Community. It chose the European Community, with which it had greater foreign trade, and requested negotiations in September 1967.

First Stage: Industrial Development

The first stage of the association agreement is designed to help Malta's industrial development, particularly its processing industry, by considerable tariff dismantling by the Common Market. The Community will grant Malta a 70 per cent reduction on all industrial duties, except petroleum products, which are not yet an important part of Maltese production, on the day the agreement comes into force. However, for four textile products the tariff reduction will be granted only within tariff quotas. The Community will also abolish all quotas on industrial products from Malta, again with the exception for petroleum products.

Agricultural and processed agricultural exports from Malta, being generally small, are not included in the first stage. However, preferential treatment will be given to pasta products and fine bakers' wares, of particular importance for Malta. They will be accorded a 70 per cent reduction in the fixed element of the Community's import levy.

Malta to Lower Tariffs by Stages

Malta, in return, will dismantle its tariffs for most EC exports by 15 per cent when the agreement comes into force, 25 per cent at the beginning of the third year, and 35 per cent at the beginning of the fifth year. The agreement also binds Malta to giving most-favored-nation (MFN) tariff treatment, except for four years in the case of Commonwealth states which already get preferential treatment from Malta. There are also some other exceptions from tariff reductions for a certain number of products in order to safeguard Malta's budgetary needs or ensure protection for certain sectors, largely industrial, that are not yet competitive. There is also a safeguard clause allowing Malta, within limits, to reintroduce, increase, or establish duties, if necessary, to meet its industrialization and development requirements.

Malta will call a standstill on import quotas, which will also come under MFN treatment, and remove, as far as possible, quotas still in existence.

There are a number of provisions on nondiscrimination between states, nationals, companies, and products; dumping practices, drawbacks, and subsidies; payments related to trade in goods, and a safeguard clause in the event of serious threats to the financial stability of any region within the two areas.

The Second Stage: Customs Union

Continuation, during a second five-year stage, of the reciprocal removal of obstacles to trade and the introduction of the common external tariff by Malta will be negotiated in the 18 months preceding the end of the first stage.

The agreement will be administered by an Association Council consisting of members of the Maltese Government and representatives of the European Communities Commission and Council of Ministers. The Association Council will meet at least once a year.

POLITICAL UNION: SIX CONSULT IN MUNICH

Foreign ministers of the Six met in Munich on November 19 to concert their views on two major foreign policy issues: the Middle East and relations between East and West Europe, including the Soviet Union's proposal for a European security conference. Britain and the other three candidate countries were briefed in Brussels on December 2 about the results of the talks.

The meeting was the first of a twice-yearly series of consultations on political cooperation and is a direct result of the December 1969 summit at The Hague, when it was decided to move towards political unification. Since the breakdown in 1962 of the Fouchet negotiations on political union, the Six, as such, had not sought to cooperate on foreign affairs. They have, however, discussed foreign affairs within the broader-based Western European Union, Council of Europe, and North Atlantic Treaty Organization.

"A New Phase . . ."

German Foreign Minister Walter Scheel, who presided over the Munich session, called it "a new phase of political cooperation" in the Community and a "decisive step towards the political unification of Europe." He said that the Six had agreed to establish a consultation mechanism that would aid in coordinating their foreign policies. A "political committee," consisting of the political directors of the six foreign ministries, will meet every three months. Between meetings, they will keep in touch by means of a teleprinter circuit connecting all six foreign ministries. The first meeting of the political directors is set for January in Paris.

The director's conference will formulate joint policies on outstanding issues for discussion and adoption by the foreign ministers themselves, at their six-monthly meetings. Their next ministerial meeting will be in Paris in May.

The Six have agreed that the political committee should be able to ask ambassadors of the Six in capitals outside the Community to produce joint reports and work more closely together in the United Nations and other international institutions. *Ad hoc* expert groups will be set up, for example, on the Middle East. The Six will have a *de facto* secretariat, consisting of one official in each Foreign Ministry. Later the secretariat may have its own office.

Pragmatic Organization

Mr. Scheel said that the consensus of the Munich meeting was that the consultation mechanism should be "pragmatic and not rigidly institutionalized." The aim was that West Europe "will speak some day with one voice." The initial discussions provided ground for the belief that "rapprochement of viewpoints is possible."

The ministers participating included Pierre Harmel of Belgium, Maurice Schumann of France, Gaston Thorn of Luxembourg and Joseph Luns of the Netherlands. Italy sent State Secretary Mario Pedini. Representing the Commission was Commission President Franco Maria Malfatti.

At The Hague summit in December 1969 the Community heads of government asked their foreign ministers to report by the end of July 1970 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 ministries, 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 could be concretely expressed in the field of foreign affairs.

Through an exchange of information and regular consultations, the Six hope to improve their understanding of each other's attitudes on major world problems. Any foreign policy issue may be raised. They also plan to strengthen their solidarity by seeking to harmonize their points of view, and, whenever possible, by adopting common policies.

YEAR ENDS WITHOUT DECISION ON MONETARY AND ECONOMIC UNION

Time ran out. At 4:15 the morning of December 16, the European Communities Council of Ministers adjourned leaving in abeyance its decision to begin the first stage of the plan for achieving full economic and monetary union in the Seventies. January 1, 1971, had been the target date for the first stage, but the Council meeting of December 14-15 was the last that could be scheduled in 1970. *(See European Community No. 140, page 14.)*

The Commission expressed disappointment at missing the target date but said there was no reason to feel pessimistic about the future. Progress had been made during the December meeting on the definition of economic and monetary union and on the contents of the last stage of the plan. The Commission said it hoped the Council would limit the agenda for its January meeting to the plan for economic and monetary union so that a positive conclusion could be reached as soon as possible.

Two Major Points Untouched

Two major inter-related points on the agenda of the December 14-15 Council were left untouched:

- the proposal for mutual medium-term monetary support
- the draft Medium-Term Economic Policy Program.

The Medium-Term Economic Policy Program, for the first time, includes numerical definitions of an "acceptable" rate of inflation and other key economic indicators. For the five year period 1970-75, a 2.5-3 per cent limit on price increases was recommended. By setting goals for the member states' compatible economic development, the Plan is supposed to prevent a recurrence of the monetary crises of 1968 and 1969 which culminated in the revaluation of the German mark and the devaluation of the French franc.

Passage of this Plan would clear the way for activation of arrangements for medium-term support (2-5 years) of another member country's currency. (Short-term arrangements went into effect in February 1970.) Some member countries have been reluctant to approve the plan for medium-term monetary aid without a guarantee that a recipient country would follow responsible economic policies.

EURATOM'S FUTURE SHAPE DECIDED BY COUNCIL

The general lines of reorganization for the European Atomic Energy Community's Joint Research Center were decided upon at a meeting of the Council of Ministers in Brussels on December 16-17. The Council also indicated that it would make the formal decision during 1971.

Since the beginning of Euratom, detailed research programs have been proposed by the Commission and adopted by the Council, a lengthy and difficult procedure. From 1972 on, the Council will decide on the general orientation of the research program, leaving the details to Euratom's director general and a supervisory committee of 18 members. Each member country will appoint three members to the committee: one from its national ministry, one from its scientific community, and one from the economic and industrial community.

Commenting on these arrangements after the meeting, German Minister of Education and Science Hans Leussink, who presided over the meeting, said that the agreement reached would give the Joint Research Center a solid base on which to grow, ending the period of stagnation of the last few years.

COMMON MARKET ECONOMIC SURVEY SHOWS SLIGHT DECLINE IN GROWTH RATE

The Common Market's latest economic survey has revealed some slackening in growth during 1970 among the six member nations.

On December 17, the Commission of the European Communities published its final economic report for 1970, reviewing developments during the year, outlining problems of short-term economic policy to be faced at the beginning of 1971, and analysing economic prospects for next year.

The vigorous economic expansion recorded in the Community since mid-1967 continued in 1970. However, the Commission said, production rose by 6 per cent, compared with 7 per cent from 1968 to 1969. Since 1957, gross Community product rose by 6 per cent, compared with 7 per cent from 1968 to 1969. Since 1957, gross Community product, after adjustment for inflation, has increased by 95 per cent, compared with a 61 per cent gross national product (GNP) increase in the United States and 42 per cent in the United Kingdom.

Gross Community product in monetary terms expanded by 12.5 per cent from 1969 to 1970, repeating the performance of the year before. As of the date of the survey, it was slightly less than $500 billion, compared with $970 billion for the United States and $116 billion for the United Kingdom.

Demand Continued High

Overall demand in terms of money continued to expand rapidly in 1970. The Community's visible exports to non-member countries rose more vigorously than in 1969, despite the weak economic trend in the United States and the United Kingdom. Internal demand expanded at much the same rate as in 1969. Stock-building had a delaying effect on the upward trend. The value of investment rose by 18.5 per cent, as compared with 15.5 per cent in the previous year, providing a strong stimulus.

Consumer spending grew slightly faster in 1970 than in 1969, mainly because of the sharp wage rate increase. Income from wages rose by 10 per cent to 20 per cent, depending on the member country. By contrast, income from small businesses and property was weaker than from 1968 to 1969, which resulted in a shift in the distribution of income in favor of wage- and salary-earners.

Production Growth Slowed

Production failed to keep up with the expansion of demand. Agricultural production contributed little, if at all, to the increase in internal supply. Industrial production, on the other hand, rose by 8 per cent, but its growth slowed down distinctly, both in comparison with the previous year as a whole (11 per cent) and in terms of the trend during the year.

The growth in real value-added was inadequate, measured against the rise in overall demand in money terms. This was mainly because technical capacity and manpower reserves were almost exhausted. In some industries (particularly in some basic materials and consumer goods industries), stock-building also slowed down the growth of production. In some member countries, unemployment dropped to a level that could hardly be lowered further. In the second half of the year, however, signs began to appear that the tight situation on the labor markets was easing.

Imports and Prices Rose Sharply

As a result of the wide spread between internal supply and demand, the Community's imports from non-member countries expanded sharply. The Community thus made a major contribution to the world economy. Although internal production was supplemented by imports, prices in the Community showed the sharpest rise since 1958, the year the Common Market began to function.

Reserves Increased

Despite the Community members' tight credit and monetary policies, credit expanded almost as rapidly as in 1969.

Surpluses on foreign transactions substantially augmented internal liquidity. The Community's current account deteriorated, but the capital account ran large surpluses, in contrast to the picture last year. In the first 10 months of 1970, official gold and foreign exchange reserves in the Community rose by $6.8 billion, whereas in 1969 they had decreased by $1.7 billion.

The Outlook for 1971

The slowdown in economic growth which started in 1970 will probably continue in 1971, according to the Commission. Overall demand in monetary terms will probably drop. Visible exports will grow by 8 per cent, as compared with their 14 per cent rate of expansion in 1970.

Among the factors influencing internal demand, investment will slow down. Since order books are still well filled, investment spending will still rise in early 1971. However, there are already signs that investment may begin to taper off later in the year. All told, investment will probably rise by 10.5 per cent, as compared with 18.5 per cent in 1970.

Full Employment in 1971

Private consumer spending will not slow down quite as fast: from 12 per cent in 1970 to 10 per cent in 1971. Incomes will probably continue to grow strongly, losing momentum only gradually. In 1971, gross Community product, after adjustment for inflation, will probably grow by 4.5 per cent in view of the prospective increase in capacity and manpower reserves. This forecast assumes that in some industries now nearing capacity the rate of utilization will fall during the year.

This outlook implies that full employment will be maintained, the Commission said. At the same time, it warned of the dangers of a further increase in prices in which wage hikes will play a major part. Economic policy in 1971 should therefore be directed toward the stabilization of costs and prices and the prevention of a cumulative slowdown in economic growth, the Commission concluded.

COAL SUBSIDIES TO BOOST PRODUCTION

To guarantee production of enough coal to meet the European Community's requirements, the Commission is prepared to authorize state subsidies to coal mining companies for five more years.

A proposal to this effect was sent to the Council of Ministers on October 21.

The subsidies would include aids for investment and for improving safety standards, as well as for the storage of surplus coal and coke and for expenses connected with closing depleted mines. Special aids by the member governments may also be permitted to cover operating losses if other subsidies prove insufficient to ensure adequate production. Member governments are to inform the Commission about the amount and nature of the subsidies granted.

The Commission noted that only 20 million tons of the total 1969 coal production (177 million tons) did not require subsidies. For 1970 direct public subsidies will total approximately $370 million.

VATICAN NAMES ENVOY TO EUROPEAN COMMUNITY

The Vatican has established diplomatic relations with the European Community, naming Monsignor Igino Cardinale, the current Papal Nuncio for Belgium and Luxembourg, as its "special envoy with the functions of permanent observer" to the European Community.

The Vatican newspaper, *Osservatore Romano*, commenting on the appointment, said that for some years the Vatican has encouraged European unity and the establishment of "regional communities".

Monsignor Cardinale is the only Vatican representative with the title of Papal Nuncio to an international organization. All other Vatican representatives are permanent observers or delegates.

COUNCIL ASKS RAILROADS TO COOPERATE TO CUT COSTS, IMPROVE SERVICE

The European Community's six national railroads have been asked to try harder to cooperate in cutting operating costs and improving both freight and passenger service.

Possible areas of cooperation were suggested in a resolution passed by the Council of Ministers meeting in Brussels on December 7. Debate on most other points of the transport agenda was inconclusive.

At the end of the meeting, German Minister of Transport Georg Leber, who has presided over the Transport Council since June, made some personal observations about the Community's transport policy. (France assumes this rotating office from January through June 1971.) The gaps left in the transport policy by the Common Market Treaty should be filled quickly, Mr. Leber said, in view of the Community's planned enlargement and full economic and monetary union. Transport costs have to be harmonized for an effective European economic policy and equal competition in trade and services.

Inter-Railroad Cooperation

In the resolution, the Council urged the six member countries' railroads to increase technical, commercial, and administrative cooperation with each other and, whenever possible, with other European lines, particularly the Austrian and Swiss railroads. The Community railroads are to report once a year on progress in this direction.

Among the means suggested for increasing cooperation and cutting down on duplication of efforts were increasing the pooling of rolling stock on international routes and in frontier regions and sharing personnel and equipment. On the technical level, the Council strongly urged the intensification of efforts to standardize equipment and to find ways of speeding up both passenger and cargo service, especially on international routes. In the administrative field, the six railroads were asked to study the prospects for tightening integration of their routes and for establishing a common scale of charges from point of departure to destination. Joint purchasing arrangements were also suggested.

Court Decision Awaited

The Council again asked the Commission to make proposals to align the Community's regulations on maximum truck-driving times with the nine-hour maximums provided in the European Road Transport Agreement (ERTA). *(See European Community No. 126, page 17.)* The Commission again refused, pending the decision of the Communities Court of Justice on a suit filed by the Commission. The Commission alleged that as custodian of Community law it, not the member states, should have negotiated the agreement. The Community regulation providing for a maximum driving day of eight hours by 1974 has been in force since April 1, 1969.

After the Council had discussed difficulties that had arisen in applying the Community regulation in national short-distance transport, particularly collection and distribution of foodstuffs, the Commission said it would submit a draft regulation to amend those aspects of the regulation.

Unfinished Business

Draft proposals on which agreement could not be reached during the meeting were sent back to the Committee of Permanent Representatives for further discussion. These items included:

- two draft regulations on coach and bus service
- draft regulations on the harmonization of weights and sizes of commercial vehicles
- two reports dealing with problems connected with Rhine navigation.

FISH STANDARDS SET AND FEED ADDITIVES LISTED

Marketing standards for fresh and frozen fish and an approved list of additives to animal feeds are among the recent additions to the European Community's common agricultural policy.

These were among the decisions made by the Council of Ministers at meetings in Brussels on November 10, 26, 30, December 7, and 15.

Marketing Standards

The marketing standards, adopted on November 30, apply to cod, coalfish, haddock, whiting, plaice or dabs, Norwegian hogfish or haddock, mackerel, herrings, sardines, and anchovies. These species account for 60 per cent of the Community's fresh fish production and 80 per cent of its imports from nonmember countries.

Animal Feed Additives

The list of additives was approved on November 10. If, at a later time, an approved additive is thought to endanger human or animal health, a member country may suspend the authorization for up to four months. In such cases, the Council will then decide, on the basis of a Commission proposal, whether or not to amend the list.

Prices and Surpluses

The interrelated problem of agricultural prices and surpluses was discussed at several Council meetings, but prices were set for only three minor products: wine, on December 7, and tangerines and sweet oranges, on November 26. In a further attempt to limit the fruit surplus, the grubbing premium on apple, pear, and peach trees was raised to $800 a hectare (2.47 acres).

As for the plan for a complete overhaul of the Community's farm structure, the first important narrowing of differences came on December 14 at a closed meeting of the member countries' agricultural ministers with Commission Vice President Sicco L. Mansholt, architect of the plan. To protect farm income, some member countries have refused to change the prices of major products until the details of the farm reform plan have been accepted and the nature and extent of aid to farmers is known. By the end of this special meeting, agreement had emerged on two main aspects of aid to structural reform.

The Council also passed the 1971 budget for the section of the Community's common farm fund that finances agricultural modernization. Of the $427.5 million budget, $50 million will be used to finance measures now in force, such as grubbing subsidies. Modernization projects will absorb $200 million, and the remaining $180 million will be kept in reserve to finance measures enacted as a result of the broad agricultural reform which is being planned.

Meat Trade

On December 7, the Council discussed proposed directives on health problems connected with internal trade in poultry meat and on health and veterinary problems connected with live cattle and pigs and beef, veal, and pork imported from outside the Community. Both proposals were sent back to committee for further work in the light of the Council's debate. In the case of the poultry proposal, Council discussion had focused on methods of chilling. Discussion of the other directive centered on the problems raised by the procedures for recognizing exporting countries' inspection agencies.

TWO TAXES LEVIED ON LUXEMBOURG CREMATION

Cremation for a Luxembourger can be expensive. As there is no crematorium in the Grand Duchy, the remains must be sent to the nearest crematorium, in Strasbourg, France.

French tax officials consider cremation a "service rendered to a private individual" and charge the corresponding tax on the value-added (TVA). Luxembourg officials, keeping to the letter of their country's tax laws, maintain that the returning ashes are the result of "work given to a foreign company with reimportation of the finished product." They consider the ashes as subject to Luxembourg's TVA as well.

This macabre fiscal anomaly can occur because the member states' tax systems are not yet harmonized.

EC COMMISSION RULES ON MARKET COMPETITION

Two marketing decisions, one banning a market-sharing agreement and the other approving a selective distribution system, have been adopted by the Commission of the European Community.

On October 29, 1970, the Commission banned an agreement between SA Tuberies Louis Julien of Belgium and Van Katwijk's Indrieën NV of the Netherlands, both manufacturers and exporters of cardboard tubes, used mainly in the textile industry. The Belgian firm had agreed to limit the volume of its exports to the Netherlands, while the Dutch company had agreed to stop selling in Belgium.

The agreement violated Article 85 (1) of the Treaty of Rome, which prohibits restraints on trade between EC member countries. It also failed to qualify for an exemption under Article 85 (3) which permits restrictions that are "indispensable" for the improvement of production or distribution of goods, and the promotion of technical or economic progress.

Omega Sales Approved

On November 5, 1970, the Commission published its decision approving the organization of sales of Omega watches in the EC.

Omega, a Swiss firm, uses a selective distribution system which sets requirements, such as professional qualifications and selling facilities, for its official distributors. Although many clock-makers and jewellers meet these requirements, they are disqualified as official distributors by Omega's policy of fixing a maximum number of retailers per town or suburb.

In its June 1, 1970, decision, the Commission had approved a similar system used by the Kodak group. Companies adopt such systems to improve sales service, to ensure standard quality, and to promote the reputation of their brand.

SOCIAL FUND REFORM TEXT ADOPTED BY COUNCIL

The reform of the European Social Fund, the creation of a standing Committee on Employment, and harmonization of social security throughout the European Community were the main points of discussion at the November 26 meeting of the Council of Ministers in Brussels.

The Council formally adopted the text of its July 27, 1970, decision outlining changes in the European Social Fund to turn it into the financial arm of a modern, progressive social and labor policy. *(See European Community No. 137, page 7.)* Because the decision merely outlines the end result and not the means, details will be filled in, one by one, by regulations based on Commission proposals.

The Fund will continue its activity of reimbursing member governments for national projects to aid and retrain unemployed and under-employed workers. In addition, however, the Community will be able to take the initiative in choosing Community-oriented projects to help workers who are directly affected or likely to be affected by Community policies.

Standing Committee on Employment

The Council also decided to create a Standing Committee on Employment, as had been suggested last April in Luxembourg at the "Tripartite" Employment Conference, attended by representatives of labor, management, and officials of the Community and the member states. *(See European Community No. 135, page 9.)* The Committee will consist of 36 members, divided equally between management and labor. It will advise Community institutions on solutions to problems of employment, vocational training, and retraining.

Social Security Harmonization

The Council discussed a Commission report on the economic and financial problems connected with social security and a proposal from the German Government for coordination of social security policy and the establishment of a European social budget. After this discussion, the Council made a statement stressing how important it considers coordination of all social and labor policies, including social security. Coordination should be based, the Council suggested, on detailed study of financial and other trends influencing social security in the six member states. The Council asked the Commission to prepare a list of the types of workers covered and their coverage from the legal and the socio-economic points of view.

Of the German proposal for a social budget at Community level, the Council observed: "The proposed Community social budget is not aimed at determining political objectives which would be binding upon the member states." It would be a factual document, containing statistics on social security expenditures and revenue, and cover all fields related to social and labor policy. It would also include medium-term forecasts related to laws in effect at the time and such parameters as demographic, price, salary, and gross national product trends.

The Council asked the Commission to make a list of the methods now used by the member states to forecast social expenditures, pick out the common points and gaps in these practices, and submit a working program.

Adult Vocational Training

On the basis of a Commission memorandum and initial Council discussions on November 24-25, 1969, the Council asked the Commission to submit suggestions for improving vocational training of adults. The Council itself concluded that efforts should be increased to develop and improve the facilities and methods of training adults, particularly continuing education programs.

FRANCE LOWERING SOME TURNOVER TAX RATES

France plans to cut its turnover tax (TVA) rate on a wide range of processed foods from 17.6 per cent, the intermediate rate, to 7.5 per cent, the rate on other foods.

France's TVA rates (7.5 per cent, 17.6 per cent, 23 per cent, and 33.3 per cent, depending on the product) are the highest in the Community. To simplify the administration of the TVA, the Government hopes later to replace the 17.6 per cent and the 23 per cent rates with a single rate near the lower of the two.

COMMUNITY HARMONIZING EXPORT CREDIT INSURANCE

Two directives from the Council of Ministers will guide the harmonization of Common Market export credit insurance policies on medium and long-term export credit extended by suppliers to private and public purchasers.

Adopted in Brussels on October 26, 1970, the directives will especially benefit importers from state-trading and lesser-developed countries, which until recently were able to negotiate only relatively short-term transactions with Common Market exporters. The new policy becomes effective September 1, 1971. For state-trading and developing countries, a standard credit insurance policy will facilitate negotiations, insofar as credit conditions are a determining feature of contracts.

The Commission of the European Communities felt that such a policy was a crucial step toward a common commercial policy.

The directives spell out general conditions for giving export credit guarantees, such as definitions of risks, obligations of the insured party, and conditions of compensation. However, each credit insurer remains free to fix specific contract terms.

The Council will eventually issue a third directive dealing with insurance policy risks on short-term transactions. Again, the harmonization of policies among member states will chiefly affect public buyers.

FARM FUND CREDIT TO AID MODERNIZATION

The Commission of the European Communities has approved the fourth and final credit allocation from the 1969 farm fund.

The allocation of $58,070,955, announced on November 16, completes the credit grants from the $160 million set aside in the 1969 budget for the Agricultural Guidance Section, to help finance structural modernization. The final allocation covers a total of 227 projects.

The distribution of the approved grants is as follows:

Country	*Grants Approved*	*Number of Projects*
Germany	$16,426,923	59
Belgium	4,050,497	24
France	12,869,240	43
Italy	19,873,624	89
Netherlands	4,850,671	12
TOTAL	$58,070,955	227

Eligible projects in Luxembourg were financed by earlier grants.

Of the 227 projects, 159 (72.9 per cent of the total award) will improve marketing arrangements.

Larger Farm Units

To accelerate the transition towards efficient agriculture, almost three-quarters of the farm grants have been allocated in the final quarter of 1969 for structural modernization. The grants will finance projects to improve working conditions and to increase income in agriculture by supporting the consolidation of farm units in France, Germany, Belgium, and the Netherlands.

Aid was also granted for rural road improvement in Germany and for irrigation, drainage, and the supply of drinking water in France. The Commission has continued its program for the renewal of vineyards and olive plantations in Italy and for the modernization of wine cellars in France.

The funds for marketing improvements include aid to the milk marketing networks in Germany and to fruit and vegetable centers in Italy and the Netherlands. A large grant was approved for the construction of a cut flower center in the Netherlands.

Total 1969 Distribution

The breakdown of grants for all of 1969 follows:

Country	*Grants Approved*	*Number of Projects*
Germany	$45,100,881	152
Belgium	11,826,499	69
France	35,660,880	132
Italy	54,303,638	249
Luxembourg	94,550	3
Netherlands	13,013,552	58
TOTAL	$160,000,000	663

Of the 663 projects, 405 were for production improvements, 216 for marketing improvements, and 42 for mixed projects. These reflect grants of approximately $104.5 million, $45.7 million, and $9.8 million, or 63.3 per cent, 28.6 per cent and 6.1 per cent, respectively, of the total funds available.

INDUSTRIAL DEVELOPMENT LOANS CONCLUDED

The European Investment Bank concluded three loans to French and German firms on October 22 to help finance the construction of an electrical equipment plant, two storage dams, two hydroelectric plants, and the enlargement of a foundry manufacturing pipe and cast-iron main fittings.

The loans will help to create new jobs in the French coastal area of Pas-de-Calais and will contribute to regional development programs in the Saar and in the Rhone valley. They total $17.6 million.

Additional loans, totalling $9.32 million, were concluded on October 28 to help finance the enlargement of a glass fiber production, processing, and weaving plant (Germany), and the construction of a polyethylene plant (France) and a flour mill (Upper Volta). The German loan will help maintain existing jobs, create new jobs, and contribute to the industrial diversification of the Ruhr valley, a declining coal and steel region. The French project involves a partnership between German and French chemical and petrochemical companies in the Le Havre area, in which German technology complements French raw material resources and handy location.

The loan to Upper Volta ($450,000) will enable the construction of a flour mill large enough to meet the country's needs for the next 8-10 years. This loan, the Bank's first in Upper Volta, is intended to contribute to the stabilization of the quality and prices of local cereals.

These loans follow others concluded on October 2 for the continued construction of the Savona-Ventimiglia highway ($13.66 million) and for industrial projects in Southern Italy ($23.5 million), aimed at the reduction of unemployment and the industrial development of the area.

The Bank also issued 18-year bonds on the French market to bear interest at the rate of 8.5 per cent per year. Proceeds from the sale of the bonds will be used for the Bank's lending operations.

RADIO-ECOLOGY SET FOR 1971 SYMPOSIUM

A symposium on "Radio-Ecology Applied to the Protection of Man and His Environment" will be held in Rome, September 14-17, 1971, sponsored by the Commission of the European Communities in cooperation with the Comitato Nazionale d'Energia Nucleare of Rome.

Radio-ecology is the study of the relationship between all aspects of nuclear energy and the environment. The purpose of the symposium is to determine the extent to which knowledge of radio-ecology can be used for the protection of man and his environment, so as to orient research and improve the organization and efficiency of the fight against pollution. Health physicists, radio-ecologists, and all those confronted by practical radio-ecology problems relating to the protection of man and his environment are invited to participate.

The methods for studying and monitoring radioactive hazards may be regarded as models for other problems related to protecting man and his environment. This aspect of the problem will be stressed by examining specific cases:

- transfer to man of radionucleides released in the environment (transfer pathways factors) in various ecological situations
- elaboration of the concept of radiological capacity limit of a receiving medium
- the use of forecasting models, systems analysis
- the contribution made by radio-ecology towards the establishment of discharge formulas and to the methods of application
- the application of radio-ecology to problems related to monitoring in the vicinity of nuclear installations
- the application of health physics methodology to problems related to non-radioactive pollution
- problems raised by brief releases
- future lines of radio-ecological research.

Papers may be submitted in either French or English; simultaneous translation will be provided in these two languages at the symposium. Participants wishing to submit a paper are requested to send the title and two copies of a summary not exceeding 200 words (in French or English) to the secretariat of the symposium not later than April 1, 1971. Only papers dealing with applied radio-ecology will be considered. There are no registration fees for the symposium.

Registrants may apply to the Secretariat of the Symposium, Direction "Protection Sanitaire," Commission of the European Communities, 29 rue Aldringer, Luxembourg.

RECENT BOOKS ON COMMUNITY TOPICS

EUROPEAN COMMUNITY periodically lists books dealing with Community and Atlantic topics. Prices are also given, whenever known. This presentation does not indicate approval or recommendation of these publications which can be purchased or ordered from most booksellers.

Remaking the International Monetary System: The Rio Agreement and Beyond. By Fritz Machlup. Johns Hopkins Press, Baltimore, 1968, 155 pages.
History and characteristics of Special Drawing Rights.
The author summarizes the discussions between 1963 and 1967 which led to the adoption of the Rio Agreement. He discusses the wording of the agreement, the divergent interpretations given to it, and the format adopted for Special Drawing Rights. Questions of liquidity, adjustment, and confidence required for the functioning of the international monetary system are examined in the concluding chapters.

Privileges and Immunities of International Organizations. By the European Committee on Legal Co-operation. Council of Europe, Strasbourg, 1970, 91 pages.
The publication contains the text of Resolution (89) 29, adopted by the Committee of Ministers of the Council of Europe on September 26, 1969, and the explanatory report prepared by European Committee on Legal Co-operation.

The study, made by the Committee on Legal Co-operation at the request of the ministers, had two basic objectives. One was to examine existing agreements on privileges and immunities and to define principles to be followed by members of the Council when forming new international organizations.

The second was to review the questions raised in the United Kingdom's memorandum of March 10, 1965, on privileges and immunities. The report presents a comparison of the privileges and immunities accorded to the United Nations, the Council of Europe, the European Launcher Development Organization, and the European Space Research Organization. It also contains the memorandum of the United Kingdom and replies received from member governments.

BRITONS STILL OPPOSE COMMON MARKET ENTRY

A heavy majority of Britons still oppose Britain's entry into the Common Market, according to poll results published by *The Sunday Times* of London on November 22, 1970.

This survey showed that 64 per cent of the British population are opposed, 29 per cent are in favor, and 7 per cent remain undecided.

Party Votes Differ

These figures contrast with the results of both the Conservative and Labor Party annual conferences. At Blackpool on October 8, Tory delegates voted about three to one in favor of the Government's current policy of seeking membership in the EC.

Labor Party representatives, meeting in Blackpool from September 28 through October 2, also approved the continuation of entry negotiations. However, an anti-Common Market motion was defeated by a relatively slender majority.

Entry Opposition Drops

Although the Party conference votes do not corroborate popular sentiment on the Common Market entry issue, *The Sunday Times* figures show that opposition to entry—64 per cent—was lower in November than in February 1970. In February, 72 per cent were against entry, 18 per cent were in favor, and 10 per cent were undecided.

PUBLICATIONS AVAILABLE

RAPPORT SUR LA PROPOSITION DE LA COMMISSION DES COMMUNAUTES EUROPEENNES AU CONSEIL RELATIVE A UN REGLEMENT SUR LA COMMUNICATION DES PROJETS D'INVESTISSEMENT D'INTERET COMMUNAUTAIRE DANS LES SECTEURS DU PETROLE, DU GAZ NATUREL ET DE L'ELECTRICITE. *Documents de Séance* No. 51. European Parliament, Luxembourg, June 1970, 15 pages ....$.15
Report by Francantonio Biaggi (Italian Liberal) for the European Parliament's Committee on energy. The advice of the Parliament on the proposed regulation for the notification of investments of Community interest in the petroleum, natural gas, and electricity industries. Also contains the text of the proposal.

RECHERCHE COMMUNAUTAIRE SUR LA SECURITE DANS LES CHARBONNAGES ET LES MINES DE FER (1962-1966): MINES. *Etudes de Physiologie et de Psychologie du Travail* No. 5, Commission of the European Communities, Luxembourg, 1969, 199 pages $3.60
Describes the research funded by the High Authority of the European Coal and Steel Community for the prevention of accidents in coal mines. A comparable volume was also published on the steel industry.

A REGIONAL POLICY FOR THE COMMUNITY. Commission of the European Communities, Luxembourg, 1969, 257 pages $3.30
An English compilation of major documents of the European Communities Commission dealing with regional policy. Reprints the October 17, 1969, Memorandum on regional policy, the proposal for a Council decision on the organization of Community instruments for regional development, and an analysis of past regional development in each member state. Includes annexes with regional statistics on demography, employment, and per capita income and domestic product. Also contains a map of the main geographic areas and regions and a map indicating the main industrial, semi-industrial, and agricultural regions.

REPORT TO THE COUNCIL AND THE COMMISSION ON THE REALIZATION BY STAGES OF ECONOMIC AND MONETARY UNION IN THE COMMUNITY. *Supplement to the Bulletin of the European Communities* No. 11-1970, Council-Commission of the European Communities, Luxembourg, October 8, 1970, 68 pages .... $.30
Text of the "Werner Report." Also contains the Report of the Committee of Governors of the Central Banks of the EEC on questions put by the Werner Committee.

COMMERCE EXTERIEUR: PRODUITS CECA, 1969. Statistical Office of the European Communities, Luxembourg, 1970, 577 pages $4.00
French/German/Dutch/Italian text. Annual foreign trade statistics of products of the European Coal and Steel Community. The commodity categories are iron ores, steel, manganese, scrap, and coal. Gives 1969 imports and exports by commodity and by commodity groups broken down by country of origin and destination. Includes quarterly and annual data for 1969 and comparative annual figures for 1968.

SITUATION DE L'APPROVISIONNEMENT EN COMBUSTIBLES NUCLEAIRES. *Série Energie* No. 3, Commission of the European Communities, Brussels, 1970, 39 pages $3.00
Analyzes the Community's needs in natural, enriched uranium, plutonium, and thorium and the possibility of fulfilling these needs within and outside the Community. Forecasts to the year 2000 with most data falling in the 1980 range. Also has a short summary of the supply policies and market structure of the United States, United Kingdom, Canada, Japan, and South Africa.

IRON AND STEEL: 1970. Statistical Office of the European Communities, Luxembourg, 404 pages $2.50
French/German/Dutch/Italian text. Comprehensive statistics on iron and steel products in the Community. Covers the years 1954-1969 for most tables but has earlier data

in many instances. Includes statistics on production, foreign trade, orders and deliveries, prices, consumption, employment, and investment.

UNIVERSITY STUDIES ON EUROPEAN INTEGRATION NO. 6: RESEARCH. European Community Institute for University Studies, Brussels, 1970, 427 pages $3.00

Part One describes 41 centers and institutes devoted partly or wholly to research on problems of European integration. Subjects described are the ones offered during the 1969/70 school year. Part Two lists the doctorate theses and major papers which have recently been completed or are now in preparation at universities in some 30 nations on the theme of European integration.

STRUCTURE ET REPARTITION DES SALAIRES: 1966. *Statistiques Sociales: Série Spéciale.* Statistical Office of the European Communities, Luxembourg, 1970 .... The Set $24.00
French/German/Dutch/Italian text.

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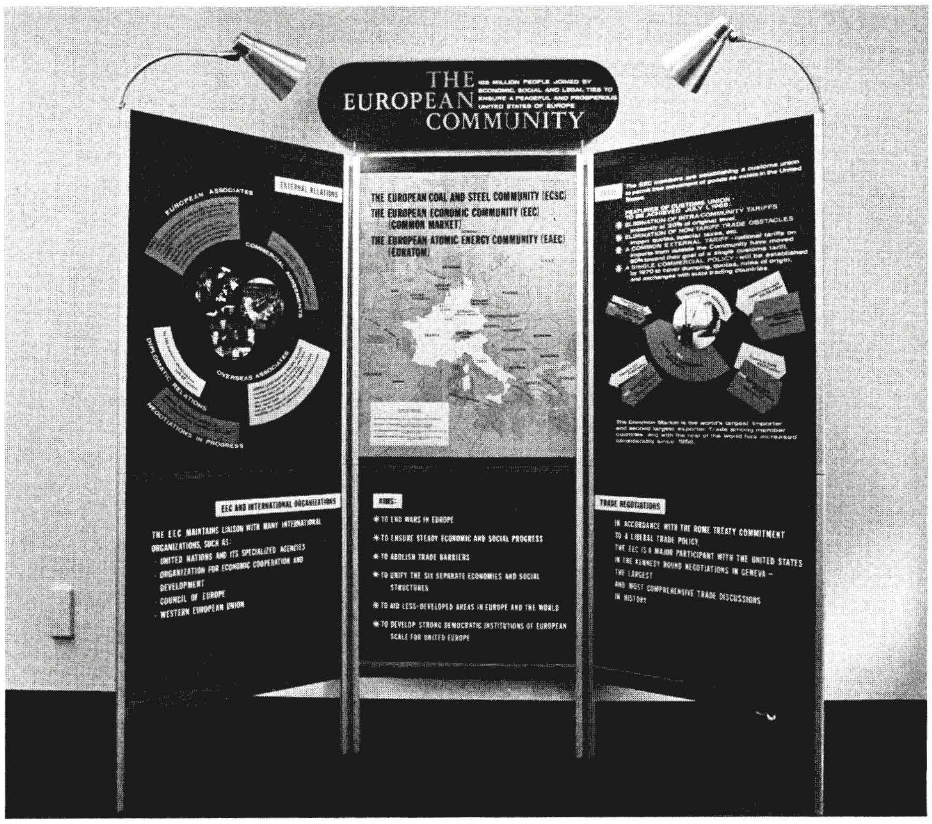

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