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Community News

EC Studies Aid Duties Towards Third World

The European Community, now coming of age through its enlargement and increasing intra-European involvement, is taking its responsibilities towards the developing nations seriously.

Two months after becoming the first industrial power to extend generalized tariff preferences, the Community has begun discussions for its first overall policy guide for relations with the Third World. In its July 27 "Memorandum for a Community Policy of Cooperation for Development," the Common Market Commission discussed the need for a coherent policy in all fields of development aid involving the Community and its member countries. While the document is a first statement of principles, it nonetheless contains some specific proposals for action in economic and social fields, beyond the traditional tariff reductions and helter-skelter national aid programs. The Commission hopes these thoughts lead to action commensurate with the enlarged Community's broadened responsibilities.

Not a Common Policy

The Commission spoke of a Community policy for cooperating in the field of development aid, as powers in this field are divided between the member countries and the Community itself. However, by coordinating national and Community aid programs to make sure they serve the same purpose, the Commission would like to improve their results. A common aid program will not be possible until considerable progress has been made towards political and economic union.

Regional Aid

Without losing sight of its responsibilities towards all developing countries, the Community should further develop its existing special types of cooperation with members' former colonies south of the Sahara and with its Mediterranean neighbors.

As affirmed during negotiations for enlargement, the Community's relations with the 18 African associates under the Yaoundé Convention should still be based on free trade, technical and financial cooperation, and joint institutions. If other countries join this association after the Community's enlargement, provision could be made for their specific needs, but not at the expense of these three basic provisions.

Adding financial and technical aid to existing trade arrangements could improve the Community's relation with its Mediterranean neighbors. Arrangements for solving problems, such as those involving migrant workers would also be appropriate, the Commission suggested.

Worldwide Aid

Besides this policy of regional aid close to home, the Community should continue to cooperate with other parts of the developing world, such as Latin America. *(See European Community No. 147, page 8.)* The Community as such will need additional money to finance technical and economic aid. Selectivity would be the key word in granting this aid so that it would complement member countries' national activities.

Among the specific types of aid the Community could give, the Commission mentioned setting up trade centers in developing countries. The Commission stressed the importance of careful planning to make Community aid as effective as possible. In particular, the Community could encourage private investment in its associated countries and could extend the European Investment Bank's activities to financing exports to developing countries.

Technical aid should be directed not only at industrialization but also at encouraging education and scientific research, the Commission said. Here, a Community effort could most easily be made by building schools, hospitals, housing, and specialized training institutions, by sponsoring professional training, and by offering scholarships.

In conclusion, the Commission said, the results of the Community's and its member countries' aid programs could be considerably improved simply by coordinating them. For this, no transfer of power from the member states to the Community would be immediately necessary. Decisions could be made within the Council of Ministers.

Slaughter Premium Paid on 235,000 Cows

Slaughter premiums have been paid on 235,000 cows since 1969 when the plan to cut Common Market milk production went into effect, the Commission of the European Communities reported on August 4.

Farmers received $200 for each cow killed. In addition, farmers were paid $200 for each cow whose milk did not reach the market.

German and French farmers have thus far benefited most from the premium regulations. In Italy, arrangements have yet to be made to pay premiums to applicants.

US Economic Measures Shock Community

For an assessment of the impact of the US economic program on the European Community, see page 12.

Revaluation Hedge Built into ECSC Issue

The European Coal and Steel Community on August 6 floated a $15-million bond issue containing a clause protecting European investors from loss resulting from any change in the parity of the dollar. If the dollar depreciates, bond holders could benefit from any premium in Luxembourg francs beyond the current official rate against the US dollar. In any case, the issue will be serviced in US dollars.

The 15-year bonds, offered to the public at 98.5 per cent of face value, will bear 7.75 per cent interest a year. Proceeds of the issue will be used to finance investments in the coal and steel industries and industrial reconversion projects.

UNICE Stresses Need for Equal Competition With EFTA Non-Applicants

The Common Market manufacturers lobby hopes that arrangements with the members of the European Free Trade Association (EFTA) which have not asked to join the European Communities will provide equal competitive conditions for companies inside the Common Market and those outside.

In a position paper released in Brussels on July 22, the Union of Industries of the European Communities (UNICE) said that this objective could be attained only if the non-candidates agreed to align their policies as closely as possible with Community policies on

- tariffs and customs laws
- commercial policy
- competition, indirect taxation, subsidies, and technical barriers.

Without policy alignment in those areas in the early days of customs union, distortions in trade between Community members were difficult to avoid. Smooth functioning of any agreement reached with the non-applicants would be jeopardized, UNICE said, if it became necessary to constantly invoke a safeguard clause.

EIB Loans Totaled $322 Million in 1970

Community investments financed by the European Investment Bank (EIB) showed a "pronounced expansion in 1970, despite the financial slowdown in the latter part of the year, according to the EIB annual report.

With increased production costs lessening reinvestment opportunities and high interest rates curtailing resources on the capital market, the EIB signed 54 loans and guarantee contracts for the equivalent of $354.4 million, compared to 43 loans, totaling $321.8 million in 1969.

The Bank was created by the Common Market Treaty to promote balanced growth throughout the Community by granting loans and guarantees on a non-profit basis, using its own resources and funds raised on the capital markets. It was to focus on projects for developing the most backward regions, and modernizing industry, and on projects that would benefit several member countries but which would be too large for any one of them to finance.

Italy—Main Beneficiary

Italy was the main beneficiary of EIB loans in 1970, with $205 million going into the South, the least developed part of the Community. More than half that amount helped finance investments in telephones, roads, and other infrastructure.

The EIB also helped finance 19 industrial projects, totaling $93.9 million, to develop the chemical, mechanical and electrical engineering, construction, textiles, clothing, and food industries. To stimulate tourist interest in Calabria, a peripheral region of the Community, the construction of several hotels was also financed.

Germany—All Industrial Projects

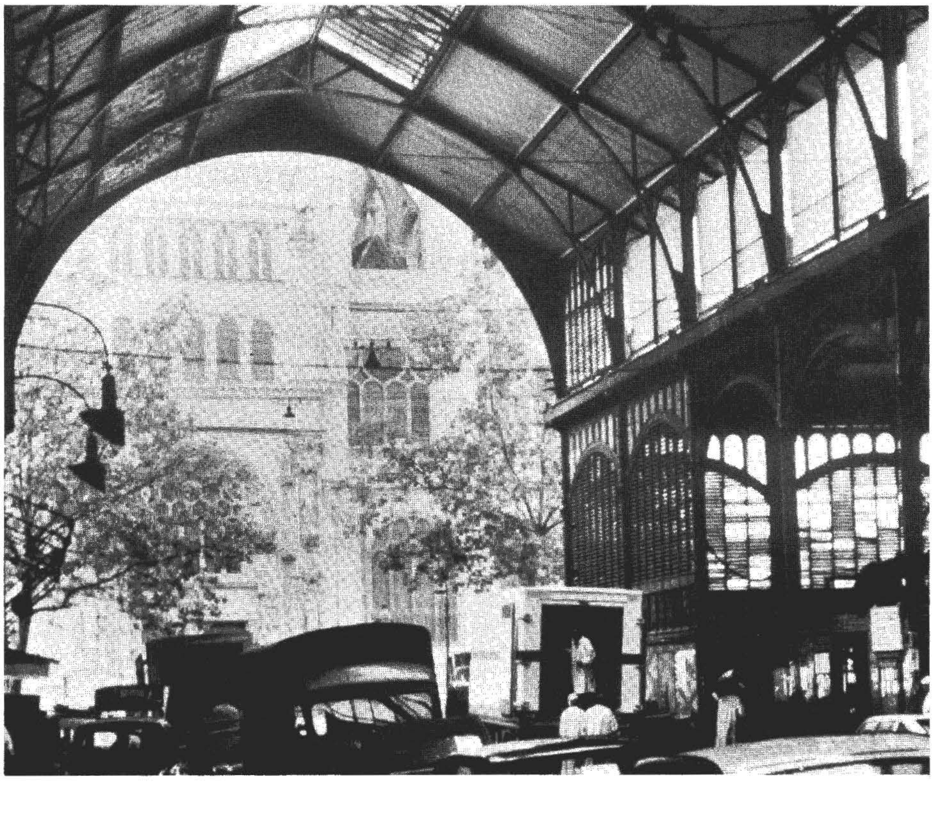
EIB-funded projects in Germany, all in industry, totalled $46 million. They were designed to aid regional development and industrial modernization or to further a common interest, such as the construction of an electrolytic zinc factory in Nordenham by two large German and French companies.

A loan of $10 million was also granted to the Industrial Credit Bank AG to finance small and medium-sized industrial projects in areas faced with problems of regional development or economic reorganization.

France—Marketing and Roads

In France, the Bank spent $58 million, two-thirds of it in infrastructure, including the construction of a highway from Paris to Brussels. Other projects included the financing of an international market for perishable agricultural products outside Paris, replacing Les Halles. Aid was also given small and medium-sized industries in Alsace and to industrial projects in the chemical, automotive, and wood processing industries.

Les Halles, Paris, one day before demolition. To ease congestion in the city, the French Government decided to move this central market for all agricultural produce sold in France to the new headquarters on outskirts of Paris. The EIB helped finance the new market warehouses.



Benelux—Diversified Investments

Four loans, totalling $25.9 million were granted in the Benelux countries for a model testing dock for shipbuilding in Holland, a nuclear power plant and a monomer chloride factory in Holland, and new European School buildings in Luxembourg. The European Schools were opened to educate the children of Community officials.

The Associates

The Bank's lending in the countries associated with the Community during 1970 was limited to Africa, as the financial protocol with Greece expired without being renewed, and negotiations for a new financial protocol with Turkey were not completed until late November.

In the African countries associated with the Community by the Yaoundé Convention, the Bank made two loans on normal terms, totaling $2.3 million, and four soft loans, totaling $13.6 million. Funds for soft loans come out of the European Development Fund, created to give development aid to the associated states, rather than out of the EIB's own resources.

Borrowings

To finance the expansion of its activities during a financially slow year, the Bank drew on funds acquired when savings were abundant and interest rates were moderate. Despite the tight money market, the EIB was able to increase slightly the volume of its borrowing.

Because long-term funds were so scarce during 1970, the 12-year-old Bank had its first chance to guarantee loans made by other financial institutions. In this way, the Bank enabled several German institutions to finance five Community projects.

Customs Union With Cyprus Proposed

Negotiations for a customs union with Cyprus should be opened, according to the European Communities Commission.

In a report on exploratory conversations with Cyprus, published in Brussels on July 15, the Commission suggested that the customs union should be completed in two five-year stages. Cyprus had requested association with the Community.

Rules Harmonized on Cars, Textile Labels, Measuring Instruments

Harmonized specifications on automobile brakes, textile labels, and measuring instruments were adopted July 26 by the Council of Ministers of the European Communities.

The Council's action, in the form of nine directives, was part of a general program to eliminate technical obstacles to trade in industrial goods within the Common Market.

Dual Brakes on Cars

The directive on automotive brakes will require all new motor vehicles sold in the Community after October 1, 1974, to be equipped with dual brakes. Trucks and trailers will have to pass additional tests, including capability to maneuver on steep slopes. With this system, if the front or rear brakes fail, the other set will work, thus helping to reduce the most common cause of accidents caused by technical failure. This is the first such safety regulation to become law on a multinational scale.

Textile Labels

Another directive prescribes identical labelling procedures for nearly all textile products marketed in the Community. It applies to natural fibers such as wool, silk, and linen, as well as to artificial fibers which are becoming increasingly important in the textile industry. Only products in small demand (tea cozies and artificial flowers, for example) are excluded from the labelling requirements, which become effective on February 16, 1973.

As a result of this directive, consumers will have a better idea of what they are buying.

Measuring Instruments

Seven directives were passed on measuring instruments. One directive creates Community inspection procedures. Another dealing with units of measurement will result in the use of the International Units System throughout the Community. The other five directives deal with:

- weights used with scales in any type of store
- domestic and industrial gas meters
- measures for all liquids but water
- ship tank gauges
- bulk measuring of grain, in hectoliters (which will enable uniform application of the common agricultural regulations).

Investment Guarantees for Africa Under Study

A system of multilateral guarantees for private investments affecting the countries associated with the European Community because of the Yaoundé Convention is currently under study.

In response to a written question submitted by Belgian European Parliament member Maurice A. M. J. Dewulf (Christian Democrat), the Commission of the European Communities said that one study of possible systems had already been completed, and a more extensive study of the economic, financial, technical, and legal implications of a Community guarantee system was now being prepared.

The Commission stated that it is attending meetings sponsored by the Organization for Economic Cooperation and Development on the subject of private investment in developing countries. At the last meeting, it was announced that the World Bank is studying a project to start an international insurance system for investments.

Turkey, EC Sign Interim Trade Agreement

Turkey and the European Community signed an interim trade agreement in Brussels on July 27, following a meeting of the Turkey-EC Association Council.

The agreement will run until the Additional Protocol (signed last year) to the Association Agreement comes into force, after parliamentary ratification. The trade provisions of the Association Agreement were extremely limited, covering only a few main Turkish exports, to give the country time to strengthen its economy in preparation for full association with the Community. At the request of Ankara, the EC-Turkey association will now move from the "preparatory" stage into the "transitional" stage in which Turkey begins to align its customs duties with the Community's, starting September 30, 1972, at the latest.

New Turkish Benefits

As a result of the agreement, on September 1, 1971, Turkish industrial exports began entering the Community free of duties and quotas, with two exceptions. For petroleum products, the Community is opening a zero duty quota of 200,000 metric tons. Under three tariff headings (machine-woven carpets, cotton yarn, and other cotton fabrics), the Community is reducing its common external tariff (CET) on Turkish exports by only 25 per cent. This concession will, however be supplemented by additional tariff quotas for cotton fabrics and yarn which will enter at a 75 per cent reduction of the CET.

In agriculture, the Community is granting concessions on almost every product. The main products are tobacco, hazelnuts, dried figs and grapes, citrus and other fruit, olive oil, durum wheat, rye, and vegetables.

In return, Turkey is making a 10 per cent reduction in its tariffs on Community industrial exports. On products scheduled for tariff dismantlement over a 22-year transition period, however, the reduction is only 5 per cent.

Other Topics Discussed

Among the other topics discussed at the meeting were the implications of the Community's enlargement for Turkey and its request for inclusion in the Community's generalized preferences. Turkey noted the Community's intentions of accelerating international debate on which countries should benefit from generalized preferences.

On enlargement, the Community said the Commission was in touch with applicants as well as associated countries and would soon send a message to the Council about it.

Commission Rejects Accord on Sales of Steel Pipes

A sales agreement between a Luxembourg producer and three Belgian producers of steel pipes has been banned by the Commission of the European Communities.

Following the Commission's intervention, the four companies on July 30 rescinded the agreement, which, according to the Commission, violated the Common Market's competition laws. The agreement, part of which was contracted between the four steel pipe producers and Belgian wholesalers, attempted to standardize products, organize their distribution on the Belgian market, and eliminate drastic price changes.

The Commission particularly objected to one clause setting individual delivery quotas and another prescribing uniform selling practices for the four companies involved. Not only would the Luxembourg producer have failed to benefit from the agreement, said the Commission, but the Belgian market would also have been partially closed to producers from other member states.

EDF to Give $45 Million More to Aid Africa

Eleven new allocations from the European Development Fund have been made public by the Commission of the European Communities.

Parcelled out in two groups totalling $45,120,000, the decisions were announced in Brussels on July 12 and 28, 1971. The allocations were as follows:

- **Mali:** $3,277,000 to continue development of cotton production in the Sikasso, Segou, and Bamako regions in the southern part of the country.
- **Senegal:** $1,131,000 to aid production of rain-grown rice in eastern Senegal. The project would increase production of husked rice by 9,000 tons over a four year period.
- **Togo:** $1,800,000 to fund a program of water well construction in rural villages, where unpolluted water is often unobtainable.
- **Niger:** $1,134,000 to raise food and cotton production and improve soil quality in the Badeguicheri Valley.
- **Malagasy Republic:** $9,146,000 to continue construction of the Vohemar-Sambava highway, including asphalting of its entire 142 kilometer stretch.
- **Malagasy Republic:** $3,194,000 for the transitional phase of a project to increase rice production in the high plateau regions.
- **Netherlands Antilles:** $5,739,000 for the building and equipping of a school for technical studies.
- **Ivory Coast:** $687,000 for technical assistance over a three year period to the Ivory Coast Foreign Trade Center.
- **Somali Republic:** $2,807,000 as an exceptional grant to help the Somalian government combat effects of a nation-wide drought during 1970-71.
- **Gabon:** $15,844,000 for construction of a pier supported by concrete piles at the port of Owendo.
- **Niger:** $361,000 as an exceptional grant to aid the Nigerian government in its fight against a cholera epidemic, including enough vaccine serum for 200,000 persons, 10 Land Rovers, and 40,000 liters of rehydration fluid.

Development Aid Falls Short of 1% GNP Goal

The 17 participants in the Development Assistance Committee (DAC) contributed $15.6 billion in financial and technical aid to developing countries during 1970. This amount was $1 billion higher than in 1969, yet the increase in value was only 4 per cent, after allowing for price rises.

DAC, a specialized committee of the Organization for Economic Cooperation and Development (OECD) released these figures in Paris on July 1 in its annual report. DAC participants include: the Commission of the European Communities, Belgium, France, Germany, Italy, the Netherlands, Australia, Austria, Canada, Denmark, Japan, Norway, Portugal, Sweden, Switzerland, the United Kingdom, and the United States. (Luxembourg is the only Community member that does not belong to the DAC.)

AID BY DAC MEMBERS *(in millions of dollars)*

		1969				
	Official	*Private*	*Total*	*Official*	*Private(1)*	*Total*
Belgium	116	139	255	120	188	308
France	955	751	1,706	950	830	1,780
Germany	595	1,502	2,097	599	756	1,355
Italy	130	(710)	840	152	558	710
Netherlands	143	219	362	196	246	442
Community Total	1,939	3,321	5,260	2,017	2,578	4,595
United Kingdom	431	717	1,148	447	826	1,273
United States	3,092	1,459	4,551	3,050	2,753	5,803
Other DAC	1,164	975	2,139	1,299	1,450	2,749
	6,626	6,472	13,098	6,813	7,607	14,420

(1) Includes for the first time, grants by private voluntary agencies.

3 EC Members Surpassed Aid Target

The total net flow of resources from DAC members to developing countries amounted to 0.78 per cent of the DAC members' combined gross national products (GNP). This percentage was only slightly above the 1969 level (0.75 per cent) and still $5 billion below the target of 1 per cent of GNP recommended by the United Nations.

However, three Community members surpassed the 1 per cent target in 1970: Belgium (1.23 per cent), France (1.24 per cent), and the Netherlands (1.42 per cent). The United Kingdom, Australia, and Portugal were the only other DAC members to exceed the goal. They gave, respectively, 1.06 per cent, 1.12 per cent, and 1.02 per cent of GNP. US development assistance, although only 0.61 per cent of GNP and the second lowest percentage on the DAC list, was the largest amount given by a single country.

Sources of Aid

Official aid rose by $190 million to $6.8 billion in 1970, but declined as a percentage of GNP from 0.36 per cent in 1969 to 0.34 per cent, continuing the downward trend since the mid-Sixties.

In the terms of assistance, there was a decline in the share of grants in the total. On the other hand, the terms of new lending softened a little. The average interest rate was 2.7 per cent in 1970, as compared with 2.9 per cent in 1969, and average maturities lengthened from 28.1 years to 29.7 years.

Net disbursements by multilateral agencies (such as the World Bank) continued to rise. Net estimated multilateral outflows grew by $300 million (25 per cent of the 1969 total).

Flows of private funds to the developing countries set new records in 1970. Private direct investment rose by $710 million to $3.4 billion, and private export credits expanded by $210 million to $2.2 billion. Private portfolio investment amounted to $1.2 billion. Although a volatile part of development aid, private funds thus accounted for an important part of aid in 1970.

Negotiations With Japan Interrupted

Negotiations between the European Community and Japan for a trade agreement were suspended on July 8 after two and a half days of talks. They may be resumed in October.

An impasse had been reached over the wording of the safeguard clause. The Community wanted the clause to be valid for the same products in every Community member country.

Big Community Issues Tackled by Parliament

Nearly all the most pressing Community issues—from British entry to policy on migrant workers—were debated at the European Parliament's meeting in Strasbourg July 7-9.

In an opening address to delegates, European Community Commission President Franco Maria Malfatti concentrated on the issue of British entry into the Common Market. He congratulated Jean-François Deniau, negotiations' coordinator, for his role in the entry talks, and expressed the Commission's appreciation of the historical, political, and economic significance of British membership.

Mr. Malfatti warned against the hazards of allowing an increase in bureaucratic methods to occur in a Community of Ten. The Common Market's enlargement, he said, must be a strengthening, not a weakening, force.

New Social Policy

Changes in Community social policy were explored by Commissioner Albert Coppé. Among the recent innovations in this area, he mentioned:

- the widening of the powers of the European Social Fund. This reform would go a long way, said Mr. Coppé, toward improving coordination of the member countries' social policies
- the Commission's conference on employment problems of the handicapped and their career possibilities
- guidelines for a Community-wide job training program now before the Council. The Commission hopes that training and teaching methods can be harmonized throughout the Community.

Among the areas needing further attention, Mr. Coppé mentioned:

- harmonization of migrant worker policy. Member states must intensify efforts to assimilate workers into their new society and environment. Mr. Coppé expressed hope that European Parliament rule 4, which would activate an improved migrant worker social security program, would be approved in the fall.
- equalizing pay-scales for male and female workers
- the growing shortage of well-located modern apartment buildings. The Commission would welcome a conference of Community housing ministers to discuss this question.
- environment policy. The Commission will push Community-wide efforts to improve public health and anti-pollution programs.
- collective bargaining. Means of conducting these contracts should be made uniform together with the applicable national regulations, Mr. Coppé said. Right now Government involvement in collective bargaining varies from country to country.

Competition Report Endorsed

On industrial competition, Parliament delegates heard a report from Albert Borschette, Commission member with special responsibility for competition policy. Referring to the last Parliamentary session, when he endorsed a suggestion that the Commission report yearly to the Parliament on changes in Community competition policy, Mr. Borschette said the Commission had received the idea very favorably.

He went on to discuss a resolution before the Parliament, advocating the removal of restrictions on certain sales agreements involving two or more member states.

Mr. Borschette stated that the four conditions of authorization, specified in the Common Market Treaty, will still be observed. Under no circumstances he said, would restrictions be lifted on price fixing or market sharing. Parliament delegates adopted the resolution unanimously.

Cooperation Urged

Regarding specialization agreements in the area of research and development, Mr. Borschette affirmed the Commission's desire to assure effective competition. However, the Commission hopes to formulate a competition policy that would foster cooperation on research and promote specialization between small and medium-sized companies.

The Parliament unanimously approved proposals regarding Community marketing organizations for rice and grains. It also adopted a Commission-sponsored proposal to lower the intervention price for raw tobacco, as well as a resolution concerning the marketing of sparkling wines.

Renewed Transport Talks

Albert Coppé also addressed Parliament on transport policy. He said he was glad to see a renewal of interest in transport problems on the part of the Parliament, and the Council as well as the Commission.

He reminded his audience that no action had been taken on Commission proposals, mainly on truck weight and size, and transport rates. At a Council meeting later this year, he said, three points would be discussed: weights and sizes, social regulations, and shuttle service between member states.

New Highway Proposals

On the matter of highway safety, Mr. Coppé said that by year's end, the Commission will send the Council a proposal to harmonize requirements for obtaining drivers licenses. Norms would also be established for laws dealing with drunken driving and automobile registration.

Commission Member Wants More EC Social Measures

The European Community needs a new social policy program.

This is the view of Commission member Albert Coppé, who addressed the 56th International Labor Conference, meeting in Geneva on June 11.

Social Policy Goals

Mr. Coppé noted that the Commission had already outlined preliminary proposals regarding a Community social policy. He stressed the need to consider social as well as economic aspects of Community problems.

Mr. Coppé said that a Community social policy must guarantee workers equal opportunity for employment. In addition, it should protect workers forced to change jobs from a loss of income during their readjustment period.

Mr. Coppé said greater social justice was the second goal of a Community social policy. Efforts would have to be intensified to raise the standard of living and to improve individual protection against illness, unemployment, and old age.

Third, Mr. Coppé said that a Community social policy must include a program to better the environment. The Community could do this by improving working conditions, as well as protecting man's psychological and physiological well-being.

Fund Reform

Reforms of the more than ten year old European Social Fund must be realized, stated Mr. Coppé. The fund should be used more effectively to combat unemployment and structural underemployment, Handicapped persons, aging workers, women, and young people could all benefit.

The Fund could also be instrumental, Mr. Coppé declared, in increasing the geographical and professional mobility of workers in the Community. The assimilation into society of workers who have migrated to new areas and the economic development of regions depopulated by emigration are among the most crucial social problems facing the Community.

Textile Industry Proves Regional Policy's Case

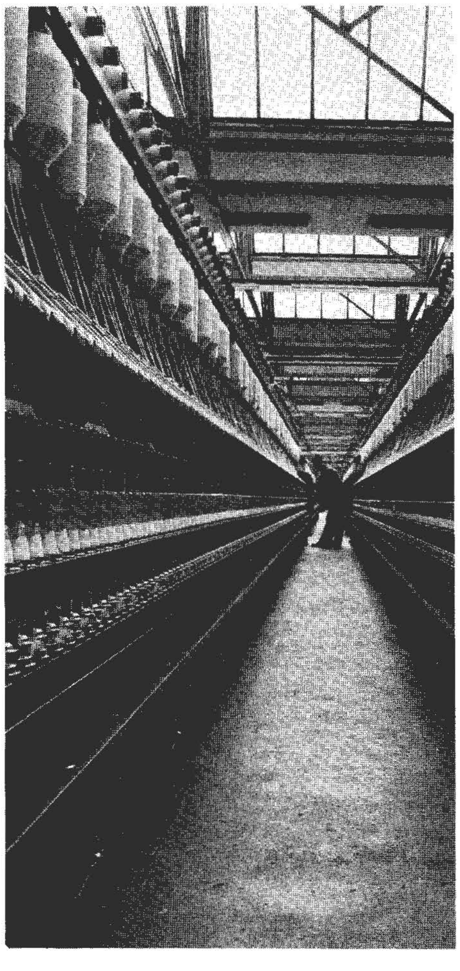
The textile industry's current problems perfectly illustrate the role regional policy could play in the European Community.

In its July 22 memorandum on the textile industry, the Commission suggested the reorganization of the Community industry so as to allow steady growth in imports, particularly from the developing countries. In so doing, the Community will have to prevent unemployment in its old textile regions by attracting new industry to absorb workers, as textile mills are streamlined or phased out of production. This is a part of regional policy.

Some Facts and Figures

The increase in the use of synthetic fibers has left its mark on Community statistics for trade, production, and employment.

Cotton weaving in Germany. As the use of synthetics has grown, the Community, previously reliant on imported raw materials, has become a net exporter of textiles. PHOTO: Courtesy German Information Service, New York



As synthetics have been substituted for natural, imported fibers, the Community has become a net exporter of textiles. In 1969, for instance, Community imports of textiles and clothing amounted to $2,748,000, 7 per cent of total imports, while clothing and textile exports amounted to $2,947,000, 7.5 per cent of total exports. For the three years ended 1969, the Community's surplus on textile trade stands at $300 million.

Heightened competition both within and outside the Community has spurred efforts to increase productivity. With the advent of new technology and materials, employment in textiles has been dropping, by 40,000 jobs a year, mainly in wool and cotton mills. In 1969, textiles and clothing accounted for ($13.4 billion) of the Community's industrial production and employed 11.8 per cent of the industrial labor force (as compared with 12.9 per cent in 1966).

This steady reduction in jobs with the accompanying rise in productivity at first looks orderly. However, between 70 per cent and 80 per cent of the industry is located in a few areas where it employs up to 30 per cent of the working population. Until the economic make-up of those regions changes, the textile industry will remain essential for employment.

Community Action

Community action, in the Commission's view, should concentrate on

- accelerating change and improving technology. Aid to the textile industry now given by several member states should be fitted into policy for the industry, coordinated at Community level. The Commission has made proposals for the types of aid the member states may give. The Community should coordinate joint and individual research and award development contracts. Technological progress is essential for maintaining and improving the Community's productivity and competitive position. The industry should take the initiative in creating a center for reviewing market conditions.
- alleviating social and regional problems accompanying change. Projects to stimulate change and ease adaptation will be assisted by the Community, with financing from the Social Fund and the European Investment Bank.
- carrying out a common commercial policy. The steady opening up of the Community market to imports, especially from developing countries, should be reconciled with the textile industry's precarious employment conditions. The timetable for import liberalization should be announced to the industry, so that companies can develop medium-term plans for reorganization.

EC Commission Approves More Farm Fund Grants

A credit allocation of $52,242,337 from the 1970 farm fund has been approved by the Commission of the European Community.

This is the second of three credit grants, totaling $160 million, being made available in 1971 under the Agricultural Guidance Section budget. The money will help finance modernization of Community farming.

The distribution of the second grant, covering 182 projects, is as follows:

Country	Grants Approved	Number of Projects
Belgium	$14,684,157	50
France	3,979,261	15
Germany	11,662,006	33
Italy	17,780,465	69
Luxembourg	0	0
Netherlands	4,136,448	15
	$52,242,337	182

Of the 182 projects, 87 are for production improvement, 88 for marketing improvements, and 7 combining both objectives. These represent grants of $23,141,222; $26,184,503; and $2,916,610—respectively 44 per cent, 50.1 per cent, and 5.6 per cent of the total fund available.

Nationality to Fall as Bar to Public Bidding

Bids on public works contracts will be open to companies of any Common Market nationality, the European Communities Council of Ministers decided at its July 26-27 meeting in Brussels.

Starting one year from that date, notices of forthcoming bids on public works contracts worth more than $1 million must be published in the Communities' *Official Gazette.* Common procedures must also be used in awarding these contracts.

By adopting two directives and a decision creating a review board (Advisory Committee on Awards of Public Contracts), the Council successfully brought to conclusion the first part of a project on which the Community has been working since 1964. The other part, to remove national bias from the awards of public procurement contracts for goods, was submitted to the Council in March 1971 and is still pending.

In working for passage of these proposals, the Commission has repeatedly stressed that free competition must prevail in public as well as private purchases, considering the growing share of the market taken by public purchases in every modern economy. In the public sector, however, free competition has been restricted by the discriminatory effects of administrative discretionary power.

Awarding Public Works Contracts

To put teeth in the principle of non-discrimination in letting public works contracts worth more than $1 million, the Council specified the following procedures:

- Technical specifications may not be written in such a way as to exclude bidders on the basis of nationality.
- The awarding body must consider tenders from Community contractors recognized as qualified to execute the contracts.
- Contracts must be awarded on purely economic grounds, either to the arithmetically lowest tender or the tender promising the best economic return.

The Advisory Committee on Public Works will review bids to assure compliance with these criteria, particularly if the contractor submitting the lowest bid fails to receive the award.

A United Europe Needs Strong Monetary Union

A solid monetary union could be a united Europe's most important asset, according to Raymond Barre, Vice President of the European Communities Commission.

On June 24, Mr. Barre, chief architect of the proposed union, addressed the Hermann Ehlers Academy in Kiel. The speech came shortly after the May currency crisis when the Council of Ministers, in its first test since deciding to achieve economic and monetary union by 1980, failed to agree on common action vis-a-vis the dollar. While the political and psychological results of this failure should not be minimized, he said, the practical results should not be exaggerated. The Community had, after all, taken only the first step towards a distant goal.

Partial Floats Ineffective

European self-regulation would force the United States to solve its own balance-of-payments problems with its own reserves in accordance with the credit regulations of the International Monetary Fund, Mr. Barre said, the current monetary crisis demands concerted action; a partial and indefinite float of European currencies against the dollar would serve only to appreciate their value and depreciate the competitiveness of Europe's exports.

A common response would demonstrate Europe's willingness to overcome obstacles that different monetary systems, but especially the pound sterling, would present in an enlarged Community, Mr. Barre added.

Common Policy Outlined for Anti-Pollution

Common Market citizens are going to have their environment improved as well as their per capita income increased, if the Commission has its way.

In a memorandum to the European Communities Council of Ministers on July 22, the Commission urged the member countries to begin thinking about and planning for a common policy to protect the environment. The document includes an inventory of anti-pollution laws in force in each member country and suggestions for types of collective action. Formal proposals will be made after the member countries, lobbies, and the European institutions have had a chance to advance their ideas.

Quality as Well as Quantity

The Community was formed to improve the standard of living and employment conditions, goals which are qualitative as well as quantitative, the Commission said. The Community must therefore begin to consider the social and ecological costs of pollution and pay the price for stopping it. As pollution has no respect for national frontiers, and anti-pollution measures can have economic and commercial repercussions, the drive against it must be collective.

Focal Points

The Commission suggested five focal points for Community efforts:

- human health. Measures to reduce or eliminate pollution dangers to humans should include the organization of a Community-wide water and soil observation network with a common center for processing data and doing research, possibly with some Community financing.
- land and natural resources. This aspect of the program would overlap with regional policy, dealing with broad areas of the Community, such as the sea coast or the Rhine River valley. Regional control and planning agencies would be created, with Community financing.
- enforcement. The member states' cooperation would be enlisted to assure observance of anti-pollution regulations and to punish infractions.
- financing. Special financing would be provided for unusual efforts by regions or industries to control pollution.
- coordination. A European Institute for the Environment would be created.
- The Community would participate in work being done by other international organizations to preserve the world's natural wealth and to avoid the creation of new obstacles to international trade.

5 Priority Projects

Priority should immediately be given to five urgent projects:

- reducing the concentration of some of the most dangerous air pollutants (such as sulphurous acid anhydride and carbon monoxide) and water pollutants (such as phosphates and hydrocarbons)
- reducing pollution caused by products used commercially and by industrial waste
- determine safety levels by launching a coordinated program of research on the origin, spread, and effects of pollutants
- cleaning up the Rhine valley and the North Sea and protecting the Mediterranean
- making basic studies to improve understanding of environmental pollution.

The Legal Basis

So far, the Community's anti-pollution activities have been limited to areas specifically assigned to it by the three Treaties.

The Treaties creating the European Coal and Steel Community and the Atomic Energy Community provide for research to protect the health of workers in the coal, steel, and nuclear industries. Thus, under the ECSC Treaty, the Community sponsors research into the causes, prevention, and treatment of diseases that coal and steel workers catch from exposure to irritants, such as coal dust, or pollutants, such as sulphur dioxide, a waste product of steelmaking.

The Common Market Treaty, by contrast, deals with many industries and mentions the health of workers in those industries only in the general terms of improving working conditions. The Community's concern with pollution under the Common Market Treaty has thus focused on the economic effects of disparities between the member countries' laws on pollution. This Treaty does, however, allow the Community to act in cases where powers are not specifically assigned. On a proposal by the Commission, with unanimous approval of the Council after consultations with the European Parliament, legislation can be passed.

It is under this provision, Article 235, that the Commission suggested that the Community enact a broad environmental control policy. In this way, the Community could pass regulations that would be directly applicable in the member states and which, once adopted, would replace existing national measures or fill gaps in the national anti-pollution laws.

EC Minimum Oil Stocks May Increase by 1975

Minimum oil stock levels for Common Market countries will probably rise to a 90 day supply by 1975.

In a proposal for a directive submitted to the Council of Ministers on July 23, the Commission of the European Communities said that the current 65 day minimum supply of the chief oil products—gasoline, diesel oil, and fuel oil—was not sufficient to meet a supply crisis. Reserve production capacity in the Western hemisphere as well as reserve transport capacity have both shrunk to the danger point.

The Commission wants to amend the Council directive passed in 1968, when the 65 day supply minimum was instigated.

Steel Accord Approved

An amended agreement between four German steel "rationalization groups" was approved on July 27 by the European Communities Commission.

The Commission had sent back the initial agreement for revision on the grounds that provisions, setting quotas and uniform sales conditions, violated the Community's competition laws. *(See European Community No. 147, page 5.)* The agreement was to replace one authorized in March 1967, which created the four agencies, and which expired on June 30.

Under the revised agreement, instead of selling through a joint sales agency, the four groups will sell their products independently and publish their own price lists.

The four groups, whose main purpose is specialization, include almost every German steel producer. The main changes in the groups as a result of the agreement follow:

- *West:* The members are Thyssen, Krupp, Ibach, Laucherthal, Rötzel and Wupperman. Mannesmann and Ohler Eisenwerk have dropped out of the group as they will discontinue making finished products. Otto Wolff and Arbed and their affiliates have transferred to Süd which had previously included some of their holdings.
- *Westfalen:* The members are Hoesch, Rheinstahl, Witten, and Siegener AG. Some smaller producers dropped out after discontinuing production of rolled steel or after merging with other companies.
- *Nord:* Maxhütte, not previously affiliated with an agency, joined the old members, Klöckner and Peine-Salzgitter.
- *Süd:* The current members are Dillingen, Otto Wolff Arbed and their affiliates, and Schwäbische Hüttenwerke.

Prizes Offered for Best European Unity Thesis

The Commission of the European Communities is offering three prizes for doctoral theses which make the most original contribution to the resolution of problems connected with European integration.

One prize of 100,000 Belgian francs (about $2,000) will be awarded in each of the following three categories:

- law
- economics
- political science, sociology, social psychology, and history.

Candidates must be nationals of a Community member state, the United States, or any other country maintaining diplomatic relations with the Community. They cannot be older than 35 years and must have obtained a doctorate or equivalent degree after January 1, 1970, with the thesis entered in the contest. Prize winners must give the Commission's Press and Information Service 50 copies of their theses for distribution to universities and institutes specializing in European affairs.

Entries may be written in German, French, Italian, Dutch, or English. They must be accompanied by the following: author's birth date and nationality; a document showing the date of presentation of the thesis and a presentation report by the thesis advisor; and the discipline within which the thesis subject was chosen.

Four copies of the thesis and supporting documents should be sent by November 15, 1971, to: European Communities Prize, Commission of the European Communities, Directorate General for Press and Information, 200 rue de la Loi, 1040 Brussels, Belgium. Manuscripts will not be returned.

Council Gets Proposals on Free Establishment

Four proposals for directives which would institute freedom of establishment for filmmakers and tax agents in European Community countries have been submitted by the Commission to the Council of Ministers.

Of the two proposals affecting the movie industry, one would oblige member states to set up public registers to protect producers of feature-length films from unauthorized screenings. By registering in one member state, producers would be protected in every other member state, according to the applicable laws. Until their laws have been harmonized, however, protection will not be identical.

The second proposal would give any Community nationals free access to non-salaried jobs in film distribution in any of the six member countries. In addition, the proposal enumerates national restrictions that must be removed, such as exclusion because of nationality from membership in professional organizations or non-recognition of professional credentials issued by another member country. Restrictions such as these would prevent a foreign national from fulfilling the host country's legal requirements for admission to its movie-making profession.

Tax Consultants

The Commission's third proposal would allow any Community national to offer his services in non-salaried activities connected with tax consultation, preparation of tax declarations, and assistance to taxpayers dealing with tax authorities.

The fourth proposal tackles the problem of certification of tax consultants by trying to bridge the gap between Germany's complex provisions and the almost total absence of provisions in other member states. Since the problem boils down to training requirements for tax consultants, the proposal enumerates the degrees or titles granted by each member country that the others would accept as proof of a foreign national's competence in this field. In addition to the title or degree, the tax consultant would also have to present an official certificate showing that he has practiced in his home country.

Dahrendorf Denies Rumor EC Drifting from GATT

European Community Commissioner Ralf Dahrendorf has laid to rest rumors that the Commission supports Common Market independence from the rules of the General Agreement on Tariffs and Trade (GATT).

In a statement issued in Brussels on July 26, Mr. Dahrendorf declared that GATT is the proper forum for negotiations and decisions affecting world trade. He said that GATT's role would grow in importance in coming years, not diminish.

He also affirmed the general consensus within the Community that the Common Market would continue to fulfill its commitments to GATT. He noted in particular Community cooperation in programs of aid to underdeveloped countries and in its system of generalized trade preference.

Duty-Free Allowances May Be Doubled Soon

Duty-free allowances for Common Market nationals travelling from one European Community state to another may soon double.

In a July 24 proposal to the Council of Ministers, the Commission of the European Communities asked to double the duty-free allowance given Community travellers. They are now allowed to bring $75 worth of goods in their baggage. If passed by the Council, the regulation would amend the Council's directive of May 1969 which set the current allowance.

The Commission also proposed:

- allowances of 400 cigarettes, one kilo of coffee, one bottle of liquor or three liters of aperitif wine, and four liters of wine. These products are subject to excise taxes.
- the elimination of all restrictions on the quantity of duty-free tea and perfume which can be transported from one member state to another.

For the above listed products, Community nationals would not have to fill out customs declarations. Persons living near borders and persons who cross borders to get to their jobs will be allowed, respectively, one-third and one-fifth of the normal duty-free allowance.

The Commission's proposal would affect only nationals of a Community member state travelling to another member state. People entering Common Market countries from outside the Community would continue to have a $25 exemption.

US, Common Market Agree on Uranium Cooperation

"Exploratory contacts," says the Commission of the European Communities, may soon begin between the United States and the Community on ways to create a joint uranium enrichment plant.

In a note delivered to the US mission in Brussels on August 2, the Commission accepted an American offer to open negotiations with the Six and Great Britain on the use of the US gas diffusion method and the construction of an additional multinational uranium enrichment plant. Financing and security arrangements would also be discussed.

The United States has informed the Community that it plans to explore the possibility of similar multinational cooperation with Canada, Australia, and Japan.

Migrant Workers May Get Social Security Changes

New, better coordinated social security benefits for migrant workers and their families are under consideration by the Council of Ministers.

The Council on July 20 received from the Commission of the European Communities a proposal for a directive which would largely replace a 1958 directive setting social security policy for workers who migrate from one member state to another.

Many of the proposed changes involve clarification and simplification of terms. These revisions include the provisions on:

- unemployment and health insurance benefits to migrant workers
- means of paying pensions
- interim pension benefits to migrant workers while processing their applications
- measures to speed up pension settlements
- means of calculating all eligible periods of employment in every Community country where the worker has held a job.
- procedures permitting international transport workers to receive health and accident insurance benefits upon confirmation from employers.

Danes, Norwegians Vote for Membership in EC

Danes and Norwegians both favor their countries' entry into the Common Market.

Public opinion polls published in June reveal that 37 per cent of Danes questioned in April 1971 are for Denmark's membership in the European Community, provided that England joins. Thirty per cent voted against membership, and 33 per cent expressed no opinion. Compared with October, 1970 results when the Danish government decided to submit the question to a public referendum, these figures represent a drop in public support for Danish membership. In October, 54 per cent voted yes, 15 per cent voted no, and 31 per cent had no feelings on the matter.

Denmark Without England

Those who voted for membership provided that Great Britain joined were then asked if they still would support Danish entry without the United Kingdom. In October 1970, 52 per cent said yes, 29 per cent said no, and 19 per cent had no opinion. According to April 1971 results, 45 per cent still favored Danish entry, 38 per cent did not, and 17 did not know.

In Norway, public support for Norwegian membership has risen over the years. 1962 polls show that 36 per cent were for Norwegian entry, 32 per cent were opposed, and 32 per cent did not know. When questioned in 1970, Norwegians voted 51 per cent pro-entry, 37 per cent against, and 12 per cent expressed no opinion.

Full Membership?

When asked what kind of association with the Common Market they preferred, Norwegians responded as follows: in 1962, 27 per cent wanted full membership, 22 favored no membership, and 31 per cent did not know. In 1971, 12 per cent expressed a preference for full membership, 21 per cent for associated membership, 18 per cent for no membership, and 49 per cent had no opinion.

OECD Council Approves Biodegradability Tests

A procedure to determine biodegradability of most laundry detergents has received approval from the Council of the Organization for Economic Cooperation and Development (OECD).

The procedure, announced on July 13, consists of two complementary tests, which will determine biodegradability levels for about 80 per cent of detergents produced world-wide. A program to study ways of testing the remaining products, known as non-ionic detergents, is being studied by the OECD's Environment Committee.

If accepted by all member countries, the new procedure will provide a uniform basis for testing new products before marketing.

Nixon Congratulates Commission on Conduct of Entry Negotiations

President Richard M. Nixon has sent his personal congratulations to the Commission of the European Communities for its role in recent negotiations for British entry into the Common Market.

In a July 9 message to Commission President Franco Maria Malfatti, Mr. Nixon singled out the Commission's efforts to bring about an enlarged European Community and expressed American willingness to work with it to promote prosperity and peace in the world.

US Economic Measures Alarm EC

The United States is violating its international trade commitments and asking other countries to bear the responsibility for its own economic mismanagement.

This is the European Community's view of the policies announced August 15 by President Nixon to strengthen the US financial position at home and abroad.

Great concern was voiced in Brussels over the President's decision to

- impose a 10 per cent surcharge on all dutiable imports into the United States
- ask Congress to approve a 10 per cent job development tax credit on investments in American equipment and machinery. Manufacturers investing in similar foreign-made goods would not receive the tax credit.
- create a Domestic International Sales Corporation. The DISC would, in effect, subsidize US exporters by allowing them to defer payment of taxes.

Other major aspects of the US plan affecting international relations were suspension of the dollar's convertibility into gold which forced other free world currencies to float and reduction of American foreign aid by 10 per cent.

GATT Emergency Meeting

At an August 26 emergency meeting of the Council of the General Agreement on Tariffs and Trade (GATT) in Geneva, Ralf Dahrendorf, a member of the European Community Commission, presented the position of the Six. He denounced the American measures as protectionist and in violation of the GATT rules. (On September 16, the 55-member Council of GATT endorsed a report condemning the surcharge as "not compatible" with the rules of international trade.)

Dahrendorf challenged President Nixon's statement that an unfavorable balance of trade was at the root of the United States' troubles. The Commissioner said trade was only one element in the balance of payments equation and, in the case of the United States, was not the real villain. He rejected Washington's contention that its budget deficit was the result of protectionism and other modes of commercial exploitation allegedly practiced by America's trading partners.

Dahrendorf, who is in charge of foreign trade for the Community, noted that the Community's imports from the United States had risen from $6.3 billion in 1968 to $9 billion in 1970. A Common Market trade deficit of $2.4 billion was recorded with the United States in 1970, and a deficit of $2.5 billion is projected for 1971. In addition, American exports to the Common Market since its inception in 1958 have risen 341 per cent, while they have climbed only 269 per cent towards the rest of the world.

The Commission spokesman attributed the US balance-of-payments deficit mainly to excessive military spending abroad, particularly in Vietnam, and to a reluctance to place restrictions on the outflow of US investment capital to foreign shores.

He also said that the surcharge, in effect, cancelled out the effects of the tariff cuts agreed upon at the Kennedy Round of GATT negotiations in 1967 and struck a serious blow against free trade. The Community was also concerned that the flood of Japanese exports into the United States would be diverted to Europe, along with the problems accompanying them.

Dahrendorf admitted that the US trade balance had deteriorated, but he blamed that situation on a variety of circumstances including US labor unrest, particularly the threat of a nationwide dock strike, the general sluggishness of trade on international markets, and the uncertainties existing in world monetary and trade relationships.

Grim Long-Term Impact

In a memorandum to the Council of Ministers September 15, the Commission analyzed the impact of the American economic moves and concluded that the Community faced no imminent commercial catastrophe. But the Commission warned that the long range outlook was grim for a productive trade relationship between the United States and the Community, if current US economic policies were not modified.

The Commission disclosed:

- The Community would lose $2 billion in foreign trade annually, and the rate of EC export growth would be cut in half, from 8 per cent to 4 per cent, because of the Nixon program.
- 87 per cent of the Community's exports to the United States, worth approximately $5.7 billion, would be affected by the American surcharge.
- The EC industries hardest hit would be automobiles ($1,450,000,000 exported to the United States in 1970), machinery ($1,030,000,000), iron and steel ($620 million), and textiles ($370 million).
- European Capital investment in the United States would probably plummet, because artificial barriers would raise the cost of US goods (Common Market capital investment in the United States in 1969 was about $3.3 billion, roughly one-third the amount of US investments in the Community.)
- The entire EC agriculture policy is jeopardized by the suspension of the dollar's convertibility into gold. Without the dollar as the standard by which to peg exchange rates, all of the Community's currencies have been forced to float. Their fluctuating values have resulted in the resumption of subsidies and border taxes on farm produce shipped within the Community, thereby erasing, at least temporarily, the progress made towards free trade in agriculture within the Six.
- The developing countries, which can least afford setbacks in their trade efforts, will be hurt by the American measures. For example, approximately 12 per cent of the exports from the 18 associated African States will fall under the US surcharge. The 10 per cent reduction of American foreign aid will also be a reversal for the developing nations and compounds the US failure to comply with the 1960 UN General Assembly resolution calling upon each industrialized nation to contribute 1 per cent of its gross national product to aid the developing world.

$13 Billion Swing Unrealistic

The United States claims that to meet its global obligations, it must convert a projected $5 billion trade deficit into an $8 billion surplus. Europeans call the US objective unrealistic, since a $13 billion swing within a year or two could only be achieved by disrupting totally the economies of every US trading partner.

The Nixon Administration maintains that the United States is strapped with its huge deficit because of a disadvantage in the marketplace due to: other nations' undervalued currencies; the existence of trade barriers against American exports; and the failure of US allies to share sufficiently the defense burden.

Washington says it was forced to institute its August 15 program to correct these inequities. The surcharge applies to 60 per cent (about $25 billion) of US imports and will reduce them by no more than $2 billion, American officials add.

The Community insists on the removal of the surcharge and refuses to recognize it as a bargaining factor for realignment of exchange rates. (Americans are pushing for an upward revaluation of the Community's and other key foreign currencies to make US goods more competitive abroad.)

The Community also wants the 10 per cent tax credit for American-made machinery to be abandoned. European officials maintain that the price barriers against European machinery to be sold on the American market could rise to 22 per cent or more because of the surcharge, tax credit, and upward revaluation of foreign currencies in relation to the dollar.

The Community opposes the creation of DISC which it views as an outright subsidy to American exporters, a violation of GATT regulations, and thus a danger to free trade.

Both the United States and the Community agree on the need for a new monetary system which will shift away from the gold standard, but the Europeans would like to pursue that goal initially through an official devaluation of the dollar, (i.e. by raising the current price of gold), a step opposed by Washington.

EC Policy Statement

On the basis of recommendations from the Commission, the Council of Ministers on September 13 in Brussels issued a policy statement urging

- reform of the international monetary system with an immediate return to realistic fixed parities that could be easily and fairly adjusted when necessary
- an agreement on the size of fluctuation bands for the world's various currencies
- development of a special drawing rights system to take over ultimately the roles that gold and the dollar have played as the basic units behind various currencies.
- respect by all nations of the international trade treaties, and strengthening the authority and range of the International Monetary Fund to regulate the world money system.

Containerized imports from the United States await trans-shipment in Rotterdam. Europeans fear the United States could not achieve an abrupt $13 billion dollar swing from a $5 billion trade deficit to an $8 billion surplus without disrupting totally the economies of every US trading partner. PHOTO: Courtesy Netherlands Information Service, New York.

Cohesion Grows With Outside Threat

Officials in Brussels have repeatedly stated that they recognize the United States must do something to cure its ailing economy. However, they maintain that, as the illness started at home, the medicine should be administered there first, not abroad.

Community leaders have also emphasized that they want to avoid, if at all possible, retaliatory measures which could lead to a trade war. Nevertheless, the Commission is known to be considering possible ways of directing financial aid to certain specific regions or industries which might be hard hit by the American trade measures.

President Nixon's economic pronouncements shattered the traditional summer doldrums in Brussels but provided the Common Market with at least one dividend: it brought the Six back together—on a political level anyway—regarding international monetary matters. Thus, the Community regained some of the unity it had lost when it failed to adopt a common position immediately after the US measures were announced.

Does Europe Need a Common Currency?

SOME REFLECTIONS ON REGIONAL POLICY AND MONETARY UNION DURING THE DOLLAR CRISIS

ANTHONY THOMAS *U.S. Economics Correspondent, based in Washington, for* The Times *of London.*

Hospitals in the north of England customarily describe the condition of a patient who is ill but not dying as "poorly." This seems as good a description as any of the current ill-health of the accident prone concept of a European monetary union.

It suffered its first major setback in May of this year when a heavy flow of short-term capital, set in movement partly by interest rate differentials and partly by expectations of currency revaluations against the dollar, created much dissension within the European Community. The Commission proposed the introduction of severe exchange controls to deal with the crisis, measures which it argued would do least damage to the common farm policy and the plans for monetary union.

This proposed solution attracted much support, with the French emerging as prominent enthusiasts. It was opposed, however, by Karl Schiller, the German Economics Minister, who called for a "concerted float" by all EC currencies. A 20-hour long meeting of the Council of Finance Ministers failed to resolve the differences. In the end the individual countries decided to go their own way. The German mark and the Dutch guilder were allowed to find their own levels on the international foreign exchange markets (with a little discreet central bank guidance) while the other countries relied on such defensive strategies as dual exchange rates and controls to deter the speculators.

Confusion, Perhaps Revision

The most recent international crisis of confidence in the dollar and the Nixon Administration's controversial policies to put matters right have created further confusion.

On the monetary side, the agreement reached by the Council of Ministers only a few weeks before the May currency crisis—an agreement based on the report of an *ad hoc* committee chaired by Pierre Werner of Luxembourg—had three essentials:

- the establishment of machinery for granting medium-term financial help to a member country with balance of payment problems
- the strengthening of monetary and credit policy coordination between member central bankers
- goals and phases for economic and monetary union.

Initially, at least, the plan had formidable support from the informed public, especially among the three elements most responsible for the creation, the success, and the now likely enlargement of the Community: the visionaries, the nationalists, and the pragmatists. At the time of writing, however, it seems improbable that the Werner Plan can escape substantial revision.

The visionaries tend to see a Europe united politically and economically with a European Parliament as the main legislative body in a European federation. To them, monetary union is vital to this United Europe to help end the divisions created by disparate fiscal and monetary policies among the member countries.

The European nationalists resent the dominance of the U S dollar in the Western economic system and, sometimes with more than a tinge of anti-Americanism, argue that until there is monetary union, Europe will not be in a position to negotiate on a basis of equality with Washington on monetary and other matters.

The pragmatists see considerable advantages of stability and simplicity arising from a stable monetary system in Europe, particularly in the execution of the common farm policy and the coordination of capital markets.

Differences of National Attitudes

Ideas, of course, do not divide neatly into little packages and there is a blending of opinions. It is possible for a person to put forward variations of all three basic arguments in support of monetary union, but often without full realization of the difficulties involved.

The greatest of these is, perhaps, the differences of economic traditions. West Germany, for understandable historical reasons, has an aversion to levels of inflation which are regarded as tolerable, even desirable, in certain circumstances in other European countries. It also attributes its "economic miracle" in large part to the capitalist, free enterprise system, and is loathe to embrace the idea of strict, bureaucratic controls on capital movements.

France, in contrast, has benefited economically from the devaluations of the late 1950's and the late 1960's and has pioneered exchange controls which have achieved more than a fair measure of success in cushioning its currency from the speculative excesses of recent months.

Britain, a potential new member, falls somewhere between the two. A devaluation is regarded as a national disgrace, but there is much support for a mixed economy with controls to insulate domestic money markets from international ones. But because of the City of London's position as a major international financial market and an important contributor to Britain's export surplus on "invisibles", there is a reluctance in Whitehall and Threadneedle Street to do anything that might permanently damage the free flow of international capital, and particularly of Eurodollars.

The strains created by these differences of approach were thrown into sharp focus by President Nixon's announcement of a new economic policy, and further disagreement is likely on the means, if not the ends, of European monetary union.

Some Arguments Against a Common Currency

Then there is the question of full coordination of economic policies. It is generally agreed that stable foreign exchange rates within the Community are a prerequisite of monetary union and the eventual emergence of a common currency. This in the medium-term future is, in my opinion, neither credible nor desirable within the EC.

International foreign exchange crises occur when the economic and competitive positions of some countries become stronger than other countries; and when this change in relative positions is not reflected in currency parities.

This would, in effect, mean a commitment to stable exchange rates within the EC and would, in turn, require a commitment to agreed rates of inflation (using the word in its widest sense) with a swap network among member central banks to deal with temporary cyclical differences.

It is, to put it mildly, highly improbable that any member country will deliberately accelerate its inflation rate to reach a Community "norm." Instead, other countries will have to strive to equal the performance of the least inflationary country within the Community to protect the existing parities of their currencies.

This process used to be known in pejorative terms as "crucifying the populace on a cross of gold." Anyone doubtful of the economic unsoundness of the modern equivalent need only glance at events in Britain in the period preceding the devaluation of the pound sterling in mid-November 1967.

At that time, the British Government put international economic objectives before domestic ones in trying to preserve the pound's value at $2.80, and the country needlessly forfeited economic growth. Eventually, the pressure of events and logic forced the Government to recognize the inevitable and devalue the currency to $2.40.

Given this precedent, it would instead seem more sensible for the European countries to concentrate on achieving economic union within the Community first and, for the immediate future at least, to see monetary developments in the international, rather than the European, perspective.

SDR's, Gold, or Deficits

The United States is beginning to realize, as did Britain a few years ago, that the disadvantages of a reserve currency might outweigh the advantages. In this situation, the opportunity arises for reforming the Bretton Woods system which has served the world so well in the years since the second World War.

The development of a new reserve asset is the most needed of the possible reforms. Gold is no longer a sensible long-term supplement or alternative to the dollar. There is a basic absurdity in relying for world liquidity in the 20th century on the amounts of yellow metal that South Africa can dig out of the ground or that Russia is prepared to sell to the West.

Instead the emphasis must be on the development and expansion of Special Drawing Rights (SDR's) on the International Monetary Fund, or a variant of this system. The original justification for this man-made reserve asset was that it was necessary to supplement world liquidity at a time when the United States was committed to reducing its balance-of-payments deficit.

This justification has proven false, as the activation of Special Drawing Rights has coincided with a US deficit of record proportions. If SDR's are to survive, they must be seen as a new alternative, not a supplement, to the deficits of reserve currency countries (Britain and the United States).

Unfortunately, the endemic crisis in the international foreign exchange markets has tended to persuade a number of members of the International Monetary Fund that the world is awash with liquidity. Thus, concurrent pressure has arisen for a reduction of the US deficit and the abandonment, or the watering down, of the SDR arrangements.

If this pressure is not resisted, it could lead to the premature demise of the most promising monetary reform of this century and underwrite the instability of a variation of the existing reserve currency system for years to come. Fortunately, there are signs that President Nixon's August 15 actions have persuaded the atheists and the agnostics to reassess their positions on SDR's.

Within the Community itself, for domestic European reasons, there is a case for closer monetary union following (but not preceding) economic union but some very hard questions need to be asked about optimum currency areas.

Advantages of Regional Currencies

As Samuel Brittan, the distinguished economics journalist and author, has written in commenting on a paper by Dr. Giovanni Magnifico, the Bank of Italy representative in London: "There is such a thing as an 'optimum currency area,' difficult though this is to define. Within such an area, the disadvantage of any particular region in not being able to revalue, devalue, or conduct an independent fiscal and monetary policy is offset by the advantages of a common currency.

"It is apparent to anyone travelling in Europe that the boundaries of optimum currency areas do not coincide with international boundaries. But nor do they coincide with the full territory of the existing Six or of the proposed enlarged Community of Ten."

It is possible, for example, that the distressing differences in wealth that exist within the United States would be less marked if after the American civil war the country had decided to maintain two currencies—a Federal dollar and a Confederate one.

In the present system, the relatively poor Southern States like Mississippi and Arkansas have had to rely on the regional policies of the Federal Government, rather than on current budget deficits and appropriate money supply policies, to help prevent a further widening of the living-standards gap against the comparatively rich states like Connecticut. The inherent crudities of the regional system of economic management have probably contributed to the heavy migration from the South in the post-War years and intensified the problems faced by the inner cities in the North. Similarly, it can be asked whether Scotland and Northern Ireland might have benefited if they had the power to devalue separate currencies against the pound, or Southern Italy if it had its own lira?

Mr. Brittan has suggested there may be a case for the development of a single currency for a central industrial belt running from Northern Italy and Eastern France via Switzerland, and the Rhine Valley to South East England and the Midlands of England.

Startling though these ideas may seem, they serve to highlight the regional problems inherent in the creation of a single currency to cover a vast area in which there are substantial differences in weath.

The dollar crisis may eventually be viewed in retrospect by Europeans as a blessing in disguise if it has inspired a whole range of new ideas when plans for monetary union are reconsidered.

Export Financing in the Six

NEW EMPHASIS SEEN FOR EXPORT COMPETITIVENESS

NICHOLAS E. HOLLIS *Committee Executive, Special Panel on Foreign Trade, U.S. Chamber of Commerce.*

Pressures are mounting on governments in the European Communities to increase their export stimuli. In the wake of President Richard M. Nixon's sweeping international economic program, traders around the globe anticipate at least one concrete result: heightened competition in world export markets among industrialized nations, with the United States enjoying a relatively improved competitive position. The effects of other deep-seeded implications may not become visible for months. With respect to market competition, however, one can expect considerable maneuvering by nations to offset the impact of the "floating" dollar and the 10 per cent import surtax.

Within the accepted framework of international agreements on trade, export promotion offers one such neutralizing method which is both effective and subtle. And, export promotion boasts a host of techniques itself—the most promising of which is export financing and credit.

The Demise of "Cash and Carry"

The seemingly complicated and technical subject of export financing has been gaining attention around the globe in recent months, for several reasons.

- The "sellers market" of the early Fifties has given way to a buyer's market in the Seventies, marked by fierce competition among industrialized nations, particularly for markets in the developing countries. These are the fastest growing markets, but they also are the most dependent on credits, since their national purchasing power is limited.
- International trade has been growing faster than international liquidity. As a result, the "buy now, pay later" philosophy is spreading world-wide, almost by necessity.
- Rising costs and product sophistication have put the prices of industrialized nations' high technology capital goods, such as jumbo jets and hydroelectric power projects beyond the ability of anyone to make payment in cash. In such transactions, the competitiveness of the financing package is almost as important as the unit price. After the unit price, the foreign buyer looks at the financing package offered—rates, terms, and fringe benefits. A few percentage points more or less in interest rates or several years longer to repay with a smaller downpayment can make a big difference in the final price.

Europe's Early Awareness

European governments generally have evidenced a greater awareness of the importance of export financing to successful market expansion than has the United States. Their highly competitive rates and terms finely tuned financing strategies, and well-heeled organizational structures perhaps reflected the relatively greater economic dependence on exports and more direct approach to encouraging private enterprise to sell abroad.

Most of these export finance systems evolved during the early Fifties when European nations, reconstructing their war-ravaged economic foundations, faced considerable competitive disadvantages vis à vis the United States. However, by the mid-Sixties, when the dollar shortage had reversed, and the US technological and competitive edge began to erode, it became clear that these systems (some of which had been greatly refined) gave European exporters a considerable advantage. US exporters began to demand competitive financing programs from their Government.

In the past two years, Europeans have watched the United States mobilize a highly charged export effort, spearheaded by elements of Government and the US business community. To be sure, European export financing programs remain superior and more flexible in many respects, particularly with commercial credits to the developing countries and rediscount insulation of export rates from domestic money market rates. But, the United States seems intent on closing the gap. In August, the Congress enacted legislation giving the Export-Import Bank broad new authority and resources. It also eased restrictions on commercial banks' ability to participate more actively in financing exports. The Chamber of Commerce of the United States, as the country's largest business organization (representing over 40,000 direct corporate members of all sizes) took an active role in shaping and supporting this legislation.

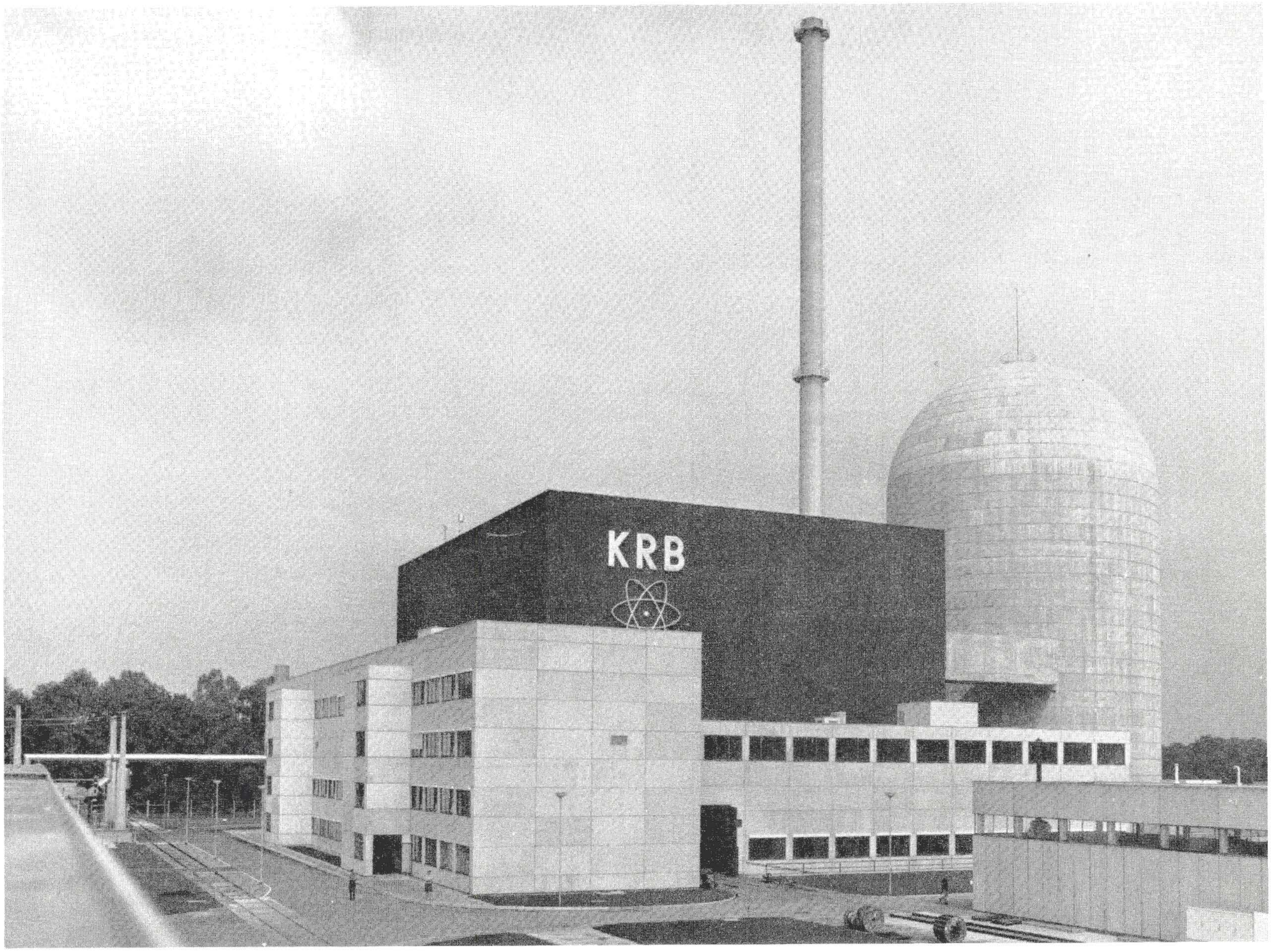
Custom Tailored National Systems

To obtain a clearer picture of the difficulties facing the Six in the arena of export finance, the various techniques employed by the different countries should be mentioned. Since Great Britain is moving toward membership in the Communities, and has developed an excellent system, it is included.

Almost by definition, export financing programs are narrow in scope, tailored to an individual nation's unique export needs and industrial strengths and often forming a part of an overall export promotion effort. As such, there are many patterns and techniques. For this reason, efforts toward harmonization among the Six on export credit insurance have been painstakingly slow. Agreements on limitations of terms and rates among the Common Market could pave the way toward a coordinated export program for the Six and an avoidance of "credit wars." However, such an understanding remains distant for nations which guard their export promotion programs as tightly as monetary policy on the keychain of sovereign responsibilities. Advantages conferred by various national plans on industries throughout the Six may be more illusionary than real, but they are deeply rooted in popular belief.

Germany

Export financing in Germany is facilitated by two main institutions: the Ausfuhrkredit-AG (AKA) and the Kreditanstalt fur Wiederaufbau (KW). The AKA is a non-profit consortium of private banks. Part of its funds, which are used to discount export bills, are forwarded by its member banks (the "A line"). Another part comes from a rediscount line at the Bundesbank (central bank) which comprises the "B line." Thus, either a German exporter or his bank can obtain financing at the AKA provided that the transaction has been insured by the German export credit insurance



In selling expensive, high-technology exports, such as this nuclear plant built in Gundremingen, Germany, by the General Electric Corporation, the credit terms count.
PHOTO: Courtesy General Electric, New York

institution, Hermes. Interest rates have fluctuated considerably in recent years between 5 per cent and 9 per cent depending upon the transaction and country destination of the exported goods.

The KW, basically an investment bank for developing countries, receives its funding primarily from the Federal Government. It may also rediscount export bills at the Bundesbank which provides an "insulated rate" apart from the higher domestic money market rate. The KW has been active in the German export campaign to penetrate developing markets, pumping over $315 million in credits in 1970.

In spite of this considerable export promotion assistance, certain German industries have been pressuring for long-range improvements. For exporters of heavy machinery and engineering firms who have been adversely affected by the Deutsche mark re-evaluation, persistent cost-push inflation, and price instability, these improvements are felt essential to maintain German competitiveness.

France

The French export financing system is arranged around a rediscount facility for export paper at the Bank of France (which handles commercial bank export financing) and a special institution the Banque Française du Commerce Extérieur (BFCE) which guarantees short- and medium-term bills. The BFCE is a joint-stock company with a semi-private status whose purpose is to facilitate French foreign trade. It is supported by a third institution—the Crédit Nationale which finances "extended medium term credits" (with funds obtained from the money market and on the condition that the transaction is insured by Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE). The difference between the rate of interest due on domestic borrowings in the market and the export rediscount rate is absorbed by the French Treasury. Thus, the French exporter is afforded a competitive finance rate regardless of domestic money conditions.

The French Government also extends credits directly to foreign governments, public authorities, or private companies, if the proceeds are used to finance purchases in France.

Italy

After a period of dormancy, Italy's export financing institutions are heating up for a new surge of activity. The Mediocredito Centrale, the key specialized organization supplying export credit, has been voted additional resources by the Italian Parliament, to be used to keep export interest rates low. The Mediocredito grants credits to banks and credit institutions provided that they have been insured by any one of a number of state-controlled, medium-term institutes, including Instituto Mobiliare Italiano, Mediobanca and Efibanca. Italian commercial banks play a limited role, since they are prohibited by law from financing anything beyond short-term notes.

Mediocredito does not actually operate a rediscount function, but rather simply makes up the interest rate differential through a subsidy.

Favored export financing is usually limited to capital goods destined for the developing countries of Africa, Latin America, Asia and the Soviet bloc. This reflects a growing awareness in Italy of credit sales as a tool for market penetration in these regions of the world.

Benelux

The smaller countries of the European Communities do not provide extensive export promotion systems emphasizing export finance, perhaps because a large percentage of their trade is intra-European. In Holland, the government has helped exporters obtain cheap credit at long repayment terms for minor amounts on certain deals to former colonies like Surinam. However, for regular commercial transactions, there is little official financial support. In Belgium, the Government has exerted "unofficial" pressure on a number of key private financial institutions for less costly export credits through an organization known as Creditexport. Reportedly, the Belgian Minister of Foreign Trade has also been authorized to improve the competitive position of Belgian exporters.

Luxembourg is the only one of the Six that has no formal government-sponsored export financing arrangements. Steel, its major export product, is sold on short-term credit. Whenever the need arises for long-term credit, arrangements are made with one or several of the domestic and foreign banks doing business in Luxembourg.

United Kingdom

With the likelihood of British accession to the European Communities, this discussion would be remiss without some mention of the United Kingdom's export credit programs which are among the world's most effective and sophisticated.

In the UK, commercial banks handling export transactions may discount various portions of export paper held, provided that guarantees are obtained from a specialized agency of the Bank of England, the Export Credit and Guarantee Department (ECGD). Export paper must carry maturities not less than two, nor more than 15, years. Unlike some rediscount operations, the paper is not actually discounted. Instead, it is used as a liquid asset by British banks to meet their reserve requirements (set at 30 per cent of assets). The effect of these arrangements has been an insulation of the favorable-export rule from the domestic money market rate.

Last year when legislation empowered the British Treasury to provide especially low interest rates in particular cases to meet foreign competition, the British bank export discount rate of 5.5 per cent was hiked to 7.0 per cent. In effect, the British Government wanted additional flexibility to deal with a growing number of "credit-mix" situations where competitor countries were blending commercial credits with development assistance-type loans to artificially lower the financial costs. From a financial viewpoint, UK accession will confer considerable benefits on the European Communities. Harnessing the great strength of the London capital market with the industrial Continent will stimulate European export expansion. It will add a vital facilitating ingredient which has been lacking: efficient, centralized capital formation. The ready availability of large amounts of capital should enhance the ability of Community exporters to compete in world marketplaces.

A "Blessing in Disguise"?

In the wake of President Nixon's new economic policy as the dollar searches for adjusted parities with other major currencies, Atlantic relations will probably undergo a period of increased stress. There will be considerable temptation to stimulate exports through credit and other measures in order to offset undesirable third-country market effects. Such a "helter-skelter" escalation of government intervention in the marketplace should be resisted vigorously. Realignment of the international monetary system, now underway, could prove a blessing in disguise for the international economic order in the longer run. This would be particularly true if industrialized nations moved quickly to initiate serious negotiations on a host of commercial policy issues. High on the priority list would be improved harmonization of export credit systems and possible standardization of credit rates and terms through clearer definitional guidelines. With their own harmonization underway in this area,* the European Communities might be able to set an example for others to follow.

**Ed. note. The Communities' first two directives to harmonize medium- and long-term export credit insurance policies became effective on September 1 .*

EC Enlargement and the United States

CONGRESSIONAL HEARINGS ASSESS IMPACT ON US TRADE

Congressional hearings to assess the impact of British Common Market entry on US trade evoked general support for increasing European unity but grave reservations about the Community's agricultural policy.

Virtually every witness expressed the conviction that Great Britain would be a "liberalizing force" for free trade in the Community. Considerable doubt was advanced, however, about Great Britain's ability to modify the common agricultural policy (CAP) sufficiently to prevent additional trade problems from arising between the United States and the Community during the Seventies.

The Foreign Economic Policy Subcommittee of the US House of Representatives' Foreign Affairs Committee held hearings July 20 and 22. Rep. John C. Culver (Democrat-Iowa), chairman of the Subcommittee, said the session's objective was to "set a broad canvas of the principal issues . . . for our trade, commercial, and political policy toward Europe."

The United States was the first country to recognize the Common Market officially, when the European Community was established in 1958. Since that day, the United States has continuously supported the Community's political goals, including Common Market expansion, in the belief that "a widened Community would make for a more outward looking political and economic Europe," Rep. Culver declared. Yet lately fears have arisen "that the forces of over-protection, especially in agriculture, would be strengthened and that there might only be an added irritation to warring trading blocs," he added.

Witnesses at the hearings included the head of the US Mission to the Community, economists, and representatives of agriculture. Their interpretations of the effects of British entry on Community-US trade relations are summarized below. No one officially representing the Community's views testified.

At the conclusion of the hearings, Rep. Culver, speaking before the US House of Representatives, said he was convinced that a "dangerous collision course" had been set for the United States and the Common Market in world trade. The enlarged Community "could be a force for good" in world trade, the Congressman declared, but "the introverted, increasingly self-enclosed and restrictive agricultural policy of the Common Market suggests that the new power bloc *[an expanded Community]* will instead be a force of disruption to the world economy."

Rep. Culver said he intended to continue the hearings after Congress reconvened and to broaden them to consider the consequences in Asia of US emergent relationships with mainland China and the special trade and monetary position of Japan.

J. Robert Schaetzel, *Chief of the US Mission to the European Communities.*

Ambassador Schaetzel, who has been Chief of the US Mission since 1966, sees no reason why the Community's further development and enlargement should change the positive attitude which the United States has expressed toward European unification since 1950.

The United States and the Community have been good for one another. "We . . . should do at least as well with an enlarged Community as we have with the present Community." Community imports from the United States have increased threefold since 1958. In 1970, the US trade surplus with the Community was $1.7 billion, and US investments in the Community amounted to some $10.2 billion. Such a large and prosperous area with fairly open economic policies should benefit American trade and investments substantially. The enlarged Community should be in a better position to contribute to the problem of the underdeveloped world.

The United States and the Community do have "serious problems . . . in their economic relations." The common agricultural policy is, in the US view, protective, restraining imports and generating surpluses which disturb the international market. "Agriculture will remain particularly difficult for some time to come, and enlargement is not likely to make things any easier in the short run."

"I do not detect among Europeans anything which could be accurately called a nascent anti-American sentiment or policy." Europe wants to "construct a European Europe which would be able to deal with—and not against—the United States on a more equitable basis."

"The large and small US-Community problems are not attributable to a neo-European isolationism, to anti-Americanism, or to any calculated indifference toward third countries. Many of the problems—agriculture, for example —arise from the most intractable amalgam of domestic, social, political, and economic pressures," he concluded.

Harold van B. Cleveland, *Vice President, First National City Bank.*

Mr. Cleveland, former director of Atlantic policy studies for the Council on foreign relations, thinks that although some US exports will suffer if Britain conforms to the "most protectionist agricultural support system that has ever existed" *for a large area,* the alternative is worse. If Britain remained outside the Community, urgent economic interests would sooner or later drive her to seek a preferential tariff agreement for industrial products with the Community. The Community might respond favorably to such a proposal but it would doubtless ask, in return, for preferred status in the British market for French grain, Italian fruits and vegetables, and Dutch dairy products.

The United States has supported British entry for political reasons, but it could not take the same attitude toward a preferential trade agreement between Britain and the Community. "The likely result would be an outbreak of trans-Atlantic trade warfare which would make present difficulties pale in comparison."

With Britain in the Community, the common agricultural policy is more likely to be modified in ways favorable to US exports. Britain should reinforce Germany's negative view of the CAP in a long-time dispute with France within Community institutions.

A stable and open international monetary system depends to some extent on monetary cohesion in Western

Europe. The only adequate new source of exchange rate discipline would be a European currency bloc, maintaining pegged rates internally but allowing its constituent currencies to float together within a wide intervention limit against the dollar. A bloc of this kind is foreseen in the European Community's plans for economic and monetary union.

British membership in the Community is essential to the success of European monetary unity. "Without Britain, the Community would be too small, too dependent on non-member countries in trade terms, to allow its external payments relations to be adjusted mainly by changes in exchange rates, particularly changes determined by market forces," he concluded.

Edwin L. Dale, Jr., *Reporter, The New York Times*

Mr. Dale, international economics reporter based in Washington, termed British entry into the Common Market "relatively unimportant" for both Britain and the United States, because tariffs are much less important than they used to be, and only tariffs would be affected. Some Common Market import and export rules have a mild effect on world trade, including US trade, but the key word is "mild."

US exports to the Six have done well, including farm exports taken in the aggregate. US companies still make good profits on their investments in the Common Market, and there is no common policy to keep them out.

As for the Common Market being depicted as a "political union" or a "new Europe," these are both "unexamined clichés." "As far ahead as anyone can see with clarity, Western Europe is likely to remain a cluster of independent countries that have adopted a set of mildly annoying trade rules by way of a rather loose customs union." The annoyance, almost entirely in agriculture, may become worse with enlargement, but even that is uncertain. The Common Market is "a cluster of sovereign powers with their own views of the world and their own internal troubles. In only a narrow sense is the Common Market a bloc."

The United States can complain about certain things it does not like, such as Common Market trade deals with Morocco or Spain, but on the whole, the United States should "not get very excited, British entry or not," he concluded.

Willis C. Armstrong, *President, U.S. Council of the International Chamber of Commerce*

Mr. Armstrong, former Economic Minister at the US Embassy in London, thinks an expanded Common Market will be a better place for American exporters and investors to do business. The combined growth rates of the United Kingdom and the Six will be greater than if the countries remain separate, which will improve the market for US goods and the climate for US investments. British policy on imports and investments is more liberal than the policy of the Six. Therefore, the balance of forces in the commercial policy field should be more liberal and outward-looking after the Common Market expands.

In agriculture, the short-term outlook is poor for the United States, regardless of whether the Common Market expands. In the long term, Britain will be a force for liberalization within an expanded Common Market.

The British preferential system for less-developed Commonwealth countries will be added to the French system, making one general system for much of Africa and Asia. Preferences are wrong in principle, but their sum is no worse than their constituent parts.

The largest segment of US European investments is in Britain. These industries now can have access to the whole Common Market as well as to the other European Free Trade Association countries (Denmark, Iceland, Sweden, Switzerland, Austria, Portugal, and associated Finland.)

British entry will bring the enormous monetary expertise of the London market into the center of European finance. "Continental countries have had a more limited and parochial view *[of the world monetary system]* but the United States and Britain have had a world view. British membership in the Common Market ought to improve trans-Atlantic understanding and cooperation in this field," he stated.

Charles L. Frazier, *Director of the Washington Staff, National Farmers Organization*

Mr. Frazier, whose organization represents farmers in 48 states, thinks the prospect of the United Kingdom's entry into the European Economic Community ought to concern the United States because of its implications for US agricultural exports. The Common Market is "trying to become completely self-sufficient in grain and to reduce its soybean and meal imports as a means of reducing the cost of imports and absorbing the increasing production of the farm sector." Substantial US exports of these products to the candidate countries may be reduced as a result of Common Market expansion. As it would be diifficult to secure a substantial change in the CAP, especially in variable levies and subsidies, the outlook for long-term growth in US agricultural exports is entirely pessimistic.

However, the Common Market could agree to international arrangements based on obligations not to sell named commodities in export below certain minimum prices. Such arrangements would avoid dumping and ruinous prices without undue harm to the importing nations, he concluded.

Reuben L. Johnson, *Director of Legislative Services, National Farmers Union.*

Mr. Johnson, whose organization represents 250,000 farm families in 25 states, thinks there is little to be gained by opposing the Common Market's continuing efforts to strengthen itself. The current world trade situation calls for increased effort to seek balance and accord between nations. "It is in the interests of the American farm economy to enter into negotiations with the Common Market on trade problems to assure farmers expanded two-way trade opportunity without price wars . . ."

The most promising approach to international agreement will be to examine positions on a commodity-by-commodity basis and to devise arrangements or agreements for individual commodities or groups of commodities. The only effective methods for balanced and stable international trade are "agreements providing for international coordination of national policies through sharing of supply control between importing and exporting areas . . . and compliance with minimum export prices," he concluded.

Marvin L. McLain, *Legislative Director, and Dale Sherwin, Assistant Legislative Director, The American Farm Bureau Federation.*

Messrs. McLain and Sherwin, whose organization represents two million farm families in 49 states and Puerto Rico, feel that inclusion of the United Kingdom and other European countries in the Common Market could compound difficulties and further limit US agricultural opportunities in Western Europe. "We are threatened by the creation of a huge, walled market involving one-half of the world trade in agricultural commodities." The Common Market's "variable levies" on imports are a protectionist device designed to prevent European users from buying imported agricultural commodities at prices below those considered necessary to maintain or increase production within the Community.

Competition from the United States has been limited by a value-added tax and unsound internal price and production policies. "The political objective of protecting out-of-date agricultural structures and practices has been of paramount importance within the European Community." US exports have also been hampered by Common Market export subsidies of various kinds and by a decided shift away from the most-favored-nation principle.

Because the United Kingdom has been less protectionist toward agricultural imports, its entry into the European Community might have a moderating influence on Common Market policies, although it would be heavily outnumbered in voting on any issue. More realistically, the British market would become increasingly protected in order to comply with the Common Market's farm policy. This inevitably would mean some replacement of US foods and feeds in the British market with their counterparts from other members of the Common Market, he concluded.

John W. Scott, *Master, The National Grange*

The crux of the problem, as Mr. Scott sees it, is not the enlargement of the Common Market, but rather the expansion of Common Market policies that jeopardize our "legitimate economic interests," namely agricultural exports. In 1970, US farm exports amounted to $6.7 billion. Of this amount, $1.5 billion went to the Community and $600 million to the four candidate countries. Together, US farm exports to the Six and the Four accounted for nearly a third of US agricultural exports that year.

American agriculture has an obvious interest in the expansion of the CAP which seems to be an inward-looking, protectionist system. "Europeans have no right to expect third countries to pay a disproportionate share of the cost of restructuring their agriculture . . ."

Applying the CAP would raise British grain production, decreasing the need for US imports. Total British imports of agricultural products amounted to $5.6 billion last year. The United States supplied $450 million, mainly in grain and tobacco.

When the five-year phase-in period ends, the Commonwealth countries of Australia and New Zealand will be seeking new markets. "This progressive closing of British markets to Commonwealth exports will mean new pressures on traditional US export markets."

International commodity agreements could be one method of working with the Community's CAP, but only if all parties agreed to production restraints on the commodity in question. "To date, the European Community has been

SICCO L. MANSHOLT,*
Vice President, European Communities Commission

Enlargement

"The price increases our farmers want are not possible. Neither can prices go up after the United Kingdom and other applicants join the Community. In two years the United Kingdom will be a member of the Community (January 1, 1973); agricultural prices in the United Kingdom will go up—their cereal price by 30 per cent; Danish milk will increase by 60 per cent, and the United Kingdom and Ireland will have to increase their meat prices by 75 per cent to our Common Market level."

US vs. EC Forms of Protection

"Our system of protection is different from the US system, but both of us have such systems. Both are good. We both have a level of support in common, one by direct subsidies, the other through higher prices. I am not attacking the quota system the United States has. It is just that the Community has another system. Is the Community's protective system too great? Let us make a comparison of protection in the United States and the European Community. Let us compare what would happen if agricultural support in all forms were stopped. Farm income in the United States would drop 44 per cent; in the European Community 50 per cent. This would come to a $1,300 per man drop in the United States and an $860 per man drop in the European Community. The EC support doesn't seem to be too excessive; it is lower per man than in the United States. This is the way to judge the policy.

"Actually, we must get to the roots of the problem. Our aim is to get an international agreement on agricultural policies. And we offered such an approach during the Kennedy Round of negotiations, but the United States said no."

**Excerpts from Address to Ninth Federal Reserve District Farm Forum, Minneapolis, Minn., March 3, 1971* unwilling to make the necessary changes in its agricultural policy to bring about such production controls."

Robert N. Hampton, *Director of Marketing and International Trade, National Council of Farmer Cooperatives.*

In the view of Mr. Hampton, whose organization represents 5,000 local cooperatives serving 3,000,000 farm memberships, a strong Europe is desirable for US national security, world peace, and prosperity. The National Council of Farmer Cooperatives, however, "strenuously opposes any concomitant of Common Market expansion which further limits market opportunities for US farm goods in Europe," and thereby places undue costs of European unity on the shoulders of US agricultural interests. The continuation and extension of the CAP's variable levy principle is "perhaps the most dramatic means by which costs of protecting and restructuring European agriculture are transferred to US farm producers." High Common Market levels of support, along with a lack of production restraints, have unduly slowed European agricultural adjustments and burdened European consumers with high food costs.

"We deplore the unilateral approach to trade preferences which is proliferating in Europe. Such arrangements as the *[Common Market's]* tariff preferences for Mediterranean citrus not only are damaging to US economic interests but undercut the structure of worldwide trade liberalizing institutions such as the General Agreement on Tariffs and Trade (GATT) . . ."

John Schnittker, *former US Under Secretary of Agriculture*

Mr. Schnittker believes that, although Britain may conform to CAP for the present, British entry may be a future force for liberalization in the Common Market. The British Government began to alter its own agricultural policies months ago in ways designed to start the transition toward the Community's CAP. "If Britain had any useful leverage against the CAP a year ago, it failed to use that leverage. Now, British agriculture is about to get a substantial price increase. A new round of production increases arising out of the higher price incentives in Europe seems to be assured."

While grain and tobacco exporting countries will suffer significant market losses in the Seventies as a result of British entry, Common Market agricultural decisions should be more positive than previously. "It should be possible for the enlarged Community, under pressure from increasing food costs in the newly admitted member countries, decreased trade either suffered or feared by third countries, and continuing high costs of agricultural supports, to begin moving some price support levels toward British levels," he concluded.

Hendrik S. Houthakker, *Professor of Economics, Harvard University.*

Mr. Houthakker, former member of the Council of Economic Advisors, urged the United States to press the Europeans hard for more liberal farm policies, but "prospects for improvement are dim."

A Europe capable of standing on its own feet, especially from a military point of view, would be an asset to US national security. However, recent European history has been a disappointment in this respect, and, after British entry, the Common Market will become still more loosely organized than the Community's founders had contemplated. "It may be asked, therefore, why the United States should be willing to incur any economic costs at all for the limited political achievements of the Europeans so far. This question is especially pertinent to agriculture, where the CAP continues to harm our interests in those commodities to which it applies."

The United Kingdom, as part of its negotiating posture for eventual accession, accepted the CAP in principle, subject to further bargaining over the size of its financial contributions. "With this acceptance, the CAP is more firmly entrenched than ever."

Clarence D. Palmby, *Assistant Secretary, US Department of Agriculture.*

Mr. Palmby considers the enlargement of the European Community trading bloc to be one of the most serious problems facing American agriculture this decade.

Covering more than 95 per cent of the value of Community production, the CAP provides for expensive rigid internal prices which result in uneconomic production. These prices are protected by "variable levies and other devices which deprive outside exporters of the competitive advantage they might have."

Products that cannot be sold on the internal protected markets move into exports almost automatically through export subsidies. Outside countries thus lose export markets two ways.

British agricultural policy has recently been undergoing unfavorable and restrictive changes, which would have taken place regardless of British Common Market entry. "Since 1964, the United Kingdom on its own has been moving away from its traditional policies . . . toward a Common Market type of policy . . ." Much work has been done both in and outside of governments to try to assess the impact of accepting the CAP on British consumption, imports, and exports. The results are "disturbing."

The United States will feel the effects of Community expansion mostly on exports of grains, tobacco, rice, lard, fresh and certain canned fruits, and citrus juices. Pressure will also be put on the US dairy and sugar import control systems.

The United States should seek liberalization of trade within the General Agreement on Tariffs and Trade (GATT). In the meantime, "we should vigorously shield our domestic market from unfair competition . . . [and] advance our interests in export markets abroad. There are statutes on the books which give us authority to do both of these and there are provisions in the GATT which allow their use. They should be used," he concluded.

Towards an EC Regional Policy

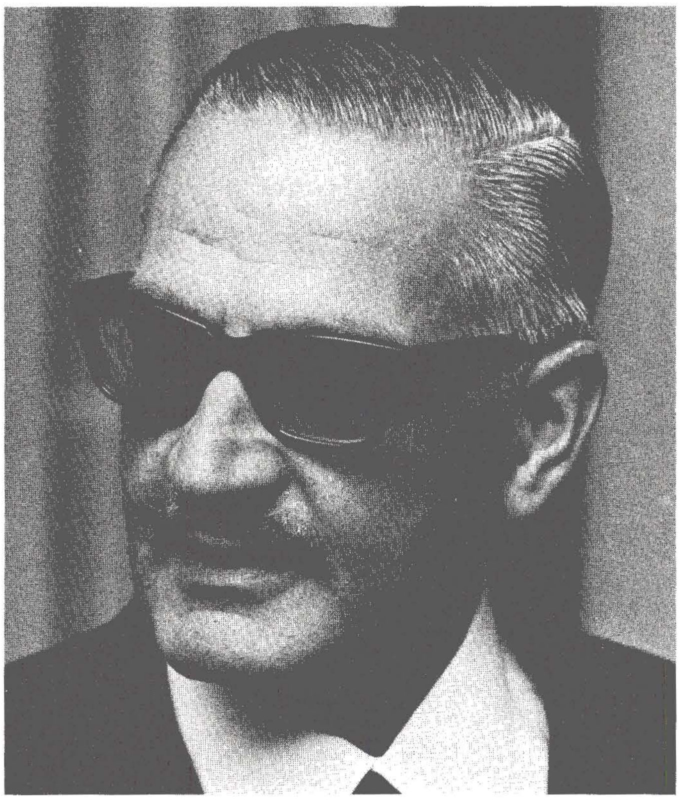
ALBERT BORSCHETTE *member of the Commission of the European Communities*

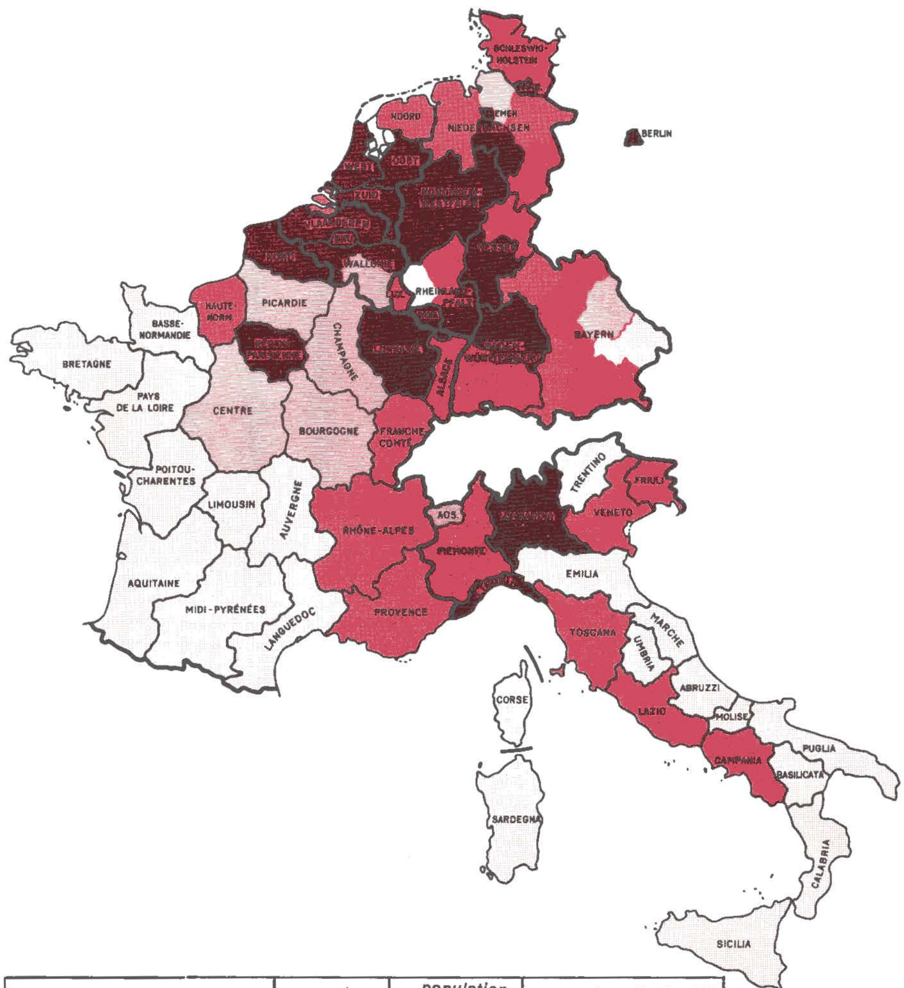
Now that the frontiers are down between the Common Market countries, companies can locate or expand wherever their needs can most economically be met. They can seek out more easily skilled manpower, accessible sites and economically attractive locations. Unfortunately, concentration attracts concentration. Congestion builds up in the most economically developed regions. As young people leave small towns for big cities, other regions grow poorer, and villages die. To forestall these demographic shifts and their economic effects, the Committee needs a regional policy at Community level, a concerted policy to reduce economic disparities between different regions. The regional problem is not one of parts but rather of the whole.

The Community must make the crucial choice between remaining a trade and tariffs community or becoming a progressive, developing community. The second alternative means that each member country bears a responsibility towards the Community as a whole. The prosperity of every region within each member state becomes the responsibility of the entire Community rather than a strictly national concern. The Community and the member states share responsibility for regional problems in the common interest.

Starting from this need, the Commission made a general proposal on Community regional policy in October 1969. In June 1971, it began putting it into effect with proposals for a program to deal with depressed agricultural regions *(see European Community No. 147, page 15)*. Farmers who decide to leave the land in poor agricultural areas will be given a chance to find industrial jobs in the same regions

Commissioner Borschette's responsibilities include regional policy.





	percentage of the farm labor force	population density in square kilometers	percentage in the EC	
			land area	population
INDUSTRIAL REGIONS	< 10	> 200	16	41
SEMI-INDUSTRIAL REGIONS	± 15	> 150	9	12.5
		< 150	21	19
AGRICULTURAL REGIONS	20-30	< 100	12	6
	> 30		42	21.5

with newly arrived small and medium-sized companies. To keep competition between regions for new industry from getting out of hand, the Commission plans to make proposals for coordinating the amounts and types of aid and has sent a preliminary memorandum on this subject to the Council of Ministers.

A beginning has been made towards putting together a Community regional policy. Hopefully, it will lead to equality between regions in well-being and progress.

Community Regional Policy

RICHARD NORTON-TAYLOR *Special Correspondent in Brussels for* The Washington Post.

The rich industrial centers of Northern Europe and the poor, picturesque villages of Southern Italy are, economically speaking, worlds apart, yet both regions lie within the European Community.

In the Common Market's first decade, Community institutions did not try to develop an effective and comprehensive regional development policy to ease the plight of the undeveloped and declining areas of the Community. The accent was on growth in highly industrialized sections.

Now, if the Six are to move ahead towards full economic and monetary union, reducing the economic imbalance between the Community's regions becomes a pressing need. Recently, the European Communities Commission emphasized the need for a coordinated approach by the six member states to attack the real problem areas of the Community. Before the end of the year, the Council of Ministers hopes to discuss the Commission's latest recommendations for a Community regional policy.

Regional Policy Not Mentioned

The clearest example of how the poorer regions have not benefited from Community policies is in the agricultural sector. The common agricultural policy has done nothing to improve the lot of poor farmers. Rich and poor farmers alike receive the same treatment and prices for their products.

The common regional policy has been slow to get off the ground partly because it is not specifically provided for in the Common Market Treaty, as are agriculture, transport, social policy, or energy. Only in the preamble does the Treaty refer to the Six's desire "to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and by mitigating the backwardness of the less favored. . . ."

The Treaty of Paris that set up the European Coal and Steel Community in 1952 stated somewhat optimistically in Article 2 that "The Community shall progressively establish conditions which will themselves ensure the most rational distribution of production at the highest possible level of productivity, while safeguarding continuity of employment and avoiding the creation of fundamental and persistent disturbances in the economies of the member states." Some ECSC Treaty articles allow derogations from the normal rules in the event of "serious difficulties which are likely to persist in any sector of economic activity or difficulties which may seriously impair the economic situation in any region." Special transport rates are also allowed "to compensate for the economic disadvantages caused by the division of Germany." These have encouraged the national governments to introduce or maintain a series of special, but uncoordinated, moves to protect themselves.

While the Common Market Treaty does not mention regional policy as such, it does make a number of specific provisions for regional needs. One article says that the agricultural policy should take account of "structural and natural disparities between the various agricultural regions." Another states that, in promoting the free movement of labor throughout the Community, serious threats to the standard of living and employment in the various regions must be avoided. A special protocol on Italy urges the Community institutions to use every means to help the Rome Government develop the poor South, the Mezzogiorno.

Some Channels for a Regional Approach

The six founding members of the Community created several institutions to help solve regional and structural problems. These are the European Social Fund, the structural section of the common farm fund, the European Investment Bank, and the ECSC's own budget. So far, these sources have contributed $2,363,000,000 towards regional development, half of this amount in loans through the European Investment Bank, but only $189,000,000 of the total through the structural reform section of the farm fund.

These common institutions have been considerably handicapped by the member states' reluctance either to depend on them or to add to their funds, although, not surprisingly, Italy has continually tried to increase the scope of any institution capable of helping to solve the colossal problem of developing the Mezzogiorno. Germany, irritated at its relatively high payments into the common farm fund to support other people's farmers, managed to limit to $285 million a year the amount to be spent on reforming the size and shape of agricultural holdings. For the past several years, the Six have not even used up this sum.

Priority to Poor Farming Regions

There are three "classified" groups of Community regions:

- a group of industrialized regions, highly populated but containing few farm workers. This group covers 16 per cent of the Community's territory, a third of Germany, two-thirds of the Benelux countries, but less than 10 per cent of France and Italy. Forty-two per cent of the Community's population lives in these areas.
- a group of semi-industrialized regions having less than 15 per cent of the active population in farming and a population density of about 150 people per square kilometer. These regions account for about a third of the Community's area, 66 per cent of West Germany's population and 30 per cent of the Community's.
- a group of agricultural regions where the proportion of farm workers is between 20 per cent and 40 per cent and which have a population density of less than 100 people per square kilometer. More than half the Community's territory is of this nature as is 55 per cent of Italy and 70 per cent of France. About 50 million people live in such regions, about 25 per cent of the Community's population.

In view of the rising tension among the Community's farmers, whose incomes have been falling behind those of industrial workers, and the Commission's reluctance to propose price increases at a time of over-production, the farming sector was the first one selected for action under regional policy. It had become increasingly apparent that a price policy alone was neither economically nor politically viable. Restructuring of the farming sector took on increasing urgency, since most of the Community's 10 million farmers were smallholders. For example, more than 80 per cent of the dairy farmers own at most 10 cows.

This year, Albert Borschette, Commissioner responsible for regional policy, announced new proposals for a program of joint regional policy measures in the Community's "priority agricultural regions." *(See European Community No. 147, page 15.)* These are the poorer areas of the Community that have grown still more indigent in relation to other farming regions where modernization has occurred. The Commission asked the member states to earmark $500 million from the common farm fund to help create new jobs in the poor areas for farmers and their children. It would also establish a European Interest Rebate Fund to reimburse interest on loans to finance investments made under development plans.

According to Commission estimates, in the next five years 300,000 farm workers under the age of 55 will leave the land and remain in agricultural regions. For projects in industry, handicrafts, or services falling within the scope of development plans, the farm fund proposal would provide for the payment of $1,500 for each job created and held by a farmer or one of his children. Development projects for regions, to be designated by the Commission, would include a coherent set of productive investment projects, requiring action not only by the member states but also by the Commission and the European Investment Bank. The sums proposed by the Commission are modest, since the common funds, acting as "seed money" would cover only part of the costs of a project. Unlike past operations where the farm fund never provided more than half the amount needed for a project, the Community would be able to provide up to 65 per cent in the poorest areas, but a maximum of only 25 per cent in the richer farming zones.

Urgency of Action Recognized

The Commission has now made a list of recommendations on regional policy for the member states to act upon. They include an annual review of the situation in regions "for which the establishment, extension, or execution of development plans is particularly urgent," coupled with specific plans to be drawn up by the Commission. A standing committee on regional development, to be composed of representatives of the member states under the chairmanship of the Commission, would also be established. The Commission again suggested the creation of an interest rebate fund for regional development and proposed an investment guarantee system, the cost of which would be shared by the member governments. Studies would be intensified and extended along the lines of those done for the Liège-Maastricht-Aachen region (involving Belgium, the Netherlands, and West Germany), Schleswig-Holstein, and the Loire Valley.

Four kinds of "priority regions" are classified in the Commission paper: frontier regions, peripheral regions, depressed areas, and predominantly farming regions.

In the past, an attempt has been made to encourage workers to move to growth areas. Now the emphasis has shifted to creating jobs for workers, which could backfire

A green stretch of highway in Belgium. Regional policy, including land-use policy, would keep fields and forests open for leisure, farming, and forestry, by encouraging industry to expand in areas where there is space, instead of locating in the industrial centers where congestion is at its worst.

An apartment development in Berlin. An effective regional policy would discourage "urban sprawl" which threatens the beauty of Europe's capitals despite their sporadic attempts at urban planning.

if incentives to invest in declining areas result in further over-crowding in old industrial centers. Studies in Britain and Italy recently attempted to determine the best size for an urban area, from both the economic and social points of view. These are the kind of questions the Commission will be concentrating on in the future. On the basis of individual experiences and analyses, the Commission experts are beginning to formulate an efficient regional policy for the entire Community.

Keeping Incentives Fair

On July 5 this year, the Commission proposed a policy for controlling investment aids and incentives which have escalated as member state vies with member state to attract foreign (largely American) capital. Regional development agencies, especially in the Benelux countries, have competed with each other to induce US multinational corporations to locate in their respective areas, many of which are close to, or within, current growth areas of the Community. The Commission has criticized Belgium and Germany for offering a wide range of tax and financial incentives to foreign investment in areas too highly developed to qualify as priority regions. As a result of the competition between member states, potential investors look around for the cheapest site; the basic problem of achieving economic balance between the regions is aggravated, and the companies themselves benefit the most.

To tone down the incentives war among the Six, the Commission's proposals would limit aid to investments in the Community's central regions to 20 per cent of the total value of the investment. In addition, the Commission said that the aid must be "transparent," meaning that it must be quantifiable, for example in the form of cash grants or assistance with utilities and plant investment. "Opaque" aids, such as income tax allowances and state guarantees on capital investments (used in Belgium) are to be abolished. Discussions among the Six show some hope for early agreement on these proposals, although France considers the 20 per cent figure too low.

Just the Beginning

The proposals for priority agricultural regions and a "framework" decision, setting general policy lines, have been the Commission's first direct attempt to put a regional policy into effect. The problems of peripheral areas have been left mainly to the national governments. One of the strongest regional policy instruments has proven to be the Industrial Development Certificate (IDC), now used in Britain and France. Under the British system, without a certificate, investors could not build a plant larger than a certain size, and the Government could refuse an IDC for building projects considered inimical to a desirable distribution of employment. France has a similar system for controlling new industrial development around Paris and Lyons, and the Italian parliament is discussing a bill that would extend such controls to private as well as nationalized investors. Under this bill, any company wanting to expand in the congested north would have to pay a congestion tax on every person over 100 employees.

Regional Policy and the Applicants

The prospect of the Community's enlargement has provoked a healthy political debate about regional policy in the four candidates for membership (Britain, Ireland, Denmark, and Norway.) In all four, problems of undeveloped or depressed areas are politically touchy. Practically all of Ireland and Norway could legitimately ask for preferential treatment, and, with Britain's currently high unemployment rate, the question of declining areas there is a major political issue.

Yet, the six member states have compiled at least as comprehensive a list of special regional measures as Britain's own.

Two restrictions on current British practices might be fought by the Brussels authorities—some tax grants to central or "intermediate" regions, and the Regional Employment Premium which, in any case, is to be phased out by the end of 1974. However, the Commission realizes that coordination of regional policies will take time. Meanwhile, the member states will continue to cite Common Market Treaty articles when giving discriminatory treatment to regions. But the Commission will be asking the Community members to take a hard look at their current incentives to industrial development and to concentrate on those that best contribute to the development of the Community as a whole.

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...

Foreign Investment: France, A Case Study. By Robert B. Dickie. A. W. Sijthoff, Leiden (The Netherlands); Oceana Publications, Dobbs Ferry, New York, 1970. 134 pages with annexes and bibliography.

The study was originally presented in a seminar at the Law School of the University of California, Berkeley.

The author provides background material on American investment in France and analyzes both the legal and economic criteria as well as specific laws governing the French Government's decisions on foreign applications to make direct investments.

The French nation's objectives are explained and related to the process of deciding whether or not an investment proposal would help or hinder the Government in pursuing these objectives.

Monopolies and Restrictive Trade Practices in France. By W. G. Venturi. A. W. Sijthoff, Leiden (The Netherlands), 1971. 370 pages. $12.10.

A study of French legislative and administrative measures related to restrictive trade practices.

As background, the author examines France's deep-rooted resistance to change even within a new European organization. He then describes the French Government's efforts to modernize the economy, using price controls, nationalizations, and short- and long-term economic plans. He also analyzes the role played in economic reform by the Technical Commission on Restrictive Agreements and Dominant Positions.

L'Europe inachevée. By Walter Hallstein. Editions Robert Laffont, Paris, 1970, 334 pages plus index.

An analysis of the European Community today, its strengths and weaknesses, its goal of political union, by the first President of the Common Market's Commission.

The author examines the idea of European political union both as a force behind the creation of the European Economic Community and as a consequence of the integration process. A work which has not yet been completed, political union is viewed as an organic process which faces future obstacles but which already forms part of the culture, economy, and political conscience of Europe.

Les Cooperatives agricoles dans le Marché Commun. Edited by J. G. de Villeneuve, Dictionnaires André Joly, Paris, 1969, 486 pages.

A study of the juridical, fiscal, and social aspects of agricultural cooperatives within the member states of the Community and their role within the common agricultural policy.

The editor has organized a study of agricultural cooperatives within each member state under the headings of judicial, fiscal, social, and financial organization. An introductory chapter summarizes Community law regarding cooperatives and examines the role of cooperatives and agricultural reforms within the common agricultural policy.

The International Corporation. Edited by Charles P. Kindleberger. M.I.T. Press, 1970, 400 pages with index.

A collection of papers delivered at the Massachusetts Institute of Technology Sloan School of Management during the spring of 1969 for a seminar on the international corporation.

The collection includes papers on: the theory of the international corporation; the roles of finance and technology, law and politics; studies of world petroleum corporations, U.S. automotive investments abroad, and American banks in Europe; and country studies featuring Australia, Latin America, and Japan. Raymond Vernon concludes the collection with a paper entitled, "Future of the Multinational Enterprise."

The Prospects for a European Security Conference. By Michael Palmer. Chatham House (PEP), London, 1971, 107 pages with appendices.

Part of the Chatham series of papers concerned with European questions, this essay examines the problems of holding a European Security Conference.

Participation at such a conference would be decided by the term "European" in its broadest sense and would include all NATO members, the Warsaw Pact countries, as well as the various neutral and nonaligned states of Europe.

The definition of "security" presents different aspects. The author maintains that such political and military negotiations, essentially linked to the easing of East-West tensions over Berlin, could evolve into an institutionalized dialogue between the power blocs and eventually modify the existing political system of rigid ideological alignment.

Companies in the Common Market. By Robert R. Pennington. Oyez Publications, London, 1970. 138 pages.

A survey of the company laws of the six member states of the European Communities. This is a revised edition of a book first published in 1962.

The increasing incidence of companies forming in other European states and of mergers of different European companies has made knowledge of company law a necessary tool in commercial dealings. The author emphasizes, however, that economic interaction, unhampered by conflicting national laws, calls for the elimination of differences in the structure and corporate procedures of companies.

The Council of the European Communities has the power, according to the Treaty of Rome, to hasten the harmonization of European company laws. In the last two chapters, the author discusses legislation that can create a uniform European-type company. Draft legislation of this nature is now before the Council of Ministers.

The Common Market and the United Kingdom. The National Westminster Bank, London, 1970. 76 pages with appendices.

A guide to the workings of the European Communities for the British public in general and businessmen in particular.

The original proposals of the British-EC negotiations, as set out in June and July 1970, are covered. Some up-dating is required in view of the recent progress of those talks.

Community policies such as for agriculture, the harmonization of company law, and for regional policy are summarized and supported with statistical information.

Gaullism: The Rise and Fall of a Political Movement. By Anthony Hartley. Outerbridge and Dienstfrey, New York, 1971. 373 pages with annotated bibliography and index. $10.00

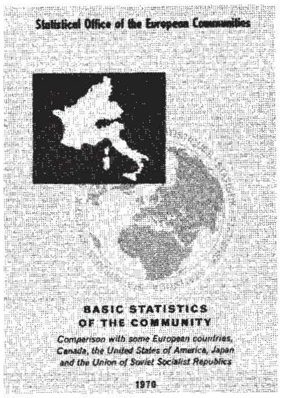
A history of trends in French politics which culminated in the phenomenon of Gaullism.

The author maintains that the doctrine that came to be identified with Charles de Gaulle had its roots in the political developments prior to 1940, when the need for firm government was most apparent. Gaullism, as expressed under the Fifth Republic, provided the political stability and continuity that brought to fruition many of the aspirations and reforms charted by the Fourth Republic. According to the author, Gaullism is not the result of a single man's impact on history but rather of the evolution in the French nation's social, economic, and political life.

The survival of the political movement without its chief spokesman is discussed by the author, who contends that individual leadership will have to be supplanted by a political party.

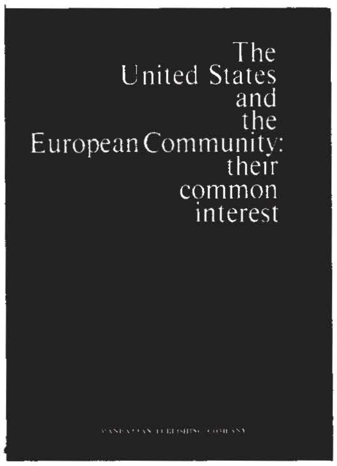
Basic Publications

The beginner and the Community-watcher alike will find these three basic reference publications a handy source of answers to questions Americans most often ask.



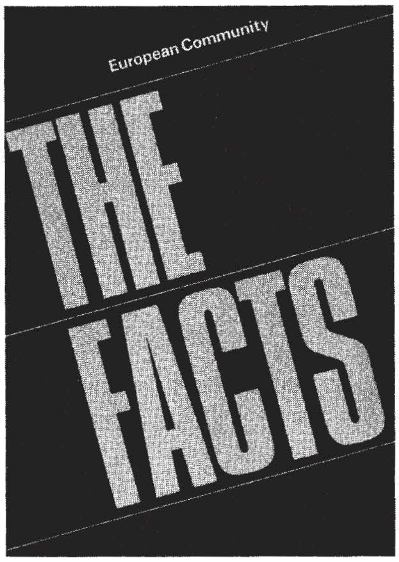
BASIC STATISTICS OF THE COMMUNITY: 1970. Statistical Office of the European Communities, Luxembourg, 1970, 224 pages $1.50

1969 statistical comparison of 17 European countries, Canada, the United States, Japan, and the Union of Soviet Socialist Republics on population, labor force, national accounts, agriculture, energy, industry, transport, trade, social security, standard of living, and finance. Additional data for the Community is given for education, regional product, and the iron and steel industry.



THE UNITED STATES AND THE EUROPEAN COMMUNITY: THEIR COMMON INTEREST. Manhattan Publishing Company, New York, 1971, 64 pages . . . . free

Presents facts and figures about US-Common Market trade and economic relations. It also examines the political and economic stakes involved in continued trans-Atlantic cooperation. Some of the problem areas analyzed are: the Common Market's agricultural policy, Britain's entry into the Community, preferential agreements with developing nations, non-tariff barriers, generalized preferences, and protectionist tendencies on both sides of the Atlantic.



THE FACTS. European Community Information Service, Brussels, 1971, 32 pages . . . . free

Revised edition of a basic brochure on the European Community. Explains why the Community was founded and how its institutions work. Describes developments towards full economic integration, political union, relations with the world, and future tasks. Also contains a chronology of important events in Community affairs since 1946.

european community

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