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currency crisis strains solidarity

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Community News

Enlargement of the EC: The U.S. View

U.S.-European cooperation is a stream marked by strong currents and inevitable eddies.

U.S. Representative to the European Communities J. Robert Schaetzel stated in Oslo on May 25 that although the United States continues to officially support the enlargement of the Community, there is a growing hostility in U.S.-European relations, continuation of this support may be jeopardized during the next few years unless the Atlantic partners give "careful and responsible attention" to the solution of immediate problems. Mr. Schaetzel spoke before a London *Financial Times* conference on "The Nordic Countries, Britain and the Enlargement of the EEC."

Mr. Schaetzel noted that U.S.-Community relations are "dominated by common interests and common problems," as demonstrated in the Kennedy Round to lower tariffs, in the creation of special drawing rights, and in the recent agreement on the desirability of generalized preferences for the developing countries. The obvious long-term benefits of cooperation, however, may stumble against snags in the short term—such as the Community's common agricultural policy, its association arrangements, monetary or economic crises, the U.S. election cycle, and the activities of the multinational corporation. If the United States and the Community fail to come to terms with these snags during the 2-4 year transition period of European enlargement, he said, the broader goals of cooperation may become lost in the rushing current of events: "Too much can go wrong in the short term. A safe passage through this transition period cannot be assumed inevitable just because the long-term benefits to us all are so promising."

The New American Mood

The United States has passed from naive optimism and a belief that "enough energy and money would solve any problem" in the early post-war period to a mood of doubt and questioning, Mr. Schaetzel said. The American public today is more sensitive to internal and external problems, much better informed, and actively engaged in the national debate. The danger, he pointed out, is that groups and individuals tend "to become obsessed with one problem or one area of activity. It then becomes easy to ignore the side-effects of a course of action or to view problems or solutions out of all rational context." The tendency toward pre-

Ambassador J. Robert Schaetzel

occupation with specific internal concerns is not a uniquely American phenomenon, however, and Mr. Schaetzel noted that it could have serious international consequences—as the adverse external effects caused by the Community's Common Agricultural Policy and association arrangements.

Mr. Schaetzel stated that the United States continues to support European unity and enlargement of the Community. Figures demonstrate that the creation of the Community has benefited the United States rather than harmed it. This is especially true for American firms in Europe, which did an estimated $14 billion of trade in 1968, or more than double the value of U.S. exports to the Community. Public apprehension and "fear that an enlarged Community will in some way, and despite the past record, be contrary to American interests" obscure the political framework and objectives of enlargement. However, Americans, as is true of many Europeans, actually know very little about the political and economic basis of the Common Market.

Suggestions for the Future

Points of conflict in U.S.-Community relations, Mr. Schaetzel observed, are only natural: "It is certainly one of the obligations of officials on both sides of the Atlantic to keep this inevitable aspect of our life together in proper and quiet perspective," rather than to expect perfect harmony. The Samuels-Dahrendorf Committee [Deputy Under Secretary of State for Economic Affairs Nathaniel Samuels and Commission Member Ralf Dahrendorf] which now meets at least twice a year for the discussion of general and specific problems is a first step in the direction of closer consultation.

Further difficulties lie in the very structure of decision-making on both sides of the Atlantic. The internal processes within the Community, he said, are extremely complicated. "It is a political system that can make decisions only with difficulty, and to unmake or modify these decisions lays almost inhuman demands on those involved." Both a Community of Ten and the United States should consider ways in which "routine business can be done more easily, as much for the benefit of those within as for those without."

For the short term, officials on both sides of the Atlantic should keep in sight the importance and the goals of a United Europe to calm public apprehension. It is also vital, Mr. Schaetzel said, to find the will and means to solve specific problems. A Community of Ten should be particularly aware of the impact of its policies abroad, as it would account for over 40 per cent of world trade. It must decide whether enlargement will strengthen or undermine the existing trade and payments system, especially with regard to arrangements with those countries which will not become full members. He concluded: "The decisions made among the Europeans will have either the effect of widening the Atlantic or making it a more effective bridge for a more equal partnership. The course of events will turn largely on European decisions."

Direct Election of the European Parliament?

Should representatives to the European Parliament be elected by direct universal suffrage?

As reported in the April 28 issue of *Le Soir* in Brussels, the Belgian Council of the European Movement posed this question to Belgian Parliamentarians. A questionnaire was sent to 387 deputies and senators in the national legislature. Of these, 121 replied and almost all (96 per cent) favored the direct election of representatives to the European Parliament. 116 of the replies (also 96 per cent) favored an electoral reform to enable the change and 111 replies (92 per cent) agreed that the reform was "urgent," for Belgium and for Europe.

A proposal for the direct election of Belgian members of the European Parliament was introduced 14 months ago, but it has not yet secured the approval of the Interior Committee. A new proposal has therefore just been introduced in the Chamber. The question for Belgians to decide is whether Belgium should proceed with the reform as a stimulus to other member states, or await the creation of a more politically united Community with a European Parliament having real powers.

Parliament Debates Money Crisis, Transport

The recent monetary crisis in Europe demonstrates the urgency of rapid movement toward economic and monetary union within the European Community, according to the Commission's President.

Addressing the European Parliament in Luxembourg, Franco Maria Malfatti, President of the European Communities Commission, stated on May 18 that only movement toward economic and monetary union would permit the European Community to play a major role in international monetary affairs. The Parliament subsequently adopted a proposal for the reexamination by the Commission and the Council of suggested flexible exchange rates for the Community as a whole. The Parliament also referred to the Political Committee a suggestion for a summit conference of the Community's six heads of state and held heated debate on delays in the Community's transport policy.

No Justification for Parity Revisions

Commission President Malfatti stated that the Community had been caught between strong inflationary pressures, on one hand, and deficiencies in the Community's plans for economic and monetary union, on the other. He stressed, however, the Community's role during the crisis, stating that the Six had reaffirmed their agreement that monetary fluctuation is incompatible with the functioning of the Common Market in all but exceptional situations. Mr. Malfatti said that there was no fundamental imbalance among the economies of the Six that would justify parity revisions. Unless the Community accelerates the coordination of member countries' economic policies, he concluded, it would not have the instruments necessary for stable internal development if inflationary pressures continue.

Raymond Barre, Vice President of the Commission, also spoke before the European Parliament on May 18. He noted that the Community's consultation procedures had been respected and that unilateral actions had been avoided. The monetary crisis, he said, was an example of the chronic difficulties which the international monetary system has been facing for several years. Stability in the system has been undermined by the massive and persistent U.S. balance-of-payments deficit and by periodic speculative capital movements, which are compounded by activities in the Eurodollar market. During the crisis, the Commission's position was to resist speculative pressures which would impede the development of international trade by introducing uncertainties into monetary relations. The Commission has sought to safeguard the competitive capacity of the Community and to create Community instruments for a concerted policy on capital movements in order to prevent future crises. Although the final actions agreed on by the Council of Ministers were not to the complete satisfaction of the Commission, Mr. Barre noted that there was no reason for undue pessimism.

Flexible Exchange Rates

In the course of a general debate following the addresses of President Malfatti and Vice President Barre, speakers for all political groups within the European Parliament insisted on the need for common regulations to protect member countries from inflation. A proposal requesting the Commission and the Council to reexamine the possibility for a flexible exchange rate externally, while maintaining internal fixed exchange rates for Community currencies, was introduced by the Economic Committee spokesman. After heated debate the proposal was adopted by a majority vote.

Adriaan Oele, Dutch Socialist member of the European Parliament, proposed a summit conference of the six chiefs of state to discuss the current situation after the conclusion of French President Pompidou's talks with British Prime Minister Heath. The proposal was referred to the Political Committee.

The Parliament's Transport Committee expressed its dissatisfaction with delays in movement toward a common transport policy. Commission member Albert Coppé replied that the political will which existed earlier in this area has not been sustained and must be revived. He noted the measures which the Council has already adopted, proposals currently before the Council, and those recently submitted by the Commission to the Council as examples to counter claims of executive inaction. Mr. Coppé suggested that the Council should adopt the proposals by a weighted majority vote for all questions which are not of vital importance to particular member states.

Other Activities

On May 18 the European Parliament postponed discussion on competition problems until a future unspecified session. On May 19, after a brief debate, the Parliament adopted a proposal to suspend the application of regulations requiring the determination in advance of appropriations and returns for various sectors of the common market organizations. The Parliament also adopted by unanimous vote a Commission proposal to the Council which would harmonize consumption taxes on liquid hydrocarbons to be used for fuel.

Belgian Labor Minister Louis Major (right) congratulates French Minister of Labor, Employment, and Population Joseph Fontanet who presided over a successful second meeting of the Community's Standing Committee on Employment.

Employment Committee Views Current Problems

Employment information gaps, vocational training problems, and the reform of the European Social Fund served as the focus for discussion at the second meeting of the European Community's Standing Committee on Employment.

The Standing Committee met in Brussels on May 27 with the French Minister of Labor, Employment, and Population Joseph Fontanet presiding. The Committee discussed the Commission's draft program for employment statistics and suggested remedies for shortcomings in the information currently available. The Committee also suggested means of defining projects and policies which could be initiated at the Community level.

In its discussion of vocational training problems, the Standing Committee reached agreement on suggestions for general guidelines to govern a Community vocational training program. The Commission will now determine a draft plan for discussion by the Committee before final adoption. Community activities in this field will not be designed to replace activities already in effect in member states.

The Standing Committee generally agreed with regulatory provisions which have been suggested for the application of the Council's February 1 decision for reforming the European Parliament and the Economic and Social Committee.

Toward A Common Development Strategy

If the United States has found that research cannot move in all directions at once, is it not even more vital for Europe to concentrate its efforts for the best use of its research time and energy?

Altiero Spinelli, Member of the Commission of the European Communities in charge of industrial affairs and research, speaking before the European Parliament in Strasbourg on April 21, said: "The hour of truth is arriving" when member governments will have to decide whether they are ready to pursue the path opened at The Hague or whether they will resign themselves to failure. Pursuing The Hague path in essence requires an acknowledgment of the Community as the appropriate setting for the elaboration and initiation of a common strategy for scientific, technological, and industrial development, he said. The Community should be accorded the necessary means to insure the minimum of coordination, coherence, and common financing imperative for efficiency in research.

For this purpose, the Commission has suggested the creation of three new organs for formulating ideas, advising the Commission, and administering a common policy of scientific and technological research. Mr. Spinelli outlined the major activities with which Community strategy in this area should be concerned.

Activities at the Community Level

Mr. Spinelli specified the following desirable activities to be carried out at the Community level:

- the development of a permanent inventory, as complete and precise as possible, noting the needs, available means, and actions undertaken for research at the state level or in cooperation with other countries
- a common definition of medium- and long-term objectives, areas of priority, and means of administering research activities that will not be frustrated by juridical and financial obstacles
- common action for research in certain areas
- the creation of a decision-making structure to insure that proposals submitted to the Council of Ministers will be discussed rather than perpetually referred to groups of experts who are actually on a level inferior to that of the officials who originated the proposals
- a flexible interpretation of the common commercial policy which will permit the Community to negotiate as a single entity with other countries in matters of technological and industrial cooperation.

Even as the United States, the richest country in the world, has found that it cannot pursue goals of conquering space, developing a supersonic airplane, improving living conditions in the cities, and preserving the natural environment all at the same time, Europe also must learn to be selective in its research projects, Mr. Spinelli said.

New Committees Proposed

The Commission has proposed the creation of three new entities to formulate ideas, advise the Commission, and administer Community policies in the area of scientific and technological research. A European Committee for Research and Development (ECRD) would investigate priority needs and offer opinions on specific questions directed to it. The Committee could also offer opinions on its own initiative. These would be examined by the Commission and translated into proposals for the Council.

A committee of state scientific authorities would complement the ECRD and would discuss its proposals with the Commission before these were passed on to the Council.

Finally, a European Agency for Research and Development would serve as the administrative organ responsible for the execution of the decisions adopted by the Council in this field. It would be in charge of Community financing for research projects and could arrange for the participation of other European countries in programs approved for the Community.

Governor Scranton Meets with Commission

William W. Scranton, former Governor of Pennsylvania, met with European Commission President Franco Maria Malfatti, Commissioners Ralf Dahrendorf and Albert Borschette, and other Commission officials during his visit to Brussels May 5-6. Governor Scranton was the first visitor sponsored by the Atlantic Visitors Association (AVA), a non-profit organization established in November 1970 to help stimulate an American-European dialogue on common problems.

The AVA was created with the assistance of a $10,000 grant from the Anderson Foundation of New York City. It plans to bring as many as four distinguished Americans to Brussels annually to meet with Community officials. Members hope that a similar organization to bring prominent European leaders to the United States will be established with European financial support.

Banks Plan Creation Of A "Euro-Check"

European stores, hotels, and restaurants may soon be accepting a new form of payment: the "Euro-check."

In reply to a question from Hendrikus Vredeling, Dutch Socialist member of the European Parliament, the Commission of the European Community stated on March 16 that banks in approximately 24 European countries have agreed to accept these guaranteed checks drawn on foreign banks.

The 24 countries include the Six, the present candidates for entry into the Community, other West European countries, and a few East European countries. Only private banks are now involved in the project, but eventually, the sponsors hope, Euro-checks would be accepted as direct payment in stores, hotels, and restaurants.

The Commission said it would do anything that might help to assure the success of the project within the Community.

Students Should Learn More About Community

Europe's youth is not taught enough about the Community, the Commission has observed.

In reply to a question from Horst Seefeld, German Socialist member of the European Parliament, the Commission of the European Community stated April 15 that the subject of European unification does not receive sufficient attention in schools in the Six. Texts used in courses on European integration treat the origin, development, and prospects of unification in different ways in the six member countries and are generally insufficient, the Commission said.

Both teacher and student education in this area is usually left to the initiative of private educational organizations or scholarly groups. Government support has remained minimal.

The Commission has, since 1960, provided information on Community activities for both scholars and youths, particularly regarding the consequences of Community decisions in agricultural, industrial, social, economic, and monetary areas. These and other efforts have proven inadequate, in the Commission's opinion. Teaching programs should be "Europeanized," requiring cooperation in this area among the Six. The Commission also emphasized the need for cooperation between the Commission and national education services to provide better information.

Six Experience Slower Growth, Price Hike

The European Community in the first quarter of 1971 experienced a strong price and wage hike, increased total demand, and a relaxation of real economic growth.

The Commission of the European Communities in April released its report on the economic situation in the Community for the first quarter of 1971.

An internal rise in personal incomes, due largely to salary hikes, coincided with an increase in private consumption at higher prices, a decline in business investment, and a decreased growth rate for industrial production.

The Commission observed that the weak economic performance of non-member countries—including members of the European Free Trade Association, Spain, Japan, and Eastern European countries—had a negative impact on Community exports. Imports, however, increased—causing a commercial balance deficit for the last quarter of 1970 and early 1971. A drop in interest rates on the international market also had its impact in Europe: the massive inflow of short- and long-term capital contributed significantly to European liquidity. A large liquidity margin and increased internal demand enabled the translation of higher production costs into increased consumption prices, the Commission reported.

Failure to secure sufficient cost and price stability, the Commission concluded, would gravely compromise the achievement of the objectives adopted for medium-term economic policy in February of this year. Not only the evolution of prices, but also economic growth and employment would be seriously affected.

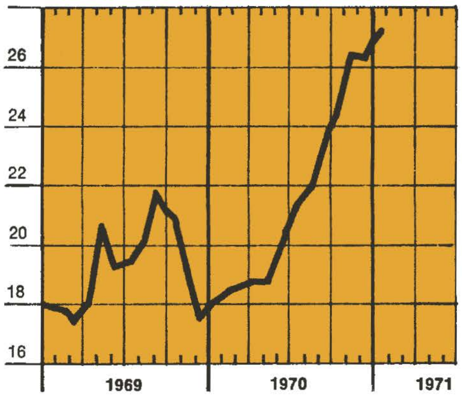
The Problem of Inflation

Inflationary tendencies in the Community, the Community reported, are now due largely to cost hikes ("cost-push inflation" rather than "demand-pull inflation"). The Commission therefore suggested that member governments need not introduce new measures designed to limit demand. Present measures, however, should not be relaxed, as this would only reinforce inflation and would compromise the plan for economic and monetary union which requires the harmonization of policies for economic growth, full employment, and stability within the Six. Major divergencies in economic measures undertaken by the member states could result in disturbances that would make economic and monetary union impossible, the Commission said.

Budget policy has become even more

Gold and Foreign Exchange Holdings

(in billions of dollars)



important as an instrument for stabilization, given the recent evolution in world interest rates: the massive inflow of short- and long-term capital has reduced the member states' maneuvering room for monetary policy. The capital inflow has also supported the continuation of price and cost increases and it threatens to stimulate an even greater expansion of demand in a destabilizing manner, the Commission reported.

The Commission attributed the recent capital inflow, as reflected in the Community's balance-of-payments surplus, to differences in credit policy in the Community and in the United States. U.S. expansionary policy in this area since the spring of 1970 and the consequent alteration of the situation on the Eurodollar market were the direct causes of the capital inflow, the Commission said. Attempts by monetary authorities in the member countries to reduce the level of internal interest rates had only limited influence on the expansion of available money within the Community.

Toward A Common EC Installment Plan

The European Community may soon grow "on the installment plan."

Recognizing the importance of consumer credit for economic growth, the Commission of the European Community has initiated discussions among governmental experts from the Six to study possibilities for a Community regulation on the sale and financing of goods bought on the installment plan. Three such meetings have taken place since December 1969.

Consumer protection will be a main purpose of the regulation. It will also be designed to eliminate distortions which could arise from national differences in the field of consumer credit.

Commission Proposes Industrial Policy Group

The Commission has proposed the creation of a new committee on industrial policy, similar in structure to the Committee on Medium-term Economic Policy.

The Commission of the European Communities adopted a proposal on April 28 which would create an industrial policy committee composed of Commission and member state officials. The Committee would have major responsibilities for the field of industrial policy and would be in charge of studying all questions in this area of interest to the Community as a whole. The proposal will now be submitted to the Council of Ministers for a decision.

Committee Responsibilities

The Industrial Policy Committee would be responsible for the following:

- the coordination of actions in various sectors of industrial policy
- the analysis of results of studies carried out in various industrial branches
- an analysis of problems of industrial structure, especially in relation to commercial policy
- assistance in the effective opening of public markets for free access by all industries and participation in coordinating public purchasing policies
- a study of the necessary steps to promote technological development in industry, including problems of technological cooperation with other countries
- a study of the economic policy implications of major programs of industrial restructuring
- a study of the general goals of industrial policy and of its needs, to be sent to the European Investment Bank as a guide for its activities, as well as to other organs for Community financing
- a study of the territorial aspects of industrial policy, including the consequences of environmental protection measures on industrial development and guidelines which would take into consideration the respective roles of small and medium-sized industries
- a study of improvements in commercial organization and in the juridical, fiscal, and financial activities of industries.

The Committee may offer opinions either at the request of the Council of Ministers, or the Commission, or on its own initiative. The Commission and each member state would appoint two members of the Committee; they can also appoint deputies. The term of office would be two years and could be renewed.

Statistics: Vital Role for Community's Future

Statistics are the life-blood of the European Community: they are an essential ingredient in reflecting the past, interpreting the present, and forming policy goals for the future.

The Commission of the European Communities submitted to the Council of Ministers on March 31 a suggested statistical program for 1971-1976 which reflects the Commission's belief in the importance of statistical studies for Community activities. Possibilities for the future evolution of the Community as outlined at The Hague Conference and the potential accession of new members to the Community, the Commission noted, forecast a significant increase in responsibilties and policy coordination at the Community level. Statistical information which is readily available and highly accurate will be vital to both the formulation and the execution of these future policies. The Commission has, therefore, proposed a program of statistical studies in several policy areas to fill present information gaps and to harmonize diverse statistics originating in individual member states.

Inadequate, Incomparable Statistics

For several major policy areas the Community is faced with inadequate information. Often the statistics which are available are not comparable between member states. The quality of industrial statistics, for example,—production figures, labor costs, investments, productivity, use of productive capacity—is extremely important in the formulation of industrial policy for the Community as a whole. More or less fragmentary statistics exist in all member states, but differences in methodology, assumptions, and degree of accuracy may make it extremely difficult to compare these statistics on a Community level. Similar problems exist for social statistics: few figures are available for salary structure and distribution; employment statistics do not provide an adequate basis for determining unemployment pockets, due partially to differences in social legislation among member states. Regional statistics which would reflect disparities in development within the Community are in their infancy. The Community is thus plagued in its policy formulation with information gaps.

The Commission's Role

The immediate need for comparable statistics has stimulated Community studies ranging from salary structures to family living conditions. Similar pressures helped to bring about a common system of classification for foreign trade, transportation, and economic activities. The Statistical Office of the Commission has been able to use a limited amount of persuasion to bring about the harmonization of certain statistics among member states, as in wage statistics. In the energy and metallurgy fields the Office has been able to tap information directly from the industries concerned, but in most instances national statistical services have supplied the necessary information, often with Community financing, where new studies are concerned.

Community institutions, and particularly the Commission, have been granted responsibility for the administration of the customs union and of common policies within the fields of agriculture and coal and steel. A common commercial policy and the protection of effective market competition have likewise been allocated to Community supervision. In other areas—as in economic and monetary questions, industrial problems, regional policy, and social questions—the Community institutions have a responsibility to suggest and to help coordinate rather than to administer. For both administration and harmonization, however, the Community needs a basis of sound statistics to guide its activities. The growing interdependence of the member states' economies makes the continuation of purely national statistics difficult to justify, the Commission noted, while the prospect of new members makes common statistical standards even more imperative.

The Commission's proposed program includes statistical studies over the next few years which will provide a background for the development of Community social and regional policies, as well as for the creation of economic and monetary union. Suggested statistical studies would also facilitate the continuation and extension of foreign trade, industrial, research and technology, agricultural, energy, and transportation policies.

How "Common" Is The Common External Tariff?

It may cost less to send an article by parcel post to Belgium than to France, if one considers differences in customs duties.

In reply to a question from André Armengaud, French Liberal member of the European Parliament, the Commission of the European Communities on April 19 stated that differences in customs procedures for articles entering the Six by parcel post may mean that the common external tariff is not uniformly applied to these goods. It is not accurate, therefore, to accuse the customs officials in certain member states of attempting to sabotage the Common Market, the Commission said.

According to the Council's December 1969 regulation on the common customs tariff, articles other than tobacco products which enter the Community by non-commercial means and which are sent to a specific destination are liable to a 10 per cent *ad valorem* tariff. As Mr. Armengaud noted, however, the same article sent by parcel post to Belgium, France, and Germany received very different customs tariffs.

The Commission has explained that the application of the common external tariff does not mean that the same tariff will be applied in all member states: the determination of the value of the imported goods may include both means of shipment and transport costs, which would vary for each point of entry. A heavy inflow of goods by parcel post may also result in certain goods' being sent directly to their destination without being subjected to the common external tariff.

As long as customs procedures are not fully harmonized within the Community, the Commission concluded, each member state will continue to apply its own regulations to parcel imports; these will not in all cases conform to the common external tariff.

Powdered Eggs for Developing Countries

The Community's surplus eggs may be put to good use to aid the developing countries.

The Commission of the European Communities sent a proposal to the Council on April 30 that would include powdered eggs in the Community's food aid program. Five hundred tons of powdered eggs would be put at the disposal of the World Food Program. The total cost of the distribution operation would be approximately $2 million, of which the Community would contribute up to 30 per cent of the value of the merchandise.

The Commission has proposed this action in recognition of the developing countries' need for high-protein foods, while the Community presently has a large egg surplus which will never be sold under normal conditions.

Six Adopt Joint Stand On Middle East

For the first time, the foreign ministers of the six countries in the European Community have issued a joint communiqué on a foreign-policy issue not directly related to the Community—the Middle East.

After a meeting in Paris on May 13-14, they announced that they had adopted a report on a Middle East peace plan that had been submitted by a newly-formed political committee—the political directors of the six foreign ministries.

The ministers recalled the importance for Europe of a just peace in the Middle East and said they would favor Gunnar Jarring's negotiations and all other efforts which might lead to a peaceful settlement. The ministers said their governments were ready to contribute to social and economic stabilization when the right moment came.

The political committee has been asked to revise its Middle East report to take into account the recent mission to Egypt and Israel by U.S. Secretary of State William P. Rogers.

The Paris gathering was the second foreign-policy meeting of the foreign ministers of the Six. The first meeting took place in November 1970. The Six agreed in July 1970 on twice-yearly foreign-policy consultations. Under the procedure, intended to pave the way to greater political cohesion, the Six inform the four applicant countries after each session. These contacts among the Ten took place in Paris on May 18.

The foreign ministers also conferred on a Soviet proposal for a European security conference. Commission President Franco Maria Malfatti attended part of their meeting.

European Economic Relations with Greece

The Community has not entirely severed its economic relations with the Greek regime, but the prospect for future relations looks bleak.

In reply to a question from Pierre-Bernard Cousté, French European Democratic Union member of the European Parliament, the Commission of the European Communities stated on April 19 that the application of its association agreement with Greece has been limited to specific obligations which the Communities had assumed relative to the establishment of a customs union. The portions of the agreement pertaining to the development of common ventures and the harmonization of economic policies in the perspective of Greek membership in the Communities require an agreement on policy options between the two parties which no longer seems possible, the Commission said.

The Community has objected to the political situation since the military coup of April 21, 1967. The protocol providing for financial aid to Greece expired October 31, 1967, and has not been renewed. The Commission noted that the prospective membership of Greece in the Community will not be possible as long as the current political situation in Greece continues.

Europeans Celebrate "Their Day," May 5th

Europeans celebrate May 5 in memory of the creation of the Council of Europe.

Commission President Franco Maria Malfatti marked the occasion by a "European Day" message. "Europe's present vitality," he said, "springs from the will and faith of those who brought into being this vast European organization, the Council of Europe." The Council of Europe, he noted, has supported greater mutual comprehension in Europe of, and respect for, human rights. European Day celebrations unite all Europeans who work for cooperation and unity in freedom, he said.

Progress In Lifting State Monopolies

State monopolies are easing restrictions in compliance with provisions of the Common Market Treaty.

The Commission of the European Communities noted progress in the adjustment of state monopolies in its May 8 reply to Dutch Socialist member of the European Parliament Hendrikus Vredeling. Not all state monopolies had completed the necessary adjustments to protect effective market competition by January 1, 1970, as required in the Common Market Treaty *(see European Community No. 142, page 21)*. The Commission therefore has recommended actions to be taken to complete adjustments in several state monopolies in Italy, Germany, and France.

Progress Noted

The Commission noted the following progress in these member states:

- *Italy.* The Italian Government has notified the Commission of its position on the Commission's recommended changes for the lighter, match, cigarette paper, salt, and lighter flint monopolies. The Italian Government has introduced a bill in the Italian parliament which would remove exclusive rights for wholesale imports and sales of lighters. The measures which the Government plans to take with regard to the lighter flint and cigarette paper monopolies correspond to those recommended by the Commission. Legislative proposals for the salt and match monopolies have not yet been completed.

- *Germany.* The German Government has effectively removed the quantitative restrictions on alcoholic beverage imports from other member states.

- *France.* Adjustment of the French (and German) alcohol monopolies awaits the establishment of a common organization of the market for vegetable ethyl alcohol, which is currently being elaborated by the Commission.

Investment Bank Raises Capital Stock by 50%

The Community's Investment Bank is expanding its capital base.

At its April 26 meeting in Hamburg, the Board of Governors of the European Investment Bank decided to raise the Bank's capital stock from $1 billion to $1.5 billion to cover future activities. The increase of $500 million will be drawn from subscriptions by member states in the following proportions: Germany 30 per cent, France 30 per cent, Italy 24 per cent, Belgium 8.65 per cent, the Netherlands 7.15 per cent, and Luxembourg 0.2 per cent.

Association With Africa Shows EC Import Growth

Joining hands with Europe has been good for Africa.

Community imports from the associated African states have grown faster than Community exports to Africa over the past decade, the Commission of the European Community noted on February 18. The Commission's summary of developments in trade with its 18 Associated African states in 1958-69 was prompted by a question from Maurice Dewulf, Belgian Christian Democratic member of the European Parliament.

Since 1958, the Commission stated, Community exports to the Eighteen have increased by 57 per cent, while imports have increased by 88 per cent over 11 years. The Communitys imports from the Eighteen exceeded its exports to the Africans by $200 million in 1958; in 1969 they surpassed exports by $600 million. Thus, the Community's deficit on trade with the Eighteen tripled over this period.

Change in Composition of Imports

The composition of imports from Africa has also changed. The large initial gap between the share of primary materials and manufactured goods in Community imports from Africa has been substantially narrowed. The change in product shares is shown in the graphs. It should be noted however, that tariff classifications include metals and leather as manufactured goods. Leather, in particular, represents more than a fourth of Community imports from its African associates.

U.S., British, Japanese Trade with Africa

The trade of other industrialized countries with the Community's African associates also grew substantially. In 1958-68, U.S. imports from Africa increased slightly, although U.S. exports to Africa almost doubled. However, the Commission noted, in 1968 imports were much higher ($230 million instead of $173 million). Nevertheless, using even this abnormally high import figure as a basis of calculation, U.S. imports from Africa increased by 56 per cent, still significantly lower than the Community's increase of 88 per cent increase in imports from Africa.

British imports by comparison multiplied by more than five over this period, although Britain still imports much less than the Community. Japan's imports from the African associates were 77 times greater in 1969 than in 1958, while Japanese exports to Africa surpassed British exports to Africa in 1969.

Community trade with the African associated remains much more important than that of any other single industrialized country.

Pompidou Says Concorde Project Open To Others

The United Kingdom and France would not be averse to widening the Concorde program to include participation by other countries, French President Georges Pompidou said on May 7 after he became the first head of state to fly in the supersonic aircraft. He flew from Paris to Toulouse, the headquarters of Aerospatiale, in the French prototype, 001. The British 002 prototype flew from Fairford to Toulouse for the occasion.

Mr. Pompidou said Britain and France could draw satisfaction from having started the project and, while "ready to associate themselves with others," they remained the first in the West to "put a stake in the future and show themselves capable of technical prowess in one of the most advanced sectors of modern industry."

Concorde's manufacturers, Aerospatiale and British Aircraft Corporation, are in the midst of negotiations over firm contracts with the airlines. The two airlines principally involved at this stage, Air France and British Overseas Airways Corporation, say they still need more information, such as the selling price of the aircraft, before committing themselves. The price mentioned has been $27 million.

Investment Bank Grants German, Italian Loans

The European Investment Bank has granted loans to Germany and Italy which should create more than 7,600 jobs in areas with major unemployment problems. The loans concluded on April 22 total $29.3 million and will be used to finance the following projects:

- St. Ingbert, Germany: $5.5 million to finance the construction of a tire factory as part of an industrial center which will be built to compensate for job losses due to the closing of coal mines in the surrounding area. The project will help create more than 1,000 jobs.
- Lecce, Italy: $12 million to aid the construction of a bulldozer factory.
- Salerno, Italy: $4 million to help construct a plant which will produce goods for the automobile industry in Battipaglia.
- Caserta, Italy: $4.8 million to aid the construction of two new units which will produce telecommunication, transmission, and radiocommunication equipment.
- Bari, Italy: $4.8 million to aid the construction of two new units which will produce telecommunication, transmission, and radiocommunication equipment.

The loans to Italy will help create about 6,600 jobs in Southern Italy.

The Bank also guaranteed on April 20 a $13,650,000 loan granted by the Deutsche Girozentrale-Deutsche Kommunalbank, Frankfurt, to the Istituto di Credito per le Imprese di Pubblica Utilita (ICIPU). The loan will partially finance a 12-mile bypass highway in Naples to connect developing industrial areas in the region. The highway is due to be completed by 1973.

Seventh Loan to Cameroon

On May 25 the Bank concluded its seventh loan operation in the Federal Republic of Cameroon. The $3.5-million loan will aid the further development of electric power production to meet the energy requirements of three Cameroon cities—Douala, Yaoundé, and Edea. The loan has been granted for 12 years at an interest rate of 8.5 per cent. It is the Bank's second loan to Cameroon under the provisions of the second Yaoundé Convention.

Germany Receives Most Young Exchange Workers

Germany provided the most job opportunities for visits by young workers participating in the European Community's work exchange program in 1969.

France ran second, according to the figures released by the Commission on March 31 in reply to a written question from Hendrikus Vredeling, Dutch Socialist member of the European Parliament. Data on exchange visits in 1970 are not yet available.

The program was designed to give young workers a chance to know their counterparts in other Community countries by going to work "abroad" for a few months. In this way, young workers can familiarize themselves with the way of life and ideas of their contemporaries in partner countries, thus breaking down the " border" mentality.

A total of 4,772 visits were arranged in 1969. Germany was host to 3,190 young workers. France attracted 1,492 exchange workers. Exchange visits to the other member countries were few: 73 to the Netherlands, 2 to Luxembourg, 7 to Italy, and 8 to Belgium.

First Meeting with East African Associates

The European Community and its East African associates held their first meeting since the entry into force of the Arusha Association Agreement on January 1, 1971.

The meeting of the Association Council, representing the Community and the East African states of Tanzania, Uganda, and Kenya, was held in Brussels on May 13. It adopted its Rules of Procedure, governing the frequency and place of meetings, the composition of the Council, and provisions for the powers and functioning of the Association Committee. The Council then adopted a decision defining "originating products" which would benefit from preferential treatment upon entry into the Community. A Customs Cooperation Committee was established to insure the uniform application of this definition.

The European Community delegation informed the East African states of progress in negotiations with the United Kingdom, Denmark, Ireland, and Norway and of the Council of Ministers' decision to extend generalized preferences to the developing countries after July 1. The East African states reserved comments on both of these matters.

Community Outlines 1971 Wheat Grants for Needy Nations

The Community has determined the recipients of its food aid grants for 1971.

The Council of Ministers of the European Communities on May 6 drew up a plan implementing its decision to make wheat available to the developing countries through grants or liberal terms of payment. The Community was one of nine signatories of the Food Aid Convention adopted by the United Nations Wheat Conference in Geneva on February 21 *(see European Community No. 144, page 15)*. Under this Convention the Community agreed to make 1,035,000 metric tons of wheat available per year. "Community aid" will account for 353,140 metric tons and the remainder will be offered through bilateral projects by the individual member states.

The Community aid will be allocated to 18 countries and 3 international organizations in the following manner:

Turkey	18,600 metric tons
Peru	15,000 metric tons
Jordan	15,000 metric tons
Pakistan	35,000 metric tons
Afghanistan	11,640 metric tons
Algeria	11,000 metric tons
Cameroon	6,500 metric tons
Upper Volta	9,500 metric tons
Indonesia	26,800 metric tons
Jordan	13,000 metric tons
Lebanon	7,500 metric tons
Mali	7,500 metric tons
Morocco	28,000 metric tons
Pakistan	28,000 metric tons
United Arab Republic	15,100 metric tons
Rwanda	6,000 metric tons
Syria	7,500 metric tons
Sudan	9,000 metric tons
Tunisia	27,000 metric tons
Turkey	28,000 metric tons
Yemen	7,000 metric tons
International Committee of the Red Cross	7,000 metric tons
United Nations Relief & Works Agency	4,500 metric tons
World Food Program	9,000 metric tons
Total	353,140 metric tons

The first four projects had already been agreed upon as emergency aid.

Bilateral projects between member states and 21 countries and 2 international organizations will be allocated with the following total amounts for each country or organization receiving wheat:

Turkey	105,500 metric tons
Morocco	34,000 metric tons
Tunisia	73,000 metric tons
Jordan	3,270 metric tons
United Arab Republic	130,000 metric tons
Syria	8,000 metric tons
Yemen	28,000 metric tons
Ceylon	10,000 metric tons
Korea	6,000 metric tons
Indonesia	63,000 metric tons
Pakistan	86,000 metric tons
Cameroon	2,500 metric tons
Congo-Kinshasa	5,000 metric tons
Gabon	2,500 metric tons
Mauritius	3,000 metric tons
Lesotho	1,000 metric tons
Madagascar	5,000 metric tons
Rwanda	2,500 metric tons
Senegal	5,000 metric tons
Chad	5,000 metric tons
Chile	1,500 metric tons
United Nations Relief & Works Agency	3,200 metric tons
World Food Program	46,000 metric tons
Reserve not allocated	45,890 metric tons
Total	679,860 metric tons

New Allocations from Development Fund

The Commission of the European Communities has announced 10 new allocation decisions from the second and third European Development Funds.

The new allocations, announced on May 24, total approximately $28 million. Three of the allocations were made from the second Development Fund, totaling $1,294,000 and including a special loan worth $673,200. The remaining seven allocations were made from the third Development Fund for a total of $26,531,000. The allocations are as follows:

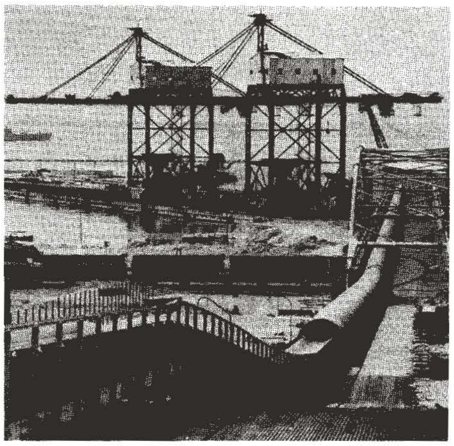
From the Second Development Fund

- *Senegal:* $491,000 to continue a project for increasing peanut planting.
- *Reunion Island:* $673,200 for an irrigation project in Bras de la Plaine where sugar cane is now growing. The project would enable greater agricultural diversification.
- *Chad:* $130,000 as a financial supplement to cover unexpected costs in building the Fort-Lamy/Massaguet road.

From the Third Development Fund

- *Burundi:* $7,909,000 for the restoration and asphalting of the national road from Bujumbura to the Rwanda-Burundi frontier.
- *Senegal:* $1,803,000 for the extension of land under cotton cultivation.
- *Upper Volta-Togo:* $1,621,000 for repairing and asphalting the Ouagadougou-Koupela road in Upper Volta and $7,489,000 for the repair of roads in Togo, including completion of studies for the third section of the route between the capitals of Upper Volta and Togo.
- *Netherlands Antilles:* $2,214,000 for the construction of a new airport on the island of Bonaire as a means of increasing tourism.
- *Netherlands Antilles:* $228,000 for the construction and initial equipment of a primary school for ten classes on the island of Bonaire.
- *Dahomey:* $963,000 for a center for market gardening, horticulture, and nutrition in Ouando.
- *Niger:* $1,304,000 as an exceptional grant to help the Niger government counter the effects of a drought in a largely agricultural portion of the country.

The new decisions bring the total number of decisions from the second Development Fund to 373, worth $712,274,000. There have now been 36 decisions under the third Development Fund, for a total of $91,629,000.



Italsider steel company's docks at Taranto, Italy. The steel industry's investments in new plant and equipment have fallen since 1970, when several companies built new plants close to ocean transport facilities.

Record-High Investment In Metallurgy Industry

Investment in the metallurgy industry reached an all-time high during 1970, but it has dropped considerably since then.

The Commission of the European Communities stated in April that reported investments in the metallurgy industry for 1970 were valued at $4,063,000,000, with high investment rates in all sectors. Of this, $3,723,000,000 were invested in the first half of 1970 and only $324 million during the second half of that year. Reported investments for the first three months of 1971, however, were only $240 million, a portion of these complementing major projects initiated last year. The Commission concluded that the propensity to invest has fallen off sharply since mid-1970.

A Cyclical Trend

Provisional estimates of investments in the metallurgy industry since 1956 are as follows, in millions of dollars:

Year	*Value*	*Year*	*Value*
1956	647	1964	501
1957	277	1965	509
1958	426	1966	338
1959	503	1967	697
1960	1808	1968	669
1961	1371	1969	1848
1962	553	1970	4047
1963	131	1971	244 (3 months)

The figures reflect a cyclical trend with peaks in 1960 and 1970. The Consultative Committee of the Coal and Steel Community is now studying the possibility of eliminating peaks and valleys in steel investments, which result in cyclical gluts and shortages of steel.

The Month in Brief

MAY 1971

4 Membership negotiations in Brussels with Denmark and Norway

4-5 Membership negotiations in Brussels with the United Kingdom

5 Germany stopped supporting the U.S. dollar

• "Europe Day" *(see page 8).*

8 Meeting of the Community's Monetary Committee to study ways of preserving the Community's monetary and agricultural solidarity.

• At an emergency meeting in Brussels the Council of Ministers decided to allow Germany and the Netherlands to float their currencies temporarily.

10 Meeting in Brussels of the Council of Ministers to prepare the Community's negotiating position for the May 11 enlargement talks with the United Kingdom.

• First meeting of the Community-East Africa Association Council, in Brussels *(see page 10).*

11 Membership negotiations with the United Kingdom

11-12 Marathon meeting of the Council of Ministers to decide on measures to avoid disruption in farm trade following Germany's and the Netherlands' decisions to let their currencies float.

13 Second meeting, in Paris, of the Community members' foreign affairs ministers to coordinate foreign policy *(see page 8).*

17-19 Meeting in Luxembourg of the European Parliament to discuss generalized preferences.

18 Danish Parliament adopts motion requiring popular referendum on terms of Community membership.

20-21 French President Georges Pompidou and British Prime Minister Edward Heath, meeting in Paris, find their views "very close" on Europe's role after the Community's enlargement.

23-28 18th International Banking Conference meets in Munich. U.S. Secretary of the Treasury John B. Connally reaffirms U.S. intentions of "maintaining the strength of the dollar" and calls upon other economically strong nations to "share more fully in the cost of defending the free world."

24 Membership negotiations in Brussels with Denmark and Ireland

24-25 Meeting in Brussels of the Council of Ministers to discuss agriculture

25 Meeting in Brussels of the Council of Ministers to discuss education, particularly cooperation in higher education.

• The Council of the General Agreement on Tariffs and Trade (GATT) approved the draft agreement extending generalized tariff preferences to developing countries. The accord comes into force after ratification by 78 GATT members.

25-26 Membership negotiations in Brussels with the United Kingdom

26 Meeting in Brussels of the Community-Greece Association Council

27 Second meeting, in Brussels, of the Community's Standing Committee on Employment *(see page 4).*

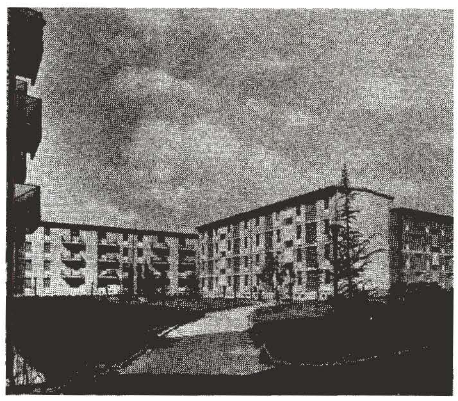
• Commission President Franco Maria Malfatti began a two-day official visit to Denmark.

ECSC Signs Contract For Second Bond Issue

The European Coal and Steel Community (ECSC) will float its second bond issue on the Luxembourg capital market to help finance investments and conversion programs for the coal and steel industries.

Negotiations between the Commission of the European Communities and a Luxembourg bank consortium were concluded May 18. The $8-million bond issue will be divided into two sections: the first section for $3 million will have a maximum duration of 8 years and will bear a 6.5 per cent interest rate; the second portion ($5 million) will have a maximum duration of 15 years and will bear a 7 per cent interest rate.

Total ECSC bond issues since its inception will now be approximately $987.9 million. Total ECSC loans and guarantees for loans contracted by Community industries were $1,081,700,000, as of December 31, 1970.



Proceeds of ECSC bonds are used to finance workers' housing, such as these apartments in Milan, and investments in the coal and steel industries.

Currency Crisis Strains Solidarity

RICHARD NORTON-TAYLOR

Richard Norton-Taylor* is The Washington Post's *Special Correspondent, writing from Brussels.

THE INTERNATIONAL CURRENCY CRISIS that shook the western world in May put Community solidarity under strain and appeared to have temporarily halted progress on its embryonic economic and monetary union. For the Commission in Brussels the lesson was plain: the monetary upheaval showed more than ever the need to reinforce the Community, especially one about to be enlarged. French Finance Minister Valéry Giscard d'Estaing pointed out that the crisis made it all the more essential to attack basic monetary problems—including the future of the pound sterling and the U.S. dollar's role as a reserve currency.

"Benign Neglect" Backfires

The money mix-up had been brewing for some time. Weeks, even months prior to May 5 when a tidal flow of dollars into Frankfurt finally forced all major European countries but France and Britain to close their foreign exchange markets, central bankers, politicians, and the Commission had been urging the Americans to help stem the influx of inflationary dollars into Europe and to curb their balance-of-payments deficit. Apart from measures to bring some of the hot dollars back to the U.S. Treasury, the U.S. Administration, facing a presidential election next year, maintained its policy of "benign neglect," regarding the problem as a primarily European matter. Speaking in Brussels a few days after the crisis broke out, Paul McCracken, Chairman of President Richard M. Nixon's Council of Economic Advisers, said that the United States was giving priority to putting its domestic house in order. He said that the United States had been the first to deflate, "at great domestic cost," and that the basic problem now was that the major western economies were cyclically out of step. He urged that further deflation in America would increase the discrepancy in interest rates between Europe and America by leading to a further fall in rates in the United States and that it would also heighten U.S protectionism by increasing imports into a stagnant domestic economy.

As one cause of the crisis lay in the United States (Mr. Giscard d'Estaing noted that "there was no single sinner"), one possible solution would have meant strict European controls on American use of the Eurodollar market, leading to further strains between Europe and the United States. Always at the back of Bonn's mind lay the perennial American threat of a troop pull-out, a threat not so much from the White House as from U.S. business leaders and Congress.

The Scramble into Marks

The discrepancy between U.S. and European interest rates, and low Eurodollar rates, swelled the $60 billion Eurodollar market. Rumors of an imminent mark revaluation, caused partly by the difficulty of slowing by conventional measures the massive inflow into Germany, led finance directors, foreign exchange dealers, and all kinds of speculators into a scramble to unload every dollar they could onto the Bundesbank, changing them into marks, and hoping to buy the dollars back more cheaply later.

On May 4, the Bundesbank was forced to buy almost $900 million to support the official dollar-mark exchange rate. To the surprise of most observers, the following morning the foreign exchange markets were allowed to open, and within one hour the Bundesbank had taken in a further $1 billion. Germany, Switzerland, and Austria halted all official trading, with the Dutch and Belgian central banks following suit by midday. The time was ripe for a "Community" decision.

Prior Consultations Held

Unlike the currency crisis of 1969, when Germany was rapped on the knuckles for not duly consulting its Community partners before floating the mark, this time the Community procedure was used. In effect, the Six endorsed the action subsequently taken by Bonn and The Hague. On May 8, the Community's Monetary Committee, grouping central bankers and monetary experts from the Six and the Commission, met in Brussels to study how to save the Community's monetary and agricultural solidarity.

The Commission came up with a package deal consisting of a series of exchange controls intended to regulate the unwieldy Eurodollar market, while avoiding any change in parity. Controls included restrictions on foreigners' dollar borrowings in Europe, a "negative interest rate" (i.e. a charge on dollar investments), an increase in banks' minimum reserve requirements, the use of the dual exchange market system applied in Belgium, credit restrictions and public spending cuts in Germany, and widening the Six's official exchange rate margins from the present 0.75 per cent to 1 per cent either side of dollar parity.

The Commission thought that at least five partner governments, and probably the Bundesbank itself, favored such a mix of controls avoid parity changes. However German Economics Minister Karl Schiller and his own cabinet colleagues were convinced that a float was the only effective answer. At the end of April, at the Ministers of Finance meeting in Hamburg, Mr. Schiller had already called for a "concerted float" by all Community countries, a suggestion which apparently prompted Mr. Giscard d'Estaing to remind his colleagues of the traditional Gaullist preference for an increase in the gold price.

An emergency Council of Finance Ministers meeting was called for 10:30 a.m. on Saturday morning May 8 in Brussels. After 20 hours of debate the Six arrived at a compromise formula whereby the Community authorized Germany to float the mark. The Council resolution recorded that "in view of excessive capital inflows" into certain countries of the Community, and "despite the incompatibility of floating exchange rates within (the Community) with the smooth running of the Common Market," the Ministers registered their understanding that these countries felt it necessary to widen their exchange rate margins "for a limited period."

The Long Night

Throughout the night, the Commission's thesis was supported by France and Italy. They argued that the economies of the Community countries were fundamentally in balance, that any concerted float or revaluation would put the Common Market at a disadvantage in trade by raising export prices on world markets and lowering domestic import prices at a time when the member countries, including Germany, could ill afford a deterioration in their trading position. France, like the Commission, wanted a solution which did least damage to the common farm policy and the monetary union plan.

Furthermore, France had a tradition of dirigist and interventionist economic principles, in contrast to Karl Schiller's free market principles on which Germany's continuing economic miracle had been based. Italy's special problem was that, in the event of a concerted float, the lira could have trouble in keeping up with other Community currencies, especially the strong German mark and the Dutch guilder.

There was also the political question of how to limit the inflationary effects of the hot dollars circulating with little restriction in Europe. The finance ministers were reluctant to take fiscal and monetary measures which could lead to deflation in Europe, while the United States pursued a policy of domestic deflation. Why should the Common Market, the French Finance Minister asked his colleagues, pay, in terms of employment and growth, for the United States' policy of encouraging U.S. employment and growth? Agreement on concerted action to float, Mr. Giscard d'Estaing told the National Assembly, would have committed Europe to periodical deflations to compensate for U.S. monetary inflation.

Another element which bound the Italians and the French together was that both countries already operate their own exchange controls. Their own markets have come out relatively unscathed from the currency crisis. On the other side, the Netherlands was most sympathetic to the Schiller solution—Germany is the Netherlands' main customer and supplier. The Dutch authorities were not dogmatically opposed to movements in parities. They were prepared to face the inevitable, going along with the mark and floating the guilder. The Belgians, caught between the conflicting pressures of the Dutch and the French, declined to let the Belgian franc float; and, instead, they made greater use of their free-market system (which, when proposed by the Commission, had proved unpopular with most member states) by channeling all capital flows, and hence all movements of a speculative nature, into the free market, where it suppressed the official dollar floor.

It became increasingly clear that the Germans felt that they had to float the mark; the real issue for them was how best to avoid complications for the Community's common policies. After a 4:30 a.m. telephone call from Karl Schiller to German Chancellor Willy Brandt in Bonn, the Germans decided not to take any unilateral action on the frontiers to protect their farmers.

The Council did not impose a strict time-limit on the float but agreed in principle to come up by July 1 with other measures in the shape of controls to regulate the Eurodollar market.

Monetary Union Schedule Delayed

At the Council meeting on Monday, May 10 (called to prepare the negotiating session the following day with Britain) Mr. Giscard d'Estaing announced that, as long as some Community currencies were allowed to float against the dollar, France regarded it as illogical and useless to take part in the meetings of experts working on economic and monetary union. France said its actions were not the policy of the "empty chair" or a policy of "ill humor." The floating currencies meant that the Six would have to postpone the first move to monetary union, scheduled for June 15, that of reducing the margins in which the six currencies fluctuate against each other from 0.75 per cent to 0.6 cent either side of par.

A huddle during the Council's lengthy May 8 meeting on the monetary crisis. Left to right: German Finance Minister Karl Schiller, Belgian Finance Minister Jean Snoy et d'Oppuers, Dutch Secretary of State for Foreign Affairs H. J. De Koster, and French Finance Minister Valéry Giscard d'Estaing.

As an indication of Bonn's concern over the effect of its decision to float, German Foreign Minister Walter Scheel sat in on the Agricultural Council, another marathon of 18 hours, on May 11-12. Under Community regulations, farm ministers had to meet to discuss how to avert disruption in farm trade, following the currency decisions. Under the common farm policy, common prices throughout the Community are fixed in units of account, equivalent to the gold value of the U.S. dollar. The system therefore comes under strain if some, but not all, Community currencies change their parity in relation to the dollar. In 1969, after the devaluation of the French franc and the revaluation of the mark, measures were taken to:

- prevent German farmers from losing out (the farmer gets the same dollar value for a pound of butter, i.e. fewer marks)
- protect French consumers from the inflationary impact of immediate and automatic price rises (a pound of butter costs the same in dollars, i.e. more francs). France was allowed to maintain its former prices in French francs on the condition that it move back to the common price levels within two years. Farm imports into France were granted rebates to lower their prices to the cheaper French rates, while French farm exports were taxed to raise them to the higher price levels in the rest of

the Community. At the same time, Germany was required to maintain the common prices, causing an estimated annual loss of income to her farmers of about DM 1,700,000,000. A temporary system of special subsidies, paid partly by the common farm fund and partly by the Bonn Government was agreed upon.

A currency floating upwards has a similar effect to that of revaluation, reducing farmer's prices and incomes in that country, and lowering the price of imports. But, according to calculations made by the Commission, no serious trade disruptions would occur so long as no currency floats more than 2.5 per cent above parity. If the float is below this rate, the Commission assumes that farm prices could be maintained at existing levels.

The agricultural minister's decision to a great extent followed the Commission's thinking. Prices continue to be calculated at the official parities, and member states with floating currencies may subsidize their agricultural exports and charge levies on imports. However, these compensatory measures can be taken only if the currencies rise at least 2.2 per cent above their official parities (not, as the Germans were urging, when a currency floats 1 per cent above parity), and the border taxes can apply only to products, such as beef and grain, which benefit the common price support system. The authorities must first establish that trade in these products has been disrupted.

The Community has survived yet another round of threats to its cohesion. The temporary setback could provide the spur to greater coordination, just as the 1968-69 monetary shake-ups paved the way to the agreement to work for a monetary union by 1980.

The Council's May 8-9 Resolution

The Council of Ministers notes that the present situation and the balance-of-payments prospects of the member states do not justify any change in their parities and records the determination of the governments of the member states to maintain these parities.

Faced with excessive inflows of capital into certain countries of the Community, the Council, despite the incompatibility under normal conditions of any system of floating exchange rates in the Community with the smooth functioning of the Community, is prepared to envisage that in certain circumstances these countries may, for a limited period, widen the fluctuation margins of the exchange rates of their currencies in relation to their present parities.

Such action will be supported by appropriate measures aimed at discouraging excessive inflows of capital and at neutralizing their repercussions on the internal monetary situation; the Council will discuss these measures before July 1, 1971.

With a view to avoiding recourse to unilateral measures aimed at meeting any disturbances in trade in agricultural products, the Council will forthwith adopt appropriate measures in accordance with Article 103 of the Rome Treaty *(joint consultation on current economic policy).*

Europe Joins on Defense

RICHARD NEFF

UNTIL LAST SUMMER, the periodic dinner meetings at which the West European defense ministers informally discuss joint defense problems had yielded little news. After one such gathering in Brussels, in June 1970, however, German Defense Minister Helmut Schmidt announced a major new development. He said that Europeans were going to develop a financial program to ease the American burden of military commitment in Western Europe.

This announcement marked the beginning of an effort that preoccupied European defense ministries for the rest of the year. By December 1970 the ministers of ten European countries were able to reveal plans for a "Defense Improvement Program" costing between $870 million and $920 million over the next five years. In addition, Germany agreed to provide special financial aid to Turkey for military purposes, amounting to $79 million.

European nations participating were Germany, Britain, Italy, the Netherlands, Belgium, Luxembourg, Denmark, Norway, Turkey, and Greece. France did not participate because it does not join in any of the integrated military activity of the North Atlantic Treaty Organization (NATO).

A Response to American Impatience

The most important task yet tackled by this "Euro-Group" had succeeded. President Richard M. Nixon welcomed the European initiative as testifying "to the vitality and spirit of the European allies."

The joint defense initiative was a response to the growing feeling in the U.S. Senate that American troops have been too long committed to Western Europe and that the European nations, now restored to prosperity, must do more for their own defense. In 1966, the best known exponent of this idea, Senator Mike Mansfield (D-Mont.) first introduced a resolution calling for "substantial reduction" of American troops in Europe.

As the Euro-Group project developed in 1970, the negotiators saw that the primary goal was not so much to lighten the American burden in Europe as to help the Nixon Administration resist pressures in the Senate. Mr. Nixon's foreign policy adviser, Henry Kissinger, while at Harvard, had written of the need in the Atlantic Alliance for "political understanding in acute form." It was this political understanding which the Euro-Group nations showed. The Nixon Administration apparently had no intense desire to withdraw troops, but it did need

NATO's new headquarters outside Brussels

proof for the Senators that Europeans were prepared to increase their own defense effort.

When early in October 1970 it became clear that the Europeans were going to commit themselves to a financial boost for the Atlantic Alliance, President Nixon announced "categorically" that the United States would "in no circumstances reduce unilaterally its engagement" in Europe. He confirmed this commitment again in December 1970 when the final results of the Euro-Group program were announced.

Europe Loosens Purse Strings

The Euro-Group program has two major aspects. The first is an increase in collective European financial contribution to NATO's infrastructure. Work on the new NATO Integrated Communications System (NICS) will be enlarged and extended and shelters will be built to protect aircraft on the ground from atomic and conventional attack. The increased funding for both NICS and the shelters program had long been urged by military experts, but the money had not been available. Euro-Group committed itself to granting $420 million over the next five years.

The other major aspect of the Euro-Group program was the commitment by member nations to improve the quality of their national defense forces, at a total cost of $450 million to $500 million over the next five years. Within this phase of the program, Britain has for example promised to:

- provide 10,000 additional reservists for NATO use
- maintain the carrier "Ark Royal" in service
- buy four additional squadrons of Jaguar aircraft
- provide an additional armored car regiment.

Negotiating Hitches

Through the long months of negotiating the Euro-Group project, the largest disagreement to surface in public was between Britain and other members of the group, especially Germany and the Netherlands. Britain insisted that, according to an agreement reached by Euro-Group ministers on October 1, 1970, each member nation would choose between improving its national defense forces or contributing to the infrastructure program, or both. In a supplementary White Paper issued later

Richard Neff, a free lance journalist covering the European Community and the North Atlantic Treaty Organization from Brussels, reports on Europe's first successful joint defense effort. Recent events have confirmed the author's analysis and reinforced his message. This article was written before May 19, when the U.S. Senate defeated by a 63-26 vote a compromise amendment for the withdrawal from Europe of 150,000 American troops over the next three years. It was the first time the question of reducing the U.S. commitment in Europe had come to a legislative vote.

in October, the British Government committed itself to raising national defense forces and said it could not help finance infrastructure.

Germany, in particular, worked for some months to persuade the British to participate, not only because the additional money was needed but also because British participation would lend prestige and a more multinational European character to the effort. Moreover, without Britain, the infrastructure program would have seemed to be primarily a German effort, because the Federal Republic was a major instigator of the project and the major financial contributor to it.

Britain, on the other hand, argued that its European loyalties in the matter could not be questioned, that the bulk of its defense spending was committed to the NATO area, and that the people of the United Kingdom were already spending far more per head of population on defense than Continental Europeans ($105 per head in Britain; $56, on average, in Europe). The issue was resolved early this year when Germany and Britain negotiated a new offset agreement covering the foreign exchange cost of keeping British forces in Germany. British Defense Minister Lord Carrington said that "the satisfactory nature" of the new agreement had made it financially possible for Britain to contribute to the Euro-Group infrastructure program.

Unofficial Status

Diplomats involved in the Euro-Group negotiation continually insist that the Euro-Group has no official status within NATO. However, over the years there have been proposals for the formation of a "European defense entity" within NATO and the achievement in 1970 was the closest Europeans have ever come to forming such an entity.

The Euro-Group started their informal dinners at the suggestion of former British Defense Minister Denis Healy, who felt that European defense leaders should be meeting with regularity outside the formal NATO context to try to reach joint European viewpoints on Alliance problems. However, despite this initiative and the more recent Euro-Group Defense Improvement Program, Europeans themselves recognize that a truly European defense entity will not be formed tomorrow but rather that it will take years to realize.

Political Unity a Prerequisite

The major reason is that Europeans still lack the political unity necessary for a unified foreign and defense policy. Only through a recognizable European political unity could Europeans begin to speak out with a single voice on foreign or defense matters. A complication is that the Euro-Group includes countries which do not belong to the European Community—yet all agree that it is the Community that will form the foundation of any future political unity in Western Europe.

The second major reason why a European defense entity is difficult to form is that national prestige and economic interests are heavily involved in the defense field. The military arm is traditionally one of the most important symbols of national identity, and it is extremely difficult for governments to cast their sovereign power over defense forces into a supranational pool. Membership in NATO makes no such requirement. Members coordinate their strategies, training and logistics, and agree to fight together under integrated command in time of war. But they retain sovereign control over their armed forces, including the right to walk out of NATO's integrated command if they want to. Formation of a European defense entity, however, would be difficult if it involved any major changes in this sovereignty.

Also at stake are national defense industries, which jealously guard their access to defense contracts awarded by their own governments. Formation of a new kind of European defense community within NATO might eventually mean that competition for defense contracts would be open to industrial firms from anywhere in the community, competition that no country having a significant defense industry would accept easily.

A third and equally important reason militating against the development of a European defense entity any time soon is that the most important element of modern-day defense, the strategic nuclear arm, seems largely beyond Europe's grasp. In the West, this element is today provided in decisive measure only by the United States. Whatever organizational changes are made in the European defense structure, the current facts of economic and military life put the ultimate responsibility for European defense with the Americans, unless the Europeans develop a nuclear deterrent of their own, at a stupendous cost and duplication of American effort.

Europeans are unlikely to choose this option because they already have enough difficulty extracting funds for conventional defense from their national parliaments. Many Europeans feel there is no point establishing a second western nuclear force that will probably never be used, particularly at a time when much of the world's population has agreed on the desirability of non-proliferation and the reduction of nuclear arms.

The major possibility for nuclear development in Europe seems to lie in some new form of cooperation between Europe's two nuclear powers, Britain and France. This alternative would require a changed and closer relationship between France and NATO.

Euro-Group Assessed

Despite all these limiting factors no one underestimates the value of the Euro-Group effort thus far. The significant fact is not the additional $900 million to be spent in the next five years, because it is not much compared with current Western defense spending. The United States, for example, spends about $14 billion a year for NATO defense, excluding expenditure for the strategic nuclear arm which covers the world, including the NATO area. The Euro-Group project's importance lies in the fact that it is the first time so many European countries have worked together so closely and so long on a defense project in a time of peace. They learned in the process and are now studying other possibilities for cooperation in areas such as standardization of conventional weapons, joint training of forces, and coordinated arms procurement.

The question of American troop cuts in Europe has been assuaged for the time being. However, should the issue reheat, the Euro-Group's experience in the past year could prove its value to Europe, America, and Western defense.

British Negotiations: the Breakthrough

THE LONG HOPED-FOR BREAKTHROUGH in negotiations for British membership in the European Community came in the small hours of May 13. With a swiftness that surprised some of the negotiators themselves, the two sides settled two major issues—transition for British agriculture, and Commonwealth sugar—on which there had been little progress for months. Headway was also made towards solving a third issue, Britain's contribution to the Community budget.

The Chairman of the Council of Ministers, French Foreign Minister Maurice Schumann, and British Chief Negotiator Geoffrey Rippon agreed, at a dawn press conference after the session, that a major turning point had been reached.

Jean-François Deniau, Commission member responsible for the enlargement negotiations, said the next day that, of the issues left unresolved, none was any more difficult than those just settled. What had been achieved, Mr. Deniau told journalists, showed that, with adequate technical preparation, each major problem could be solved as soon as it was politically ripe.

At the May 11-12 ministerial-level negotiating session, full agreement was reached on Britain's transitional arrangements for aligning its farm prices with the Community's. Britain accepted in principle ("ad referendum" in Community jargon) the Six's proposals on sugar, withholding formal agreement until after consultations with the Commonwealth sugar producers concerned. Thirdly, the two sides agreed on a basic framework for calculating Britain's contribution to the Community's system of direct income ("own resources"). This issue, perhaps the trickiest in the negotiations, had been the subject of much talk but virtually no action since last December.

Commenting on the state of play, Dutch State Secretary for Foreign Affairs Hans de Koster said Britain now had one foot in the Community. Mr. Deniau told the press that two and a half central issues had been settled, leaving two and a half outstanding: the follow-up on Britain's financial contribution; the future of New Zealand's dairy exports once Britain joins the Community; and the role of the pound sterling. Mr. Deniau said that the role of sterling was not part of the negotiations but that it was relevant to the Community's future development. He repeated the stand agreed upon between the Six and Britain last year that it should be "discussed in an appropriate framework."

Both sides hoped that the new momentum injected into the negotiations on May 13 would be maintained at the two ministerial-level negotiating sessions scheduled for Luxembourg on June 7 and 22.

Reasons for Progress

There was considerable speculation in Brussels about why so much progress had been made at the May meeting. There is a great deal of truth in Mr. Deniau's statement that intensive preparations were the key. During the session, the Commission distinguished itself as the "honest broker," acting as a go-between to reconcile divergent attitudes on the main issues. Edmund Wellenstein, next in command to Mr. Deniau in the Commission's delegation for the negotiations, after being sent to sound out the British delegation on the Six's proposals for sugar, came back with the news that the modified line the Community was following would probably be accepted.

Some observers attributed the breakthrough to more than

British Prime Minister Edward Heath (left) and French Prime Minister Georges Pompidou conferred for 12 hours in Paris on May 20-21. After these talks, Mr. Pompidou told the press "It would be unreasonable now to believe agreement is not possible between Britain and the Community." Discussions had focused on "the general concept of Europe, its organization, functions, and perspective, the framework of all the big issues of an international nature that arise between the European countries and others and between European countries themselves," he said. PHOTO: UPI CABLEPHOTO

hard work. They explained British willingness to compromise as an indication of Prime Minister Edward Heath's desire to create a favorable atmosphere for his meeting in Paris with French President Georges Pompidou on June 20-21.

The more flexible French attitude towards Britain was seen as partly a result of French disappointment at failing to persuade Germany not to float the mark after the currency crisis at the beginning of May. Luxembourg's Foreign Affairs Minister Gaston Thorn came close to this viewpoint among the ministers of the Six when after the session with the British, he told reporters: "The monetary difficulties probably helped progress. Some people may take them to show the need for a wider framework for the Community, while others may have been motivated by disappointment at the lack of support from their partners."

Points Settled

Details of the accords notched up in May are:

- **Farm transition.** Britain agreed to apply the principle of Community preference from the beginning of membership (January 1, 1973, if all goes according to plan). This complex mechanism ensures that Community farm goods will enter Britain at a cheaper price than imports from suppliers in non-member countries (just as most British farm products will have the edge in the Community market over products from non-Community sources). This idea is the heart of the Common Agricultural Policy. Britain would align farm prices with the

Community's in six stages (the Six had wanted a five-stage adjustment) over five years. The last adjustment would be made at the end of 1977. This date is a compromise between the Six's position that the last price alignment should take place on July 1, 1977, to coincide with Britain's last tariff adjustment in the industrial sector—and the initial British attitude that it should not take place until July 1, 1978.

Britain and the Six agreed that tariffs on horticultural products (such as tomatoes, lettuce, flowers, and bulbs) should be abolished in five installments, each of 20 per cent, with the first cut coming at the end of 1973. The Netherlands and Belgium, the Community's chief exporters of horticultural products had sought an earlier first cut.

The farm transition mechanism also provides for limited flexibility of application, and the possibility of emergency action by the institutions of the enlarged Community, in case of dislocation of the British market. There are special temporary safeguards for home-grown apples and pears.

• **Sugar.** The agreement in principle is based on the Community's decision to offer the developing Commonwealth countries of the Caribbean, Indian (Mauritius) and Pacific Oceans (Fiji) association with the Community or straight trade agreements. These arrangements would be negotiated after Britain joined the Community, probably in 1974, the expiration date of the Commonwealth Sugar Agreement as well as of the Community's own sugar regulation. In 1974, the Community will also renegotiate its association arrangements with East Africa and with 18 African countries associated with it by the Yaoundé Convention. The solution to each of these issues could be fitted in with the others. In the meantime the Community has agreed to safeguard the interests of developing countries whose economies depend heavily on the export of primary products, such as sugar. Asked if this commitment corresponded to his idea of a "bankable assurance" guaranteeing sugar exports from developing Commonwealth countries, Mr. Rippon said he thought it would satisfy his bank manager. Some Commonwealth sugar interests, however, criticized the compromise.

• **Financial contribution.** The main advance came with the willingness of France to recognize for the first time the possibility of extending the financial "correctives" after Britain's five-year transition period, if it looked as if at the end of this time Britain would face too steep a jump in its full "uncorrected" contribution. With this major change, the formula the Six and Britain agreed to use as a working model for their subsequent calculations is one submitted by France. No figures were mentioned, but the mechanism would have Britain pay its full contribution from the first year of membership—but receive a rebate on it, diminishing yearly.

Britain would pay the Community all levies on farm products and duties on manufactured goods imported from non-member countries, plus a contribution based on her gross national product or part of its revenue from the tax on the value-added (TVA) (up to the equivalent of a 1 per cent rate). During the five-year transition period, Britain would receive a rebate diminishing annually until its disappearance at the end of the fifth year. Reductions would still be possible for an as yet unspecified period after the end of the transition stage. Britain, in its initial proposals, suggested correctives for three years following the end of the transition period.

Remaining Points

Still unsettled are these questions:

- the figures to be set by the Six to be fit into the proposed formula for Britain's financial contribution
- New Zealand dairy exports to an enlarged Community
- the freeing of capital movements by Britain after joining
- membership in the Coal and Steel Community
- reduced or nil tariff quotas for some "sensitive" raw materials imported by Britain (almost settled)
- membership in the European Investment Bank
- adjustment to the Community's foreign-trade policy
- the question of sterling
- the common policy for fisheries.

Why Denmark Wants "In"

RICHARD DUNN

Richard Dunn is a former official of the European Communities Commission.

THE DANES HAVE LONG REALIZED that their economic prospects could be jeopardized if Denmark remained outside the European Community after Britain joined.

Like Ireland and Norway, Denmark has made its application for Community membership conditional on Britain's entry. The United Kingdom now buys 42 per cent of Danish farm exports and has many other important trade ties with the country.

Denmark's population is a little under five million. Nearly half the population hold jobs, and women constitute a large part of the labor force. Nearly a million women are employed. This high level of female employment, a relatively recent development, partly accounts for the country's prosperity: in 1970 the gross national product per head reached $2,600, bringing Denmark into fifth position behind the United States, Canada, Sweden, and Switzerland.

Growing Industry

To most outsiders Denmark is primarily an agricultural country, whose best known products are butter and bacon; but in the last decade Denmark's economy has changed. This change has brought great benefits. Farming remains an important occupation, and Danish farm products retain their high reputation. However, statistics show that Denmark ought to be classified as an industrial country: industry and building employ 900,000, while only 200,000 workers remain on the land. In the last ten years the number of agricultural holdings has declined from 200,000 workers to 140,000; by the end of the Seventies only 70,000 farms are expected to remain. This trend represents considerably faster progress towards the Community's agricultural employment goals than some of the Community countries themselves have achieved.

Between 1960 and 1968 Danish industrial production doubled. More than half of Denmark's exports are now manufactures or semi-manufactures, a major achievement in a country with few domestic raw materials. The large number of small firms plays an important role in the country's export drive.

Danish industry exports about a third of its output. Many firms export more than half, and in some cases much more than half, of what they produce. There is, however, little heavy industry. The main manufactures are metal products (e.g. appliances, electronics, and precision instruments). The tinned-food industry ranks second. In recent years the range of industrial activity has widened considerably, so that it now covers diesel engines, shipbuilding and repair, fertilizers, pharmaceutical products, tableware, glassware, readymade clothing, furniture, and prefabricated housing. In the coming ten years the movement towards industrial concentration through mergers and amalgamations which has occurred in other countries, is also likely to gather momentum in Denmark.

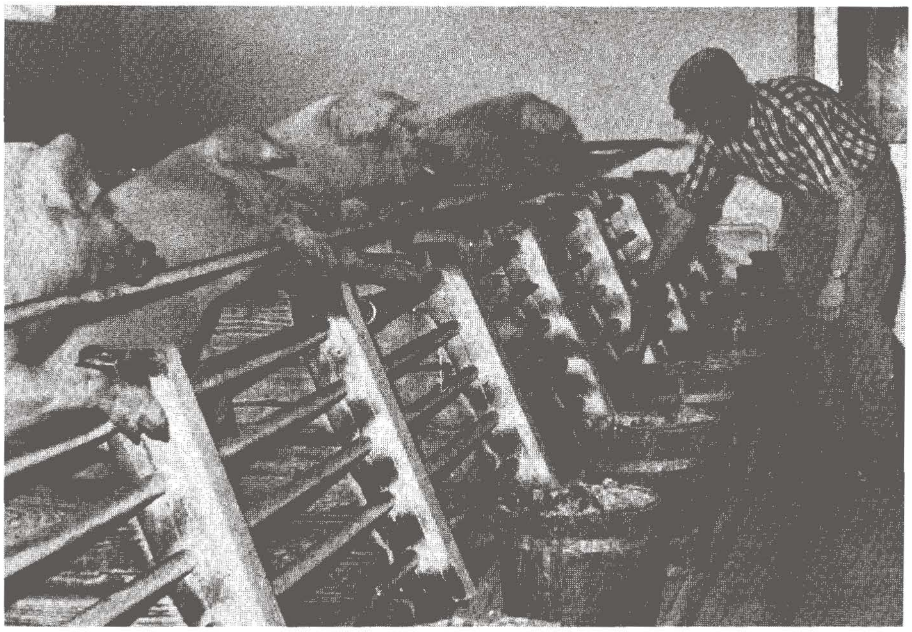
Social and Welfare, Top Priority

Denmark has a highly sophisticated social welfare system. Like all such systems, it is extremely expensive, and the average Danish family pays 20 per cent of its income in taxation. Social welfare and education are the two most important items in the national budget; these together account for more than half the budget and for twice as much as Denmark spends on defense. It is estimated that the entire social system, including health, costs over $480 a year per person in paid employment (including the self-employed).

Like Britain, Denmark—the oldest kingdom in Europe—has a long tradition of independence. But since 1945, Denmark has become convinced that, in a world in which the big are getting bigger and the small even less significant, small countries are brave, but more likely foolhardy, to cling to the shadow of independence instead of choosing the substance of security and influence while retaining their individuality. Therefore, Denmark views Community membership in terms of the influence Denmark could acquire over important decisions made in Brussels but directly affecting Denmark's interests. This influence would more than offset possible losses, some of which would occur even if Denmark did not join. As a full member of the Community, Denmark would have a seat and voting right in the Council of Ministers, a representative on the Commission, and representation in a European Parliament which is likely to receive increased powers.

Arguments for Membership

As in Britain, the political argument for membership is based on economics. As Denmark's accession to industrial status, though recent, is permanent, Denmark naturally looks to the large market to the south for outlets for manufactured goods. If Britain joined the Community, it would be almost impossible for Danish industry to maintain present growth rates except by following Britain into the Community.



Government Experimental Pig Breeding Farm near Randers. Denmark would gain more than it would lose by Community membership, although Danish livestock farmers would initially pay higher feed grain prices. PHOTO: Courtesy Danish Information Office, New York.

On the agricultural side, Denmark would gain from immediate membership of the Community, without any transition period. Its farmers would at once receive higher prices for their products and restricted access to a food market of 250 million inhabitants. The Danes would, however, have to pay more for raw materials, and the relationships between the prices of various products would change. In particular, grain would cost more. While this would help Denmark's grain farmers, it would handicap producers of eggs, poultry, and pork products, for whom grain is a feed. Dairy farmers and beef producers could expect to benefit, however, despite the increase in the cost of their feed grains. Although Danish farmers are exceptionally efficient, there is no prospect that the present drift from the land will be halted or that production will be appreciably stepped up. Yield per acre is already very high. Denmark's membership in an enlarged Community would be unlikely to aggravate any problem of Community food surpluses, as Denmark would be expected to retain its share of the British market.

Major Negotiating Problems

Apart from the major problems, such as the length of the transition period, which face the Community and the four applicants, the Danes have some specific problems to solve.

Indirect taxation in Denmark is much higher than in the Six. A Volkswagen costs twice as much in Denmark as in Germany. Cigarettes and beer are very expensive. Taxes on wine, spirits, beer, and tobacco alone account for 6-7 per cent of budget revenue. The Danish Government could not afford to forfeit outright this revenue. When the Community undertakes harmonization of indirect tax rates, as opposed to systems (member states are committed to adopting the value-added tax by January 1, 1972), Denmark hopes for a helpful attitude from the other member countries so that revenue losses can be offset from other sources.

In agriculture, Denmark would like to bring its farm prices closer to Community prices from the outset. Denmark would like to move one third of the way to Community price levels immediately on entry, another third in the middle of the transition period, and the last third at the end of the transition period.

Another specifically Danish problem concerns the status of Greenland and the Faroe Islands. Though these territories do not raise difficulties on the scale of those caused by Britain's links with its former empire, the Danes feel that these areas will need special treatment, particularly in the context of the common fisheries policy. Fishing is almost the only source of income for the 80,000 inhabitants of these areas.

Balance-of-Payments Deficit

Danish land prices are much lower than those, for example, in neighboring Germany. Unrestricted application of the Rome Treaty principle of freedom of establishment could quickly inflate Danish land prices. The Danish negotiators hope that special arrangements can be made to slow down any such trend.

Denmark has few natural resources and certain industries would suffer heavily if duties were raised on raw materials now imported duty-free. The Danes have therefore asked for zero tariffs on unwrought lead, unmanufactured tobacco, cocoa, and certain oils.

As Sweden is Denmark's leading trading partner, Denmark places great stress on the Community's concluding a special arrangement with its neutral Scandinavian neighbor.

One of Denmark's problems is a persistent balance-of-payments deficit. The Danes hope that once they have completed their economy's conversion to industry and the heavy investments involved in this process have paid for themselves, the value of Denmark's exports will have increased enough to improve its international payment position. Here, the Danes feel they have everything to gain from Community membership.

Ireland's Entry Negotiations

JOE CARROLL

Joe Carroll is Foreign Editor of the* Irish Press*, published in Dublin.

THE FORMAL OPENING of the European Community's enlargement negotiations in Luxembourg on June 30, 1970, was more immediately significant for Ireland than for the other three applicants, Britain, Denmark, and Norway. Unlike them, Ireland, in the abortive 1961-63 negotiations, did not even get to the negotiating table. Ireland's original letter of application for membership in 1961 reached the Community some hours before Britain's and well ahead of those of Denmark and Norway. Apparently this is why Ireland ranks after Britain in current negotiating order, although it is the smallest country of the four.

For Patrick Hillery, the Irish Minister for Foreign Affairs, the Luxembourg meeting was his first big test on the European scene after taking over the portfolio a year before, but the Irish officials in the Brussels Mission to the Community had done their homework. Satisfaction was evident in the Irish camp when they heard Dr. Hillery's opening statement being hailed unofficially by the Commission as "très communautaire." Critics in Ireland were less happy with the Irish Government's "full acceptance of the Treaties of Rome and Paris, their political finality and economic objectives, and the decisions taken to implement them."

The opening speech at Luxembourg by Belgium's Foreign Minister Pierre Harmel, who was then President of the Council of Ministers, was especially well received by the Irish delegation as it confirmed several principles for which Ireland had been lobbying in Brussels and the other capitals of the Six for the previous 12 months. These were:

- simultaneous accession of all four candidates to full membership (Jean Monnet's Action Committee had unsettled Ireland by urging British entry first.)
- "adequate synchronization" during the transition period between the industrial and agricultural sectors (Ireland's wishes here—swifter integration of her farming than her industry—would be the reverse of Britain's.)
- the assurance that each applicant state would be kept informed of progress in negotiations with the other applicants. (Ireland, heavily dependent on Britain for trade, feared that decisions vitally affecting its interests might be made without consulting Ireland.)

Thus the Luxembourg opening, if not exactly "a great day for the Irish," was satisfactory, and no one worried about the technical error when the closed-circuit TV focused resolutely on Alec Douglas-Home and Anthony Barber while Dr. Hillery was speaking. The Irish negotiator also delighted the large gathering of foreign correspondents by his homespun witticisms during a press conference, such as his observation that "the Irish people don't send fools out to negotiations like these."

The first working session of the Irish negotiations took place in Brussels on September 21 at ministerial level. A bomb scare delayed Dr. Hillery's plane at Dublin, and he was somewhat taken aback on entering the Charlemagne Building (where the negotiators meet) to be confronted by two members of the anti-membership Irish nationalist Sinn Fein group, whose shouts of "traitor" in Gaelic had to be translated for the startled pressmen.

At this first Brussels meeting, Ireland elaborated on the subjects for negotiation that had been mentioned in general terms in Luxembourg. Most of these topics were technical and could have been rapidly settled had Irish negotiations not been obliged to keep pace with complex British negotiations.

The slow rhythm of one ministerial meeting every three months and a monthly one at deputies' level has imposed an impression of unhurried nonchalance about the Irish negotiations which could create some puzzlement in Ireland.

Fishing Grounds

One serious non-technical matter surfaced somewhat unexpectedly at the Brussels meeting in September—the new common fisheries policy with its controversial "common access" measure to members' coastal waters. On paper this measure could harm the Irish fishing industry which depends entirely on inshore fishing and whose well-stocked fishing grounds are within easy reach of the big fishing fleets from the other Community applicant countries. Discussion of this matter made the meeting much longer than had been expected.

The Community replied to Ireland that as the candidates had agreed to accept the Community Treaties and the decisions arising from them, problems of adaptation would have to be solved by transitional measures and not by modifying existing rules. The Community would, however, be glad to note any statement or document which the candidates would like to submit. The Council of Ministers later set up a procedure for "clarification" of the fisheries policy.

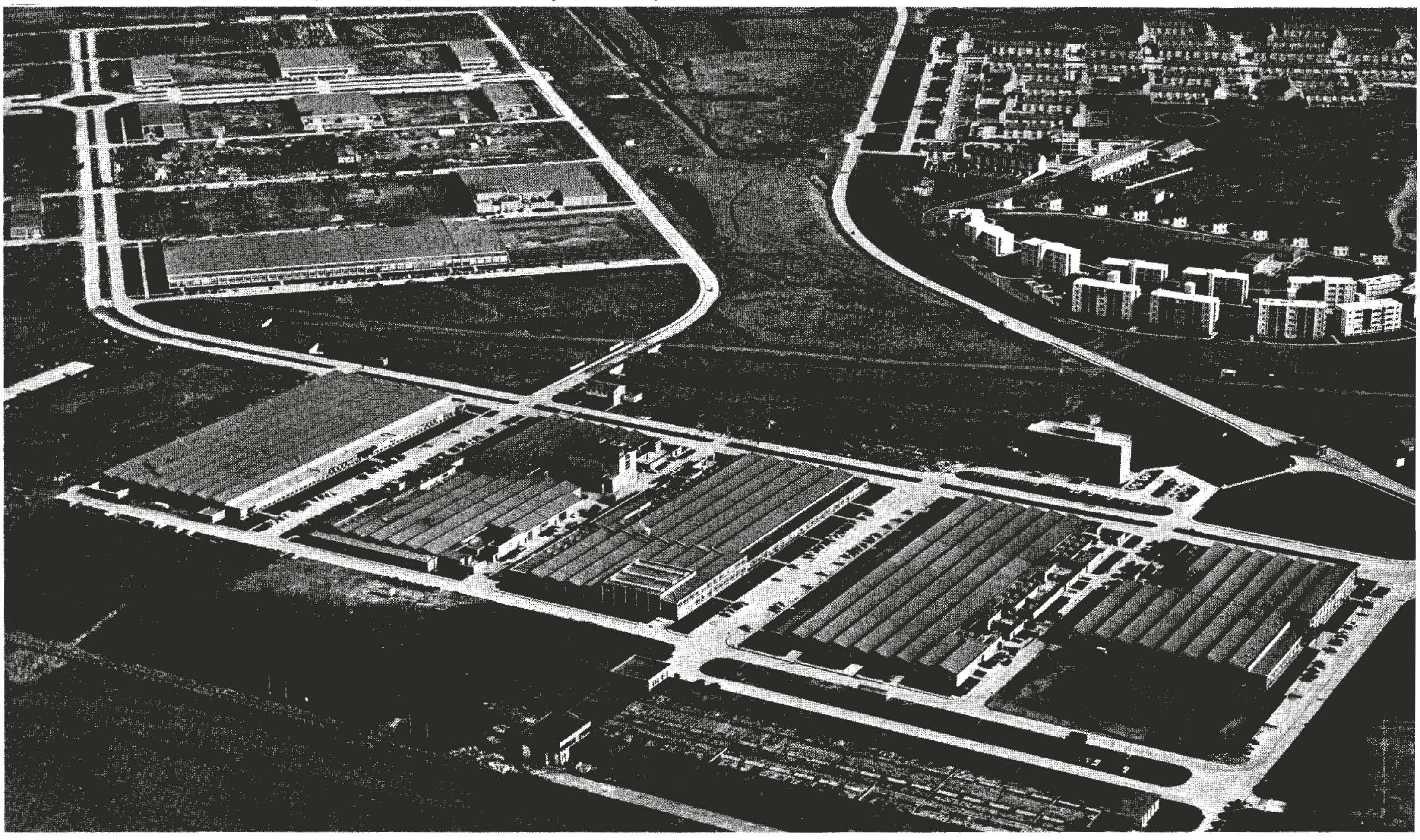
Other Issues

The various matters raised by Dr. Hillery at the September meeting are still being studied by the Deputies or the Commission or both. They were listed under the following heads: transitional period; customs union; common agricultural policy; trade arrangements with Britain; safeguard measures for Irish industry; dumping; industrial incentives; right of establishment on agricultural land; common commercial policy; association agreements; non-applicant European Free Trade Association (EFTA) countries; free movement of workers; free movement of capital; tax provisions; harmonization of laws; equal pay; European Coal and Steel Community; European Atomic Energy Community (Euratom); financing the Community; and the Community institutions.

The lowly place assigned in the list to the vital "financing" issue illustrates how divergent are respective negotiating positions of Ireland and Britain, although their economies are becoming enmeshed under the 1965 Anglo-Irish Free Trade Agreement. According to the April 1970 Irish White Paper on the implications of membership, under the Community's "own budgetary resources" system Ireland would make a net annual gain of $48-72 million, in addition to the so-called "dynamic effects" on industry. Not a few people in Ireland fear that the "dynamic effects" could undermine the competitive position of Irish-owned industry.

In the industrial sector the main points raised by the Irish Government are: a request for special protection for the motor assembly industry beyond the five-year transition period; a reassurance on adequate protection against dumping; tariff quotas

The Shannon Industrial Estate. Ireland, a newly industrializing country anxious to protect its "infant industries," nevertheless recognizes the multiplier effect on trade and growth implicit in Community membership. PHOTO: Courtesy the Embassy of Ireland.



(at low or zero duties) for five products already on the British list; retention of the present system of grants to attract new industry and of the system exempting export profits from tax until 1990; an assurance that no temporary obstacles will be introduced in trade with the United Kingdom, which will be virtually freed by 1975; and maintenance of the "drawback" system of refunding customs duties on materials imported and incorporated in goods for export. The Irish have submitted detailed memoranda on most of these subjects.

In the agricultural sector Ireland has raised the problem of "animal and plant health," a subject which has drawn some smiles from Continental journalists unaccustomed to the terminology. Irish regulations on cattle and plant disease are generally stricter than those in the Six, and because of them Ireland has, for example, an enviable freedom from hoof-and-mouth disease and has thereby won valuable markets for its beef in the United States.

Most of these subjects are raised in the meetings at deputy level, where the Irish delegation is led by Sean Morrissey, Assistant in the Department of External Affairs and a former head of the Irish Mission to the Community. So far Ireland has not allowed the British practice at these meetings of allowing other officials on the delegation to speak as well as the leader (in Britain's case Sir Con O'Neill, who, incidentally, comes from Northern Ireland).

The main feature of the rather low-key Irish negotiations has been the proposals and counter-proposals on the rhythm of tariff adjustment during the transition period. Ireland quickly fell into line with the Community proposal for a five-year uniform period, and the closeness of the Irish thinking with the Community's on the transition period has been striking enough to prompt the headline in *Le Monde,* "The Six have found a precious ally in Ireland."

The Community has proposed a slightly faster rate than Ireland had wanted for removing its industrial tariffs on Community goods. Before commenting on the Community proposals, the Irish have been waiting for the Community to make global proposals, including alignment of agricultural prices and adjustment to the common external tariff. Ireland wants to see if it gets compensating advantages in the agricultural sector. On March 2—following a ministerial-level negotiating session—Dr. Hillery expressed cautious optimism about the agreement on agricultural transition measures reached by the Council of Ministers the day before. The Six are asking the four applicants to switch to Community farm price levels in five stages by mid-1977.

Emphasis on Regional Policy

Concentration on technical issues may have obscured the overall view of the impact which entry could have on every aspect of Irish life. The Community's agreement in February to carry out a plan for economic and monetary union has, however, given Ireland an opportunity to raise the question of regional policy. As a small, largely rural country on the periphery of the Community, Ireland's future in the enlarged Community would be determined largely by an effective regional policy at national and Community levels.

The absence so far of a Community regional policy has aroused the Irish Labour Party's major reserves about Community membership and the fear that economically backward western Ireland could become almost totally depopulated. However, since the major opposition party, Fine Gael, supports the Government's membership application, there would be overwhelming parliamentary approval for entry on acceptable terms. Under the 1937 Constitution, however, a referendum would have to be held before the Community Treaties could be ratified (because it would involve a change in the constitution) and the lively, outspoken opposition of Labour and other left-wing and nationalist groups such as Sinn Fein could make the Government's task of winning the referendum ticklish.

If a comprehensive regional policy were to be applied, it would help to allay the sincerely held doubts of many current opponents of Ireland's entry. The Irish opposition is less strong and articulate than the British opposition. Nevertheless, the shadow of negotiations with Britain hovers over an anxiously watching and waiting Dublin.

Norway and the Community

RICHARD DUNN

Richard Dunn is a former Commission official.

NORWAY HAS CONSISTENTLY FAVORED closer links with continental Europe and the pursuit of common interests since 1945. In June 1970 the Norwegian Parliament—the "Storting"—approved the Norwegian application for full membership in the European Community by the overwhelming vote of 132 to 17. (The constitutional changes involved in joining the Community would require the support of three-quarters of the members of the Storting.) That occasion echoed the precedent set in 1949 by the Storting's decision, by 130 votes to 13, that Norway should participate in the North Atlantic Treaty Organization (NATO). Norway's leaders believe strongly that the country's future is indissolubly bound up with that of its thriving southern neighbors and the United Kingdom.

Harsh Climate

Norway's geographical location and relatively hostile environment have, however, been a formidable obstacle to active participation in Western European economic and political activity. In a Community of ten members, Norway would be the country faced with the most difficult natural conditions, the harshest climate, and the shortest growing season. Its small population, just under four million, is spread unevenly over its territory, the fifth largest country in Europe. The resultant transport problems are aggravated not only by the mountainous terrain but also by the elongated shape of the kingdom, which denies the Norwegians the social and economic advantages enjoyed in varying degrees by all the other nine. Norway's coastline is more than 12,000 miles long and a third of the country lies north of the Arctic Circle.

Unlike most other issues in the enlargement talks, Norway's physical and geographic conditions cannot be modified over a transition or any other period. The hostility of nature, the long distances between communities, the shortage of arable land, and the low density of population are all permanent factors which is why some form of "permanent transition" has been suggested to ease Norway's accession.

A Worthy Industrial Competitor

As a result of important advances in recent years, several Norwegian industries now rank among Europe's leading manufacturers. Within the European Free Trade Association (EFTA), Norwegian manufacturers of aluminum, ferrous alloys, and paper products have proven their competitive strength. (Norwegian officials, anticipating misgivings among Community producers, point out that, even including Norwegian production of these products, the Community would still not be able to cover its own needs.) Shipping is also important to the Norwegian economy, contributing 6.5 per cent to Norway's gross national product (GNP).

Norwegian industry, although smaller than that of the large members of the present Community, is highly diversified. While total employment in manufacturing and mining is only about 400,000, 180 different industries account for about 30 per cent of the GNP. About a third of the goods manufactured are exported and the relative importance of exports will account for 45 per cent of the total growth of industrial production.

Farms and Fish, the Key

Agriculture and fisheries are the key areas in the Brussels negotiations. The Norwegians feel that if satisfactory solutions can be found here, other difficulties—capital movements, right of establishment (Norwegian legislation on concessions to exploit natural resources is central to the nation's economic policy), contributions to the Community budget, relations with Sweden—will be settled fairly quickly.

Farming employs about 13 per cent of Norway's working population, compared with 30 per cent in 1955. Most farmers work alone or with little help, for farm wages are low. Farms are numerous and small. Out of 160,000 farms, only 23,300 have more than 25 acres of farmland and only 40 have more than 250 acres. As the Norwegian farmer must wage an unending war against nature, costs are much higher than in some of the Six. Nonetheless, the country produces 98 per cent of the meat it consumes. However, arable land is scarce—of the 3 per cent of its land that can be cultivated, half lies north of the Arctic Circle.

The main farm products are milk, butter, cheese, eggs, potatoes, and meat. Most grains, sugar, fruits, and vegetables come from abroad—an attractive prospect for the food exporters among the Six, especially France.

The Norwegian farmer is among the most heavily subsidized in the world. Some products are maintained by deficiency payments, others through price support. Several prices are much higher than those in the Community. If Community target prices were applied in Norway, milk would be 30 per cent cheaper, eggs 54 per cent cheaper, and total farm income would drop 40-50 per cent. Norwegian agricultural production would account for 0.5 per cent of a ten-member Community total output. Citing the Rome Treaty aim of "ensuring . . . a fair standard of living for the farming community, notably by raising the individual incomes of those working on the land," Olso argues the case for special treatment of its farmers. For political, economic, social, and even strategic reasons, it holds that its farming population must be maintained (the three northern provinces are those closest to the Soviet Union). Oslo maintains that permanent special arrangements for Norway's farmers would have no perceptible effect on Community agriculture as a whole. On the other hand, the Community of Six has tended to authorize exceptional measures only if temporary.

Norway's negotiators also emphasize the needs of its fishermen *(see above).* Many Norwegians pursue both farming and fishing. Community fishery regulations, like the Community's current farm regulations, could cut incomes and depopulate the Northern and outlying areas. While the agricultural problem is connected with lower Community price-levels, the fisheries problem is one of giving Community fishermen access to Norwegian fishing grounds. Moreover, there is a basic difference in the relative importance of Norwegian fishing and farming in an enlarged Community; while Norwegian farming would contribute little to the economy in a Community of Ten, Norwegian fishing, though less than 2 per cent of Norway's GNP, accounts for some 10 per cent of Norway's export earnings. Norwegian catches account for about 5 per cent of

Norway's Fisheries Proposal

Only persons established in a European Community member state should be allowed to fish within the fishing limits of that member state, Norway proposed on May 4. Norway said its suggestion was anchored in the principles of the Rome Treaty. The Rome Treaty grants nationals from one member state of the EC the right to establish themselves in another in order to exercise their profession. However, the Community's current common fisheries policy abolishes national fishery limits.

The Norwegian proposal made at a negotiating session in Brussels would be applied by all member states in an enlarged Community, enabling them to reserve access to their coastal waters if they so wished. If accepted by the Six, it could be applied in Britain and Ireland, whose fishing industries have asked for protection for inshore waters. Norway said that the right of establishment should require fishermen to reside in the member state whose waters they fished, and that fishing companies should be registered there. Member states should also be allowed to stipulate that 50 per cent of a company's capital assets be owned by persons resident in the country and that the majority of its board members reside there. Fishing vessels would have to be registered in the country concerned and fly its flag.

Norway said the only possible alternative to these proposals to meet the special needs of Norwegian fishermen would be for each member state to reserve its territorial waters for its own nationals.

Fishing boats in Lofoten. The Community's rules on fisheries are a major negotiating issue for Norway which fears that competition from foreign factory ships could curtail the incomes of local fishermen, especially in the three northernmost provinces. PHOTO: Courtesy the Norwegian Embassy Information Service, New York.

the world total. Favored by the warm Gulf Stream, which keeps Norwegian ports, even those beyond the Arctic Circle, ice-free throughout the year, Norwegian fisheries are among the richest in the Northern hemisphere. Although the number of fishermen has declined by more than half since the war, they form a minority, like the farmers, whose claims to fair, indeed special, treatment Oslo regards as sacrosanct.

The Six now produce 1.7 million tons of fish a year, and import 0.5 million tons. The "Four" applicants produce nearly five million tons and export 0.75 million tons. The Community of Ten would be a net exporter, whereas the Community of Six is a net importer. Many Norwegians think that the "Ten" would have to revise the Community regulations which are based on the Community's current status as a net importer. The Community's fisheries policy now gives all Community trawlers free access to the fisheries of other Community countries. Applied to Norway, this policy could conflict with the elaborate legislation developed over the years to protect the small Norwegian fishing enterprises against interference from powerful foreign fishing companies, and from each other.

The Six have already accepted the maintenance for five years of a special three-mile fishing area off Brittany and off Southern Italy. The Norwegians will presumably seek similar arrangements for Norway and the introduction of regulations for the market in frozen, salted, and dried fish for processing. (Community regulations now deal mainly with fresh fish.) Fishing supports, wholly or in part, only 4 per cent of the population. But in Finmark, Troms, and Nordland, the three northernmost provinces where half of Norway's fisherman live, the proportions are 18 per cent, 16 per cent, and 14 per cent, respectively. Including those employed in related industries, roughly a third of the population of these three provinces owes its livelihood to fishing.

The arrival of factory ships from foreign waters could harm local fishermen in North Norway. The number of fishermen has already declined by more than half since the war. In certain areas, the density of the population is as low as four to the square kilometer.

Political Support for Entry

The five political parties represented in the Storting favor Community membership, but in varying degree, and there is a wide range of views on the best approach in negotiations and "reasonable" conditions for entry. Accession would involve constitutional changes, which require a three-quarter parliamentary majority. Moreover, the Government has given an assurance that a referendum would be held before it signed the Rome Treaty. The majority of the Center Party, with 20 members in the Storting, has strong reservations on membership, partly because of its allegiance to the farming interest and partly on constitutional grounds. But the Labor Party, easily the largest parliamentary party with 74 of the Storting's 150 seats, is firmly in favor, provided the fisheries problem (the Party draws many votes from the ports) can be solved. Industrialists, whose success in EFTA as component-manufacturers for Swedish industry has proven that Norwegian technology can compete with the best, look forward to bigger gains in the Community, and the Conservative Party (29 members) therefore regards the bid to join as justified by the economic arguments.

The unions, too, favor close links with an association of nations which has the declared aim of improving living and working conditions.

The Labor Government formed on March 13 by Trygve Bratteli lacks an overall majority in the Storting—the Social Democrats hold 74 of the 150 seats. But on the European issue its position is stronger than that of the four-party non-Socialist coalition from which it took over. The coalition had been pursuing a policy which had only half-hearted support from important members of the Government. The former Prime Minister, Per Borten, leader of the (agrarian) Center Party, was known to be unhappy with the Norwegian approach to Europe, and his Government fell after a dispute over the leakage to the press of a secret report on Norway's negotiations with the Community. The new Prime Minister, Foreign Minister Andreas Cappelen, and Trade Minister Per Kleppe all strongly favor membership. The unanimous approval of leading Government figures psychologically strengthens the Government's position in the country, but it does not prevent a blocking vote in the Storting. The farmers, the fishermen, and the extreme left can all muster some influence. Sweden's decision in March this year not to apply for Community membership is another factor which has created uncertainty over the country's acceptance of the conditions worked out in Brussels.

Sweden: Ties, Not Entry

UGO PICCIONE

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

THE SWEDISH GOVERNMENT declared on March 18 that it would not seek full membership in the Community, in view of Sweden's traditional policy of neutrality. Instead, Sweden will seek an association through a special agreement defining the rights and obligations of both parties. The aim of the Swedish Government, which in an application declaration last November left open the form of possible attachment, is a complete customs union and a broad agreement on cooperation.

Social Democratic Premier Olof Palme, while admitting Sweden's ambitions were "on high level," stated firmly that Sweden's "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 "NATO-dominated Common Market" altogether.

The Swedish Government declaration stated: "Swedish participation in the foreign-policy cooperation drawn up on the basis of the Davignon Report is not compatible with a firm Swedish policy of neutrality. Swedish participation in an economic and monetary union, which implies an abandonment of the national right of decision-making in important fields, is not compatible with a Swedish policy of neutrality. The Government has therefore come to the conclusion that membership is not a realistic possibility so far as Sweden is concerned."

Neutrality Foremost

Sweden wants "to establish extensive, far-reaching and lasting economic relations with the Community" if it can be done within the scope of its neutrality policy. This, in a nutshell, was Sweden's position, as outlined by Foreign Trade Minister Kjell-Olof Feldt, when the Community and Swedish negotiators met for their first round of ministerial-level talks in Brussels on November 10 last year. This position was not entirely new.

In December 1961 Sweden unequivocally delineated its attitude towards the Community: after the British, Danish, and Norwegian applications for full Community membership, the Swedes applied for "associate" status. At that time, the Government, as well as the Opposition parties, had concluded that membership, while good for Swedish economic interest, would have political consequences that would conflict with Swedish neutrality.

Last November, the Government of Prime Minister Olof Palme issued a nine-page "statement of intent" expressing Sweden's willingness to consider participation in the Community in any form, not excluding membership, "compatible with continuation of its policy of neutrality." This paper added little to Sweden's July 1967 statement formally applying for the opening of negotiations with the Community.

Evidently the Swedes cannot visualize participating in the European political union outlined by the Davignon Plan *(see European Community No. 140, page 5)*. Similarly, by expressing its inability to accept a transfer of national sovereignty to Community institutions, the Swedish Government excluded participation in the economic and monetary union.

For its part, the Community had made its position clear: membership meant complete acceptance of the Rome Treaty and its political implications, and of all decisions already taken by the Six in such areas as foreign trade, agriculture, competition, and economic and monetary affairs. The Commission, in its revised opinion on the opening of enlargement talks, said Sweden's admission should be considered only if Sweden indicated in negotiations unqualified acceptance of the Community's political objectives set forth in the Treaties.

Sweden had to decide whether to join the "Four" that had applied for full membership or remain with the other members of the European Free Trade Association (Iceland, Finland, Austria, Switzerland and Portugal) with which the "enlarged" Community plans to conclude trade arrangements. It was not an easy decision, especially since the Six have yet to define the true political significance of the Community's aims.

Membership in the Community implies a common trade policy which is an instrument of foreign policy. On the other

Cutting machine for paper pulp at the Slottsbrons Bruk mill in western Sweden. Sweden's thriving paper industry would be an asset to a Community whose paper pulp consumption has more than doubled in the past decade.
PHOTO: Courtesy the Swedish Information Service, New York.

hand, in the light of the United States' aversion to the Community's international trade policy, a preferential trade agreement would probably meet with disapproval in the General Agreement on Tariffs and Trade (GATT) unless presented as a step towards either a customs union or a free-trade area.

Too Many Safeguard Clauses

The customs-union formula, involving a common external tariff and a common trade policy towards third countries, leads to a basic dilemma: should the Community let Sweden participate in the decision-making process (something which the Six could hardly accept), or should Sweden have to execute policies they had not helped to make (an equally unacceptable proposition)? Moreover, within a customs union, the Community could not leave participants free to decide whether or not to comply with decisions on tariffs or quotas: in that case, the agreement would provide for so many safeguards or escape clauses that the customs union would lack the cohesiveness required for its smooth operation.

Another question is whether the customs-union agreements would cover agriculture. Here, again, Sweden would have to adopt the Community farm policy, without participating in such political decisions as price or structural reform. It seems improbable that the Community, or the Swedish food-processing industry for that matter, would consider leaving agriculture out of the agreement.

To prevent trade distortions, a customs union would have to be supplemented by fair-competition regulations and the elimination of non-tariff trade barriers. Within a few years, Community member states will have abolished all internal border controls; but this liberal treatment could hardly be extended to exports from countries participating only in a customs-union agreement with the Community. Indeed, because of differences in technical specifications, direct and indirect tax systems and rates, and export credit terms, imports into the Community from non-member countries would still have to be checked at the border, to avoid unfair competition with Community products.

The free-trade-area solution, which would allow each side to set its own tariffs, quotas, and trade policy towards other countries, does not appear to be a suitable formula, at least from the Community's viewpoint. A free trade area would not require a common trade policy, would involve no progress towards economic and political unity, and would create major technical problems in the commercial field.

Influence from the Sidelines

Many Swedish industrialists and financiers fear that, in his approach to the Community, Mr. Palme may have chosen the wrong strategy; they contend that the Swedish Government does not yet know what type of arrangement, short of membership, could be satisfactorily concluded with the Community. Most industrialists feel that, while some sort of formal link will eventually be established with the Community, Sweden may not be able to influence European economic cooperation from within, but only from the side-lines. They realize that it would be impossible for a ten-nation Community to operate efficiently if its major decisions were to be subject to the prior agreement of more or less loosely associated countries.

Sweden's hesitant attitude explains why the Community question has not been extensively discussed in the country. In the last election campaign, only one political party tried to start a public debate on the issue; the results, however, were such that this attempt was soon discontinued. With rare exceptions, Swedish politicians keep a low profile on the issue, convinced that, on the eve of negotiations, there was no reason to increase even further the vagueness of Sweden's attitude.

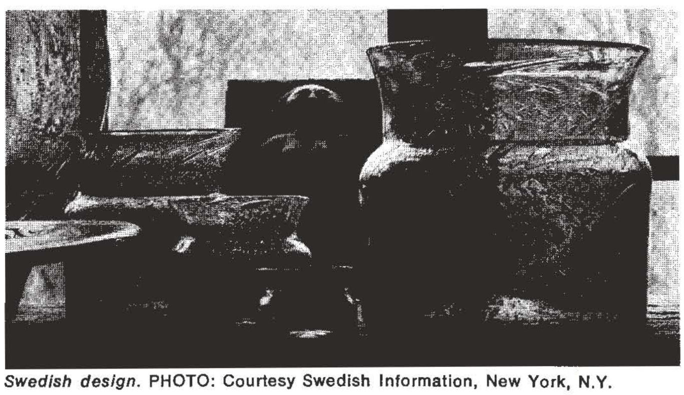
The Swedish Government's "open" application has perhaps put the country in a difficult negotiating position: contrary to its expectations, it has been grouped with Austria and Switzerland, the two other EFTA "neutrals," rather than with Norway and Denmark. This may raise problems not only for Sweden but also for the other two Scandinavian countries, which would have preferred a global Nordic negotiation with the Six.

As full membership is rejected, Sweden's links with the Community will not be as advantageous as those negotiated by its Scandinavian neighbors, which have accepted all the obligations of the Community treaties.

Democratic Rules and Party System

The Swedes are not yet ready to overcome the neutrality mystique, however. Last November, Foreign Trade Minister Feldt declared: "Within the framework of the economic and monetary union, how can the centralization of decisions in supranational institutions be reconciled with a small country's democratic rules, and its parliamentary and political party systems? We would risk in this area direct conflicts if the Community developed its economic and political cooperation as far as foreseen in the Werner Report." Last February's decision by the Six to launch the first phase of monetary union obviously heightened the dilemma.

Community leaders take a different view. Commission President Franco Maria Malfatti has stated: "The processes of political and economic unity are the two sides of the same coin. Logically, there should be a certain parallelism between these two aspects of the construction of Europe. As we advance, the lines of demarcation between the various sectors of activity blur. Budgetary policy, and financial and fiscal policy, which will become important elements in the Community's transformation into an economic and monetary union, are political rather than economic issues. Foreign policy options will be increasingly influenced by our economic situation, since the Community is the world's largest trading power and the main importer of goods from the developing countries."



Swedish design. PHOTO: Courtesy Swedish Information, New York, N.Y.

Latin America Looks to the EC

BETSY BAKER

Latin America cannot depend on the United States for further increases in aid, U.S. Under Secretary of the Treasury Charles E. Walker told the Inter-American Development Bank at its annual meeting, May 10-14 in Lima, Peru. Additional aid will have to come from Europe, Canada, and Japan whose economic growth in the past twenty-five years has entitled them to full partnership with the United States, equality in obligations as well as in rights. Well before this announcement, Latin America was seeking closer ties with the European Community. Betsy Baker, a British free-lance journalist specializing in international politics, reviews the Community's relations with Latin America.

LATIN AMERICA and the Europe of the Six, two areas with numerous shared traditions but without strong links for the past half-century, are again showing an interest in each other.

A number of signs point in this direction:

- In January 1971 the European Community and Argentina began negotiating a non-preferential trade agreement. It is the first time the Community, as a unit, has negotiated with a Latin American country. Similar negotiations with Uruguay will probably open soon. In both cases, beef will be the main product involved.
- In November 1970 the Community decided to apply unilaterally, a year earlier than scheduled, tariff cuts agreed on in the Kennedy Round in favor of 13 Latin American products.
- Last year the Organization of American States decided to move its European liaison office from Geneva to Brussels, and Valencia Jaramillo, President of the Andean Group, went to Brussels for discussions with the Commission in November 1970.

Another major step in developing closer contacts with this Latin American region of nearly 290 million people with the fastest growing population in the world was taken on December 15, when the Council of Ministers of the Six agreed on a favorable response to the Declaration of Buenos Aires drawn up on July 29, 1970, by 22 Latin American states, including two Caribbean countries. The Declaration stressed the need to strengthen ties and to improve relations generally between the Community countries and the 22 members of "CECLA" * (the Special Coordinating Committee for Latin America which comprises all Latin American nations except Cuba, and the English-speaking states of Trinidad and Tobago, Jamaica, and Barbados). In January the Council's reply was handed to Giraldo Taramillo, Colombian Ambassador to Belgium, and doyen of the Latin American heads of mission in Brussels.

Since the Community's founding in 1958 there had been occasional gestures toward Latin America but never a major attempt at cooperation on a Community scale. Now that the Council has accepted the general aims of the Declaration of Buenos Aires, the way has been opened for more effective cooperation. The Council itself emphasized the need to "institute lasting cooperation" between the Community and Latin America. To promote such cooperation it called for a meeting in the near future between representatives of the Six and the Commission on one hand, and Latin American ambassadors on the other. It is scheduled for June 18.

The Latin American countries have been trying to initiate a dialogue with the Community since last July, not only as part of their policy to lessen their dependence on the United States but also because they see the Community as a source of creative and open-minded help in solving development problems.

For some years there has been dissatisfaction with certain aspects of U.S. policy in Latin America. Some of Latin America's leaders find U.S. Government agencies, and most U.S. businesses, unsatisfactory partners for their development programs. Yet few of these countries wish to be guided by the orthodox Communist approach to economic development. That is why they welcome moves by any other developed countries, such as the Six, that can offer viable and flexible alternatives.

U.S. Trade Practices

CECLA, the organization that presented the Declaration of Buenos Aires to the Community, achieved some notice when it drew up the Consensus of Viña del Mar in May 1969. This was a list of Latin American demands made to the United States to improve relations between the two areas. It stressed the need to reform U.S. trade practices, many of which are held to work against the Latin Americans. This declaration was subsequently presented to President Richard M. Nixon. Although it has so far produced few of the desired results, significantly, in its adoption, the Latin Americans showed an unprecedented amount of unity and initiative. CECLA is the only major inter-American organization of which the United States is not a member, and thus in which Latin Americans can formulate common policies without feeling that one party will dominate the others from the beginning.

Although the meeting in Buenos Aires was called by Argentina, its organization and most of its initiatives seem to have been inspired by Gabriel Valdes, who was then Chile's Foreign Minister. The Declaration of Buenos Aires is a more modest and realistic document than was the Consensus of Viña del Mar. Its requests to the Community were pitched lower than some had hoped. Chile, and to a lesser degree Mexico and Venezuela, wanted to take a stronger line in stating Europe's responsibilities towards Latin America; however, the more muted view of Argentina was adopted and set the tone of the document.

Latin American Objectives

The Declaration of Buenos Aires noted the many historic, political, economic, and cultural ties between the two regions, and the determination of CECLA members to integrate. It said that the impact of the Community's trading policy and the prospect of an enlarged Common Market made it essential for the two regions to agree on cooperation. The Latin Americans would prefer an international approach to cooperation to one in which certain developed areas cooperated with certain developing areas. The CECLA countries said they hoped a meeting between their ambassadors and Community representatives would smooth the way for a high-level, institutionalized dialogue with the Community.

**Argentina, Barbados, Bolivia, Brazil, Colombia, Costa Rica, Chile, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, the Dominican Republic, Trinidad and Tobago, Uruguay, and Venezuela.*

Latin American aims include:

- improved access to the Common Market for raw materials and manufactured goods
- a study of the effects of the common agricultural policy on Latin America
- better transport facilities for goods between the two continents
- granting European Investment Bank development loans to Latin America
- freer access to the Community's capital markets
- increased Community participation in the Inter-American Development Bank and other regional development organizations.

Latin America would also like the Community to help train more scientists and technologists for Latin America, to give more technical assistance, and to support the initiatives of the United Nations Conference on Trade and Development (UNCTAD) in the region.

Contacts to Date

The Community's interest in Latin America was probably at its highest between 1963 and 1966. In 1963 and 1964 the European Parliament made a report on relations between the two areas, and a delegation of the European Parliament met public officials and economists in Latin America between February 27 and March 17, 1963. In November 1963 an agreement was concluded between the European Atomic Energy Community (Euratom) and Argentina on the exchange of information, reciprocal exploitation of patents, and prospection for uranium by Euratom in Argentina. A similar agreement had been reached with Brazil in 1961.

The Commission has held two rounds of meetings with "Contact Groups" from the Latin American missions in Brussels. The first took place between July 1963 and January 1964; the second between April 1965 and February 1966. On February 4, 1966, the Commission sent a memorandum to the Council suggesting ways to improve relations with Latin America—a desire expressed by the Latin Americans during their discussion with the Commission. In June 1966 the Commission reported on the second round of talks, and in December it published its conclusions.

In November 1966 the Council of Ministers said it favored new meetings between representatives of the Community and the Latin American countries to examine mutual trade problems, but little progress was made until recently. The Community said it was awaiting the outcome of the Kennedy Round of negotiations in the General Agreements on Tariffs and Trade (GATT) and of the second UNCTAD.

Italy's Interest

Of the Six, only Italy seems to have made a major and continuous effort to keep Latin America on the agenda of the Community institutions. In September 1966 Italy suggested to the Council that a mixed contact commission be set up. It was to be a permanent institution to promote understanding and exchange information. In November 1968, Italy, in another memorandum to the Council, again raised the question of relations with Latin America. This led to the Commission issuing a 50-page memorandum to the Council on this subject on July 29, 1969. Italy recently suggested the possibility of European Investment Bank activity in Latin America.

Copper smelting in Chile. "Latin American governments must realize that if European firms comply with all the regulations, they have every right to expect that their assets will not be expropriated or nationalized, without prior agreement on the terms."

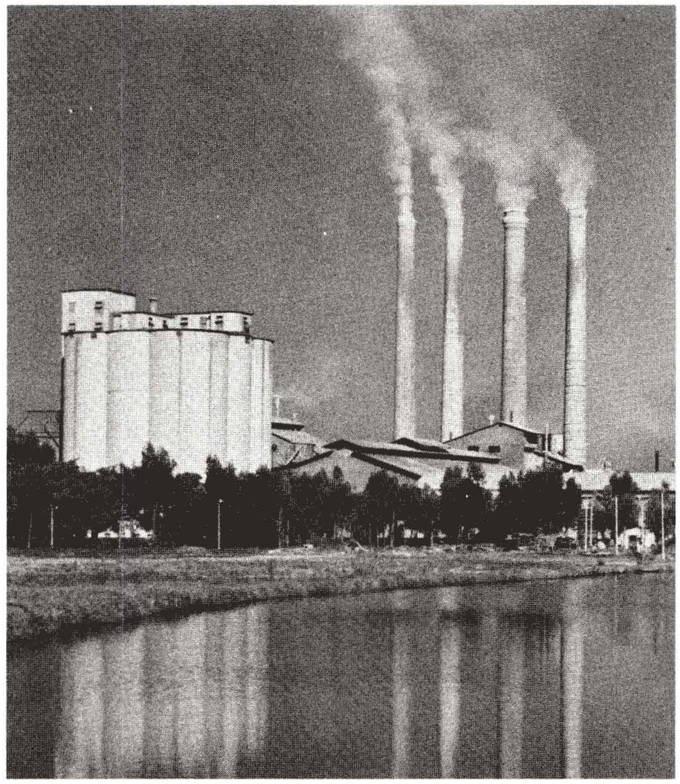
Italy's interest in the area is not surprising. It is culturally closer to most Latin American countries than are any of the other member states. In addition to the similarity in language and religious beliefs, other factors also operate to make Italy the logical link between the two regions. Italy's ties with former colonies are much weaker than those of some of the Six; and many Italians have emigrated to South America, to Argentina and Brazil.

Many Germans also have emigrated to Latin America, mainly to Argentina and Uruguay. German businessmen, with the encouragement of the German Government, are now making great strides in establishing themselves in the area, and Germany's interest in Latin America is likely to grow.

Today, Latin America welcomes ties with Europe more than any further links with the United States, which has economically and politically dominated the area for the past half-century—bringing of course the Alliance for Progress and other substantial U.S. aid programs. As the Community members had few colonies in the region, CECLA members do not associate them with the era of dependence that Latin America is now trying to end.

Flexible Approach to Development

Latin America is looking for partners who will treat them as equals and who want to help Latin America develop according to Latin America's own priorities. Latin America has always

Cattle round up in Argentina and a meat packing plant in Uruguay. Latin America would like its manufactured goods and traditional exports, such as meat, to have improved access to the European market. PHOTOS: Courtesy Pan American Union, Washington, D.C.

been part of the European philosophical and cultural tradition and has looked to Europe for ideas especially during the nineteenth century. Now, almost ready to set forth on its own, Latin America needs cooperation from countries and groups of countries that take a flexible approach towards Latin America's specific development problems.

Many West European countries have experience in central planning and state-owned companies that could make it easier for them than for the United States to cooperate with Latin American states.

Latin America may become more favorable to foreign investment if it is by governments or government-owned companies, through joint ventures, or under licensing and know-how agreements. The recent contract won by Renault in Colombia over ten bidders from seven countries is an example of such a choice. Renault, partially controlled by the French Government, accepted 50 per cent Colombian ownership, which American companies are believed to have refused.

However, Latin American governments might well consider making and enforcing clear rules on investment by European companies. They could, for example, prevent companies from making profits above a certain level and, at the same time, ensure that host governments show greater respect for the assets European companies may build up there. Latin American governments must realize that, if European firms comply with all the regulations, they have every right to expect that their assets will not be expropriated or nationalized, without prior agreement on the terms.

Latin America needs foreign investment, but in the long run aid and improved trading opportunities will probably prove more decisive factors in accelerating development. Technical assistance, financial aid, and trade are linked, and the Commission's July 1969 memorandum urged the Six to coordinate, if not to unify, these policies to make them as effective as possible.

Tariffs a Minor Problem

Tariff barriers today are often a minor problem, as they are generally low. Nonetheless, a system of generalized preferences for developing countries' manufactured goods would help. The Community would probably be willing to move faster in this direction were its major trading partners equally willing. Quotas and other non-tariff restrictions pose more serious problems; so too do high shipping and insurance costs, which are often considered part of the problem of tied aid. The Commission has urged the Six to untie their aid rapidly. However, other countries' reluctance to do so has slowed down Community efforts.

Strengthened ties between the Six and Latin America could affect the associated countries in Africa. While Latin Americans from time to time complain about the Community's association agreements with African states, they do seem to accept the fact that the needs of some of these African countries are greater than their own and that in some areas of conflict the products involved (e.g. cocoa) are of decreasing importance for Latin America. In other areas the Community could help Latin America with little or no detriment to its associated African members.

Progress on European Patent Accord

CONFERENCE EXPECTS TO CONCLUDE WORK IN JUNE 1972

H. PETER DREYER,

***European News Editor of* The Journal of Commerce**

A HAPPY ENDING is in sight for the Intergovernmental Conference for establishing a European patent system. Following its fourth meeting, in Luxembourg on April 20-28, the Conference thinks negotiations can be wrapped up by June 1972.

The proposed new system is in the form of two conventions. One, concluded by a large number of European countries, will establish the rules of law and procedure for granting patents by an international organization, the European Patents Office. The European patent would consist of two distinct parts: a set of national patents for countries outside the Community and a single patent for the Common Market. The other convention will prescribe the uniform legal system applicable to the patent in the territory of the Six. Since it will take into account the Community links existing between the Six and remove the barriers resulting from protection on a territorial basis, this convention will be open only to the Community members.

Work on the European patent system has been going smoothly and fast, a good deal faster than was expected when delegates from 17 European countries convened in Brussels in May 1969. At the April meeting, Yugoslavia and Monaco joined the original participants: the six members of the European Community, Denmark, Norway, Sweden, the United Kingdom, Ireland, Switzerland, Austria, Spain, Portugal, Greece, and Turkey.

The Conference, the result of an invitation from the Community's Council of Ministers, is not the first attempt to simplify European patent law, a matter which for years had been considered an important aspect of European integration. *(See European Community No. 122, page 4.)* It had long been recognized that Europe's existing system of national patents, granted and operated in vastly different ways and conditions, was hopelessly out of date. This system was (and still is) both costly and confusing and falls far short of the needs of modern industrial firms manufacturing and trading in many countries. Another element making action more imperative has been the rising flood of new patent applications everywhere as technological development quickens throughout the Western world.

Decade of Preparation

It was hardly surprising that cooperation in the patent field, though not mentioned in the Rome Treaty, was first envisaged by the Community shortly after it came into being. Acting upon a joint German-Dutch initiative, the Commission began preparatory work in 1959 for a single patent valid in all six member countries. Other European countries were also interested, but including them in the system proved the major hitch in negotiations. After the Community draft convention was ready for discussion by member governments, the Dutch insisted that other European nations should have free access, while the French resisted this idea just as strenuously. Over this feud the patent effort was finally broken off in 1965.

What had been impossible in the political climate of 1963, after the first veto against British membership, suddenly became possible after the second "no" in 1967. It may have been a result of the malaise caused by this later lockout and a deliberate French attempt to mollify the other Five that the more liberal approach towards a European patent solution resurfaced in late 1968. Suddenly dropping its earlier objections, France opened the way for the resumption of internal Community talks and, eventually, for the Community's invitation to other European governments to attend the May 1969 Conference. This Conference led to the first draft convention, adopted by the 17 participants in January 1970.

One Application for Total Coverage

Negotiations have since proceeded on a simple basic premise, accepted by all. It goes back to Dutch proposals submitted in the early 1960's and afterwards also debated at length within the European Free Trade Association (EFTA). The central idea is that the new European patent would cover the entire area of all participating states, if so desired. To protect a new product or process, a company would file one application instead of 17 separate ones. If the company's area of interest were more limited, if it did not do business in all 17 countries, it could limit its request for coverage to those areas. One company might need patent protection only for the Community, Switzerland, and Austria, while another might need it only for the United Kingdom and Scandinavia.

In this selection process there would be only one major exception. As far as the Community was concerned, it would be either all or nothing. A European patent would be issued only for all six countries: no applicant could request a European patent valid in, say, Germany and the Benelux countries but not in France and Italy.

The European Convention takes into account the six Community members' intentions of concluding a second convention to give uniform effect to European patents granted for the territories of the Six. This second draft convention between the six member states would create a unitary patent for the Community and would come into force at the same time as the convention setting up the wider European system for granting patents. It would lay down the provisions necessary to give the European patent a unitary character within Common Market territory. These would include provisions on patent rights, the term of the patent, lapse, surrender and revocation, the revocation procedure, double protection, and renewal fees.

Accessibility

The discussions and negotiations of the past two years have naturally encompassed a wealth of questions, both procedural and material. In an atmosphere which throughout appears to have been characterized by generous "give-and-take" attitudes, many of these have been resolved and others are approaching a solution. Most of these issues are so intensely technical as to interest only the specialist. There are two, though, which have wider implications and where the final settlement would strongly influence the general nature of the convention ultimately reached: accessibility and deferred examination.

Accessibility decides who can apply for a patent. Europeans, individuals and corporations from the participating nations, could apply for a European patent, but what about interested parties outside Europe? The negotiators' first draft stated that non-Europeans could file applications only if their governments granted Europeans corresponding rights.

This seemingly innocent formulation posed a severe threat to U.S. applicants, but not to their European subsidiaries which could file in the European country where they were incorporated. American individuals and companies resident in the United States, however, might have been excluded from the benefits of a European patent because Europeans considered the U.S. patent procedure discriminatory.*

Deferred Examination

As the negotiations proceeded, a perceptible shift took place on another key issue, the deferred examination of patent applications.

Two different systems are now applied in the Community. Germany and the Netherlands delay examination by up to seven years, maintaining that this time allows inventors to judge their invention's industrial potential and eliminates a lot of unnecessary work on the part of the patent office. In the other four member nations immediate and automatic examination is obligatory.

The compromise would set a two-year deferral period which amounts to almost instantaneous investigations, as it now takes about 18 months for publication.

Ed. note: Europeans objected particularly to the U.S. insistence on granting protection from the date of filing in the United States rather than from the European date of patent.

Second Draft Convention

At the April meeting the publication of the second draft convention was also authorized. Business organizations, patent attorneys, and others qualified to offer suggestions or criticism will be allowed several months to do so. Their contributions will be incorporated into the final draft, to be written and then also made public, by another governmental gathering either late this year or, more probably, early in 1972. The concluding step will be a diplomatic conference before the signing of the patent convention.

As the meetings still to come are not rubber-stamp affairs, changes and new developments cannot be excluded. Some attendant matters must be settled too, such as the location of the future European Patent Office. Munich is currently the favorite of several candidate cities. It remains to be seen how the enlargement of the Community would influence the ultimate form of the convention.

None of this should interfere with, or even seriously delay, the favorable outcome which all participants now expect. Barring some unforeseen and improbable mishap, industries operating in Europe should within a few years have a new, efficient, and badly needed tool at their disposal.

Recent Books

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.

New Zealand and an Enlarged EEC. By the New Zealand Monetary and Economic Council, Report No. 19. A. R. Shearer, Government Printer, Wellington, New Zealand, June 1970, 80 pages.
Report prepared at the request of the Government of New Zealand on the implications for New Zealand of British membership in the Communities.

The four introductory chapters provide background information on the New Zealand economy, its place in the world trade, and New Zealand's commercial and economic relations with the United Kingdom. The fifth chapter is an examination of the common agricultural policy of the Community and its potential impact on New Zealand dairy and lamb exports. The final chapter is an analysis of the consequences if the agreement for British entry does not include special arrangements for New Zealand. The Council concluded that even with special arrangements, serious damage to New Zealand's economy is likely to result.

Manual of the Council of Europe: Structure, Functions and Achievements. By a Group of Secretariat Officials. Fred B. Rothman & Co., South Hackensack, N.J. 1970, 298 pages plus appendix and index. $13.75.
An explanation of the structure, functions, and activities of the Council of Europe.

The Council's structure, functions, and the major achievements in the past 20 years are described. The book covers the Council's political and economic work and its contributions in the fields of social issues, public health, environment, education and culture, law, criminology, human rights, and problems of municipal and regional affairs.

Nuclear Proliferation and Prospects for Control. Edited by Bennett Boskey and Mason Willrich. Published for the American Society of International Law, Cambridge University Press, New York, 1970, 191 pages, $7.50.
A collection of essays on the possibilities and problems connected with the Treaty on the Non-Proliferation of Nuclear Weapons. The authors discuss the problems of proliferation, the scope of the Non-Proliferation Treaty, and prospects for the Treaty's success or failure. Lawrence Scheinman describes the problem of controls which has become a focal point for discussions on universal inspection systems and a potentially crucial element for the future of the Community's own inspection system under the European Atomic Energy Community (Euratom). Other contributors treat peaceful uses of nuclear energy and global security.

Agricultural Policy and the Common Market. By John Marsh and Christopher Ritson. Chatham House/PEP, London, 1971, 199 pages with appendices.
An analysis of the Community's agricultural policy, its failure to meet the economic needs of the Six, options for its future development, and its effect upon British entry.

The study examines the economic origins of agricultural adjustment problems within the Community and concludes that the common agricultural policy (CAP) has failed to solve these problems. The authors suggest three ways of adapting the current policy and examine the potential cost to Britain in terms of national income, upon joining the Community.

The European Challenge. By Louis Armand and Michel Drancourt. Weidenfeld and Nicolson, London, 1970, 248 pages plus index.
A proposed European answer to the American industrial and economic challenge.

The authors plea for Europe to rise above national antagonisms and to go beyond a customs union reflecting common administrative and economic goals. They propose the creation of a European political structure capable of meeting the challenges of the present technological age. The new Europe, they contend, should not be merely defensive and inward-looking, but should play an active political role in the world. This requires the coordination of common European interests and the development of a common European technology.

Publications Available

THE EUROPEAN COMMUNITY AND DENMARK, NORWAY AND IRELAND: BACKGROUND NOTES ON THE NEGOTIATIONS. Commission of the European Communities, Brussels, March 1971, 7 pages ....free

BALANCES OF PAYMENTS 1958-1969. Statistical Office of the European Communities, Luxembourg, 1970, 85 pages $2.00
Comparative balance-of-payments tables on the Community, its member states, the United Kingdom, the United States, and Japan.

LA CONJONCTURE ENERGETIQUE DANS LA COMMUNAUTE: SITUATION 1970, PERSPECTIVES 1971. Commission of the European Communities. Brussels, 1971, 58 pages $1.00
Annual report on the energy situation in the Community in 1970 with forecasts for 1971. Treats coal, petroleum, gas, electrical, and nuclear energy. Does not have same statistical annex as previous annual report, described above.

REMARKS BY FRANCO MARIA MALFATTI, PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES AT A LUNCHEON OF THE OVERSEAS WRITERS CLUB. Commission of the European Communities, Brussels, April 8, 1971, 7 pages ....free
President Malfatti's speech in Washington, D.C. during his official visit to the United States. Reviews Community policies and U.S.-Community relations in particular. Contains comparative figures on the European Community and the United States.

REPORT ON THE COMMUNITY'S COMMERCIAL POLICY IN THE MEDITERRANEAN. *Working Documents* No. 246. The European Parliament, Luxembourg, February 1, 1971, 21 pages .... $ .25
Report by A. Rossi for the European Parliament's Committee on External Trade Relations. A review of the Community's relations in the Mediterranean. Outlines the Community's agreements with Turkey, Greece, Morocco, Tunisia, Spain, and Israel. Includes the opinions of the Political Affairs and Agriculture Committees.

ETUDES ET ENQUETES STATISTIQUES No. 7, 1970. Statistical Office of the European Communities, Luxembourg, 1970, 199 pages $2.00
French/German text. Contains:
- *Article on the petrol-chemical industry in the Community from 1960 to 1968.*
- *Article on retail prices in the Community as of October 1969.*

THE COMMUNITY'S GROWING RESPONSIBILITIES IN THE WORLD. By President Franco Maria Malfatti, Commission of the European Communities, Brussels, April 29, 1971, 12 pages .... free
A recent speech of President Malfatti in Hanover, Germany.

LA CONJONCTURE ENERGETIQUE DANS LA COMMUNAUTE: SITUATION 1969, PERSPECTIVES 1970. Commission of the European Communities. Brussels, January 1970, 174 pages $2.00
Also available in German. Annual report on energy supply and demand in the Community in 1969. Treats coal, petroleum, gas, electrical, and nuclear energy. Has 100 pages of statistical tables.

SPEECH OF MR. SPINNELLI FOR THE DINNER ARRANGED BY THE CONFEDERATION OF IRISH INDUSTRIES. Commission of the European Communities, Brussels, April 15, 1971, 6 pages .... free
Commission Member Altiero Spinnelli discusses the Community's regional policy goals and institutional structure.

STATISTIQUES SOCIALES No. 4, 1970. Statistical Office of the European Communities, Luxembourg, 1970, 229 pages $2.00
French/German/Dutch/Italian text.
- *Article on the Community's population and labor force forecasts for 1970-1980.*
- *Results of a Community survey on the Community's civilian labor force in 1968.*

COMMERCE EXTERIEUR: NOMENCLATURE DES PAYS 1971. Statistical Office of the European, Luxembourg, 56 pages $1.00
Country nomenclature for the Community's foreign trade statistics. Includes a table listing code changes since 1958.

REVIEW OF CASES HEARD BY THE COURT OF JUSTICE OF THE EUROPEAN COMMUNITIES IN 1970. Court of Justice, Luxembourg, 1971, 24 pages .... free
Reviews Community case law in 1970 with some reference to previous years.

POSSIBILITIES AND LIMITS OF A EUROPEAN COMMUNITIES' FOREIGN POLICY. By Ralf Dahrendorf, Commission of the European Communities, Brussels, January 25, 1971, 20 pages .... free
Article based on a talk which the author gave in Bonn to the German Foreign Policy Association.

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