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european community

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COVER: Commission President Franco Maria Malfatti makes his first official visit to the United States since taking office in July 1970. *(see pages 3-5).*

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A Realist's Europe

FRANCO M. MALFATTI

Franco Maria Malfatti, President of the Commission of the European Communities, explains why he accepted the appointment to the presidency of the Commission and how he plans to further Europe's progress towards the goal set by the six governments: full economic and monetary union by 1980.

I ACCEPTED THE POST OF PRESIDENT of the Commission in Brussels both from a sense of duty and a sense of my past as a militant and politician and my outlook on life. My generation joined in withstanding Fascism and plunged into the political fray with the popular upsurge of the Christian Democrat movement after the liberation of Rome. As an Italian Christian Democrat I am a convinced European: from that basic stance I have never budged whatever my particular position has been, whether as a national official of the Young Christian Democrats, an aide of Alcide De Gasperi and Amintore Fanfani, or a holder of political office in various Italian Governments.

I approach my work in Brussels as a politician and a man of action, not as a technocrat. That work is especially exciting because the times favor reactivation of the European process in which the attitudes of young people will have cardinal importance.

Commission President Franco Maria Malfatti and Mrs. Malfatti Mr. Malfatti's agenda for his visit to Washington on April 5-6 includes meetings with President Richard M. Nixon and with Secretary of State William P. Rogers. Besides tea with Mrs. Nixon at the White House, Mrs. Malfatti, plans to visit the Agricultural Research Center at Beltsville, Md.

New Hopes and Realities

Living under Facism turned my own generation against nationalism in any shape or form and towards European ideals. This insight first became operative during the Cold War, at a time when a very special set of circumstances prevailed in our countries and throughout the world. The historical setting of today's post-Fascist, post-Cold War generation is completely different. Not surprisingly, its attitude and expectations with regard to the European ideal are also different—although, according to a Community survey, 74 per cent support it. In our relation to youth, our generation must both shoulder its responsibilities and examine its conscience. The work of establishing the Community has too long been associated with tariff negotiations and market organization, and economics. Understandably, young people feel something is missing.

To many young people today European unification is already with us, the reconciliation of its peoples is an established fact. Knitting Europe into an organic economic entity could be a Grand Design, but to young people right now it looks more like a concern of big business ventures than a concern of the European man in the street. It is important, vital, to see to it that the energies and critical faculties of the young are concentrated on practical, constructive projects demanding personal commitment and personal responsibility.

The peaceful economic and political organization of Europe could be such an objective, appealing to youthful imagination and enthusiasm. It would give youth the chance to play an effective part in tackling the great world problems, from peace to cooperation with the Third World, and the evolution of a European way of life existing in its own right irrespective of the ways of life in the East and the West.

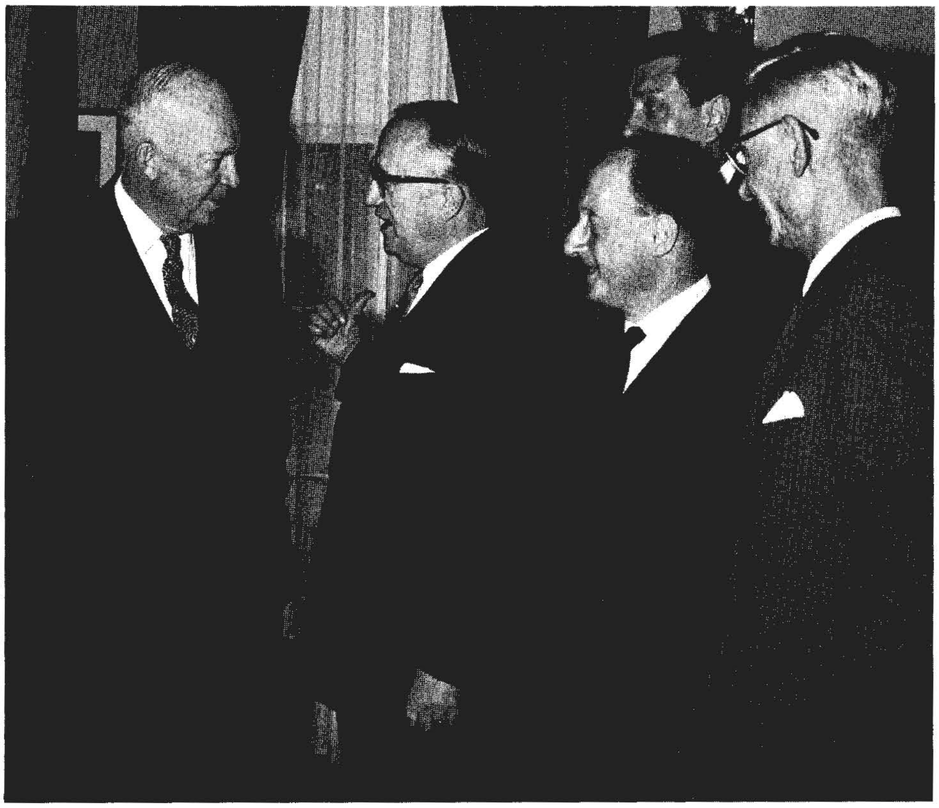
The Propitious Present

Why is the present state of affairs so especially propitious for reactivation of the European process? In the first place, because of the summit meeting of the heads of state and heads of government of the Six in The Hague at the end of 1969, the most important European event of the last few years. The decisions made there—to turn the Community into an economic and monetary union, to enlarge it by admitting new members, to resume progress towards political unification, and so on—represent major qualitative advances in the building of Europe. Changes of this kind cannot be followed through without democratic strengthening of the Community institutions by the progressive transfer to them of powers still held by the national governments.

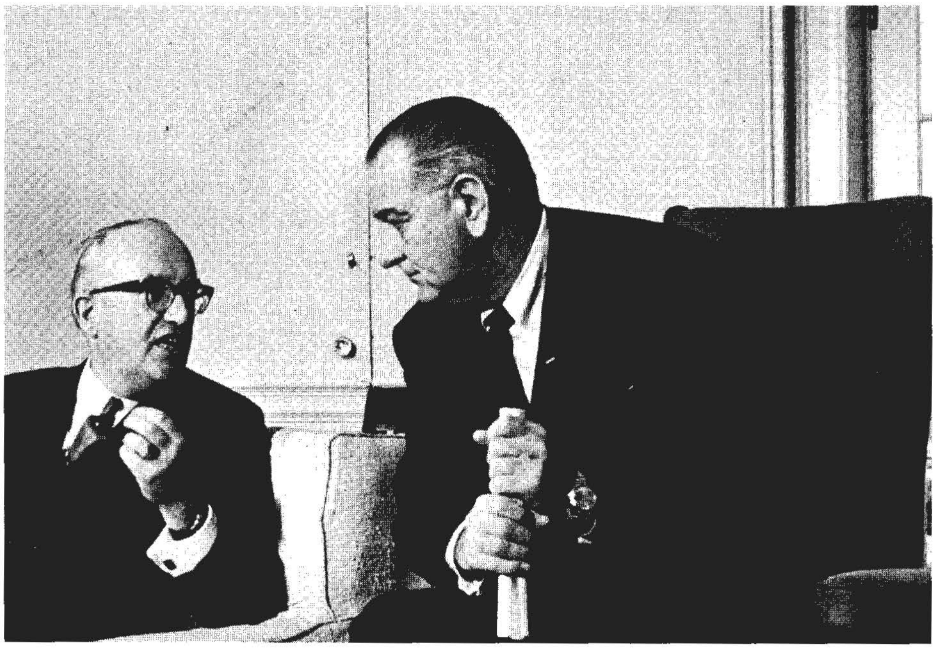
The dovetailing of the six countries has now gone so far that all decisions increasingly involve political implications. In this regard, the move from a customs union to economic and monetary union is decisive. The governments are agreed that eventually a European currency will have to be established. Money throughout European history has been closely bound up with sovereignty and has influenced the emergence of parliamentary government. The process of forming an economic and monetary union, which means that eventually the money used will be the same for us all, necessarily entails a qualitative change on the institutional side. This point was explicitly acknowledged by the Council in June 1970. "Economic and monetary union means that the main economic policy decisions will be taken at Community level, and hence that the necessary powers will pass from national hands into the hands of the Community."

Foremost Trade Power

The economic weight the Community carries in the world further enhances the political importance of Community decisions. The Six have become the world's foremost trade power. Trade negotiations are less and less concerned purely with quotas and duties: trade policy includes such vital matters as technical assistance, credit, and development aid. As a result, from now



Jean Monnet, President of the High Authority of the European Coal and Steel Community (ECSC), initiated the tradition of the official visits by Community Presidents to U.S. Presidents when he met with President Dwight D. Eisenhower at the White House in 1953, the year after the ECSC began operating. This tradition was taken up by the two "new Communities," the European Economic Community (EEC) and the European Atomic Energy Community (Euratom) upon their formation in 1958. The photos on these two pages were taken during the official visits preceding Mr. Malfatti's this month. Top left: President Eisenhower's meeting in February 1956 with ECSC High Authority President René Mayer. Standing are Ambassador W. Walton Butterworth (left), first chief of the U.S. Mission to the ECSC, and Assistant Secretary of State for European Affairs Livingston Merchant. Top right: President Eisenhower's meeting in June 1959 with EEC Commission President Walter Hallstein, Euratom Commission President Etienne Hirsch, and ECSC High Authority President Paul Finet. Bottom left: President John F. Kennedy's meeting in March 1963 with EEC Commission President Walter Hallstein. Bottom right: President Lyndon B. Johnson's meeting in March 1965 with EEC Commission President Walter Hallstein.



President Johnson's meeting in February 1968 with (clockwise from left) Commission Vice President Fritz Hellwig, Commission President Jean Rey, Commission member Jean-François Deniau (partially hidden), Mr. Rey's Executive Assistant, Raymond Rifflet, U.S. Assistant Secretary of State for European Affairs John M. Leddy, U.S. Chief of Mission to the Communities Ambassador J. Robert Schaetzel, President Johnson, and Walter W. Rostow, Special Assistant to the President.

on the Community should come to the negotiating table as a Community, as a single negotiating partner, as it has already done on occasion—for instance, in the 1967 Kennedy Round of negotiations within the General Agreement on Tariffs and Trade and, more recently, in trade talks with Japan.

The Common Market Treaty requires a common commercial policy. We must, therefore, take advantage of every opening the Treaty affords us, now that the Community's role in world trade has reached such proportions. We must also interpret the Treaty's provisions in the light of current developments which have made side issues of tariffs and quotas, the main weapons of commercial policy when the Treaty was written.

Loyalty to Traditional Friendships

Europe's formidable trading power is not an unmixed blessing. In the United States and other parts of the world, protection is rising. This is a political issue. While differences of interest are normal, they should be put into perspective. I feel it is premature to speak, as some people do, of America's inclination toward isolationism vis-à-vis Europe. Given the world situation and U.S. world responsibilities, it would be an oversimplification to consider the slightest difference of interest with Europe a symptom of isolationism. We should not go by impressions but by facts, in this instance, the U.S. attitude toward Europe. Washington wants a united Europe, enlarged to include, in particular, Britain—a point repeatedly confirmed by various members of the Nixon Administration. The Europeans, on their side, are no less clearly committed. The Hague summit communiqúe explicitly reaffirmed Europe's loyalty to its traditional friendships.

The fact remains that the trend of world affairs, in West and East alike, is a powerful incentive to European unification. Europe has been left out of such important matters as the events in the Middle East, with results mentioned and deplored recently by the foreign minister of one of the Arab states. Then again, there is the steadily growing volume of procurements by the Eastern bloc countries from the markets of the West, and the prospects opened up by the normalization of relations between Federal Germany and the Soviet Union following the recent Russo-German treaty. Each of these aspects of international affairs is one more reason for pressing ahead with European unification. The addition of new members to the Community will be a help in doing so.

The fear is sometimes expressed that enlargement will result in a "watering down" of the Community. However, everything done and decided upon since The Hague has been designed to consolidate the Community. The whole Community strategy and the work to bring about economic and monetary union so soon are diametrically opposed to watering down. Seen against this background, enlargement itself will help to consolidate the Community and give it still more weight in the world.

Transfer of Powers

The progressive transfer to the Community of some of the powers hitherto retained by the national governments must be handled in a realistic, un-doctrinaire spirit. The process will affect every Community institution. With the Community playing a greater part in economic and monetary affairs, the Parliament's powers of control will have to be enlarged, which raises the question of the Parliamentary power of initiative and the election of the European Parliament by direct universal suffrage.

On the Commission's role, some commentators have felt my remarks to be unduly cautious. As I have said before and will say again at the risk of causing controversy, the Commission's role is carefully defined in the Treaty of Rome; we must adhere to that definition. Its role is both technical and political, as the Commission holds both power of initiative and power of proposal. It is not a super-government, and it is not a mere secretariat to the Council. Its power of initiative and proposal invest it with a political function: by the terms of the Treaty, the Council can only make a decision on the basis of a proposal by the Commission.

The fluidity of the political circumstances amid which our Community is evolving requires us to interpret the role of the Commission and the other Community institutions—not restrictively but rather flexibly.

Here too we must be realistic. We have a job to do, and the important thing is that it be done. Trying to write the facts of the future into detailed formulas serves no practical purpose. We must get on with building Europe using the facts in the political context of the present. We have to work with the means at our disposal.

Taxes: A Universal Problem

HEINZ HALLER

In the United States, the dreaded arrival of tax day, April 15, briefly diverts voters' attention from the broad issue of "revenue sharing" now under discussion. In the Community, the broad issue is tax harmonization, here explained by Heinz Haller, State Secretary in the German Foreign Ministry.

THE SIX NEED TO MAKE PROGRESS in harmonizing taxes for two main reasons:

- Under the December 1969 agreement to give the Community its own budgetary resources, a small percentage of the yield on the common turnover tax (tax on the value added or TVA) will be transferred to the Community from the member states from January 1, 1975. In addition, all revenue (less 10 per cent to cover the administrative costs) from levies on farm imports and the duties on imported manufactured goods will be turned over to the Community.
- The plan to develop the Community into an economic and monetary union is the other, more important, reason. By the final stage of this plan (1980), all monetary and tax obstacles should be eliminated and the Community should become a single economic area free of internal barriers: goods and services would move freely, and production factors would find their optimum location, guided by the principle of the division of labor.

The Goal: Tax Neutrality

The process of unifying the six national markets has important implications for tax harmonization. Taxes on goods and services are not the same in each country. A "tax frontier" is the result. Tax differences hamper free trade in merchandise, distort competition between companies, and exert an arbitrary influence on the location of industry and on investment decisions.

The objective, therefore, is to "neutralize" taxation so that economic decisions in the Common Market are governed by purely economic criteria and not by tax considerations.

The proportion of taxation to gross national product (at market prices) in Europe now ranges from a low of 19.6 in Luxembourg to a high of 33.8 in Sweden. The range is smaller within the Community. There are also variations in the proportion of taxes levied as direct taxes—mainly income and property taxes on individuals—and "indirect" taxes—taxes on goods. In Germany, Luxembourg, the Netherlands, Switzerland, Sweden, Denmark, and Great Britain the emphasis is on direct taxes, while the opposite is the case in France and Italy and, to a lesser degree, in Belgium and Austria. These disparities in basic structure can be overcome only through growing economic integration.

The practical work of harmonization cannot begin with overall alignment of the structures. The right points at which to begin are the individual areas of taxation. When this work is being done in one area of taxation, implications for other areas must also be taken into account and the ultimate objective of the common domestic market must be constantly kept in mind. What has to be done depends on the individual taxes: for turnover taxes, the first task was to harmonize the systems. Differences in levels of taxation could temporarily be ignored since they could be offset when the merchandise crossed frontiers. For other taxes, particularly direct taxes, no such escape device is available. Here tax neutrality can be achieved only through alignment of the actual tax.

Elaborating on a Fiction

The formidable difficulties in the way of harmonization are mainly caused by the fact that work towards harmonization is related to a final objective—the common domestic market—which does not yet exist, or which presumes degrees of integration which have not yet been achieved. For example, in a fully operational European domestic market economic trends in the various constituent countries should be roughly the same. Only in this situation can governments dispense with measures to adjust their economies—measures which by their nature cannot be reconciled with harmonized taxes.

It would be difficult, for example, to coordinate effectively taxes as an instrument of regional policy and of short-term economic policy with harmonization requirements before economic policy is more fully unified and before adequate agreement on economic priorities has been achieved among the member states. Taxes on capital movements provide another significant example. A factor hampering their harmonization is that the member states have differing approaches to the problem of capital and some countries still control capital movements. Progress in harmonization must therefore be accompanied by progress in economic integration generally.

Budgetary considerations also inhibit harmonization. The member states are afraid tax harmonization in certain areas will cost them revenue that cannot be recouped elsewhere or that it will limit potential revenue, thus narrowing their options for maneuvering national budgets.

As economic integration advances, budget administration will be gradually coordinated. However, parts of the budget will still be used to finance activities which, being unrelated to the Common Market Treaty's economic integration objectives, will remain within national jurisdiction even after the completion of the Common Market.

Priorities: Indirect Taxes

It was already clear when the Rome Treaty was signed in 1957 that the Six would have to give priority to harmonization of indirect taxes, which played a major role in cross-frontier trade: differing structures and rates were directly reflected in prices. Article 99 of the Treaty explicitly provides for the harmonization of indirect taxes.

- **Turnover Tax.** This was the main indirect tax. The first problem was to align taxation systems so that the tax burden could be made exactly equal for merchandise trade across internal Community frontiers. This was done through two Council directives, adopted on April 11, 1967, requiring the member states to introduce as the common turnover tax system a tax on the value added (TVA) at each stage of manufacture and distribution.

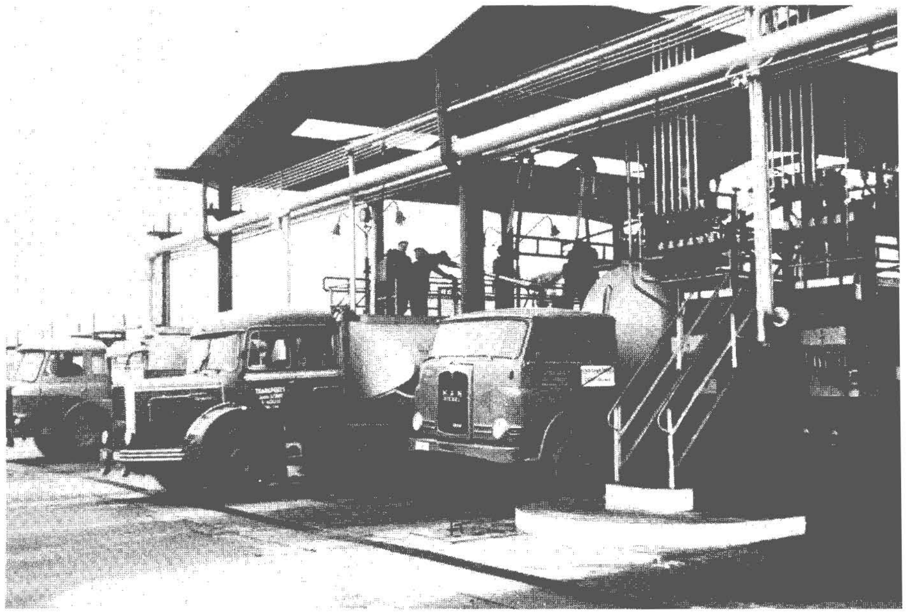
When the value-added system is in force throughout the Community, on January 1, 1972, the Six will have neutralized the turnover tax's impact on competition in the Common Market. Through an exact refund or levy at the internal frontier (tax exemption in the country of origin, taxation at the rate prevailing in the importing country) a given item, whether

SOURCES OF TAX REVENUE 1968
(tax revenue as a percentage of total taxes)

Country	Direct Taxes: Households	Direct Taxes: Corporations	Indirect Taxes (1)	Social Security (2)	Total Taxes as Percentage of GNP
Belgium	24.6	6.3	40.3	28.8	33.0
France	12.8	5.0	42.9	39.3	36.9
Germany	23.8	6.5	39.3	30.4	34.7
Italy	— 22.5	—	42.8	34.7	30.8
Netherlands	27.5	7.3	29.6	35.5	37.8
United Kingdom	31.2	7.8	46.2	14.7	32.8
Denmark	43.0	3.0	48.1	5.9	32.1
Norway	32.2	3.9	39.8	24.1	38.2
United States (3)	35.0	15.9	30.9	18.1	29.4

(1) Includes real estate and land taxes.
(2) Includes contributions of both employers and employees.
(3) Includes estate and gift taxes and various license fees.

SOURCE: First National City Bank. The data, based on United Nations National Accounts Statistics, are, with very few exceptions, those for calendar year 1968. Tax revenues cover all levels of government; GNP at market prices. Details may not add to totals because of rounding.



As taxes on commercial vehicles affect the cost of transport, and thus of goods, the Commission feels taxation in this area should eventually be harmonized. This effort, however, will have to await the completion of tax harmonization in the priority area of indirect taxes.

home-produced or imported, will always bear the same amount of tax in any member country although tax rates themselves are not yet harmonized.

Only the system is being made uniform; rates, definition of categories of merchandise, and exemptions are still largely a matter of individual decision by the member states. Thus, as tax frontiers still survive, a Volkswagen will cost more in one member country than in another. Since these tax frontiers hamper the process of aligning the national economies, tax structures and rates must be aligned. The Commission has made proposals for lowering tax frontiers by narrowing differences in the member countries' tax rates. However, these proposals pose major revenue and tax policy problems for the member states.

Rates are likely to be gradually lowered, but complete elimination of tax frontiers must remain the ultimate objective. Corporate social security taxes should also be harmonized because welfare payments by management affect price levels.

• **Excise Duties.** Excise duties will continue to play an important role in the Community, for they are major sources of revenue, particularly in France and Italy. The main impediments to harmonization are the large number of excise duties and differences in living and consumer habits from country to country.

The Commission has proposed that excise duties be levied on mineral oils, tobacco, spirits, beer, wine, and soft drinks. Member states have given the proposal a mixed reception. Germany, for example, would have to abolish a number of duties which yield sizeable revenue, such as the coffee tax, which brings in about $128 million a year. The introduction of a general tax on wines and soft drinks could create political, economic, and technical difficulties. Perhaps the Six should concentrate first on the harmonization of existing excise duties, such as those on mineral oil, tobacco, spirits and beer. In the long run, it will be necessary to produce a fairly uniform EC excise duty system if tax frontiers are to be eliminated.

Direct Taxes Also Need Harmonization

The level of direct taxation also calls for harmonization, for it has a marked influence on the competitiveness of companies and on decisions concerning investment and location of industry. Taxes erode the profits available to firms for self-financing.

An appreciable measure of neutrality can be achieved in this field only when the direct burden of taxation borne by competing firms in the Common Market is the same or nearly the same. However, it is precisely here that many varied and complex problems arise. Corporation tax rates should be aligned, as should also the bases of assessment, in other words, the rules governing the determination of profits and the rules concerning depreciation and reserves. In addition, these rules must be administered in the same way in each member country, an important point, for administrative practices tend to vary as widely as the actual regulations.

Amalgamations and Mergers

Harmonization of taxes on corporate amalgamations and mergers is urgently needed. It is in line with the objectives of the Common Market for firms to take advantage of the wider economic area and to amalgamate across national frontiers to form larger corporate units with better prospects on world markets. Tax obstacles to amalgamation must therefore be removed.

This is the background to the Commission's two draft directives of January 1969 for the international integration of parent and subsidiary companies and for international mergers. The first draft directive would ensure that dividends distributed by a subsidiary company in one member state to its parent company in another member state would not be subject to taxation when received by the parent company. The merger draft directive would lighten taxation of "hidden reserves" normally declarable at the time of a merger, i.e. the difference between the real and book values of an acquired firm's assets. The second directive parallels the efforts to establish a "European company," without which genuine international mergers are not feasible in civil law.

The authorities must, however, ensure that harmonized tax arrangements and appropriate rules for transnational mergers do not encourage merging firms to move to areas with more favorable taxation. Secondly, the member states must check that the directives do not provide too great an advantage vis-à-vis the non-harmonized rules for comparable domestic mergers. The Six should not introduce incentives to firms to arrange international mergers merely for tax benefits.

Capital Movements: Withholding Taxes

Another important policy objective is to neutralize the impact of taxation on capital movements in the Common Market. Because of differences in withholding taxes on interest, decisions on capital investment are not determined purely by economic factors. Withholding taxes should be harmonized, but the Six disagree over how this should be done. Some states want to abolish the withholding tax so as to free the supply of capital from this disincentive; others, particularly France and Italy, emphasize the value of the tax as a reliable source of revenue.

Also linked with integration of Europe's capital markets is the tax on raising capital. The basis of assessment and rate of this tax was largely harmonized by a directive of July 17, 1969; the Six agreed to keep rates within a range of 1 to 2 per cent.

Taxes on commercial vehicles, closely connected with transport policy, is another area in need of harmonization. The Six plan to relate the tax to highway construction costs, but this can only be done gradually. For private cars, the main task is to reform the basis of taxation.

Enlargement: No Major Problems

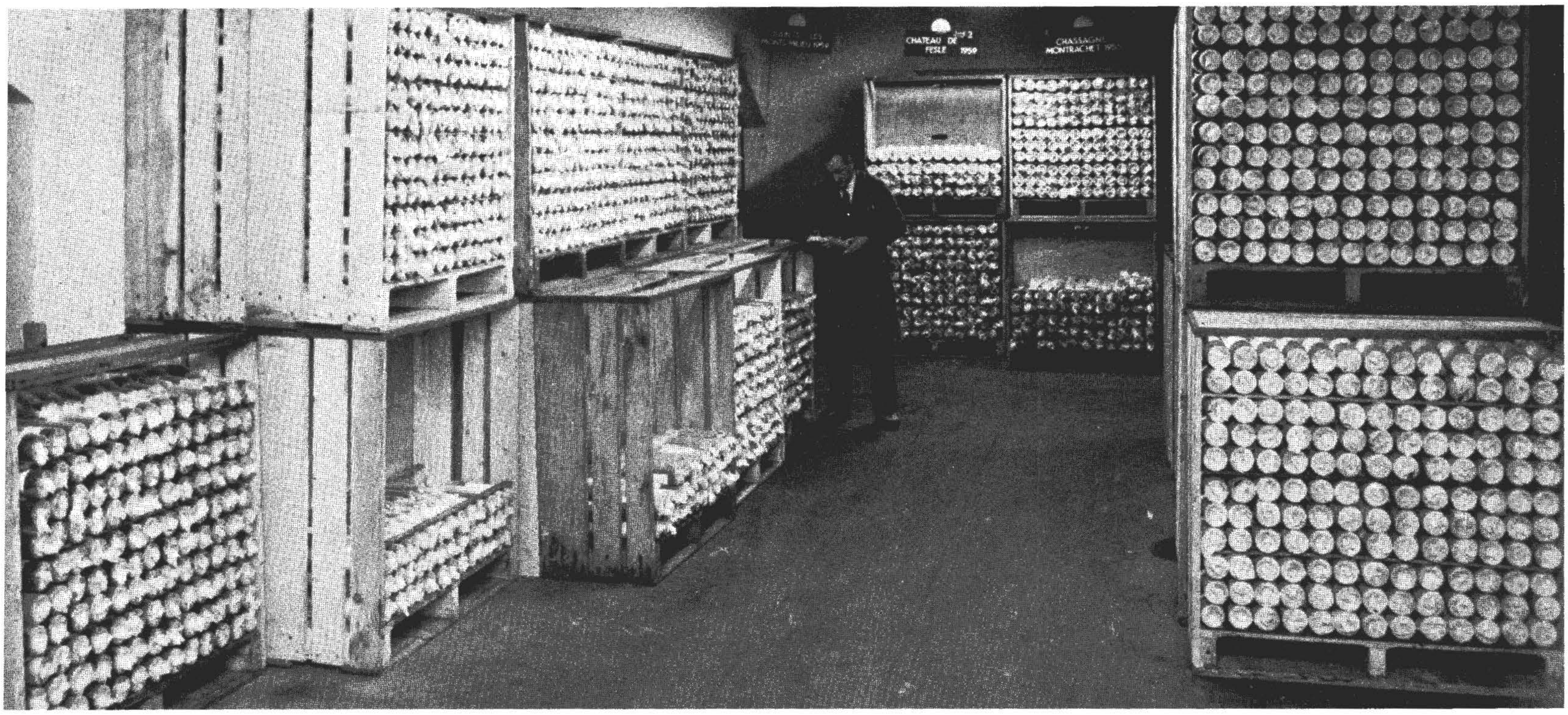
None of the completed tax harmonization measures raise major obstacles to the candidate countries' joining the Community. Neither do the candidates' tax systems differ so much from those of the Six as to cause insuperable difficulties in the future tax harmonization.

The main practical problem is the tax on the value-added. Fortunately, Ireland and the Scandinavian applicants (Denmark and Norway) have already introduced this system. Great Britain can be expected to introduce the tax during the transition period. For the other types of tax, the negotiations may show what additional problems accession will entail.

The politically neutral countries hoping for association with the Community will not have to harmonize taxes to the extent of eliminating tax frontiers. There is, however, a case for their aligning the structure of indirect taxation, i.e. for transition to TVA, enabling full and exact off-setting of taxes at the frontier. Some alignment of the direct-indirect tax relationship would also be desirable.

Overly ambitious or perfectionistic tax harmonization plans would likely paralyze the will to cooperate. In any case, a common market can function without taxation being unified at every point, as it does in the United States, for example, where there are still wide regional and local disparities.

Excise duties, such as those on wines, are major sources of revenue in France and Italy. The Commission has proposed that excise taxes be levied throughout the Community on mineral oils, tobacco, spirits, beer, wine, and soft drinks.



The US in the Commission's Annual Report

THE COMMUNITY ANSWERS CRITICISM OF CAP AND PREFERENTIAL TRADE ACCORDS

WITH THE TEXTILE AND SHOE CASE once again in "court," the European Community has decided to present its argument for the defense.

In its annual report on Community activities during 1970, released in Brussels and Strasbourg on February 10, the Commission defended the common agricultural policy (CAP) and its preferential trade agreements. Once again, the Commission expressed concern about the protectionistic aspects of the proposed U.S. trade bill which threatens, among other things, the Community's textile and shoe exports to the United States, valued at more than $4 million a year.

U.S. Wary of EC of "Ten"

The prospect of the Community's enlargement has made the United States more conscious of the possible effects of enlargement on U.S. economic and commercial interests, the Commission noted. Although the United States has traditionally taken a positive attitude toward expansion of the European Community's membership, recent negotiations with entry candidates have increased U.S. sensitivity to certain aspects of Community policies, including agricultural and preferential trade policies.

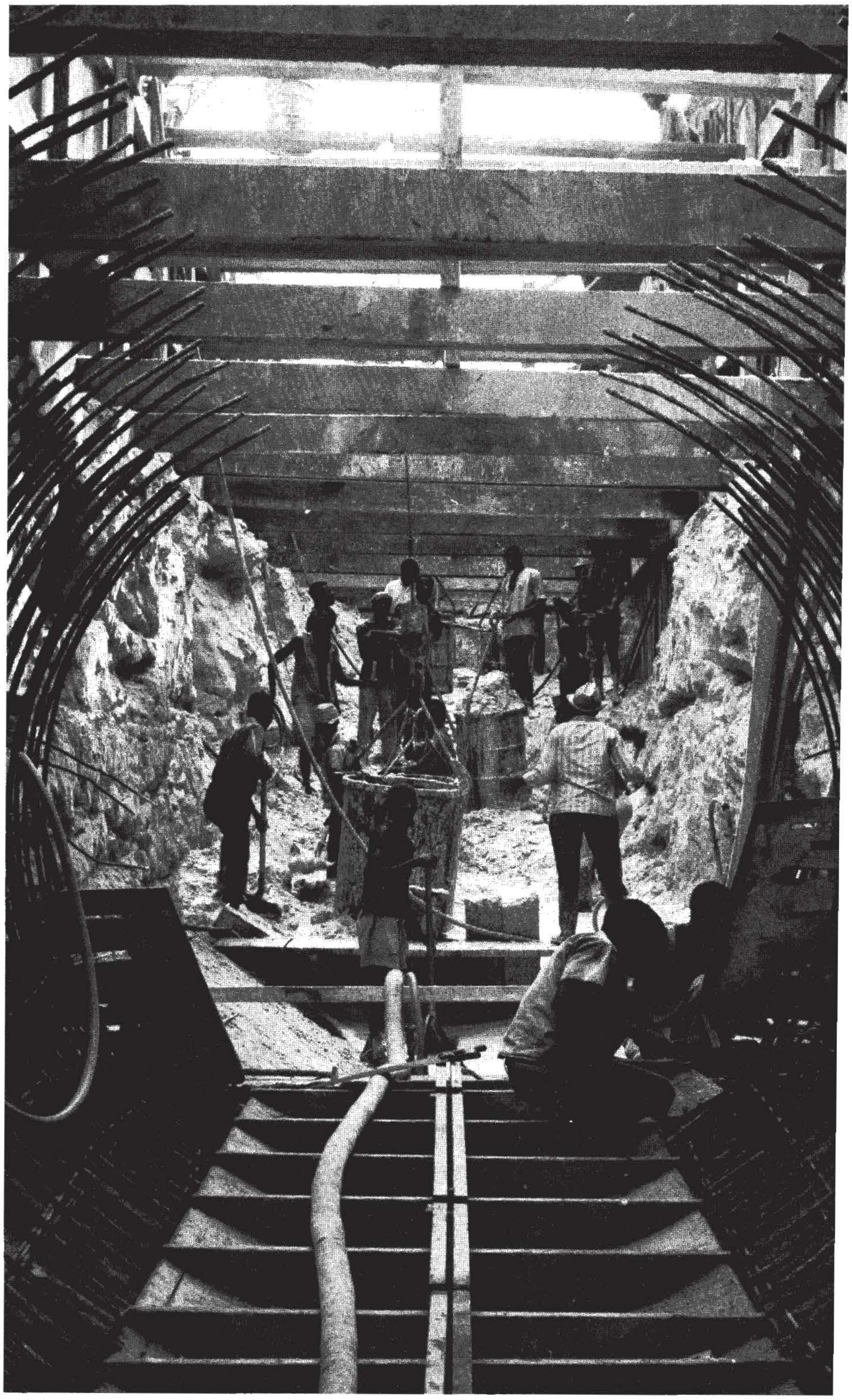
Faced with its own domestic difficulties, the United States has taken steps in the agricultural and international trade areas to protect domestic interests. The most recent proposal to restrict shoe and textile imports would directly affect Europe, in the Commission's estimation.

If rising tensions and defensive reactions are to be stemmed, an understanding of mutual problems appears to be the only solution. Since the Community's agricultural and trade preference policies have been cited in the United States as justification for U.S. protectionist measures, the Commission's report addresses both allegations.

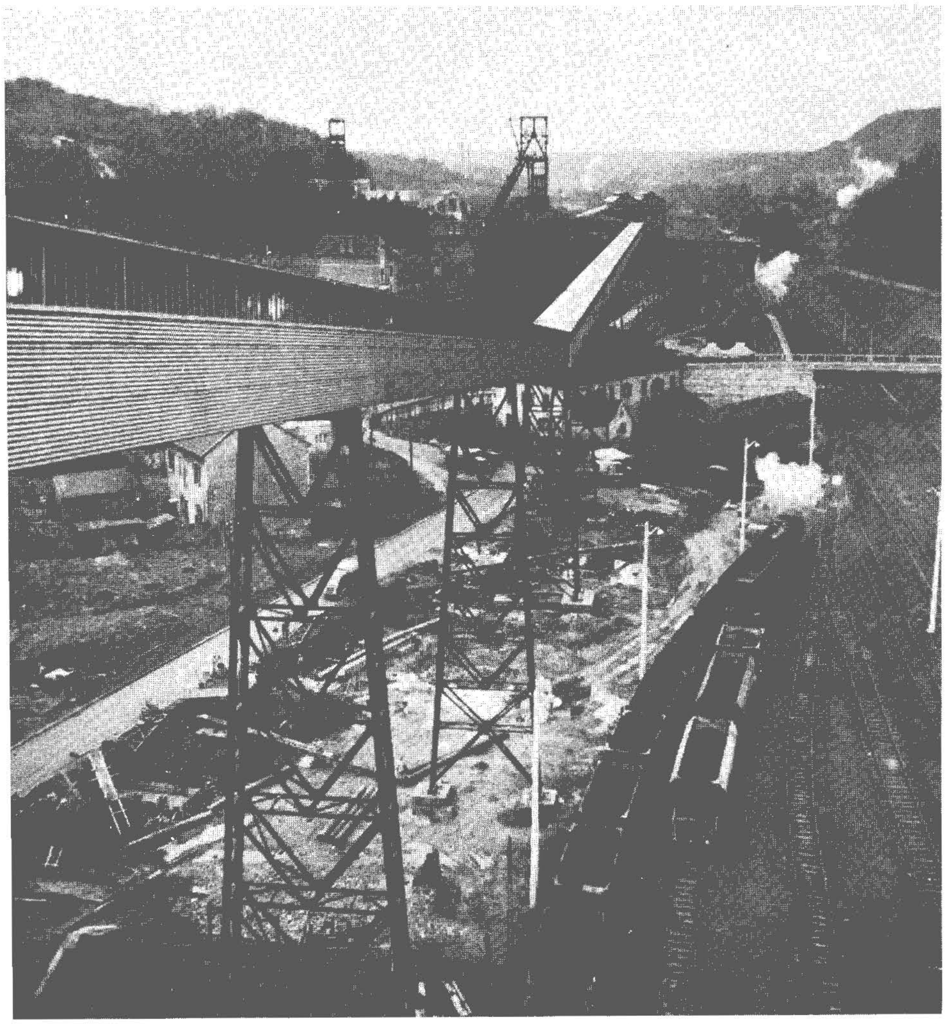
Agricultural Supports

U.S. criticism of the Community's agricultural policy is central to the trade dispute. The Common Market's high agricultural prices have been vehemently attacked in the United States. In the U.S. view, the Community's price policy, in the absence of production controls, unduly stimulates Community production, reduces the access of American products to the Community market, improves the competitiveness of Community products in other markets, and aggravates difficulties on the American domestic market.

The Commission replies that these criticisms do not take into account the very human and economic problems involved in European agriculture. American policies protect milk, beef, lamb, sugar, oil seeds and wheat products in a similar way, to the tune of Federal expenditures of $4-5 billion a year. Furthermore, U.S. agricultural exports to the Community in the first 10 months of 1970, totaling $1.2 billion, had already surpassed 1969 exports for the entire year. U.S. agricultural exports to the Community increased by 23.4 per cent during the first 10 months of 1970, while U.S. exports to other countries for the same 10 months only increased by 21.5 per cent, compared with the first 10 months of 1970. Admittedly, not all American products benefited equally in this increase, but this fact does not negate the Community's contention that it is trying to allow as open a market as possible.



Although the Yaoundé Convention, associating the Community with 18 African states dates back to 1958, it suddenly drew U.S. ire in 1970. In addition to granting the Eighteen preferential access to the Community's market, the agreement includes provision of Community economic aid to its associates. For the project shown—improving water supply in Brazzaville, Congo—the Community has furnished $3,383,000.



Coal was one of the imports on which the United States imposed restrictive measures last year, against which the Commission formally protested.

Understanding of mutual problems and responsibilities is essential to greater cooperation in the area of agricultural supports, the Commission said.

Trade Preferences

The second major American objection has a more recent origin: the Community's preference and association agreements with the countries of Central Africa and the Mediterranean. In 1965 and 1966, the United States opposed the planned Community agreements with Nigeria and three East African countries (Kenya, Uganda, Tanzania). The United States objected more strongly in 1969 after the Community concluded agreements with Tunisia and Morocco and, in 1970, after its agreements with Israel and Spain. The United States contends that these agreements run counter to the fundamental rule of nondiscrimination in international trade. It has therefore raised the issue within the framework of the General Agreement on Tariffs and Trade (GATT) regarding not only these recent agreements, but also the second Yaoundé Convention associating 18 African countries, most of them former French and Italian colonies. The Yaoundé Association dates back to 1958. The United States has also objected to these agreements, and questions whether they are compatible with the system of generalized preferences agreed to by the United Nations Conference on Trade and Development (UNCTAD).

In every case though, the Commission stated, there is a discrepancy between the U.S. attitude and demands and the actual economic and commercial importance of the agreements. The U.S. attitude is even less comprehensible considering the political importance of these special relations for the Community for evident historical, geographical, and economic reasons.

U.S. Protectionism

U.S. protectionist tendencies have increased substantially during 1970, the Commission said, as shown by the legislative history of the trade bill presented to Congress at the end of 1969. The original bill contained some liberal elements but it underwent profound changes in August 1970 after being reported out by the House Ways and Means Committee. This bill was reintroduced in the new Congress in January 1971.

Since the Community's declaration last October expressing deep concern over the protectionist aspects of the proposed bill and stating its willingness to search for solutions to mutual problems in the textile sector, a more or less permanent dialogue has since been maintained between the Commission and U.S. administration. *(See European Community No. 140, page 23.)*

The Commission also protested other U.S. restrictive measures during 1970, on glass, coal, bicycles, and transformers. Instances of U.S. protectionism in the application of administrative regulations are also increasing. A classical case occurred in 1969 when under the Gun Control Act, the United States prohibited imports of small firearms and munitions. This measure cut off $15 million-worth of Community exports and encouraged increases in sharp U.S. domestic production.

The Community has nevertheless abstained thus far from retaliatory action. It still hopes a solution to these problems can be reached, the Commission said.

Community Good for U.S. Trade

Trade with the European Community has been beneficial to the United States, the Commission noted. Community imports from the United States increased by 24.5 per cent during 1970, while its exports to the United States only increased by 9.3 per cent, leading to a net deficit in the Community's balance of trade with the United States.

U.S. trade with the Community has approximately tripled between 1958 and 1970. The 180 per cent increase in U.S. exports to the Community for this period compares to an increase of 140 per cent in U.S. trade with the European Free Trade Association (EFTA) and an increase of 120 per cent in U.S. trade with the rest of the world up to 1969 (homogenized figures for 1970, by area, are not yet available).

It can be seen from these figures that the Community has benefited not only its own members but also the United States, the Commission said. Hopefully the dialogue will continue, the Commission said, helping to eliminate misunderstandings and to increase the understanding of mutual problems, while recognizing that the United States and the European Community hold a special responsibility for the evolution of free trade.

COMMUNITY NEWS

TRADE FAVORS U.S., EC BALANCE OF PAYMENTS

The United States, Germany, and France benefitted from world trade during 1970, but the terms of trade again moved against the developing countries.

The Secretariat of the General Agreement on Tariffs and Trade (GATT) reported on February 12 that the value of world exports in 1970 had increased by more than 13 per cent, thanks to a sharp rise in export prices favoring the manufacturing countries (especially Germany) and to strong U.S. import demand despite a decrease in national income. Countries exporting mainly primary products, however,—as do many developing countries—were faced with relatively smaller increases in world prices for their goods.

The GATT Secretariat also noted that two developments in which Community members have participated—tariff reductions under the Kennedy Round and the activation of Special Drawing Rights as additional foreign exchange reserves—have also helped to increase world trade.

Prices Rise

Export prices of manufactured goods registered the sharpest annual increase last year since the Korean war boom, according to the GATT. Although they rose on the average by approximately 7 per cent during 1970, prices of primary products (excluding petroleum but including nonferrous metals) rose by an average of 4 per cent, due partly to sharp increases in the prices of some food products. The relatively higher rise in the prices of manufactured goods resulted in a shift in the terms of trade in favor of the manufacturing countries, particularly Germany and Britain. Higher export prices in Germany were caused mainly by the revaluation of the German mark, GATT said.

Imports Cost More

Imports increased in all industrial countries by more than 10 per cent in 1970. The increase was particularly high for all Community member countries but France. The rise in export prices was especially noticeable in U.S. and Dutch imports, while the products which Japan and France imported showed the lowest price rise.

Trade on Balance

With regard to the trade balance on currrent account (exports minus imports), the United States and Germany seemed to benefit the most. The U.S. trade surplus increased considerably and the German surplus increased even further. The French deficit was drastically reduced, while the deterioration in the visible trade accounts of most other European countries (including the Netherlands) was not large enough to upset the current account balance, except for Italy which showed a small deficit.

For the future, the GATT Secretariat noted that U.S. domestic expansion would probably increase its import growth after an initial time lag. The deceleration of domestic expansion in continental Europe, however, will probably continue. Export prices in industrial countries should increase less in 1971 than in 1970, although inflationary pressures and increases in petroleum prices may limit this trend.

POLITICAL INTEGRATION REQUIRES NEW STRUCTURE

Political integration will require modification of the existing European Community institutions.

Altiero Spinelli, Member of the Commission of the European Communities, stated on February 5 at the first European Symposium on Business Management, in Davos, Switzerland, that neither the Commission, the European Parliament, nor the Council of Ministers as they now operate has managed to set in motion the process toward full political integration. A common industrial policy and full economic union, he said, will require an adequate political structure to stimulate, direct, and control evolution toward these goals.

Institutional Obstacles

Commission Member Spinelli emphasized the fact that institutional obstacles prevent the existing organs from playing the role of political integrator. The Commission is hampered by political and juridical obstacles which prevent it from going beyond the letter of the Community Treaties. The Parliament is deprived of sufficient legislative powers. The Council of Ministers is paralyzed by slow procedures, interminable diplomatic discussions, the necessary delegation of responsibilities, and a tendency to insist on unanimity on important votes.

The future European government, Mr. Spinelli observed, will necessarily be independent of state governments and must have its own administration. It will have to be tied to a democratic control organ. The future structures cannot be derived solely from the Council of Ministers, Mr. Spinelli said. Rather, it will arise from the application of common policies in the fields of economics, international relations, and defense. Most importantly, the process of economic integration must be closely linked with the process of political integrâtion.

The Commission and the Parliament should be included in the determination and execution of the initial steps toward political union and in the elaboration of the conditions for passing to successive stages, according to Mr. Spinelli. A purely intergovernmental integration process executed by diplomats and high functionaries will be too narrow: the common interest and popular legitimacy as reflected in the Commission and the Parliament must be associated with the process.

THE MONTH IN BRIEF

March 1971

1 Commission Vice President Sicco L. Mansholt made a three-day visit to the United States (see page 12).

2 Membership negotiations continued with Denmark and Ireland at deputy level.

• Exploratory talks between Cyprus and the Community opened in Brussels.

3 The first meeting of the Community-Spain Joint Committee took place, in Brussels. Neither side felt that any problems had arisen since the agreement came into force.

18 The first meeting of the Permanent Employment Committee took place, in Brussels. The Committee was created last May as a forum in which Community officials, management, and labor leaders could discuss employment problems and measures to alleviate them.

22-24 The Council of Ministers reached agreement on farm prices and farm reform aid at a marathon that lasted all night. In demonstrations by farmers of the Six in Brussels, one person was killed and more than a hundred others were injured.

26 Commissioner Ralf Dahrendorf addressed the American Bar Association in Chicago.

COMMISSION NOTES MIDEAST OIL AGREEMENT

Higher prices for oil should not cause major difficulties for the Common Market.

Wilhelm Haferkamp, Member of the Commission of the European Communities, stated at a press conference on February 15 that the Commission is pleased that the oil-producing countries and the major oil companies have been able to reach an agreement on oil prices. He said that the price hike would not unduly disturb prices within the Community as long as consumer price rises merely reflect cost increases.

Competition in the energy market within the Community would play a major role, he said, in leading to the eventual reduction of costs, with similar consumer price reductions. The Commission hopes that a satisfactory agreement for supplying the Community with Mediterranean oil will be possible and that it will reflect the fact that the Mediterranean is of major importance to the Community's oil supply, he concluded.

MANSHOLT SETS FACTS STRAIGHT ON CAP

Commission Vice President Sicco L. Mansholt tried to clear up some misconceptions about the European Community's common agricultural policy during his March visit to the United States.

On March 3 he addressed the 1971 Farm Forum in Minneapolis, after attending a state dinner there on March 2 honoring Nobel Prize winner Norman Borlaug. On March 4-5, Mr. Mansholt was in Washington for talks with Secretary of Agriculture Clifford M. Hardin; Deputy Under Secretary of State for Economic Affairs Nathaniel Samuels; Peter G. Peterson, executive director of the Council on International Economic Policy, and other Administration officials. Mr. Mansholt was accompanied by his Chief Executive Assistant S. J. Jonker.

Exchange Visits Suggested

Mr. Mansholt told the Farm Forum that there was a lack of understanding in Europe about U.S. farm problems. He suggested that it would be an excellent idea if leaders of U.S. farm organizations could visit Europe to meet with their European counterparts and compare their problems.

There is also a lack of understanding in the United States about Europe's agricultural problems, he said. Basically, Europe's problem is a social one, the problem of too many farmers working uneconomical packages of land. Europe is trying to meet this problem, he explained, not through protectionism, but rather through social welfare measures to reduce the number of farmers. *(See European Community No. 143, page 12.)*

Quotas Ruled Out

The Community is trying to develop a specialized production, but this takes time, Mr. Mansholt said. The Community can either import grains, or meat and chickens, but not both. He said the Community had decided to go into animal husbandry and import grains, including feed cakes, such as those made of soybeans, an important American export to the Common Market. Once this trend takes hold it will increase the Common Market's grain imports, he added.

At a news conference before leaving Washington, Mr. Mansholt also pointed out that although the Commission had suggested small price increases for milk and meat this year, it had decided against allowing price increases in corn, another major American export to the Common Market.

Imports from United States

Total U.S. agricultural exports to the Community rose from $1.269 billion in 1969 to $1.559 billion in 1970, an increase of 23 per cent as compared with a 21 per cent increase in U.S. farm exports to the rest of the world. During the year, the Community's imports of soybean oil, oilseeds, and cake alone rose from $460 million in 1969 to $629 million in 1970. There was also an increase in imports of feeds, wheat, and flour.

Commission Vice President Sicco L. Mansholt during a news conference in Minneapolis

EC Support Lower Than United States'

Both the United States and the Community, protect their farmers, Mr. Mansholt said. The systems used are different, one by direct subsidies, the other by high prices. A comparison of the measures used shows that the United States spends more to protect each farmer than does the Community. Mr. Mansholt said that while the United States spends $1,300 per farmer, the Community spends only $860 per farmer. Since agricultural support is the root of the farm problem, Mr. Mansholt recalled that the Community had proposed negotiations for an international agreement in this area during the Kennedy Round of negotiations within the General Agreement on Tariffs and Trade (GATT), but the United States had said "No!" He suggested that both the United States and the Community should reconsider their interests, the interests of the developing countries, and the forum of discussion for these problems.

NEW DATES OF ECOLOGY FORUM ANNOUNCED

The European Communities symposium on "Radio-Ecology Applied to the Protection of Man and his Environment" will be held in Rome on September 7-10, instead of September 14-17 as originally announced.

The purpose of the symposium is to determine the extent to which current knowledge of radio-ecology can be used for the protection of man and his environment so that future research can be directed towards improving the efficiency of the fight against pollution. Radio-ecology is the study of the relationship between nuclear energy and the environment.

For further information see European Community No. 141, page 22.

ENERGY DEMAND, PRICES TO CONTINUE RISE

This year the European Community will need the equivalent of one billion tons of coal in energy, a record high.

According to the Commission of the European Community 65 per cent of those requirements will be covered by petroleum products. Steep increases in the demand for energy during 1970 (9 per cent above 1969 demand levels), combined with tight supply, have resulted in price rises that could lead to renewed pressures for investment in nuclear power stations, the Commission stated.

Oil Prices Rise

The Community has been troubled less by inadequate world oil production than by bottlenecks in the transport of oil to the Community, including the unforeseen severance of the pipeline in the Middle East and events in Libya which reduced the availability of oil from the Mediterranean. (Although these bottlenecks affect only a small portion of the Community's oil supplies, they drive up prices.) The Commission stated that the tight oil market will probably continue for some time and that the cost of crude oil would increase due to demands from oil-producing countries.

Oil has had to absorb most of the increase in Community demand for energy, largely because it had the greatest supply flexibility. Oil also bears the brunt of most of cyclical fluctuations in demand, the Commission said.

Natural Gas Prices Steady

Unlike prices for coal and oil, natural gas prices remained quite steady during 1970, the Commission noted. This stability was attributed largely to the nature of sales (long-term), to producers' attempts to stimulate demand for natural gas through low prices. In addition, because Community natural gas sources are almost entirely internal, they are not as subject to external events as its petroleum supplies.

The use of natural gas in 1971 will increase faster than the use of any other form of energy. More than half of the natural gas consumed in the Community will be produced in the Netherlands.

Coals Market Less Tight

A decline in the level of activity in the steel industry during 1970 eased the tight coal market, while price increases seemed to hasten households' change-over to other types of heat. Although the share of coal within the Community market fell less during 1969 and 1970 than previously, more coal came from abroad and domestic stock fell extremely low.

NIXON SEES ENLARGED EC AS "INDUSTRIAL POWER"

Enlargement and the moves towards economic and monetary union make the Community a potential economic giant, President Richard M. Nixon said in his second annual foreign policy report, submitted to the Congress on February 28.

The 180-page document, "Building for Peace," reviewed the premises and philosophy of U.S. foreign policy and indicated the President's current aims. In the section entitled "The Challenge of European Unity," the report said: "The European Community is on the threshold of a momentous advance." The Community's enlargement would make it a 'potential economic giant . . . a vast industrial power second only to the United States."

U.S. support for European unity was reaffirmed: "We welcome cohesion in Europe because it makes Europe a sturdier pillar of the structure of peace." It was also recognized that a united Europe would "pose problems for American policy," particularly in the field of trade where integration so far has been most successful.

Both the Community and the United States must work "toward a more equitable worldwide trading system." As both sides have a heavy responsibility in this area, they have been holding consultations since last year. The report indicated that the United States would "welcome" the possibility that has been mentioned for "higher-level Community representation in Washington" because of the "importance of close consultations." "In political and military relations as well, wisdom and statesmanship will be required on both sides of the Atlantic as Europe moves toward unity," the report said. No fundamental problem was seen here, however, as Western diplomacy shares the basic objectives of "Western security, European stability, and East-West detente" which could only be furthered by the addition of a second strong Western power, such as Europe, to "share the responsibilities of decision."

SOLVING US-EC PROBLEMS REQUIRES UNITED EUROPE

Only a United Europe can adequately protect Europe's interests in its relations with the United States, according to Jean Monnet "the father of a united Europe."

At an award dinner in his honor, in New York on February 18, Mr. Monnet said that the creation of large units "which can deal on an equal footing" was in the interest of peace, including peace in U.S.-European relations. Accepting the award from the Aspen Institute for Humanistic Studies, Mr. Monnet reviewed the process of European integration and forecast full economic and monetary union within a few years.

European cooperation, he noted, arose through the creation of common rules and institutions, suppressing national antagonisms, and establishing equality as the basis for relations among European states. The integration process has enabled a transfer of certain political powers to the central institutions, but it has not permitted the Community to act as a single entity in every area of U.S.-European relations.

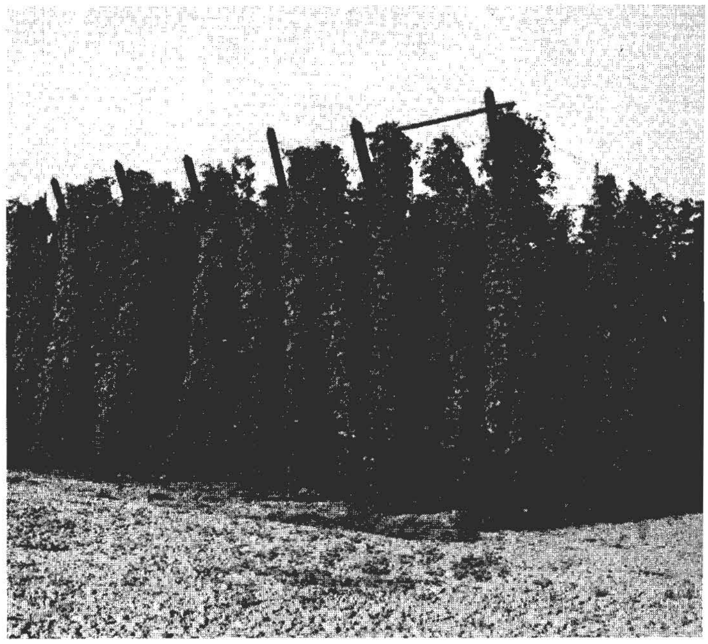
Only a portion of the economic problems which exist between the United States and Europe has been tackled thus far, he said: the tariff arrangements under the Kennedy Round. There remain many other areas in which problems with the United States have been dealt with only by individual European states, including common defense and monetary problems. Cooperation in these and other areas is "an essential element in the world balance," he said, and must assume a new form as European integration progresses.

INVESTMENT BANK ISSUES BONDS, BACKS LOAN

An Italian highway which should be completed this year has received a guarantee for an additional loan of $6.8 million from a German bank. The loan will be guaranteed by the European Investment Bank, according to the Bank's statement on February 17.

The loan will help to partially finance the construction of 31 miles of the Sestri-Levante-Leghorn highway, which should cost a total of $107 million. The Bank previously granted a direct loan of $25 million to the project in 1970.

The Bank also announced, on February 25, that it had concluded a contract to issue $20.7 million worth of bonds on the Dutch market. The 15-year bonds, bearing a 7.35 per cent interest payable yearly, will be redeemable after March 15, 1977. The proceeds from the sale of the bonds will be used for lending operations by the Bank.



A Flemish hops field. This crop may be brought into the common agricultural policy.

HOPS: A SMALL BUT IMPORTANT ROLE IN EC

The European Community, the world's leading hops producer, is thinking of extending its common agricultural policy to cover that basic ingredient of beer.

On February 26, the Commission sent to the Council of Ministers a proposal to that effect. The draft regulation covers certificates of origin and sets requirements for state certification, to be effective after August 1, 1972.

Although hops constitute only 0.2 per cent of Community agricultural production, the commodity is of major importance in certain areas of the Community. Germany, for example, produces 80 per cent of Community-grown hops.

The proposed regulation would permit the application of only the common customs tariffs, in order to facilitate vital interstate hops trade. Under certain conditions hops producers might be granted financial aid. Prices would be indirectly guaranteed: if the profit per hectare of cultivated land falls below target figure, the Community could offer to aid producers. If accepted by the Council, this assistance would be applicable to the 1971 harvest.

CORRECTION

In the February 1971 issue of *European Community* on page 27, the publisher of **Europe and America: The Next Ten Years,** by W. Randolph Burgess and James Robert Huntley, is Walter and Company and not Waler and Company as listed.

FIRST ALLOCATION OF 1970 FARM FUND

The Commission of the European Community announced March 12 that it had granted \$52,356,670 to 148 projects under the first allocation of the orientation section of the 1970 Farm Fund. The allocation was divided as follows:

Country	*Allocation*	*Number of Projects*
Germany	\$14,768,188	35
Belgium	4,161,002	30
France	11,414,886	34
Italy	17,493,093	37
Luxembourg	271,715	1
Netherlands	4,247,786	11
Total:	\$52,356,670	148

Of these, 81 projects designed to help improve the structure of production received \$26,761,656—51.1 per cent of the total allocation. Sixty-two projects, designed to improve marketing, received \$22,152,609—42.3 per cent of the total allocation. The remaining funds went to mixed projects and received \$3,442,405—6.6 per cent of the total allocation.

The 1970 Farm Fund has at its disposal \$285 million, but only \$160 million is reserved for financing individual projects. The second allocation will be granted in June or July and the third during the final months of 1971. The Fund operates retroactively, reimbursing the member states for part of their expenditures on approved projects.

TRADEMARK PACT PLANNED

Representatives of a dozen nations met in February in Geneva to lay the groundwork for a conference on trademarks—the names and symbols used to identify manufactured products.

The eventual goal is a worldwide system of registering trademarks to protect businessmen and to simplify purchasing by consumers. If successfully instituted, the system would reduce the amount of piracy of trademarks, thereby guaranteeing consumers higher standards of quality. Nations represented at the conference were Britain, the United States, Japan, Sweden, the Soviet Union, Algeria, Austria, Hungary, Germany, France, Switzerland, and the Netherlands. A diplomatic conference may be held in Vienna in May 1972 to move closer to a formal treaty.

Multiple Registrations

Trademarks—like "Coke," and "Mercedes Benz"—identify and distinguish merchandise from goods sold by others. A consumer of soft drinks knows at a glance that his "Coca-Cola" has the same quality each time he buys a bottle, even before tasting it. Each trade mark is backed by the reputation of its owner,

Trademark registration with worldwide validity would simplify life for manufacturers of every product bearing a trademark.

who wants to make sure that it is associated only with high-quality goods. Many large firms using trademarks have "money-back" guarantees if a buyer is dissatisfied.

The biggest problem now is that only the largest companies register their trademarks in many nations because of the expense and difficulty involved. This makes it harder for small and medium-size firms to expand into other countries and deprives consumers of a larger variety of goods. Attempts have been made to ease the difficulties of registering trademarks internationally, but no worldwide treaty is in force.

A treaty ratified by all nations would make possible one registration for each trademark, which would then be recognized in each land. A manufacturer or interested party in any nation could challenge the granting of a trademark registration if he believed his own rights would be impaired. A small businessman would be able to oppose a large foreign manufacturer illegally using a trademark.

The trademark system has been traced back more than 2,000 years to wine merchants and pottery dealers who put their own symbols on their products, which then came to be recognized in distant places. Persons who copied the symbols without permission could be punished.

UK-EURATOM PACTS

Britain has renewed its agreement with the European Atomic Energy Community (Euratom) for cooperation in the peaceful use of nuclear energy for another year, starting on February 4, 1971.

The original agreement was signed on February 4, 1959. Both parties have successfully cooperated in

- the study of controlled thermo-nuclear reactions for peaceful purposes
- fast-breeder reactor techniques
- advanced gas-cooler reactor systems.

A standing committee for cooperation was set up to ensure the smooth working of the agreement. At the end of October this year, consultations will begin to decide how long the next extension should last.

FAST WORK: DEVELOPMENT AID GRANTED TO AFRICA

Even the European Community is surprised at how quickly it has been able to begin drawing on funds made available only two months ago for development aid to Africa.

The second Yaoundé Convention continuing the European Community's association with 18 African states came into force on January 1, 1971, and the Commission has already passed 23 decisions granting development aid to Africa from the European Development Fund. The Commission of the European Communities announced the decisions, granting \$46,169,271 for technical cooperation and investment aids, on March 3.

Meeting on a provisional basis since the signature of the second Yaoundé Convention on July 29, 1969, the European Development Fund Committee reviewed aid requests from the associated states in the period between the signature and formal entry into force of the new convention. The purpose of the meetings was to help maintain continuity in financial and technical cooperation between the partner states after the expiration of the first Yaoundé Convention.

The decisions announced by the Commission on March 3 were:

Cameroon: \$3,800,000 to pay the company which constructed the first section of the Yaoundé-Belabo railroad for unforeseen technical difficulties and financial damage due to heavy rains in the area in 1966.

Scholarships: \$750,000 as supplemental scholarship aid for the 1970-71 academic year. On July 22, 1970, initial grants of \$4,600,000 were made from the European Development Fund and \$250,000 from the Commnuity's operating budget.

Cameroon: \$240,740 to pay 3 per cent of the interest on a loan granted by the European Investment Bank to Cameroon, amounting to \$1,800,000 at 8.5 per cent interest per year.

Upper Volta: \$79,251 to pay 3 per cent of the interest on a \$450,000 loan by the European Investment Bank.

Chad: \$2,375,000 as a supplementary grant to finish asphalting the Fort-Lamy-Guelendeng road. The European Development Fund previously granted \$7,229,000 to this project.

Fairs: \$2,560,000 to continue earlier programs to encourage the participation of the Community's African associates in trade fairs. The grant covers construction of booths, advertising, and personnel training.

Mali: \$955,000 to increase the Bamako water supply by constructing and equipping three underground reservoirs, three water towers, and a pumping station.

Niger: \$432,000 to make blueprints for the last two sections of the Niamey-Zinder road and to drill wells for use at the construction sites.

Niger: $634,000 for new construction at the National Medical School in Niamey, including an amphitheater-library, laboratories, and additional housing to expand enrollment from 97 students to 155.

Upper Volta: $846,000 to continue support for rural development in Yatenga through the offer of technical assistance personnel, material, and financial support to help increase rural production.

Cameroon: $1,035,000 for enlargement of the Vogt secondary school near Yaoundé to permit enrollment of 560 students instead of 450.

Cameroon: $5,401,000 to build two new technical schools in Bertoua and Buea and to expand three colleges in Garoua, Bafoussam, and Yaoundé. These projects will increase enrollment by 900 students.

Malagasy Republic: $5,401,000 to develop agriculture in northeastern Madagascar.

Mali: $2,126,000 for the development of fishing in the central delta region between Niger and Mali. The project includes equipment, the construction of trade centers, and technological research.

Malagasy Republic: $920,000 to train managers for 500 cooperatives. The four-year training program consists of two six-month sessions of theory, six months of practical application, and six months in the cooperatives.

Colloquia and newspaper: $184,000 for informing Africans about the Community. The 1971 program includes 16 colloquia and six issues of the "Association Courier."

Internships: $55,000 to train 20 experienced officials from the associated and non-associated African states in Brussels at Commission headquarters. Six students from associated countries will also be brought to Brussels to work as interns for the Commission.

Mali: $195,000 to train young farmers and their wives who plan to return to their native villages. The training centers are in Koni and Tominian.

Upper Volta: $2,053,000 to increase the water supply by improving water collection, treatment, storage, and pumping facilities.

Upper Volta: $1,388,000 as a supplementary grant to finish the road from Ougadougou to the Ghanaian border.

Cameroon: $8,200,000 as a supplementary grant for the construction of the second section of the Belabo-n'Gaoundere railroad.

Niger: $539,000 to extend for three years a project to encourage women to work in the most densely populated area of the country.

Technical Cooperation: $5,000,000 to finance technical cooperation and $1,000,000 to supervise projects, placed at the disposal of the director of the European Development Fund to assist the presentation of aid requests to the Commission and to finance general technical cooperation studies and projects.

The Commission also made two decisions for financing two non-refundable aids from the second European Development Fund. They include $85,154 which loan beneficiaries had returned to the European Investment Bank to pay interest. These funds will be reallocated to help accelerate financing studies and technical assistance projects.

The other decision grants $688,000 for a study of a high tension line between Kigoma and Mururu and for the construction of a medium tension line, both in Rwanda.

These two decisions raise the allocations from the previous European Development Fund to approximately $710,593,000 for 370 finance operations, representing more than 97 per cent of the total funds available ($730,000,000).

FOOD AID AND WHEAT CONVENTIONS RENEWED

The United Nations Wheat Conference in Geneva on February 21 adopted a three-year wheat agreement and a separate three-year pact on food aid for the world's poorer countries. Both new pacts are to take effect on July 1, replacing expiring agreements.

Final approval of the Wheat Trade Convention was made possible when the Soviet Union withdrew its opposition to the participation of the European Community with the same status as a national government.

Under the Food Aid Convention, eight nations (including Canada and the United States) and the Community promised to make available a total of 3,984,000 metric tons of wheat annually for the poorer countries, either free or under especially liberal terms.

The new wheat agreement fell short of the first accord by failing to set minimum and maximum prices. It keeps the present International Wheat Council as a consultative forum while leaving the door open for the calling of another conference whenever an agreement on prices appears possible.

FRANCE ALTERS RULES ON FOREIGN INVESTMENT

The French Government has modified its regulations on foreign investment to conform with Community rules. As a result, the Commission is expected to drop proceedings against France in the Community's Court of Justice, which it had initiated in October 1969.

The Commission had contended that French legislation introduced in January 1967 conflicted with Common Market Treaty provisions for the freedom of establishment and free movement of capital. Under the regulations concerned, all foreign companies investing in France had to submit their plans to the Finance Ministry for authorization.

Following a decree published in Paris in February this year, Community companies will no longer be required to declare their intentions to take over or acquire participation in French companies under the January 1967 regulation.

A second decree reintroduced the authorization requirement under another heading, the French exchange control legislation of 1968. This legislation was approved by the Commission in the context of the devaluation of the franc. The practice of examining foreign investment will therefore continue for the time being, but it must cease when the exchange controls are removed.

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.

Nontariff Distortions of International Trade. By Robert E. Baldwin. The Brookings Institution, Washington, D.C., 186 pages plus appendices. $6.95.

A study of national policies and nontariff trade distortions, with suggestions for change.

The author studies the economic effects of nontariff barriers to trade and analyzes the current policies of major industrial countries, including import quotas, export subsidies, governmental procurement policies, border taxes, domestic production subsidies, customs procedures, and antidumping codes. He suggests ways to mitigate the effects of these policies, proposes improvements within the negotiating framework of the General Agreement on Tariffs and Trade, and states that significant reduction of nontariff distortions requires more flexible exchange rates and domestic programs enabling adjustment to foreign competition.

Common Market and American Antitrust: Overlap and Conflict. Edited by James A. Rahl. Antitrust Project of the Special Committee on the European Common Market, Association of the Bar of the City of New York, Volume 4. McGraw-Hill Book Company, New York, 1970, 460 pages. $32.50.

An extensive analysis of the extraterritorial scope of U.S. antitrust laws and their conflict with restrictive practice laws in the European Community. The Special Committee examines potential and actual conflicts among trade regulation laws in the United States and the Common Market. This study identifies many of the legal, economic, political, social, and diplomatic problems involved where inconsistent laws under different jurisdictions are applied to a given party or transaction. It also reviews past and present methods of dealing with international antitrust problems by means of international law, treaties, organizations, and methods of consultation.

PUBLICATIONS AVAILABLE

RECHERCHE FONDAMENTALE SUR LES PNEUMOCONIOSES. *Collection d'hygiène et de médecine du travail* No. 10. Commission of the European Communities, Luxembourg, 1970, 439 pages $9.00

Proceedings of a symposium on research in pneumoconiosis held in Florence, October 16-18, 1968.

THE EUROPEAN DEVELOPMENT FUND: ACCESS TO CONTRACTS. Commission of the European Communities, Brussels, 1970, 38 pages .. free

Outlines the conditions for firms participating in contracts financed by the European Development Fund, the awarding of the contracts, and the supervision of the performance of the contract.

POLICY ON THE BOND MARKETS IN THE COUNTRIES OF THE EEC. Monetary Committee of the European Communities, Brussels, October 1970, 197 pages $2.00

English edition of report first available in French and German and announced in European Community No. 143, March 1971.

LA RECHERCHE CHARBONNIERE ENCOURAGEE PAR LA COMMUNAUTE ET SES RESULTATS: APERCU GENERAL. RECUEILS DE RECHERCHES CHARBON No. 33. Commission of the European Communities, Luxembourg, 1970, 17 pages $1.50

Also available in German. General summary of the actions of the European Coal and Steel Community in financing research in mining and use of coal.

COMPTES SOCIAUX 1962—1967. *Statistiques Sociales* No. 3, 1970, Statistical Office of the European Communities, Luxembourg, 1970, 147 pages $2.00

Discussion and detailed statistics on the Social accounts, both receipts and expenditures, of the member states from 1962—1967. Also includes an annex on methodology and an annex on the nomenclature of each member state's social security and employee benefits system.

REPERCUSSIONS DU MARCHE COMMUN DANS LE SECTEUR DES BIENS DE CONSOMMATION ELECTROTECHNIQUES. *Série Industrie* No. 3, Commission of the European Communities, Brussels, 1970, 38 pages $1.60

Studies the effect of the establishment of the Common Market on the electrical appliance market. Covers refrigerators, washing machines, stoves, radios, televisions, phonographs, irons, vacuum cleaners, and other kitchen appliances. The effects on intra-community trade, foreign trade, production, price, quality, and the retail and wholesale trades are analyzed.

LES CADRES JURIDIQUES DE LA COOPERATION INTERNATIONALE EN MATIERE SCIENTIFIQUE ET LE PROBLEME EUROPEEN. Commission of the European Communities, Brussels, May 31, 1970, 642 pages $6.00

Proceedings of the two conferences devoted to international, scientific cooperation, particularly European cooperation. The first conference, held in Aix en Provence in December 1967, was devoted to aspects of private and public law concerning international scientific cooperation. Bilateral and multilateral cooperation as well as the experience of European Atomic Energy Community were also discussed. At the second conference, in Nice in December 1968, international organizations such as the European Center for Nuclear Research and the Council of Europe were studied. Also discussed were juridical techniques for increasing cooperation in the future. Problems of finance, contracts, diffusion of knowledge, and particular problems of the researcher were debated.

PROPOSAL FOR A THIRD DIRECTIVE ON MERGERS BETWEEN JOINT-STOCK COMPANIES. *Bulletin of the European Communities*, Supplement No. 5, 1970, Commission of the European Communities, Brussels, June 1970, 30 pages .... $.30

English translation of a proposal for a third Council directive to coordinate the safeguards which the member states require of companies, as defined in Article 58 of the Common Market Treaty, to protect the interests of members and other parties in mergers of corporations. Submitted by the Commission to the Council on June 16, 1970.

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