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## CONTENTS

- 3 Major CAP Overhaul** *Michael Berendt*
- 5 Social Policy and Economic Union** *Albert Coppé*
- 7 Europe's Working Women** *Margot Lyon*
- 9 New Trade Talks**
- 12 European Design Centers** *Alastair Best*
- 14 Cross-Border Banking** *Ugo Piccione*
- 16 U.S.-Community Relations Upgraded**
- 17 Community to Grant Generalized Tariff Preferences**
- 18 Inflation: Barre Warns of Complacency**
- 19 Commission Proposes Social Fund Reform Rule**

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COVER: Europe's working women, such as this German construction technician, have access to some jobs traditionally held by men, but double standards still govern their wages (see stories pages 5 and 7). PHOTO: Courtesy German Information Center, New York.

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# Major CAP Overhaul

## FARM ENLARGEMENT AND RETRAINING AND RETIREMENT AID TO FARMERS LINKED TO PRICE RISES

MICHAEL BERENDT *editor of Green Europe, a biweekly bulletin for the British agricultural industry.*

AT A RECORD THREE-DAY MARATHON SESSION in Brussels on March 22-24, the Common Market's Council of Ministers decided on the first overhaul of the common agricultural policy (CAP) and the first changes in major commodity prices in three years. Faced with farmers' riots, the member countries' only alternative to this Community action had been to resume their control over domestic agricultural policy. (*See European Community No. 143, page 12.*)

The Council decision, linking structural reform and social aids to price increases, brought new hope to the Community's farmers and farm workers. Up to \$1.5 billion will be available over the next four years to modernize farms and help farmers who leave the land. The price increases themselves were slightly higher than those suggested by the Commission but lower than the hikes demanded by the Committee of Agricultural Organizations (COPA), the lobby in Brussels representing farmers' unions throughout the Community. For major import commodities, such as corn, the interests of non-Community countries were also considered; in this instance, the price increase was limited to 1 per cent.

### The Mansholt Plan

The memorandum containing proposals for revamping Community farming over a ten-year period had been before the Council of Ministers since December 1968. Drafted by Commission Vice President Sicco L. Mansholt, the plan was designed to eliminate the gap between rural and urban standards of living. Small, inefficient farms were to be consolidated into large production units. Two million of the Community's 10 million farmers were to be retired or retrained for other occupations. Balance between supply and demand for agricultural commodities was to be improved. The cost of the program was to be shared equally by the European agricultural fund and the individual member country involved in a project.

The need for a Community policy extending beyond simple price changes can be vividly illustrated by signs of social strain. In France, for instance, the suicide rate among farmers far exceeds the rate in any other segment of the population. Of French farmers who die between the ages of 36 and 45, one in nine kills himself. In Belgium, one farmer in four owning less than 25 acres of land is unmarried. Such strains can be alleviated only by social and structural reform.

Thus, in April 1970, after the Mansholt Plan had been discussed at length throughout the Community, the Commission sent its first legislative proposals to the Council to carry out some of the recommended actions. "An ambitious attempt to incorporate peasant agriculture into the industrial society of the 20th century," the Commission described these proposals, which were the point of departure for the year-long debate that ended with the Council's March marathon.

The impasse between the Council and the Commission left the Community's farmers in a bind as the cost of living rose, eroding their income which remained stable. Farmers' demonstrations, both against the national governments in their capitals and against the Community in Brussels, gathered momentum while these proposals were being debated. With fresh memories of the February Council session, crashed by disgruntled farm-

ers and three cows, the Council held its March session on the top floor of a building safely on the other side of town, while farmers once again demonstrated outside the Council's normal meeting place. After a peaceful start, violence erupted and spread through the crowd, leaving one farmer dead and at least 120 injured.

### Prologue: The National Views

At the meetings leading up to the Council's March decisions, Mr. Mansholt emphasized that no proposals on pricing would be made without complementary measures on the social and structural side. The Germans and the Dutch, whose primary interest was in price increases, were reluctant to agree to Community involvement in a reform program and criticized the Commission's attitude; but the Italians would not approve any price increases without such involvement.

The Germans, heavy net contributors to the Common farm fund, stood to pay out even more for a common policy which would largely benefit France and Italy. A detailed reform program on the lines of the Mansholt Plan had already been introduced by the German Minister of Agriculture, Josef Ertl, and Germany had a well-established tradition of part-time farming which eased the social pressures on the farming community and the farm fund.

The Italians, also net contributors to the farm fund, had no national programs for reform, although in Italy farms of less than 25 acres account for 40 per cent of the total farming area and nearly nine-tenths of the number of holdings in the country. It was clearly in Italian interests to agree to Community-financed reforms but to oppose price increases.

The French Government favored Community participation in reform but took a more independent line on prices. Jacques Duhamel, who was then Minister of Agriculture, wanted to change the ratio of grain to livestock prices by increasing beef and milk prices but holding grain prices steady. This plan would have restored the relative levels applied in France before the Community's first prices were agreed upon. Grains are the basic raw material of the livestock producer. When grain prices increased faster than prices of animal products in the 1960's, costs were increased, inhibiting French attempts to boost meat output. Thus, Mr. Duhamel wanted no change for grains but increases for livestock. The Belgians supported him.

On the other hand, the Germans, whose farm income had dropped after the 1969 revaluation of the mark, and the Dutch, who had an election looming, wanted general increases on all commodities to meet the needs of their own farmers.

### The Bottleneck

At the Council's meetings last December, there was a sense of impending crisis. "If there is no solution in the field of prices, then individual governments will have to take national measures," said Pierre Lardinois, Dutch Agriculture Minister. In this bleak situation, the Commission finally put forward detailed proposals in mid-February. Price increases were tied to social measures.

Minor increases were proposed for soft wheat (2 per cent), for barley (5 per cent, to encourage a switch from wheat), for

milk (5 per cent) and for beef (5 per cent this year and 5 per cent next). Higher price increases, argued the Commission, would make it more difficult for countries applying for Community membership to align their domestic prices with the Community's. The corresponding increase in import levies would also have worsened already tense trade relations with non-member countries, particularly the United States. The Commission again stressed the inadequacy of price policy alone and insisted that price increases could not be separated from structural measures.

The German Government, which like the Dutch had been threatening unilateral action, broke the impasse by putting forward the outlines of a package deal that included an immediate increase in prices and gradual introduction of common structural policies by member countries, to be carried out step by step with the development of full economic and monetary union and a common regional policy. Under the German proposals, the financing available for structural reform would be confined to the \$285 million a year already earmarked in the Guidance Section of the European farm fund.

These proposals formed the basis of discussion during the first day of the final meetings in Brussels. Although they met with qualified approval from several delegations, the Italian team insisted on a stringent commitment to Community reforms, urging the Six to accept in an institutional and concrete way the close interdependence of price policy and Community structural policy. Without such a commitment the Italians would not agree to price increases.

On the financing of farm reform, Italy supported the case for an average 50-50 sharing of costs by the Community and the member country involved, but other member governments wanted the Community to supply less than 50 per cent. The German delegation again called for concurrent progress in monetary, social, and regional policies but was told by the Commission that the farmers could not be made to wait until the Community had reached that stage.

### **The Final Package**

On March 24, the Commission put forward a new package. It proposed raising prices slightly more than originally recommended and substantially similar, but less expensive and less ambitious, measures in the structural and social fields. The concept of "economically backward regions"—in which Italy was particularly interested—was also introduced. In poor areas the European Agricultural Fund would contribute 65 per cent of the costs of reform, as against 25 per cent in the rest of the Community. These proposals formed the basis for agreement.

The agreement provided for increases in the target or guide price (which is not the guaranteed but the "desirable" price) of 2 per cent for hard wheat, 3 per cent for rye and soft wheat, and 5 per cent for barley. Corn goes up 1 per cent, with bigger storage incentives than previously. On the livestock side, milk is up 6 per cent, beef up 6 per cent this year and 4 per cent next year, and veal up 3 per cent. However, the Six set lower increases for intervention prices (the price at which the farm fund is obliged to buy the product): up 2 per cent for hard wheat and rye, 3 per cent for soft wheat, and 4 per cent for barley.

In the social field, member countries are allowed wide discretion in the choice of methods used to apply the common policies, but they must apply them. (The reform guidelines are in the form of a resolution, which is politically rather than legally binding.) Farmers and farm employees between the ages of 55 and 65 who wish to leave agriculture will be offered an annual pension of \$600, or a lump sum, which would qualify for subsidy from the common farm fund. Governments may also provide payments by acreage to any farmer prepared to quit, but such payments would not qualify for the farm-fund subsidy. The Six will provide vocational retraining (and information on farm accountancy), with a guaranteed income for the period involved, for farmers who want to switch to other jobs. The European Social Fund will help finance this retraining. There will also be education grants to children of poorer farmers.

On the structural side, farmers who remain on the land need not farm units of a minimum specified size in order to qualify for modernization aid—an aspect of the original Mansholt Plan. Farmers who submit development plans showing that two workers will be able to earn "adequate" living on the holding after six years can qualify for help with their interest payments on capital needed to raise productivity. In certain regions, decreasing income allowance will be made to help them until their plan is complete. "Adequate" income is considered to be an amount comparable to the incomes of other workers in the region. An extension service will be provided in each country to advise farmers on social and economic problems and further retraining and education for those staying in the industry. The Six will also offer financial incentives for the formation of co-operatives and associations of co-operatives for production and marketing.

The present agreement on farm structure, valid for four years, will be financed by guidance funds already allocated within the common farm fund. These amount to \$285 million a year, plus accumulated balances of at least \$350 million, giving an estimated total of \$1,490,000. As proposed by the Commission, the common farm fund will finance a quarter of the cost of structural reform projects; in backward areas, however, it will contribute 65 per cent of the total eligible.

### **Coordination of Incentives**

As the joint reforms are brought into operation, the Six plan to harmonize investment and other aids given to farmers. At the March session, the ministers agreed that rapid progress in carrying out common regional and social policies and economic and monetary union would help considerably in reforming farming. In other words, the Six must match their efforts to encourage small-scale farmers to leave the land with incentives to attract new industries to the area (regional policy) and steps to retrain ex-farmers for new jobs in those industries (social policy).

A major shift of emphasis in the common agricultural policy towards structural reform could end over-production by the marginal producer desperate to make a living. In the long run, therefore, the long-awaited compromise agreement of March should lead to a more prosperous farming community, lower the burden on the Community taxpayer (resulting from price support and export subsidies), and ease relations with large farm-produce exporters like the United States.

# Social Policy and Economic Union

ALBERT COPPE

STRUCTURAL UNEMPLOYMENT and high rates of unemployment in poor areas and among unskilled workers marred the European Community's employment picture in 1970.

In southern Italy more than 530,000 people were out of work, and substantial structural unemployment occurred in other remote and underdeveloped areas. Unemployment was also a problem for young workers, and women were hampered on the job market by lack of training and experience.

## Trend Toward Escalator Clauses

The effort to raise minimum wages continued throughout the Community during 1970, with the accent on "escalator clauses," in view of the high rates of inflation in several countries. To maintain the purchasing power of workers and pensioners, wages and pensions are more and more often related to the cost-of-living index. In addition, there is a growing trend toward paying workers monthly salaries instead of hourly wages. An effort is also being made to lighten the tax burden on low-income groups and to adjust the tax rates to price movements.

Most of these improvements originated in consultations between labor and management.

Collective bargaining agreements concluded last year also introduced other substantial improvements in wages and other terms of employment of wage-earners. Despite the rise in prices, from mid-1969 to mid-1970, workers' purchasing power increased by 16 per cent in Italy, 11 per cent in Germany, 10 per cent in Luxembourg, 9 per cent in Belgium, 6.5 per cent in the Netherlands, and 4 per cent in France.

Considerable progress was made in Germany, France, and the Netherlands to help workers acquire assets. In Belgium a collective bargaining agreement included, for the first time, provisions to stimulate savings. This issue is now being studied in Italy, Germany, and the Netherlands.

New collective bargaining agreements also confirm an earlier trend towards a 40-hour working week. There was a rise in the length of paid vacations, in some cases, combined with increases in the amounts of vacation bonuses. However, the percentage of the population spending vacations abroad increased only slightly, to 40 per cent in Germany, France, and the Netherlands and to 26 per cent in Italy. Even with vacation bonuses, incomes were still inadequate for travel, especially in the case of large families.

As business continued its drive to improve efficiency, particularly through mergers, unions tried to protect workers against dismissals and demotions. Numerous agreements designed to provide such protection were signed in 1970.

Both labor and management were busy at Community level in the field of industrial relations, partly in connection with workers' representation in the proposed European type company.

## Rising Cost of Social Security

Social security systems still had to contend with serious financial difficulties in 1970. These difficulties did not prevent increases

*Commission Member Albert Coppé has special responsibility for the Community's social and labor policy. This article is based on his address to the European Parliament in Strasbourg on March 10, 1971, when he presented the Commission's annual report on labor and social conditions.*



*Women are often relegated to unskilled jobs that are least in demand, fruitpacking, for instance, here in Pontecagnano, Italy. PHOTO: Courtesy Italian Government Tourist Office, New York.*

in payments, however, which now account for 20 per cent of national income. As in previous years, new segments of the population became eligible for social security. Although every member country has the same problems, no common solutions have yet been suggested.

## Environmental Control

The Commission considers that a clear-cut common policy will soon have to be defined for the protection of the environment,

especially combatting air and water pollution. As a first step, it wants to see programs for controlling radioactivity in the environment and for harmonizing techniques for measuring air and water pollution.

### **Main Events of 1970**

Last year saw three main events in the Community's social and labor policy:

- The Luxembourg conference on employment problems of April 1970. The first of its kind, it was attended by representatives of the six member governments, the Commission, and representatives of labor unions and management associations
- The establishment of a Community Standing Committee on Employment
- The reform of the European Social Fund making it a flexible instrument of employment policy.

In 1970, the European Social Fund gave retraining and resettlement assistance amounting to \$37 million. (The Fund, under its present rules, refunds up to 50 per cent of the member states' expenditures on approved projects. This percentage will change upon completion of the Fund's reform [see page 19]). The aid given in 1970 resulted in net transfers of resources to Italy (\$7 million) and, for the first time since the Fund began operating, to Germany (\$4 million).

In addition to this aid, given to workers in industries covered by the Common Market Treaty, readaptation aid was given to workers in the coal and steel industries, covered by the European Coal and Steel Community Treaty. In 1970 about \$25 million was paid to help 21,000 coal and steel workers.

### **Continuing Labor Shortage**

The labor shortage continues in some parts of the Community as a result of the slow increase in population, the lengthening of compulsory education, reduction in working hours, and improved pensions. Other contributing factors were inefficient use of available manpower, poor training, inadequate vocational guidance, and insufficient mobility of labor.

Highlighting the shortcomings of placement systems within the Community, migrant workers from outside helped to bridge the gap. The number of non-Community nationals working in the Six rose from 207,000 in 1961 to nearly 700,000 in 1969. The number of Italian migrant workers working in other member countries declined from 200,000 in 1961 to 145,000 in 1969, as measured by the number of foreign work permits issued for the first time.

### **Structural Unemployment and the Social Fund**

Despite the general improvement in employment, the number of jobless in Italy is still an urgent problem. The Community will have to consider how much more attention should be paid to the principle of hiring unemployed Community nationals before employing foreign workers. The Commission has submitted a memorandum on the matter to the Council, and the discussion is under way.

On the other hand, structural employment should be viewed in a broad context. The reformed European Social Fund should produce substantial results in dealing with structural unemployment—a problem that affects other member states as well as Italy.

The European Social Fund will not be enough on its own. The Community will also need a highly developed regional policy, i.e. investment planned to create jobs and develop infrastructures. Alongside the European Social Fund and a regional policy, the European Investment Bank will have to be brought in to ensure coordination of all available resources.

If the economic situation remains the same, the flow of foreign workers will continue. These workers' living conditions deserve more attention than they have received so far. Practically no facts or figures are available on such matters as the workers' accommodation, family situation, and leisure activities.

### **Statistics Needed**

The biggest problem in the Community labor lies in the inability to get a clear view of the market and employment structure for lack of harmonized statistics and a standard definition of such concepts as "unemployment," and "insured persons." It is impossible to make country-by-country comparisons. The problem will have to be tackled at various levels—in the Standing Committee on Employment, and in the Committee on Free Movement, in close cooperation with the Community's Statistical Office. Later, effort should be given to developing Community-level employment forecasts, both for regions and for industries, and even for groups of workers.

### **Discrimination Against Women**

Employment possibilities for women leave much to be desired. In many cases women are trained for the jobs that are least in demand.

The unemployment rate among women is fairly high, probably because of insufficient mobility and inadequate occupational skills, but because of other reasons too. In three of the six countries it is higher than the overall unemployment rate. The Commission has been disappointed to see how little progress has been made towards the introduction of equal pay for equal work, as required by the Common Market Treaty. There are disparities in earnings for skilled, semi-skilled, and unskilled workers alike in every industry surveyed so far.

The Commission is taking part in a survey on conditions for working married women in the member states, conducted by the National Center for Labor Sociology in Brussels in cooperation with independent experts. The survey covers the training and qualifications of women, their terms of employment and working conditions, and how these fit in with the women's domestic obligations. Here, too, the object is to obtain a basis for action.

### **Social Needs of Economic Union**

The advance to full economic and monetary union must be accompanied by progress in the field of labor and social policy. Clear and complete knowledge of the labor market must be obtained, so that foreign workers can be smoothly assimilated, structural employment problems solved, and the situation of working women improved.

The Council's decision to prepare medium-term forecasts for social-security benefits and the drawing up of a "social budget" are first steps towards harmonization of the member states' social policies.

# Europe's Working Women

## "EQUAL PAY FOR EQUAL WORK" STILL A DISTANT IDEAL

**MARGOT LYON** a British freelance journalist living in Paris, contributes to The Baltimore Sun. This article is based on an unpublished study by Evelyne Sullerot, a French sociologist.

MEN AND WOMEN should receive equal pay for equal work, the Common Market Treaty ruled thirteen years ago. But the European Parliament concludes that the principle still is not being applied.

The European Community until recently has paid little attention to any of women's special problems in an industrial society. Perhaps some echo of the women's liberation movement has at last prodded the Six to show concern for the long disregard of Article 119, the equal pay for equal work clause. The Commission ordered an investigation into the role of woman as worker some months back. It did not do it at the prodding of women. Women are still negligible as a social and political force within the Six. One small indication of their status is that the Commission itself has appointed only a few women to its own top jobs since the Common Market's foundation in 1958, and women have never protested much about it.

### Unsalariated Women: A Potential Burden

Women are obviously in a special category because they have the unique social role of producing children, which complicates their right to work and earn during their child-bearing years. However, these years tend to end early, now that women can plan their families. As the Community member states have 93,930,000 women, representing 52 per cent of the population, the Six would seem to have a material interest in making use of their women power. Throughout the Six, women live an average of 5-8 years longer than men. If unsalaried during most of their working lives, these women will weigh on the economy and society in their old age.

Already many women are earning, from choice or neces-

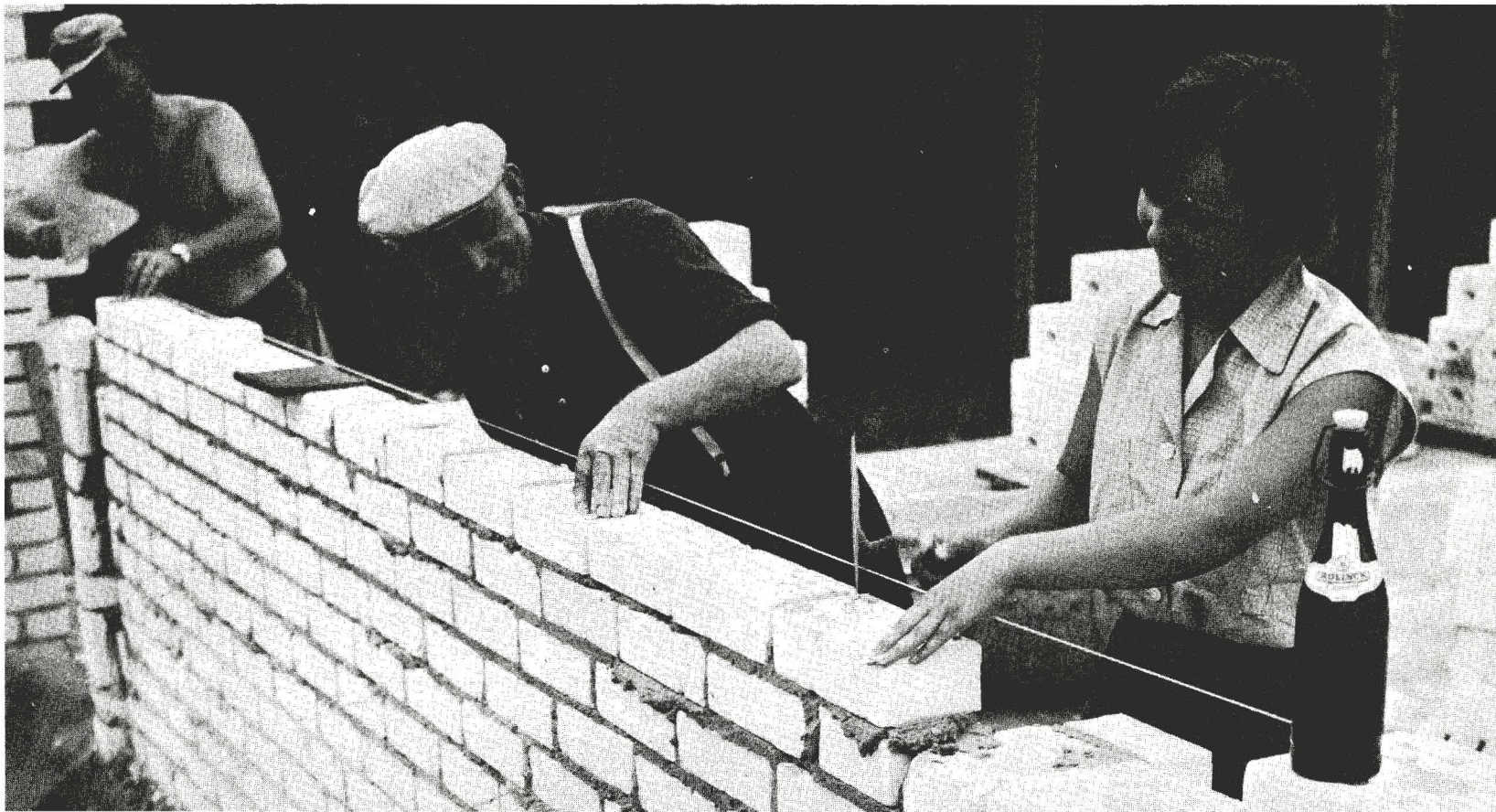
*Equality of the sexes? No. A German architecture student tries her hand at bricklaying. PHOTO: Courtesy the German Information Center, New York.*

sity. The Commission's investigation revealed a high level of paid female employment in France and Germany, a medium level in Belgium, a lower one in Italy, and very few working women in the Netherlands. They are generally limited to a few work posts based on their traditional role of tending children and the sick, of feeding, clothing, and generally "servicing" others. So they monopolize the nursing profession, dominate the teaching of children, are well represented in all branches of the food, hotel, and clothing industries and in the provision of services of all sorts, ranging from secretarial work to jobs as shop assistants. Because they have less muscular force but greater dexterity than men, women are found in new industries, such as transistor radios or television sets. Outside these categories, employers show a preference for hiring men.

### Working Wives and Teenage Brides

In the last decade, girls have begun to marry younger in all six countries, many of them before 21. Birth rates are moderate in all countries, with a distinct drop in France and the Netherlands since the 1950's. Infant mortality is also low. The general pattern throughout the Community increasingly resembles the American one: women marry younger and have fewer children, earlier, often finishing childbearing around the age of 30, then beginning a new stage with the prospect of a long life and a long old age before them.

Except in the Netherlands and Italy, more girls now stay in school until 18 or 19 years of age, often studying some special skills. Then follows an exceptionally busy and often difficult period when they marry, set up house, have babies, help launch husbands on careers, and bring up their children. The subsequent long period of less urgent domestic demand



coincides with the time when the family needs more money to satisfy its living standards. This is when women begin to return to the labor market in ever-increasing numbers. Graphs show that in the age range 20-25, most young women are at work. Then there is a marked falling off until the graph rises again—though less high—after the age of 40.

More than half the total number of employed women in the Six are married, except in the Netherlands where the rate is low. Only recently have women with young children begun to return to their jobs; and it seems that such women often live in an atmosphere of culpability, not being at all sure that European society approves of them.

### Maternity Leave

As far back as 1919 the International Labor Conference set up regulations to safeguard the job security of working women who became pregnant. Each woman is now entitled to 12 weeks of maternity leave at two-thirds of her wages, with free medical aid and a special money grant. Her own job or an equivalent one must be open to her on her return. Belgium and the Netherlands did not ratify these conventions, and Dutch contracts often specify that women can be fired on marrying or on becoming pregnant. Elsewhere, when women return to work, they find their privileges are over. Nothing is done to help them reconcile their working lives with their new duties. This often leads to permanent and dangerous overwork for the young mother, especially as many European men do not willingly offer domestic help.

The rear guard resistance from men remains considerable, and a great many women also would agree with the French Center of Christian Employers and Managers which said four years ago that "a woman's task is twofold. Primarily it is that of a mother and housekeeper, including the bringing up of children for whom a mother is absolutely irreplaceable. Secondly, in our current type of civilization, it is to leaven and help humanize life in society . . ."

Until a few years ago, both traditional Christian teaching and modern psychology advocated full attention to the child during its first five years. Now the traditional image of the "good mother" who dedicates herself to the child in isolation from the rest of society is increasingly challenged, and it is claimed that the child can enrich itself immensely in its pre-school years by playing in a group under expert guidance.

### Women as a Capital Investment

The national treasury gets a better direct return on its investment if women who have received a skilled training at public expense go back to work as soon as possible. From the employers' viewpoint, also, there is a big difference between the woman who returns to her skilled job after a few years' absence and the middle-aged woman who seeks work for the first time in her life. Yet experience in the United States, France, and Sweden shows that many older women learn quickly and do a good job with great steadiness up to retirement at 60 or 65.

In general, women of all professional levels are paid less than men. Because women work mainly in restricted branches of industry, competition among them runs high for jobs traditionally open to them. This tends to depress wages. In addition,

they work mostly in small-scale businesses which do not usually pay the highest wages.

No country of the Six gives men and women equal pay for equal work. France in 1957 practiced the least discrimination when it insisted on having Article 119 written into the Rome Treaty. Since then, other member states have not caught up with the French model, while France has fallen away from it. During the life of the Community, in cases where the average female wage has been about 80 per cent of that of men, the difference has not been ironed out. It has increased slightly. Thus, the Six seem to be moving toward stability based on a relative inferiority for women. Even when wage agreements specifically acknowledge equality, women's work is often graded into a lower category, at less money. Dispersing women throughout every branch and level of industry, working by the side of men at the same jobs, seems to be the only way out.

Part-time work is another big question. It would seem the best kind of job to offer married women who also have domestic responsibilities, but neither employers nor unions favor it. Companies argue that part-time work costs too much in complex administration, welfare charges, and vocational training. Unions fear the threat to general wage claims and to the aim of a shorter working week for everybody. As they see it, a pool of willing part-time workers means a reservoir of unskilled and low-paid labor with a high absentee and turnover rate, without ambition and with no prospects of promotion, potentially harmful to the status of the full-time worker.

Women themselves, not being highly unionized, say little. Nevertheless, it seems that the captains of modern industry need to do some basic re-thinking to give women the equal opportunities and the equal pay to which they are entitled by law. In turn, women need to make up their minds about what they want, with the realization that if they want the double role of mother and wage-earner, their lot for some years to come is certain to be a hard one.

### Why No "Midhusbands"?

A 38-year old man was refused admission into a German school of midwifery because he was not a member of the "fair" sex. Astrid Lulling, Luxembourg Socialist member of the European Parliament, has asked the Commission to look into this case of sex discrimination.

The Commission told Miss Lulling, on February 9, that it had already asked the Council of Ministers to clamp down on discrimination on grounds of sex. It said that its hands were tied when it came to the question of admitting men and women into certain professions, and midwifery was one of these professions.

National laws were still able to override Community ones, the Commission said, because every member state interpreted midwifery in a different way. Until all Community members agreed on a single interpretation of midwifery, cases of job discrimination could not be satisfactorily dealt with.

Nursing and midwifery are very much female occupations in the Six. Women account for over 80 per cent of the total employed in this category.



# New Trade Talks

## MALFATTI, ON FIRST OFFICIAL VISIT TO U.S., PROMISES TRADE TALKS AFTER EC ENLARGEMENT AND ANNOUNCES APPOINTMENT OF HIGH EC OFFICIAL TO WASHINGTON

COMMON MARKET COMMISSION PRESIDENT Franco Maria Malfatti, during his first official visit to Washington, announced two means the European Community has chosen to improve its channels of communication with the United States:

- It is willing to open discussion with the United States and other trading partners after completing the current negotiations with the United Kingdom, Ireland, Denmark, and Norway for membership in the Community. These discussions would deal with "the full range of problems that stand in the way of improving world trade."
- It plans to upgrade its representation in Washington, now consisting of the Information Service and a Liaison Office, by appointing a high official who will take up his duties in the fall. Aldo Maria Mazio, Italian Ambassador to Belgium, has been nominated for the job.

These plans were announced to the public on April 8 at a luncheon of the Overseas Writers Club. Mr. Malfatti had discussed them with President Richard M. Nixon earlier that day. During his visit to Washington, April 5-8, the Commission President also met with Secretary of State William P. Rogers, Assistant Secretary of State for European Affairs Martin J. Hillenbrand, Deputy Under Secretary for Economic Affairs Nathaniel Samuels, and other Administration officials.

Mr. Malfatti was accompanied by his wife, Secretary General of the Commission Emile Noël, Director General for Foreign Trade Theodorus Hijzen, the Commission's Official *Commission President Franco Maria Malfatti and his Chief Executive Assistant Renato Ruggiero take in the spring air and the sights of colonial Williamsburg.*



*In an hour-long meeting on April 8, Commission President Malfatti and President Richard M. Nixon discussed points of agreement as well as frictions in the U.S.-Community partnership.*  
PHOTO: Courtesy the White House.

Spokesman Beniamino Olivi, and the President's Chief Executive Assistant Renato Ruggiero.

### Putting Problems into Perspective

Without minimizing the importance of problems that have arisen between the United States and the Community, "we must make every effort not to inflate these problems and do everything possible to solve them," Mr. Malfatti said in remarks prepared for the Overseas Writers Club. He said he had discussed with President Nixon and other Administration officials common U.S.-Community problems of two kinds: those affecting limited areas of their relations and those deriving from the Community's expanded role as an economic and trade power. The first type can be solved bilaterally while the second, involving world trade relations should be approached multilaterally, in discussions after the four applicants for membership have joined the Community. A new multilateral round of talks is necessary, as the world trade situation, in which Europe and Japan play as important roles as the United States, no longer resembles the situation in 1957 when the General Agreement on Tariffs and Trade (GATT) was formed.

"Partnership is no longer an aim" but a fact, with all the friction and disagreements inherent in this reality. "Europeans and Americans must accustom themselves to this fact, avoiding dangerous dramatization of small issues, so that they will not thwart the relationship of alliance and of friendship between the United States and united Europe," Mr. Malfatti concluded.



*Ambassador J. Robert Schaezel, Chief of the U.S. Mission to the Communities, readies his camera for action during the helicopter trip to Williamsburg for a day of sightseeing with Commission President Malfatti and his party on April 7.*



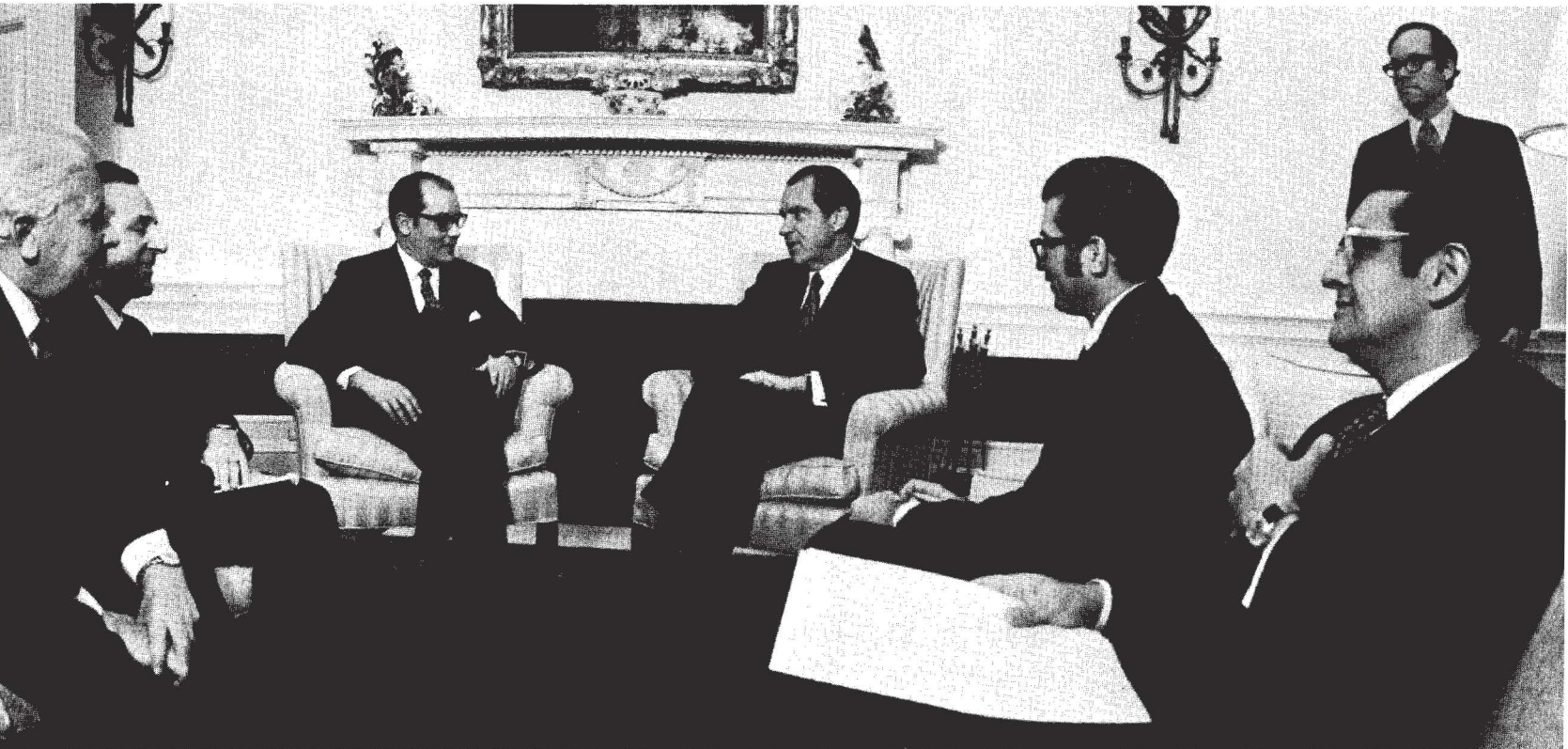
*U.S. Secretary of State William P. Rogers and Commission President Franco Maria Malfatti during their April 6 meeting.*



*Mr. and Mrs. Malfatti en route to Williamsburg. While in Washington, Mrs. Malfatti, a hemotologist and member of a kidney transplant team, visited the Dialysis Training System and Laboratory at the Georgetown University Medical Center.*



*Commission President Franco Maria Malfatti and his party leave for the airport from the Community's offices in Washington. Left to right foreground: Director of the Community's Liaison Office in Washington Curt Heidenreich, Mr. Malfatti, Spokesman for the Commission Beniamino Olivi. Left to right background: Mr. Heidenreich's Assistant Ivo Dubois, Director of the Community's Information Service in Washington Leonard B. Tennyson, Mr. Malfatti's Chief Executive Assistant Renato Ruggiero, and the Commission's Secretary General Emile Noël.*



*President Malfatti's visit with President Nixon on April 8. Left to right: Ambassador-at-large David M. Kennedy; David E. Reinert, EC interpreter, President Malfatti; President Nixon; Neil Seidenman, State Department interpreter; Peter G. Peterson, Executive Director, Council on International Economic Policy; and (standing rear) C. Fred Bergsten, National Security Council.*

# European Design Centers

**ALASTAIR BEST** is on the Staff of Design, a monthly magazine published by the British Council of Industrial Design.

THE MESSAGE HAS FINALLY GOTTEN THROUGH to Europe's manufacturers: in a sales campaign, design counts as much as production and marketing. In fact, design embraces both marketing and production. Talk of "styling" or "exterior presentation" is commonly heard in connection with design. "Aesthetics" also crops up from the French expression "esthétique industrielle," which many Frenchmen prefer to the "Franglais" equivalent, "le design." The French weekly newsmagazine *L'Express* recently said "le design" was a rather barbarous word, but had no precise equivalent in French.

The Commission of the European Communities last fall stressed the importance of design as an element of a product's competitiveness. It held the heads of firms responsible for "industrial aesthetics." Although the Commission is not directly involved with design, the profession itself is covered by the Commission's proposals for freedom of establishment and free supply of services in the fields of non-salaried research and creative activities. If member governments approve the proposals, designers in one member state will find it easier to practice, or accept work from clients, in other Community countries. As the Commission has pointed out, increased world trade has made more and more companies aware of the designer's role, and he has become one of the most mobile of modern professional men.

Speaking recently to the Danish Society of Industrial Design, the U.S. economist John Kenneth Galbraith said that the public must be educated in art and design and that it was the state's function to provide the patronage. He did not specify, however, what form this educational program should take, despite the fact that his hosts, the Danish Society of Industrial Design, were closely involved in the founding, three years previously, of the Scandinavian Design Center, in an exhibition hall on the outskirts of Copenhagen. This design center has since been renamed the Danish Design Center.

## Criteria for Choosing Exhibits

European design centers come in all shapes and sizes. All, however, present a changing display of goods—from cups and saucers, furniture and typewriters, and occasionally other machines—produced at home and abroad. And all conform to a definition laid down in 1967 by the International Council of Societies of Industrial Design (ICSID): a "non-profit-making" institution which, "by means of exhibitions, aims at raising standards and stimulating innovation in production, as well as increasing the understanding of and the demand for well-designed products, whether from consumer or capital-goods industries."

These exhibitions, says ICSID, should be "permanent, selective and changing." Nothing should be shown that "has not passed the scrutiny of a jury composed of persons qualified to judge the various aspects of industrial design." The problem of selection has always raised accusations of design dictatorship, since it is commonly said, especially by manufacturers whose goods have been rejected, that there is no such thing as good or bad design, that there are not measurable standards, and that it is all a question of personal taste.

As far back as 1954, Britain's Council of Industrial Design had to justify its selection policy by including a rough-and-ready definition of design in its annual report. It wrote: ". . . the



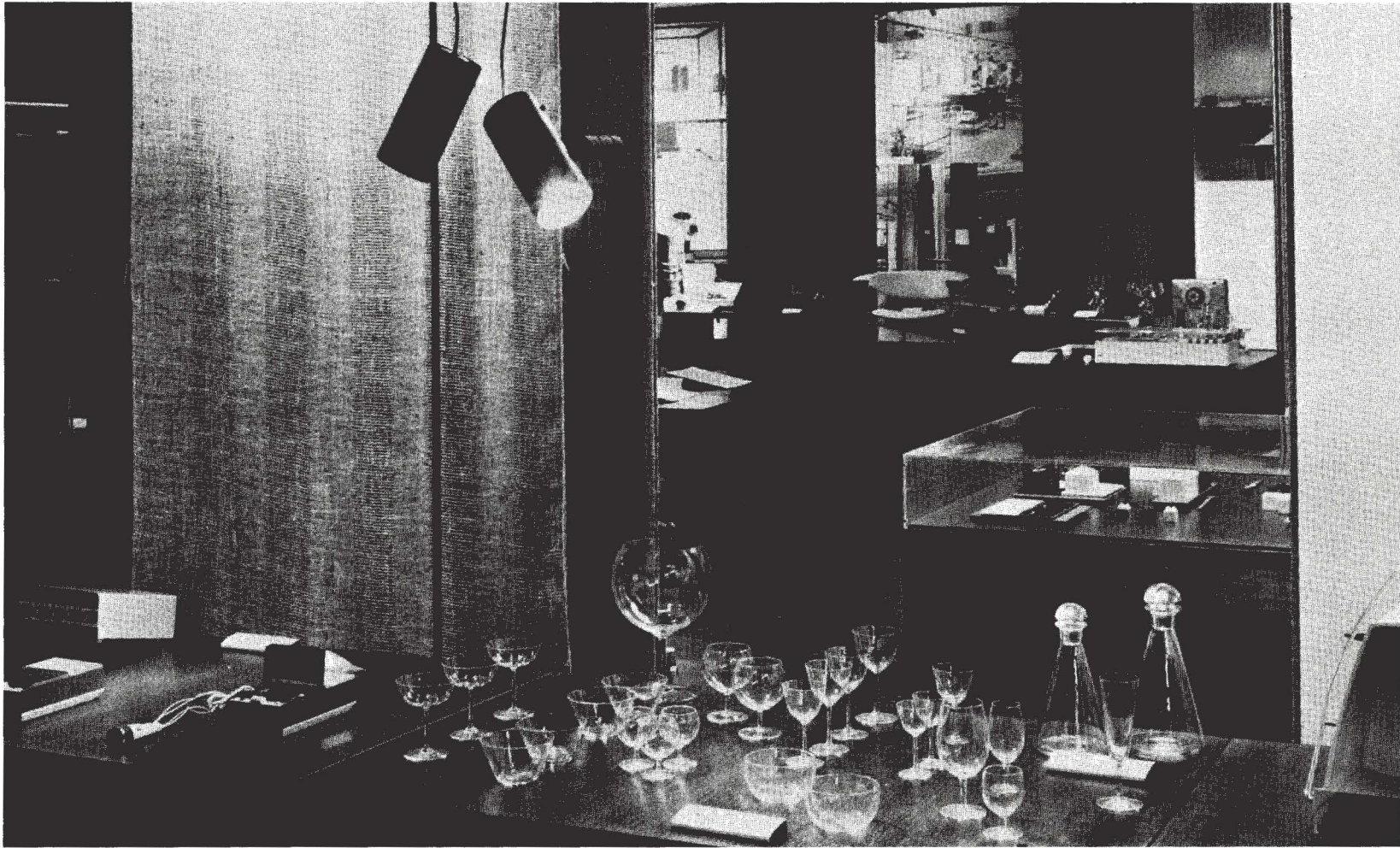
*The Scandinavian Trade Center for Home Furnishing in Copenhagen. PHOTO: Courtesy Danish Information Office, Consulate General of Denmark, New York.*

general principle can be stated that the object is to promote good design as comprising good materials and workmanship, fitness for purpose and pleasure in use."

Two years later the Design Centre opened in London's Haymarket, just a stone's throw from Piccadilly Circus, in one of the capital's most desirable shopping zones. This changing display of approved goods has attracted an increasing throng of visitors—now over a million a year, rivalling that of the National Gallery. The Centre has served as the prototype for design centers in other parts of Europe, and the world. In its latest annual report, the Council of Industrial Design said that, if Britain joined the Community, much closer links between British and European designers would be necessary. Such links need not lead to any shedding of national characteristics.

## Publicity and Competition

Design centers are intended to be of value to all members of the community; to manufacturers they provide publicity for their products and enable them to see exactly what, in the center's eyes, constitutes good design. To designers, they offer opportunities of seeing design trends, in other parts of Europe and elsewhere, in goods which will compete with their own. To local and foreign buyers, the centers give a lead on good design which



*"Le Design Centre" in Brussels displays products from Belgium and Luxembourg whose economic union antedated the Common Market.*  
 PHOTO: Courtesy Belgian Tourist Bureau, New York.

can help them cater more successfully to demand. A design center provides architects, interior designers, and purchasing officers in one place with information which could take weeks to collect from many sources.

The success of European design centers is largely related to the degree of skillfulness with which they have been modeled on the one in the Haymarket. Their success is also determined by their location. The Danish Design Center suffers from being out of the center of Copenhagen. The Palais Lichtenstein, home of the *Oesterreichisches Zentrum Produktform*, is too far from the center of Vienna; the Norwegian Design Center is situated in a fringe office-residential area on the outskirts of Oslo, and suffers accordingly. In France, *le Centre de créations industrielles* was opened at the end of 1969 in the Museum of Decorative Arts, near the Louvre.

Although a design center is not a shop ("Look *before* you shop" was one of the Design Centre's early slogans), a sound retailing location is all important. The aim is to attract the attention of the window shopper at a point where shoppers gather anyway. Thus, a badly chosen site, even at the center of town, can be disastrous. The Netherlands Design Center failed, some people claim, because it was on the wrong side of the street, but *le Design Centre* in Brussels flourishes.

### Financing a Center

Another important factor is finance. Design centers depend, by and large, on state and industrial backing. In some cases, however, the cash comes from the town in which the design center is situated. The newly opened Internationales Design-Zentrum in Berlin, for example, derives most of its support from the Berlin Senat and the rest from the Federation of German Industry. In Sweden, the city of Malmo single-handedly finances the only design center in the country. To the Swedes, with a strong and influential tradition in design, the existence of one design center in a provincial town is not good enough. The Swedish Society for Industrial Design recently opened an exhibition at Stockholm's National Gallery with the announcement that they were asking the national government and industry to finance exhibits abroad.

It looks as if design centers will always have to fight for their cash. Some people have never been able to justify them, claiming that shops, museums, normal "market-forces," and consumer associations between them do the job more efficiently, or just as well. They argue, too, that really design-conscious nations, such as Italy, get by without a design center of any sort, although ironically there is a retail store of that name in Milan.

# Cross-Border Banking

UGO PICCIONE

UNION IS STRENGTH: this truism has convinced three large banks in the European Community to pool their resources and, through a cooperation and specialization agreement, to challenge the sharp competition in international banking.

The three banks are France's *Crédit Lyonnais*, Germany's *Commerzbank*, and Italy's *Banco di Roma*. The venture will put them into the world's major league of finance institutions: with combined assets of nearly \$21 billion and deposits exceeding \$18 billion, the alliance will rank first in Europe and fourth in the world, behind three U.S. banks—*Bank of America*, *First National City Bank*, and *Chase Manhattan Bank*.

The agreement, the first link-up of its kind within the Community, envisages:

- reciprocal support in providing financing for the three partners' respective customers
- coordination of the worldwide activities of subsidiaries, branches, and affiliates
- close cooperation in the field of administrative organization and management techniques, with a view to improving the quality and scope of services, reducing operating costs through rationalization, and increasing overall profitability.

From a legal standpoint, each bank will retain its nationality, legal personality, and financial autonomy—thus remaining subject, in its own country, to national regulations governing such areas as lending and borrowing operations, compulsory liquidity ratios, short-term foreign indebtedness, and foreign-exchange controls.

A full-fledged cross-border merger, economically the most effective form of corporate concentration and rationalization, was barred by the maze of legal obstacles and the staggering tax costs involved in the absence of harmonized Community legislation. The problem was further complicated by the fact that, while *Crédit Lyonnais* and *Banco di Roma* are owned by the French and Italian Governments respectively, *Commerzbank* is privately owned.

Nevertheless, the three banks expect to reap from their alliance most of the economic benefits of an outright merger and to provide their customers with the most comprehensive and sophisticated services. The quasimarrriage will enable the three partners to complement each other both geographically and functionally.

*Crédit Lyonnais*, the second largest bank in France, operates 1,964 branches throughout the country, owns two subsidiaries in Portugal and the United States, maintains 18 foreign branches in Europe, and holds minority interests in banks in the Middle East, South America, and in France's former African colonies. *Commerzbank*, Germany's third largest, maintains over 700 domestic branches, owns a subsidiary in Luxembourg, and has minority interests in banking institutions throughout the world. *Banco di Roma*, among the top four banks in Italy, runs 255 branches in its own country and subsidiaries in Belgium, France, and Switzerland, as well as in Libya, Turkey, and Ethiopia.

From a functional viewpoint, *Crédit Lyonnais* will contribute to the pool its expertise in the deposits business, while *Com-*

*merzbank* and *Banco di Roma* will provide know-how in corporate financing and investment banking.

The group has already announced its decision to streamline its operations in Latin America—with which the Community is in the process of establishing closer trade and investment links—and the Far East (Japan and Australia); eventually, a jointly-owned holding subsidiary will be set up in the United States.

The triangular pool, a radically new concept in European banking strategy, should counter the heavy influx of large American banks in Europe and meet the ever increasing needs of multinational companies based in the Community.

So far, as a result of the conservative approach of Community banks to Europe's economic integration, no transitional banking group has emerged to exploit the opportunities offered by the fast-growing Community market: an unwritten law among Community bankers has hitherto kept them from altering the existing banking balance of power by expanding into each other's territory, or by entering into cross-border ventures.

*New computer facilities at the Caisse Nationale d'Epargne in Paris. Despite attempts to provide the most sophisticated services, most banks in the Six have failed to respond adequately to U.S. competition. PHOTO: French Embassy Press and Information, N.Y.*



*Ugo Piccione is Common Market correspondent of the Milan business daily, Il Sole—24 Ore.*

## U.S. Banks' European Success

Meanwhile, the massive flow of U.S. direct investments into Europe and the rapid growth of the Eurodollar market have proved particularly attractive for American banks which, since the end of World War II, have gradually increased the scope of their European operations. According to official sources, at the end of last year U.S. banks operated some 350 subsidiaries, branches, and representative offices throughout the European Community, the United Kingdom, and Switzerland. Though their original objective was to serve U.S. industry abroad, American banks, through steady and successful expansion, now offer the whole spectrum of banking services to European industrial and private customers.

Despite the trend towards internationalization of Community industry and trade and the growing size of industrial companies, financial institutions in the Community have so far failed to respond adequately to the new business environment and the American competitive threat.

For the most part, while developing a dense network of branches in their own countries, banks in the Six have been markedly conservative in expanding both their European facilities and the range of their services. By and large, the foreign operations of these banks continue to be handled primarily via a widespread international network of corresponding and associated banks: only occasionally do banks from different Community countries combine in *ad hoc* syndicates to float international bond issues or to operate in the Eurocurrency market.

The new French-German-Italian alliance thus seems to indicate a breakthrough in thinking among Community banks which, with the prospect of British membership, face a fresh onslaught from their larger and internationally more sophisticated counterparts in the United Kingdom.

Though belatedly, the progress towards Europe's economic and monetary integration is bringing home to European bankers the advantages of financial infrastructures and organizations that transcend national boundaries and open a new dimension in European banking.

Among recent moves in this direction is the creation of the European Banks' International Company (EBIC) by the Deutsche Bank of Germany, the Amsterdam-Rotterdam Bank of Netherlands, the Société Générale de Banque of Belgium, and Britain's Midland Bank. Brussels-based and with an initial capital of \$2 million, EBIC will be used to promote the four founders' global services, in particular to multinational companies engaged in worldwide trade and investments. In 1968, the same four financial institutions had established two joint ventures in the U.S. (European-American Banking, and the European-American Bank & Trust) and one in the Far East (the Euro-Pacific Finance Company in Melbourne, Australia, with representative offices in Indonesia and South Africa).

For multinational European firms a most significant consequence of this new development in the banking sector is that the activities of local banks will broaden far beyond the commercial and well-defined fields of investment or merchant banking. While offering—on an integrated geographic scale—the full range of traditional services, multinational banking ventures such as the French-German-Italian one will be able to provide Europe's business community with such new services



*The new Commerzbank administrative building in Frankfurt. This German bank is banding together with a French and an Italian bank to compete in the major league of international finance institutions.*

as factoring, leasing, multicurrency loans, and assistance in corporate mergers and acquisitions.

It was announced in February that Banque de Bruxelles will shortly become the seventh partner in another multinational banking association, Société Financière Européenne (SFE), of Paris and Luxembourg.

SFE was set up in 1967 by Dresdner Bank, Banque Nationale de Paris, Algemene Bank Nederland, Banca Nazionale del Lavoro, Barclays Bank, and the Bank of America. Aggregate deposits of these six banks and the Banque de Bruxelles total more than \$70 million.

SFE is chiefly concerned with medium- and long-term financing, especially of investment projects for multinational companies.

# COMMUNITY NEWS

## U.S.-COMMUNITY RELATIONS UPGRADED



*Discussion of the agenda at the American Bar Association's National Institute on Current Legal Aspects of Doing Business in Europe. Left to right: Institute Chairman James T. Haight, ABA President Edward L. Wright, Commission Member Ralf Dahrendorf, and Ewell E. Murphy, Jr., Chairman, ABA International Law Section.*

Hopes for closer official links between the United States and the European Communities, by upgrading the Communities information and liaison office in Washington to a delegation, were expressed in a speech given by a member of the European Communities Commission.

The speech, given by Ralf Dahrendorf before the American Bar Association Meeting in Chicago on March 26, centered around the argument that contacts of a technical character have become necessary between the United States and the European Community to solve more effectively problems or annoyances that arise in their trade relations.

The Community's evolution from a mere customs union to a political association of European states is nearly completed, Mr. Dahrendorf said. The common exercise of large parts of each country's national sovereignty has strengthened the organization, enabling it, in turn, to assume more and greater responsibilities. A monetary union and a *de facto* European currency will add tremendously to the stability of the international monetary system.

### A "Mature" Partner

These internal developments, together with the Community's enlargement, will profoundly affect not only relations between the European countries but also relations between third countries, Mr. Dahrendorf said. Thus, the Community has become a mature partner in the "Big Triangle" of the United States, Japan, and Europe. As the Community will account for two-thirds of world trade after its enlargement, Mr. Dahrendorf would like to see U.S.-Community relations formalized, so that problems can be examined in a multinational framework. Restrictions such as the voluntary export restraint proposal, made this month to the United States by Japan, should be carefully avoided, since legislating restrictions will not solve the underlying problem, Mr. Dahrendorf said.

He thought coordination of trade policies desirable, because developments in the U.S. trade legislation affect European interests as much as developments in the Community affect U.S. interests.

### Shared Responsibilities

Mr. Dahrendorf also talked about the Community's growing responsibilities toward non-European countries, such as countries of the Mediterranean area and African countries with former traditional ties to member states.

Contacts have been established with Latin American countries and Asia, so that U.S. world responsibilities are increasingly being shared by the European Community.

In closing, Mr. Dahrendorf suggested measures designed to help free the world trade. These measures included: a pledge not to erect new trade barriers, granting generalized preferences to developing countries, solving the textile problem, consolidating regional agreements without discrimination on a worldwide basis, defining new rules for agricultural trade, revising the list of non-tariff barriers drawn up in the General Agreement on Tariffs and Trade, and creating an international mechanism of conciliation and arbitration in the field of trade.

## TOWARDS A COMMUNITY TRANSPORT POLICY

The burden of construction and maintenance costs for European roads, railroads, and rivers may eventually fall to those using them.

The Commission of the European Community sent to the Council on March 24 a proposal establishing the basis for a common system of user's taxes as an essential part of the common transport policy. The long-term aim of the user's tax is to permit maximum use of roads, rivers, and railways and to generate enough revenue to cover construction, maintenance, and administration expenses.

## OBJECTIVES OF A COMMON EUROPEAN SOCIAL POLICY

Further steps toward economic and monetary union cannot proceed without cooperation in the field of social and labor policy, in the opinion of the European Communities Commission.

In an attempt to provoke broad Community discussion for a Community program for integrating national social policies, the Commission on March 17 released a study suggesting initial objectives for such a program. The Commission's analysis demonstrated that spontaneous harmonization and economic integration have not resolved major social problems within the Six.

### Present and Future Social Problems

There are wide social disparities in different parts of the Community, the Commission noted. Some areas are faced with unemployment and structural under-employment, while others have labor shortages and must import large numbers of workers from other countries. Throughout most of the Community, major inequalities can also be found in the employment of women, although the degree of discrimination varies from region to region. Economic changes also tend to affect regions to varying degrees and in different ways. The harmonization of social security policies is another problem that will have to be dealt with in the future.

The Commission noted that the increasingly technological nature of society has altered employment patterns, eliminating some jobs and creating others, especially in the fields of programming, research and development, market analysis, finance, and public relations. Regional differences within this general trend, however, make it very difficult to draw guidelines for the Community on a cross-sectoral and cross-country basis. Between 1958 and 1969, for example, more than 200,000 jobs were created in the textile and shoe industries in Italy, while 250,000 jobs in these industries disappeared in the other member states.

The general acceleration of social change also stimulated large-scale movements of agricultural workers into urban areas. Housing has become a major problem.

Community institutions will have to assume some responsibility to help meet the crises of a growing society. An exchange of opinions based on national experiences could help prevent waste and speed up the process of controlling a dangerous trend toward anarchy in the field of social problems. The growing interpenetration of the national economies, furthermore, has made purely national solutions impossible.

### Major Social Objectives

The Commission defined some of the major social objectives to guide immediate efforts.



These include: full employment and improved working conditions; financial and other guarantees encouraging job mobility; efforts to employ women, youth, the aged, and the handicapped; political representation for migrant workers and their assimilation into their new environment; a more equitable distribution of wealth; harmonization of social security policies; and improvement of health and safety conditions for the individual worker and society in general, including actions to solve pollution and housing problems. Achieving the goal of full employment, in particular, will depend on sophisticated analysis of economic trends, with forecasts and directives to simplify decision-making.

#### Community Priorities

Because all of these objectives cannot be pursued simultaneously, a list of priorities should be made at Community-level, the Commission said. These priorities will constitute a Community program to be executed during the first stage of economic and monetary union. These also must come within the financial limits of the new Community Social Fund.

Priority actions are directed mainly at achieving a common market for employment, including the coordination of statistical methods and the reduction of social discrimination against migrant workers. Particular attention would be given to pockets of unemployment and under-employment. Common efforts to counter pollution are especially important in the field of noise and toxic substances. The improvement of female employment conditions and integration of the handicapped into active life would also be emphasized.

Finally, collective bargaining agreements developed at Community level by labor and management could serve as models for collective agreements made within the individual member countries.

#### CHANGES IN EMPLOYMENT WITHIN THE COMMUNITY 1955- 1970

| Percentage of Work Force Employed in: | 1955 | 1960 | 1965 | 1970 |
|---------------------------------------|------|------|------|------|
| Agriculture                           | 24.3 | 19.6 | 15.9 | 13.4 |
| Industry                              | 40.0 | 42.4 | 43.5 | 43.9 |
| Services                              | 35.7 | 38.0 | 40.6 | 42.7 |

#### CORRECTIONS

• In the April 1971 issue of *European Community* on page 10, the article and picture caption refer to Commission protests against restrictive measures relating to coal. It should have said steel.

• In the same issue, the title of the author of the tax article beginning on page 6 was misstated. Heinz Haller is State Secretary in the German Finance Ministry, not Foreign Ministry.

## CUSTOMS CONTROLS STILL TROUBLE EC TRAVELER

The European traveler still has a legitimate gripe about unnecessary border delays.

Obstacles to the free passage of travelers from one member country to another have not been removed, the Commission of the European Community stated on February 18. In reply to a question from Horst Seefeld, German Socialist member of the European Parliament, the Commission stated that member states have not yet carried out its recommendations of June 21, 1968, regarding relaxation of customs controls.

The Commission said it would try again to have the member states apply its 1968 recommendation.

## INVESTMENT BANK ISSUES BONDS IN BELGIUM

The European Investment Bank plans to float its sixth bond issue in Belgium, denominated in Belgian francs.

The European Bank announced on April 14 that it had concluded a contract to issue bonds worth \$20 million on the Belgian capital market. Proceeds from the sale of the bonds will be used by the Bank for its ordinary lending operations.

The 12-year bonds bear an annual interest rate of 7.75 per cent, payable yearly. They are redeemable at par after April 22, 1975, in 8 annual installments of \$800,000 each. The remaining \$13.6 million will be redeemed at par on April 22, 1983.

## EIB TO AID PROJECTS IN GERMANY AND THE CONGO

Two \$16-million loans were granted in March by the European Investment Bank to finance Congolese copper investments and diversification of the declining coal mining area around Essen, Germany.

The loan to the Democratic Republic of the Congo, announced on March 25, was the largest EIB loan ever granted to an African state associated with the Community by the Yaoundé Convention. The loan will help finance the enlargement of the copper mining and industrial facilities of Générale Congolaise des Mines (GECOMINES). In addition to creating many new jobs, it is expected to enable the Congo to regain the position it held prior to 1960 in the world copper market.

The other loan, announced on March 10, was granted to the Leichtmetall-Gesellschaft mbH in Essen, Germany, to help finance a primary aluminum plant. This project is important to the Essen area which, only 20 years ago, was entirely dependent on the coal and steel industries.

## THE MONTH IN BRIEF

### April 1971

**1** The Community's association agreement with Malta entered into force.

• The Commission extended for two months the current regulation on Algerian, Moroccan, Tunisian, and Turkish wine imports.

• The Commission took the necessary steps to enable the rules of application for the Agreement on generalized preferences to be presented to the Council.

**5** Commission President Franco Maria Malfatti met with U.N. Secretary General U Thant in New York and addressed the N.Y. Council on Foreign Relations.

• Commission President Malfatti arrived in Washington for a three-day official visit.

**8** Commission President Malfatti met with President Nixon.

**19** Plenary session of the European Parliament opened in Strasbourg, France.

**28** Commission Vice President Raymond Barre arrived in Washington for a three-day visit.

## EC TO GRANT GENERALIZED TARIFF PREFERENCES

The European Community will become the first world trading power to grant the developing countries' exports preferential access to its domestic market. If all goes according to schedule, the plan will go into effect on July 1, 1971. It will cover processed agricultural products as well as manufactured and semi-manufactured products.

The Council of Ministers made this decision at a meeting in Brussels on March 30. It considers the decision one of its "most significant since the conclusion of the Kennedy Round" of negotiations within the General Agreement on Tariffs and Trade (GATT), one confirming "the broadness of the Community's approach to the outside world." The Commission will now make formal proposals on the means of executing this declaration of political intent.

#### Which Developing Countries?

The Community's offer to extend generalized tariff preferences applies to the 91 members of the "Group of 77" within the U.N. Conference on Trade and Development (UNCTAD), including all the Latin American members of the Organization of American States. In addition, the Community plans to hold consultations within the Organization for Economic Cooperation and Development (OECD) to persuade other trading powers to extend their preference systems to countries outside the "77," such as Turkey, Greece; Spain, Portugal, Malta, Israel, Cuba, and Taiwan.

## INFLATION: BARRE WARNS OF COMPLACENCY

The steep rise in prices, fluctuating between 4 - 5.5 per cent, was the European Community's most alarming economic event of 1970, according to Commission Vice President Raymond Barre.

In a statement on the Community's economy, given on March 10 in Strasbourg to the European Parliament, Mr. Barre said inflationary trends seemed to have gained quiet acceptance, since the phenomenon of inflation had become worldwide. He warned against such complacency which could weaken the economy, cause balance-of-payments disequilibria, and, eventually, require painful and prolonged adjustments.

### Sound Policies Urgently Needed

The Community urgently needs sound economic policies to contain the cost-price spiral and to maintain its competitive position. This is also true at the international level, Mr. Barre said. He saw in the U.S. balance-of-payments deficit (\$9.8 billion in 1970) a danger, frustrating the credit policies pursued in several Community countries. Revaluation of the currencies of the Six, as advised by the American experts, would neither stem the inflow of speculative capital nor eliminate the underlying causes. In the final analysis,

the international position can only be safeguarded by the establishment of a more satisfactory price trend in the United States and the confidence inspired by sound economic and financial policy.

Mr. Barre concurred with the suggestion made by Pierre-Paul Schweitzer, Director General of the International Monetary Fund, that the United States finance its balance-of-payments deficits by normal methods of international financing rather than by unlimited and unconditional accumulation of dollar holdings in other countries' central banks. Rules for the orderly growth of reserves will have to be laid down. Here, the Community countries together with the United States, could make a crucial contribution to the rehabilitation of the international monetary system, Mr. Barre suggested.

Progress towards economic and monetary union is a step in this direction. It will not only strengthen the Community members' solidarity, but will also safeguard the Community's nature, efficiency, and dynamism. It will facilitate the acceptance of new members and will contribute to worldwide economic stabilization and co-operation, Mr. Barre concluded.

## FIRST SOCIALIST HEAD OF EUROPEAN PARLIAMENT

Walter Behrendt, a German Social Democrat, was elected President of the European Parliament on March 9. He is the first Socialist to preside over the assembly.

Mr. Behrendt received 64 votes out of 114 cast. He faced no opposition, but the Christian Democrat group cast 50 blank votes. The Christian Democrat group leader, Hans-August Luecker of Germany, said his group cast blank ballots because it had not been informed that Mr. Behrendt was backed by a coalition of Socialists, Liberals, French Gaullists, and the Italian extreme leftists. He said his group's action was not directed against Mr. Behrendt personally.

Mr. Behrendt succeeded Mario Scelba of Italy, a Christian Democrat. The latter group has dominated the presidency since the 142-member house was set up in 1958.

Mr. Scelba, who was reelected unanimously in March 1970, did not run this time although urged to do so by his group. This was in response to growing pressures by other groups that the presidency be rotated according to political group and nationality.

Born in Dortmund in September 1914, Mr. Behrendt is the son of a miner. He joined the Social Democrat Party in 1932 and has been

in the labor movement since 1929. He became a member of the Bundestag (Lower House) in 1957, where he concentrated on labor legislation. Mr. Behrendt became a member of the European Parliament in 1967.

Mr. Behrendt said that he would work for an increase in the Parliament's power, and for the direct election of its members. He noted that the Community budget represented nearly 4 per cent of the six national budgets together, or almost half the budget of Belgium or the Netherlands.

Although Mr. Behrendt is the first Socialist President of the European Parliament, another Socialist, Belgium's Paul-Henri Spaak, was in 1952 elected as the first President of the European Coal and Steel Community's Common Assembly. Since the European Parliament's first session, in March 1958, there has been only one President who was not a Christian Democrat, the Italian liberal Gaetano Martino.

Mr. Behrendt's predecessors are: Robert Schuman (1958-1960), Hans Furler (1960-1962), Gaetano Martino (1962-1964), Jean Duvieusart (1964-1965), Victor Leemans (1965-1966), Alain Poher (1966-1969), and Mario Scelba (1969-71).

## NETHERLANDS OFFERS INTEGRATION COURSE

Lawyers, legal advisers, and civil servants concerned with Common Market Treaty problems are eligible to attend a course on economic integration this summer in Amsterdam.

The Europa Institut of the University of Amsterdam is offering an "International Course on European Integration" from August 16-28, 1971, in collaboration with the Netherlands Universities Foundation for International Cooperation (NUFFIC). Participants will receive papers to study before the course begins. The course covers economic aspects of European integration, the functioning of the institutions of the Community, the Court of Justice, the relationship between Community and national law, and legal aspects of the competition policy. All lectures will be given in English. Tuition is \$165.60, from which an advance, non-refundable entrance fee of \$27.60 will be deducted. Applications may be obtained from the Netherlands Universities Foundation for International Cooperation (NUFFIC), 27, Molensstraat, The Hague, the Netherlands.

## SWEDEN SEEKS TIES BUT NOT ENTRY

The Swedish Government on March 18 declared that it would not seek full membership in the European Community in view of Sweden's traditional policy of neutrality.

Sweden will instead seek association with the Community through a special agreement clearly defining the rights and obligations of both parties. The aim of the Swedish Government, which in an application declaration last November left the form of possible attachment open, will be a complete customs union and a broad agreement on cooperation.

Social Democratic Premier Olof Palme, while admitting Sweden's ambitions were "on a high level," stated firmly that "our neutrality is not negotiable."

The non-Socialist opposition agreed to accept the decision, although the Conservatives expressed strong reservations. The Communists are campaigning to keep Sweden out of the "North Atlantic Treaty Organization-dominated Common Market" altogether.

The Swedish Government declaration stated: "Swedish participation in foreign-policy cooperation . . . is not compatible with a firm Swedish policy of neutrality."

"Swedish participation in an economic and monetary union, which implies an abandonment of national right of decision-making in important fields, is not compatible with a Swedish policy of neutrality."

## DEVELOPMENT FUND OFFERS MORE AID TO AFRICA

A teachers' college, a regional development project, road surveys, and peanuts will benefit from the latest Community decisions for aid to Africa, which amounts to over \$13 million.

The Commission of the European Communities adopted five aid decisions on March 30 and a sixth on April 1 involving grants to African nations from the European Development Fund (EDF).

The grants are as follows:

- Burundi: \$1,573,000 for building and equipping a teachers' training college for 200 students, including 150 boarders.
- Rwanda: \$1,752,000 to extend for five years the regional development project in Mayaga-Bugesera, which the Community has supported since 1960. The project includes the offer of a technical aid team, supply of equipment, and a fertilizer subsidy.
- Rwanda: \$400,000 to prepare surveys for the improvement, drainage, and asphaltting of a section of the main North-South axial

road. The Community and the International Development Association (IDA) are jointly financing modernization of this road.

- Senegal: \$23,000 to help finance a seminar in Dakar March 22-26 to analyze production and marketing problems. The meeting of peanut growers and manufacturers was arranged by the Senegalese Government in cooperation with the Commission.

- Senegal: \$7,202,000 to subsidize peanut seeding after last year's drought, and to support the diversification of production and increased productivity, particularly for sorghum and millet.

- Madagascar: \$2,215,000 as the second installment of an emergency operation decided by the Commission on May 15, 1970. To protect the cotton and rice-growing area of the Lower Mangoky from flood and cyclone damage, dikes and jetties will be constructed. Since January 1, 1971, when aid money from the third EDF became available, 28 decisions have been made, involving a total of \$63,283,000.

## ELECTRONICS CRISIS SPREADS TO EUROPE

World competition between manufacturers of electronic components is hardening. After years of production increases to meet rapidly expanding demand, the sharp reduction in National Aeronautic and Space Administration programs has resulted in excess production capacity in some sectors.

### The Price Squeeze

The prices of American integrated-circuit products have steadily fallen as a result of U.S. producers' high productivity, competitive capacity, and technological lead, as well as the marketing strategy of several of them, which seeks to eliminate smaller competitors. For example, the selling price of a certain type of TTL circuit was \$1.10 in 1968, \$0.85 in 1969, \$0.45 at the beginning of 1970, and down to \$0.18 by the end of 1970.

Despite these price reductions, imports into the Community rose from \$60.2 million in 1968 to \$112.5 million in 1969, and increased further in 1970.

In the field of passive, more conventional components, it is the Japanese who are now looking for outlets in Europe at rock-bottom prices. If imports from Japan continue to increase at the same rate as in the last two years, they alone will saturate the Italian capacitor market before the end of the year.

### In a Bind

This situation puts some Community capacitor manufacturers in a bind. As many of

them are not vertically integrated and do not have a sufficiently broad financial basis and diversified production, they cannot keep pace with their competitors' price cuts.

The Commission is keeping an eye on this situation so that it does not force Community manufacturers to give up production of high technology products which are necessary for economic growth.

## EUROPE'S WINE CONSUMERS CAN'T DRINK MUCH MORE

The European wine consumer may have reached his limit.

In a report released March 8 the Commission of the European Community stated that recent grape plantings and replants scheduled for 1970-71 will bring the Community close to "self-sufficiency" and that great care must be used in this area in the future.

From available estimates, future production should not yet exceed wine consumption. The Commission has not, therefore, proposed restrictions on grape planting. The Commission noted, however, that the already small margin between production and consumption will be noticeably reduced by the new plantings.

The Commission also noted the current tendency toward the production of quality wines rather than table wines in the Community.

## COMMISSION PROPOSES SOCIAL FUND REFORM RULE

The European Community has come to the aid of its unemployed.

The Community's Commission sent to the Council March 24 a regulation concerning the Council's February decision governing new uses of the European Social Fund. (See *European Community No. 141*, page 21.) The Fund's resources will now help support projects stimulated by Community policies instead of being limited to reimbursing part of the member state's costs incurred in solving domestic employment problems related to heightened competition within the Common Market.

Guidelines for the support of Community-oriented projects will be determined by the Council in accordance with the situation and Community priorities. Guidelines for aids against unemployment, underemployment, and poverty have now been suggested by the Commission.

### Aid Recipients Defined

In its draft regulation the Commission defined the regions, branches of activity, and groups of enterprises in which attempts to absorb and retrain unemployed workers qualify for Fund assistance. The largest portion of these credits (60 per cent) will be devoted to activities which will help eliminate unemployment. The Fund may also offer support for the employment of specific groups of people, including the handicapped, the aged, women, and youth.

In an attempt to simplify the problems of administration and control, the Commission has established a system of payments related to the type of aid provided. To encourage coordination of public and private efforts in solving employment problems, the Commission's definition of "public powers" reflects the Council's wishes that private organizations should also benefit from Community aid.

The proposed regulation, if approved by the Council, will come into effect on January 1, 1972.

## SURVEY SUGGESTS EC GROWTH MAY SLACKEN

Business in Europe will move more slowly this year than last, according to the Commission of the European Communities.

The Commission's second business surveys for 1971 published in February, showed that production in June-October 1970 took a downward turn. The report suggested that European production, although still lively, might continue to reflect a decreasing growth rate.

## PUBLICATIONS AVAILABLE

**SOCIAL PROGRESS IN EUROPE: ACTION BY THE COMMISSION IN THE FIELD OF SOCIAL AFFAIRS IN 1969.** Commission of the European Communities, Brussels, March 1970, 31 pages ..... free  
*Describes the social aspects of the Community's common policies such as agriculture, transport, and energy. Discusses developments in employment, living conditions, and health. Includes three statistical tables on readaptation of workers, the European Social Fund and ECSC housing programs.*

**FOOD AID IN CEREAL FORM PROVIDED BY THE EUROPEAN ECONOMIC COMMUNITY.** *Information Memo, P 1/71*, Commission of the European Communities, Brussels, January 1971, 3 pages ..... free  
*Short summary of the Community's actions under the 1967 Food Aid Convention.*

**METHODES ET MOYENS POUR ETABLIR UNE NOUVELLE CLASSIFICATION DES IMPOTS EN SE BASANT SUR LES PRINCIPES MIS EN LUMIERE LORS DE L'HARMONISATION DES SYSTEMES FISCAUX DES ETATS MEMBRES DE LA CEE.** *Série Concurrence et Rapprochement des Législations No. 13*, Commission of the European Communities, Brussels, 1970, 42 pages ..... \$2.00  
*Study by Dr. Maria-Dolores Hesse for the Commission concerning a new nomenclature for taxes in light of future tax harmonization in the Community's member states. Concentrates on direct and indirect taxes affecting trade. Also available in German.*

**STATEMENT BY MR. A. COPPE ON THE SOCIAL SITUATION IN THE COMMUNITY IN 1970.** Commission of the European Communities, Brussels, March 10, 1971, 10 pages ..... free  
*Mr. Coppe's introduction to the Commission's annual social report to the European Parliament in Strasbourg. Main themes were the common labor market, employment of women, and social priorities.*

**THE EUROPEAN COMMUNITY AND THE UNITED KINGDOM: HOW FAR HAS ENLARGEMENT PROGRESSED?** Commission of the European Communities, Brussels, February 1971, 13 pages ..... free  
*Detailed review of the negotiations with the United Kingdom, from December 1969 through early 1971.*

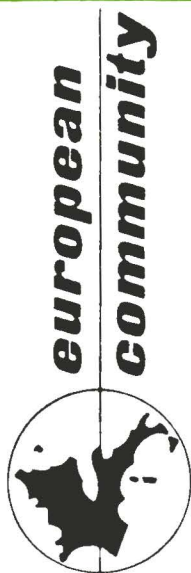
**INDUSTRIAL STATISTICS: 1970.** Statistical Office of the European Communities, Luxembourg, 1970, 141 pages ..... \$2.50  
*French/German/Dutch/Italian text. Yearbook of data on industrial production broken down by commodity covering 1958-1969.*

**L'ENSEIGNEMENT DANS LES PAYS DE LA COMMUNAUTE EUROPEENNE.** Commission of the European Communities, Brussels, October 1970, 223 pages ..... \$25  
*Preliminary bibliography on education in the Community. Covers general aspects, primary and secondary education, vocational counseling, adult education, vocational and professional programs, audio-visual techniques and education, specialized journals and other bibliographies. Items are listed in the language in which they were first published.*

**THE EUROPEAN COMMUNITY IN THE WORLD.** By Ralf Dahrendorf, European Community Information Service, Washington, D.C., March 26, 1971, 22 pages ..... free  
*An address before the American Bar Association Meeting in Chicago, Illinois. Discusses U.S.-Community relations in the context of the world scene of the 1970's.*

**HARMONIZATION OF LEGAL AND FISCAL PROVISIONS IN THE EEC: THE CONCEPT OF THE EUROPEAN COMPANY, FISCAL HARMONIZATION, BANKING AND INSURANCE.** By Theodore Vogelaar, Commission of the European Communities, Brussels, February 1971, 18 pages ..... free  
*Speech given at the Conference "Into Europe" organized by the London Chamber of Commerce, London, England.*

**COMPARISON OF THE RADIOACTIVE CONTAMINATION OF THE TOTAL DIET OF ADOLESCENTS IN THE COMMUNITY.** (EUR 3945e). Commission of the European Communities, Brussels, Vol. I—INTERLABORATORY COMPARISON PROGRAMS: RESULTS AND COMMENTS. By E. Van der Stricht, October 1968, 72 pages ..... \$2.00  
 Vol. II—INSTITUTIONAL DIET PROGRAM: RESULTS AND COMMENTS (EUR 3945e II). By J. Smeets and E. van der Stricht, November 1970, 70 pages ..... \$2.00  
*The first volume reports the amounts of strontium-90, caesium-137, calcium, potassium, stable strontium, and radium measured in the total diet of adolescents in the Community. The second volume reports on the results of differences in food habits on the intake of radionuclides.*



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