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european community

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COVER: *Bulldozers in the United States may be a mundane sight, but in the Community's African associated countries they are both a symbol and a tool of economic development. International Bank for Reconstruction and Development photo, courtesy of the United Nations, New York.*

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Community News

Community Protests US Window Glass Safeguards

The European Community has informed the US Government that it considers continued protection of the American window glass industry a direct threat to legitimate European export interests and a violation of the General Agreement on Tariffs and Trade (GATT).

Aldo Maria Mazio, head of the EC Delegation in Washington, D.C., met with Abraham Katz, State Department Director for OECD, European, and Atlantic Political and Economic Affairs, on March 10 to convey the Commission's reaction to the postponement of a first set of measures to eliminate safeguards in force since 1962.

The six-member US Tariff Commission on January 31 divided in issuing its judgment on whether or not to continue applying the safeguard clause invoked under the 1962 Trade Expansion Act. The safeguard clause allows the US Government to impose import restrictions to protect a US industry from damage by foreign competition.

GATT Permits "Temporary" Measures

Imported window glass has been subject to US restrictions for more than a decade. The Commission maintains that this action violates Article 19 of the GATT which explicitly permits only temporary safeguard measures.

The US window glass industry expanded by 40 per cent between 1970 and 1971, insuring a prosperous and strong position both internally and on the world market, according to the Commission.

US imports of window glass decreased 40 per cent from 1968 to 1971 and are currently at their lowest level since 1961. The import share of US consumption is now only 20 per cent, down from 31 per cent in 1968. In addition to US safeguard provisions, the decrease is partially due to the US anti-dumping levies on some glass imports from the Common Market.

The first of three restriction cuts was delayed 90 days by President Richard M. Nixon to take note of the Tariff Commission's report. The first cut is now scheduled for April 30, 1972.

Atlantic Myths Tinge US-EC Trade in Seventies

Interdependence and cooperation are the shared future of a revitalized United States and a dynamic, united Europe despite the recent mythology of Atlantic discord, according to the US representative to the European Communities.

Ambassador J. Robert Schaetzel sees the US-EC relationship as a "paradox." While the two giants need each other, each clings to false impressions of the other.

Addressing the American Chamber of Commerce in Vienna, Austria, on March 6, Mr. Schaetzel described transatlantic images. The Europeans see the United States as increasingly isolationist, protectionist, and fearful of European unity, he said. Americans, likewise, perceive a European protectionism, an expanding preferential trade area which threatens free trade itself, and a selfish Community making profits in the shadow of a defense provided by legions of US soldiers far from home.

Mutual Illusions

There is a common mythology too, Mr. Schaetzel stated. He called for a reassessment of attitudes toward the multinational corporation, cautioning against "spasmodic nationalistic, emotional, or mythomaniacal reactions."

He finally pointed to new signs of economic health and a renewed confidence in multinational negotiations as the "sure omens of our common future."

2 New US Ambassadors Arrive in Brussels

The US ambassadorial "team" is operating at full force, following the arrival in March of the new US ambassador to Belgium Robert Strausz-Hupé and David M. Kennedy, head of the US delegation to the North Atlantic Treaty Organization.

Ambassador Strauss-Hupé arrived at his new post March 17 and Ambassador Kennedy, March 21. They join Ambassador J. Robert Schaetzel, Head of the US Mission to the European Communities.

Although neither Mr. Strauss-Hupé nor Mr. Kennedy has direct responsibility for Community affairs, Mr. Kennedy said on his arrival that the task given to him by President Richard M. Nixon was to strengthen the political, military, and economic coordination between the United States and Europe.

US statements at the time of his nomination to the NATO post indicated that Mr. Kennedy's experience in trade and economics would enable him to study the economic aspects of NATO. Upon his arrival in Brussels, Ambassador Kennedy underlined his belief that coordination between NATO and other European institutions should be improved. His first assignment was described as a trade mission to Spain, which is not a NATO member.

Mr. Kennedy was previously US Secretary of the Treasury and Ambassador at Large for Trade Relations. He remains a member of the US Cabinet and retains a role as roving ambassador.

Mansholt Appointed Commission President

Sicco L. Mansholt, Vice President of the European Communities Commission and author of the common agricultural policy, has been named president of the Commission.

The 63-year old former Dutch farmer replaces Franco Maria Malfatti who resigned the Commission presidency to campaign for election to the Italian parliament. Mr. Mansholt's March 21 election to the presidency by the Council of Ministers capped a 14-year career with the Community. Mr. Mansholt had earlier announced that he would resign as a Commissioner at the end of 1972 to resume a career in the Dutch and European Socialist Movements.

Mr. Mansholt is perhaps best known as the originator of the Community's farm policy. The "Mansholt Plan" for the modernization of European agriculture, announced in 1968, was based on twin pillars of farm price support and gradual retirement of farmers and acreage in order to raise farm income and improve productivity.

Mr. Mansholt was born in 1908 in Holland. The son of a farmer, he studied agriculture and farmed in Holland from 1924-34. After two years managing a tea plantation in Sumatra, he returned to farming in Holland until the war, when he joined the Dutch resistance. After the Liberation,

Sicco L. Mansholt, new President of the Commission of the European Communities, called for global attention to world-wide environment problems at his March 27 news conference.

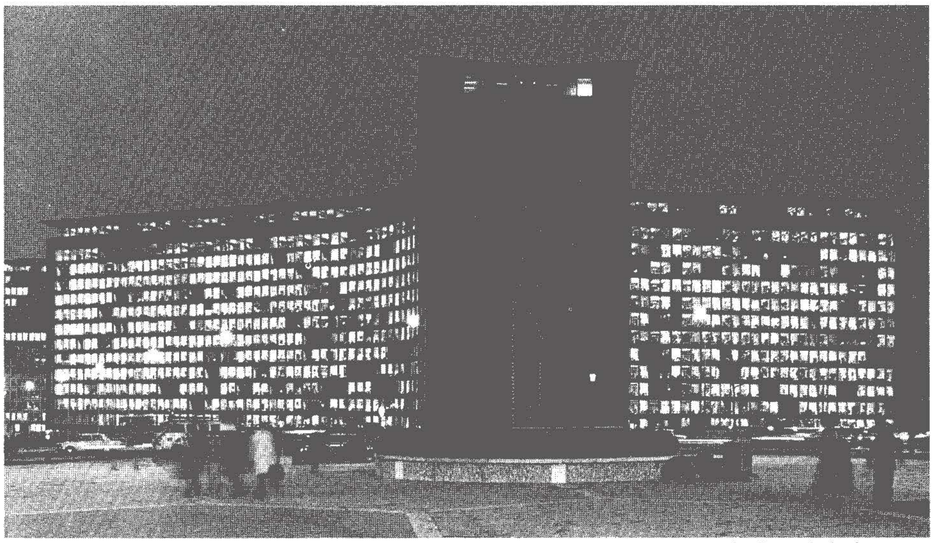
he became Dutch Minister of Agriculture, Fisheries, and Food Services, a post he held until his appointment to the Commission in 1958.

Mr. Malfatti, whose office Mr. Mansholt is assuming, has been replaced on the Commission by Carlo Scarascia-Mugnozza, an Italian member of parliament who was chairman of the European Parliament's Political Committee.

Council Links Agricultural Reform to Price Hikes

The Council of Ministers may have upstaged Henry Clay in his historical role as "The Great Compromiser" — if not in substance, at least in endurance.

After discussing agricultural policy for 100 hours over a two-week period, the Council at 8 a.m. on March 24 produced a compromise package linking the 1972-73 season's average agricultural price increase of 6.5 per cent to structural reform and social aids to farmers.



The Council's marathon session on agricultural policy kept the midnight oil burning at the Commission's headquarters, the Berlaimont Building in Brussels.

Increases Disappointed COPA

The price increases were slightly lower than those recommended by the Commission and much lower than the 11-12 per cent hike demanded by the Committee of Agricultural Organizations (COPA), the lobby in Brussels representing farmers' unions throughout the Community. The increases, varying from product to product, include a 4 per cent increase for wheat, sugar beets, barley, and beef; 5 per cent for rye and corn; and 8 per cent for dairy products.

Compromises molded strong ties between price hikes and structural reform when Community countries, such as Italy which had pushed for an average 2.8 per cent increase in farm prices, softened demands in return for Community programs to modernize farms and help farmers leave the land. Belgium relinquished its original demand for a 12 per cent increase in the price of milk, and France finally approved a 4-5 per cent increase in feed grain, an essential product for the growing French livestock industry. Other countries made similar compromises to reach the April 1 deadline for initial price increases.

Early Retirement Incentives

The Council directed member nations to introduce an incentive plan to encourage labor to leave the land and to promote the use of vacated farmland for more productive agricultural or non-agricultural purposes. Single farmers and farm employees between the ages of 55 and 65 who wish to leave agriculture will be offered an annual pension of 600 units of account ($651 new) and married farmers and farm workers, 900 units of account ($977 new). Among other qualifications, the farmer applying for the pension must either rent or sell his land to farmers benefiting from Community farm development aids or totally withdraw his land from agricultural use. The Community's farm fund will normally reimburse member states 25 per cent for expenses under this program. In especially backward areas, however, the Community fund will reimburse up to 65 per cent of the costs. Member states may increase the pension or pay an equivalent total sum. Expenditures above those stipulated by the Council, however, will not be reimbursed. The Community agricultural fund has set aside 287 million units of account ($311 new) to be used for this project over the next five years.

Structural Reforms

On the structural side, farmers who can earn an income comparable to incomes outside agriculture within a six-year development period will qualify for aid. The farmer must also keep accurate records of his business transactions and have his development plan approved by the national authorities. Community aids will include loan guarantees and interest rebates on development investments.

The Council also provided for an additional premium to stimulate production of beef and veal. These and other structural reforms are expected to cost the agricultural fund 432 million units of account ($469 new) over the next five years.

Member states were also directed to establish an information service for farmers on social and economic development opportunities, careers outside agriculture, retirement benefits, and vocational retraining programs. They must also guarantee income and social security benefits for farmers participating in retraining programs until the Council determines the European Social Fund's role in this area.

Monetary Matters

The Council decided against changing the value of the unit of account, defined as 0.888671 grams of gold (the statutory value of the US dollar before devaluation). The Community sets agricultural prices in units of account. When a Community currency such as the German mark revalues, prices for a given quantity of agricultural produce in Germany drop proportionately in relation to the unit of account, while prices in member countries which do not revalue remain constant. To avoid a drop in farm incomes during the recent monetary difficulties when several members' currencies were floating, national governments introduced a system of compensatory charges on imports and rebates on exports at the Community members' internal borders. The complicated system had to be adjusted weekly to reflect fluctuating currency values.

Now that currency values are again fixed in accordance with the December 18 Washington Agreement, the compensatory system is more manageable. Even so, the Council agreed that the levy system should be abolished as soon as possible so that the Community can return to a common farm policy with the same prices in every country. As compensatory levies are gradually lowered, member states will be allowed to supplement farm income with tax measures, such as abatements in the value-added tax.

By July 1, 1972, the Community's agricultural fund will finance the compensatory system for trade with third countries, and on January 1, 1973, for trade between member states. National treasuries are currently financing compensatory levies.

Consultations with the four candidate countries on the price and structural reform package were concluded March 29, and the agreed prices for dairy and beef products were able to go into effect on the scheduled date, April 1.

EP Session Opens With Malfatti's Farewell

Franco Maria Malfatti chose the opening day of the March parliamentary session to address the European Parliament for the last time as President of the Commission of the European Communities.

President Malfatti on March 14 in Strasbourg explained that the scheduling of Italian general elections in May forced his early departure from office, on March 22. Commission Vice President Sicco L. Mansholt was appointed his successor, until the formation of a new Commission, on January 1, 1973.

Reviewing the Commissions' achievements during the past two years, Mr. Malfatti pointed to the Community's new pledge of monetary unity, the proposed 1973 multilateral trade talks, and Community enlargement as recent milestones on the road toward European unity. Mr. Malfatti said that after accepting his appointment as President of the Communities Commission two years ago, he had gone to Brussels to serve the European cause. Returning to national politics, he promised to "continue my work for the great democratic objective of a United Europe."

After Mr. Malfatti's speech, Hans-August Lücker (Dutch chairman of the Parliament's Christian Democratic Group) expressed regret that European politicians still had to turn to national elections for political credentials. He urged that development of a "European political system" to allow a politician to seek office in the larger European context.

In other business that day, the Parliament reelected by acclamation its president, Walter Behrendt (German member of the European Parliament's Socialist Group).

Symposium of European Legislators

National legislators for the first time attended an ordinary session of the European Parliament, on March 15-16. Twenty-eight members of national legislatures were invited to attend the symposium on European unity and the national legislatures' role.

To coordinate the work of the national legislatures and the European Parliament, Commission Vice President Wilhelm Haferkamp suggested that national parliaments periodically debate current Community problems on the basis of a report prepared for that purpose by the European Parliament. Other speakers expressed support for continued European integration and exchanged suggestions on ways of strengthening ties between the European Parliament and the national legislatures.

Commission Under Fire

During the March 16 session, Hans Furler (Dutch member of the European Parliament's Christian Democratic Group) criticized the Commission for its "lack of conviction and courage" in its plans for proposing increased responsibilities for the European Parliament. Citing the formerly intransigent position of the Council of Ministers, Commission Vice President Haferkamp said that the Commission intends to submit proposals for enlarging the Parliament's powers within the next few weeks.

Algerian, Spanish Wines Offered Concessions

Import concessions on Algerian and Spanish wines were agreed upon by the Council of Ministers at its February 7-8 meeting.

Concessions to be offered to Algeria will be part of general negotiations on Community-Algerian relations which were disturbed after Algerian independence. Prior to that time, the Community's relations with Algeria had been regulated by the protocol to the Common Market Treaty.

The Council agreed in principle, subject to consultation with the candidate countries, on arrangements for opening quotas for Spanish imports of Malaga, Jumilla, Priorato, Rioja, Vadepeñas wines and sherry.

College of Europe Seeks New President

The College of Europe is seeking a new president to succeed Henri Brugmans, who will retire this summer.

Applicants for the position are expected to have wide experience in university education and a special knowledge of European integration, in addition to fluency in English and French. Applications should be sent, before May 15, 1972, to the President of the Board of Administration of the College of Europe, Dyver 11, 8,000 Bruges, Belgium.

Founded in 1949, the College offers postgraduate courses in law, economics, politics, and social science. The College has 60 students from 20 countries.

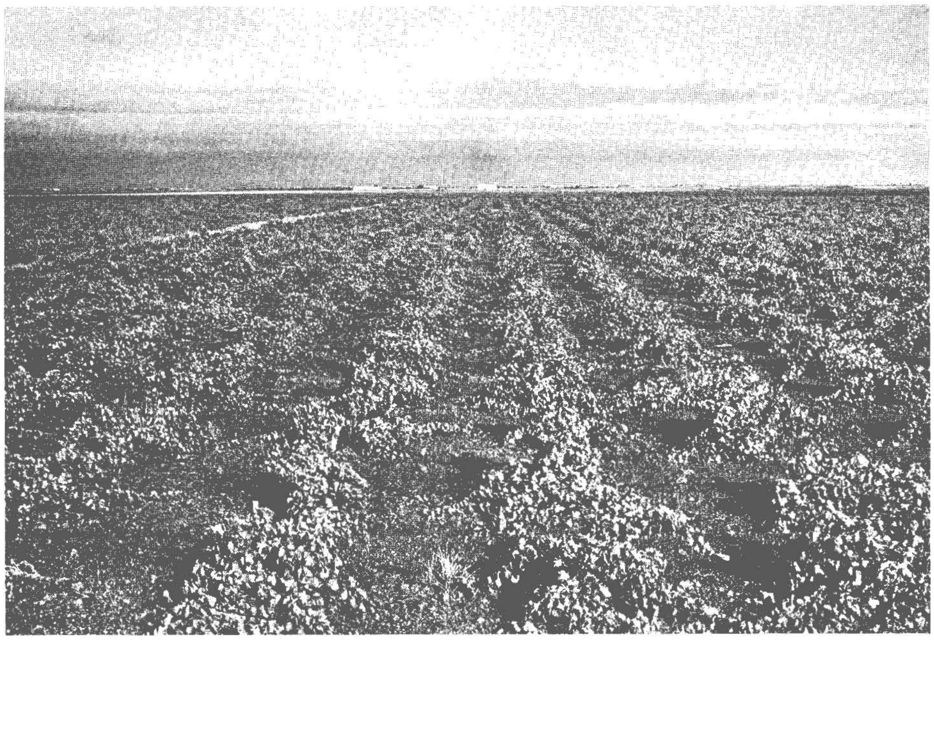
EIB to Float Bond on German Stock Exchanges

A consortium of German banks has contracted to underwrite the ninth German bond issue of the European Investment Bank (EIB).

The bonds, totalling the equivalent of $29.6 million, will be listed on stock exchanges in Frankfurt, Berlin, Duesseldorf, Hamburg, and Munich, and will bear interest at 6.5 per cent a year.

The agreement, signed March 3, provides that the proceeds of the bond sales will finance the EIB's ordinary lending.

More Spanish vineyards, like this one in Argamasilla de Alba, will export to the Six after the Community raises quotas on Spanish wines.



US-EC Businessmen Support Economic Union

The decision to narrow fluctuation bands between Community currencies gained the support of a EC-US businessmen's conference held in Versailles, France, on March 1-3.

The Conference, sponsored by the US Chamber of Commerce and the Union of European Community Industries, was attended by nearly 100 European and US businessmen who drew up statements on interrelated trade, monetary, and investment issues.

In one report, the conference members supported the creation of a European currency, although opinions differed on the amount of time needed to fully integrate national economic policies.

Dollar Convertibility Urged

The group emphasized the desirability of an early return to dollar convertibility. Full confidence in the dollar must be restored, the businessmen said. Steps toward convertibility, the group agreed, would reduce the danger of a general imposition of controls on trade and capital movements. Increasing European direct investment in the United States was one way mentioned to utilize surplus dollars. The group supported efforts to stimulate such investment and urged the identification and removal of any obstacles to European investment in the United States.

The businessmen stressed the need to remove fiscal, legal, and social disparities which hinder investment throughout the world. Double taxation on international investment must also be reduced, they said.

The group agreed to four major principles which should govern world trade:

- a recognition of the importance of international trade
- gradual elimination of tariff and non-tariff barriers to trade
- use of comparative economic advantage to guide trade patterns
- international monetary stability.

Jacques de Fouchier (left), president of the Bank of Paris and the Netherlands, and Pierre de Calan, director general of the Babcock-Fives' Industrial and Financial Company, chat during a pause in the EC-US businessmen's conference.

Nearly 100 Community and US businessmen gathered in Versailles last month to discuss world trade and international monetary affairs.

EC Attacks Subsidies; Calls for Action by Six

Some national subsidies currently in force for the sugar, vegetable, and ornamental plant sectors are incompatible with Common Market regulations, according to the Commission of the European Communities.

In a February 16 letter to the member governments, the Commission called for the revamping of national support policies, which include production and marketing subsidies, for these sectors throughout the Community.

The Commission proposed the discontinuation of national sugar aids in four out of seven support programs. Likewise, the Commission rejected nine out of 14 support measures for the vegetable and ornamental plant sectors. The date for abandoning all these aids was set for December 31, 1971. As support payments are granted retroactively, this cutoff date means that payments could be made this year for 1971 but that no claims would be accepted for 1972.

Similar actions were taken in late 1970 to eliminate incompatible national aids in the fruit sector. The governments have also been asked to convey their proposals on advertising and consumer information subsidies to the Commission, which is preparing a proposal on these for the entire agricultural sector.

Enlargement Treaty Submitted to GATT

The Accession Treaty and related documents by which the European Community "of Six" will become the "Ten" were submitted to the General Agreement on Tariffs and Trade on March 6 and 8, in accordance with GATT rules.

The four prospective members (the United Kingdom, Ireland, Denmark, and Norway) signed the Treaty in Brussels on January 22. It and the other legal texts specifying the conditions of Community membership will come into effect on January 1, 1973, after ratification.

Customs Unions Allowed by Article XXIV

The GATT will study the Treaty and related texts to make sure that the arrangements for the enlarged Community meet the GATT definition of a customs union. GATT Article XXIV, by permitting the formation of customs unions, excuses customs union members from extending tariff concessions made within the union to other GATT members. Thus, for customs union members, Article XXIV acts like a waiver of GATT's "most-favored-nation" clause by which a tariff concession accorded to one GATT member must be extended to all.

To qualify for an Article XXIV "exemption," a customs union may not result in duties or other customs regulations that are more restrictive than those applied by its members prior to its formation. In addition, the interim agreement leading to customs union must include a plan and schedule for union "within a reasonable length of time."

Tariff Alterations to Be Renegotiated

The Accession Treaty designates a transition period of five years, 1973-78, during which the new member countries will gradually align their tariffs and economies with the Community's. Full customs union will be realized in 1978.

After ratification of the Accession Treaty, the Community will submit additional documentation so that the GATT members can renegotiate tariffs altered by enlargement.

ECSC Industry Benefits From New Lending Terms

The European Coal and Steel Community (ECSC) has taken out a new loan on the international money market and will lower its interest rate, due to a March 3 Commission decision to speed up investment and modernization in coal and steel industries.

The loan, equivalent to $6.5 million (new dollars), was granted by the International Bank of Luxembourg at 6.75 per cent interest a year, to be amortized over a 12-year period.

The loan will go to finance modernization and investment programs in coal and steel industries. It will be relent to private industry at 7.75 per cent a year, down from 8.5 per cent. The new rate will allow enterprises to borrow long-term funds at a cheaper rate than on the international money market.

ECSC Totals

Total borrowing for January and February 1972 was set at the equivalent of $45.6 million for the ECSC, which relent to the private sector roughly $40.6 million.

Following the recent International Bank loan, total ECSC borrowing since its inception in 1952 amounts to $1.2 billion. As of March 1, 1972, it had lent approximately $1.3 billion from its own as well as borrowed assets to the Community coal and steel industries.

Fall Referenda for Norway, Denmark

Denmark's referendum on membership in the European Community will be held on October 2, a week after the Norwegian referendum on September 24-25. The Danish vote will be binding on Parliament, whereas the Norwegian referendum is only consultative.

EC to Lower Tariffs On US Citrus Exports

US citrus fruit exports will soon benefit from lower tariffs on Community markets.

The Commission of the European Communities forwarded its proposal to lower external levies on oranges and grapefruit to the Council of Ministers on March 14. The action was taken to fulfill EC concessions to the United States made at the conclusion of trade talks on February 11.

Orange imports from the United States will be subject to a 5 per cent ad valorem tax, down from the 15 per cent figure currently in force. The effective period of reduction is set for June 1 to September 30, 1972, and the same period in 1973.

US grapefruit exports to the Common Market from April 1, 1972, to December 31, 1973, will be subject to a 4 per cent ad valorem levy instead of the current 6 per cent.

The Commission's proposal represents a major concession on the part of the Common Market to appease US export interests.

Salute! Prost! Cheers! All for the Same Price

Drinkers of alcoholic beverages throughout the Community may soon be paying equivalent prices for their liquor.

If the Council of Ministers passes a regulation proposed on March 8 by the Commission of the European Communities, distillers will no longer sell their products on a free market. A common agency will buy up Community alcohol at annually fixed prices according to type, quantity, and quality. Subsequently, the agency will resell it at fixed prices, also to be determined yearly.

The distiller will deliver directly to the consumer who must pay the intervention price directly to the agency, which will reimburse the distiller at the set buying price.

No Quotas Planned

The proposal also provides for a system of levies and rebates on external trade, although no quotas are foreseen.

The Commission's proposal, which resembles alcohol market policies in certain Scandinavian countries, does not preclude similar action taken later for the non-potable alcohol market. This market would cover alcohol for jet and motor fuels, solvents, perfumes, and other agricultural or synthetic alcohols.

"Summits" Point to New Political Organization

The European Community is likely to get a new institution to guide its political and foreign policy, judging from the results of "summit" meetings between three European heads of state in February and March.

The backing for a "political secretariat," as the organization has been called, was a common thread throughout the meetings between French President Georges Pompidou, West German Chancellor Willy Brandt, and British Prime Minister Edward Heath. Mr. Pompidou and Mr. Brandt discussed mutual concerns in Paris on February 11. President Pompidou then visited Prime Minister Heath at his country retreat March 18-19. Other common themes at these meetings were:

- the need to resume the process of European economic and monetary union
- planning for the summit conference in Paris in the fall
- the future of European Community institutions, such as the Parliament
- maintaining good relations with the United States
- international economic and monetary problems.

The idea for a political secretariat originated ten years ago. This panel would replace the "Davignon Committee," the existing foreign policy coordinating body of the six members of the European Community. Every other detail, including its location, must still be filled in.

France wants the organization in Paris, whereas Germany, the United Kingdom, and others prefer Brussels, the seat of other major Community institutions.

EC Calls for Removal of Excise on Major Items

Excise taxes should apply to only a few items by the time the European Community achieves monetary and economic union.

With this objective in mind, the Commission of the European Communities, on February 23, sent proposals to the Council of Ministers for eliminating all but five excise taxes.

Excise taxes on alcohol, wine, beer, tobacco, and mineral oils will be retained and harmonized throughout the Ten. Excise taxes on other products will be phased out. Although the option to reinstitute an excise tax if necessary is left open, the Commission proposal provides that tea, coffee, sugar, and cocoa, among others, will no longer be subject to an excise anywhere in the Community. No specific deadline was proposed, since the Council's action must be timed to coincide with plans for economic and monetary union.

The Commission has also called for the creation of a "Committe on Excise Taxes" to see that the member states follow the directives if passed.

First National Vote on a "European" Issue

For the first time, a major European Community policy question will be placed before the voting public.

The first national referendum on the issue of enlarging the current six-member Community will take place, not in one of the four countries where the issue is still being debated, but in France, a founding member. French President Georges Pompidou made the surprise announcement during his March 16 news conference in Paris. April 23 is the date, just before the planned vist of Britain's Queen Elizabeth to France in May.

There was no indication that Mr. Pompidou had changed his policy of support for the entry of the United Kingdom, Ireland, Norway, and Denmark. In his statement he said it was his duty "to call on the French people who elected me directly to pronounce directly on this policy in favor of Europe." It will be the first French national referendum since the April 27, 1969, vote which led to the resignation of President Charles de Gaulle.

Reaction in European capitals to Mr. Pompidou's announcement was mixed. Several officials and editorials ascribed the move to internal French motives. The action also resulted in a strengthening of demands for a referendum on the issue by British opponents of Community entry. All the candidate countries are planning referenda except the United Kingdom where no referendum has ever been held.

Added Job Security Sought for Migrant Labor

More and more member country citizens are crossing national borders to work in another European Community country, but no legal arrangements have yet been made to give these workers job or residence security equal to that of the local labor force.

To rectify this oversight, the Commission of the European Communities on March 1 submitted a proposal to the Council of Ministers for guidelines allowing the national judge to determine which laws apply to non-national workers. If passed by the Council, the regulation will guarantee all migrant workers minimum social protection equal to that of local workers.

The Commission sees this as an essential step toward providing equal job opportunity regardless of nationality throughout the Community.

Commonwealth Member to Accede to Yaoundé Pact

Mauritius will become the first Commonwealth nation to accede to the Yaoundé Convention associating 18 African states with the European Communities.

Negotiations between Mauritius and the Commission of the European Communities were concluded in Brussels on March 8 after both delegations had agreed upon the text of the accession agreement. The agreement will be signed in Port-Louis after the Community consults the 18 associates on the contents of the agreement.

Mauritius, an island less than 100 miles east of Madagascar in the Indian Ocean, will thus become the nineteenth associate under the Yaoundé Convention.

Slump in EC Economy May End in Late 1972

Dampened spirits in the last half of 1971 will take their toll on the European Community's economy through the first half of this year.

The Commission's last Triennial Economic Report for 1971, compiled before the Washington monetary agreement of December 18, 1971, took a pessimistic view of economic progress in the coming months but saw some hope for the second half of 1972.

Overall, the psychological and economic effects of the US unilateral action last August would curtail growth, particularly of investments. Domestic production had dropped off, with the exception of consumer goods.

According to the Commission's Report on the Evolution of Community's Social Situation in 1971, 300,000 fewer people were employed in December 1971 than in December 1970. The economic report painted an equally glum picture; unemployment was still on the rise.

Private consumption continued strong, despite a fall in income growth.

Exports Stagnate, Imports Drop

Exports of the Six had not increased for several months; imports had decreased significantly. Along with this moderate slow-down, prices rose although the cost of living index showed little change in the last quarter of 1971.

The Commission forsaw a continued slowdown in demand and productivity growth but saw a chance that impetus gained from the added stability of the new fixed exchange rates system could take up this slack.

Nonetheless, informed optimists predict a 2.5-3 per cent increase in gross Community product (GCP) in 1972, indicating a general upturn in the economy during the second half of the year. The Community's GCP growth rate was 5.6 per cent in 1970 and 3.5 per cent in 1971.

Beware of Inflationary Measures

On March 22, the Council modified last fall's guidelines for coordinating national monetary and fiscal policies with the Community's overall economic trends. (*See European Community No. 151, page 5.*)

According to revised guidelines, enacted on the basis of a Commission proposal, several countries must use caution in stimulating their economies. These countries will probably exceed the limits of 3.5 per cent for price increases and 6-7 per cent for wage increases this year.

To correct this imbalance, the Council recommended a mix of policy measures, including a continued but moderate rate of expansion of monetary policy. Efforts to harmonize monetary policies should focus on interest rates and capital movements, it suggested.

Nevertheless, the Council said, success of any policy during 1972 will hinge on improvements in the international monetary situation.

Official Tour Preludes UNCTAD III, GATT Talks

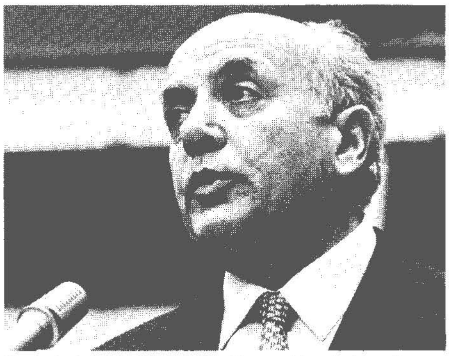
International trade talks projected for 1973 and the European Community's enlargement were among the topics of special interest to leaders of Malaysia, Indonesia, Australia, and New Zealand in their recent talks with a high EC official.

From February 17 to March 5, Commissioner Ralf Dahrendorf, in charge of the Community's foreign trade relations, met with top officials of the four southwest Pacific countries as a prelude to the United Nations Conference on Trade and Development this month.

New Zealand officials showed enthusiasm for the negotiated agreement on some of their exports which appears as an addendum to the enlargement treaty.

President Suharto of Indonesia stressed that links should be improved between the Southeast Asia Treaty Organization and the European Community as a basis for greater European interest in Asian development.

Commissioner Dahrendorf returned to Brussels with an Australian proposal for a bilateral trade agreement between the island-continent and the enlarged Community.



Commissioner Altiero Spinelli speaking before the Institute of International Affairs in Rome called for the European Parliament's direct election.

Spinelli Calls for Commitment to Unity

Without specifying definite structures, the European summit meeting later this year must take gradual yet "credible" steps toward European economic and political unity.

As chairman of a round-table discussion in Rome for the Institute of International Affairs, EC Commissioner Altiero Spinelli pointed to the danger of agreeing in principle on monetary union and other common policies without formulating concrete political objectives for the European Community. At the March 3 meeting, Mr. Spinelli said that political credibility hinged primarily on the forceful participation of a directly-elected European Parliament.

Economic credibility, the Commissioner continued, requires setting specific growth and development targets, as well as a firm commitment to the same "financial solidarity" in other common policies as currently exists in the agricultural policy.

European Company Statute

At a second conference in Italy, Commissioner Spinelli said on March 4 that the proposed European corporation statute would especially benefit small businesses.

His remarks were delivered at a meeting in Turin at the Center for European Study and Education. Mr. Spinelli stressed that the real beneficiaries of such a statute would not be big business but rather the smaller firm which does not have the means to bypass existing economic barriers.

Reiterating the most important aspects of the Commission's proposal (not yet discussed by the Council of Ministers), the Commissioner said the role of the worker in the "European" corporation would be characterized by increased participation in social and other aspects of management.

Mr. Spinelli concluded his remarks by pointing out that the statute is the "formal symbol" of the new economic transnationalism.

European Company Statute Wending Slow Course

No date can yet be foreseen for the entry into force of the proposed European company statute sent to the Council of Ministers in August 1970.

Prompted by a written question from Pierre-Bernard Cousté, French Liberal member of the European Parliament, the Commission of the European Communities replied on February 10 that the statute is being studied by both the Parliament and the Economic and Social Committee (ESC).

The Parliament's Judicial Committee has not yet submitted its opinion to the assembly, and the ESC is expected to submit its counsel before May. The Commission must await these consultations before reviewing the proposal, perhaps modifying it along lines proposed by the Parliament and the ESC, before submitting it for a final decision by the Council of Ministers.

The statute is intended to supply a set of ground rules to European multinational corporations, so that double taxation and other impediments to mergers will be eliminated.

The Commission also indicated that unions and academic and economic groups have welcomed most parts of the proposal enthusiastically. It was, however, too soon for the Commission to venture a date by which it expected the statute to be approved or put into force.

EIB Supports Cotton Industry in Senegal

The European Investment Bank (EIB) has granted a loan equivalent to \$1.1 million to the Republic of Senegal to finance development of the cotton industry.

The loan will help finance the expansion of one ginning mill at Velingar in the Casamance area and another in the Sine-Saloum area. The expected increase of production capacity resulting from these ventures will be 24,000 metric tons of cotton seeds annually, raising Senegal's total capacity to 56,000 a year. The loan will give Senegal's program for the development of cotton farming its necessary industrial complement.

The total cost of the two projects is approximately \$1.5 million. Of this amount, the European Development Fund has furnished \$273,000 as a grant.

THE MONTH IN BRIEF

MARCH 1972

1 The Italian Social Democrats withdrew from a project to merge the three major labor unions in Italy *(see page 10).*

3 Franco Mariá Malfatti announced his resignation as President of the Commission of the European Communities *(see page 5).*

6-8 The Community submitted the Accession Treaty and related documents to the General Agreement on Tariffs and Trade *(see page 7).*

8 Negotiations were concluded between the European Commission and Mauritius which is seeking association with the Community *(see page 8).*

10 Burma's Minister of Commerce and Cooperatives, Colonel Maung Lwin, paid an official visit to the Commission.

13-17 The European Parliament met in Strasbourg *(see page 5).*

16 French President Georges Pompidou called for a national referendum on the entry of the United Kingdom, Ireland, Denmark, and Norway into the European Community *(see page 8).*

16-29 The Commission continued negotiations with the non-candidate countries of the European Free Trade Association.

17 Ambassador Robert Strausz-Hupé arrived in Brussels to take up his new post as US Ambassador to Belgium *(see page 3).*

18-19 French President Georges Pompidou and British Prime Minister Edward Heath met at the Prime Minister's country residence to discuss current and future Community policy *(see page 7-8).*

21 Ambassador David M. Kennedy arrived in Brussels to head the US delegation to the North Atlantic Treaty Organization *(see page 3).*

21 Sicco L. Mansholt was named President of the Commission of the European Communities *(see page 3).*

21 The Council of Ministers officially approved a narrowing of fluctuation bands between member currencies and closer coordination between national economic policies *(see page 11-14).*

24 The Council of Ministers approved agricultural reform measures and farm prices increases *(see page 4).*

29 Commissioner Albert Borschette left for Japan to begin preparations for the first Community press and information office in Tokyo.

EC Reacts to Belgian Tobacco Hazard Proposal

"Smoking may be hazardous to your health" is a familiar phrase to American consumers, yet continental cigarette-smokers are not being warned of the health danger posed by this costly past-time. Belgium, however, is now considering a "danger" labeling law of its own, and the enlarged European Community may attempt to make such legislation common throughout the Ten.

Answering a question by Maurice Dewulf, a Belgian Christian Democratic member of the European Parliament, the Commission of the European Communities stated on February 25 that the proposed Belgian legislation would not necessarily hamper or distort competition in the European cigarette market. Nevertheless, it hoped the Belgian Government would consult the Commission before passing the legislation. This procedure would lead to a Community-wide consultation and possibly Commission proposals for harmonized anti-smoking legislation.

Social Democrats Block Union Merger in Italy

The gathering momentum for a united labor front in Italy has been dealt a serious, if not fatal, blow.

Reversing its preliminary agreement *(see European Community No. 153, page 5),* the Italian Union of Labor, comprising Social Democrats and other moderate left-of-center workers, withdrew from projects to merge the three major labor unions in Italy.

The Union of Labor, smallest of the major groups with a 1.5 million membership, issued a statement on March 1 stating that it was not in the interests of its membership to agree to a merger.

It further implied that the Communist-Socialist union, CGIL, and the Catholic labor group—at the ideological extremes—would derive the only benefits from a merger.

The projected united front would have represented more than one-third of Italy's labor force. It now seems doubtful that any merger is possible without the mediatory influence of the Union of Labor.

This average German family needs a weekly income of $106 to live comfortably, whereas a similar Spanish family can live comparably for only $49.

Gallup Survey Compares European Family Incomes

A German family of four needs more weekly income than any other West European family. In Spain, a comparable family can get along with less than half the necessary German income.

These and other conclusions can be drawn from a late 1971 survey by Gallup International on the earning needs and capacities of families in seven West European nations.

In Germany the percentage of families with incomes higher than the weekly minimum was greater than in any other country, and in Spain, the smallest.

The survey's results follow:

	Weekly Income Family of Four	Percentage of Persons with Income Greater	Inferior	Equal[1]
Germany	$106	46	19	35
Finland	88	16	60	24
France	84	25	31	44
Great Britain	75	26	40	34
Greece	58	17	46	37
Norway	50	40	29	31
Spain	49	13	23	64

(1) Includes those polled who did not respond.

Europe Slims the Money "Snake"

PAUL KEMEZIS *a freelance journalist based in Brussels.*

Signor Ricci, an Italian exporter of wearing apparel, last year received 1000 lire for each sweater exported to Germany. The lira was then at its normal dollar parity.

Then the mark moved up to its current maximum authorized rate against the dollar, while the lira fell to its lowest authorized dollar rate. As a result, for a second consignment he received only 955 lire per sweater. After the lira then strengthened and the mark weakened, both to the permissible limits now in force, Signor Ricci received 1045 lire per sweater.

Poor Signor Ricci could never be quite sure what price he would receive for his goods. This hypothetical case illustrates what could happen to traders doing intra-Community business under the 4.5 per cent fluctuation band established by the December 18, 1971, Washington accord.

To minimize uncertainty in intra-Community trade, the Six have decided to reduce fluctuations between their currencies, while maintaining the wider global fluctuation band with regard to third countries. Starting this summer, disregarding revaluations and devaluations, fluctuations in exchange rates will no longer be able to lower the price of Signor Ricci's sweater below 977.5 lire or raise it above 1022.5 lire.

Fluctuation Margins: How They Work

The fluctuation margin is a device which allows currencies some of the flexibility of a floating exchange rate with the security of a fixed rate. Before last summer, for example, each currency was pegged by a specific rate or parity to the dollar and thus to all other currencies. The rate was changeable only by devaluation, revaluation, or a temporary float. But a fluctuation margin of 1.5 per cent (0.75 per cent up and 0.75 per cent down) was put around the fixed rate so that currencies could move slightly to absorb exchange market pressures. After the world monetary upheavals of recent years, however, this band was considered too narrow, and last December the ten richest nations met in Washington and decided to widen it to 4.5 per cent, 2.25 per cent above and 2.25 per cent below the central rate.

Maintaining the Margin

Whenever a country's currency is weak vis-à-vis the dollar, that country's bank seeks dollars to buy its own currency to maintain parity. When the country's currency is strong, its central bank has to sell its currency and buy dollars to reach parity.

In recent years, the dollar has been weak and most Community countries' currencies have been strong. Community central banks have therefore been obliged to mop up large quantities of dollars, an arrangement which has discriminated in favor of the dollar. Until August 15, central banks could theoretically swap their dollars for gold. They did not always do so, however, partly because this would have further weakened the dollar. On that date, the United States suspended the convertibility of the dollar.

Normally currencies float according to market pressures inside the band with little intervention, but during a crisis very large amounts are bought and sold. Until now, European central banks generally have not used Community currencies to intervene on the exchange market against each other, because their exchange relationships have derived from their respective dollar relationships.

The exchange rate between two European currencies, or the "cross rate," can vary by twice as much as the rate of each against the dollar. If one day the mark stands at the dollar ceiling and the lira at the dollar floor and the next day the positions are reversed, the actual change on the market between the two would be 9 per cent — assuming the present 4.5 per cent band.

Europe's Current Situation

Since the Washington agreement, francs and marks have been able to fluctuate by 2.25 per cent either side of the normal rate for the dollar, i.e., by 4.5 per cent against the dollar but by 9 per cent against each other.

In practice such a rapid shift does not happen, although it is possible over a period of months. Businessmen currently prefer to make long-term contracts in dollars, because its relation to any other currency cannot change more than 4.5 per cent barring revaluation or devaluation. The wide deviation possible between European currencies disrupts the Community's common market in farm products. Without stable monetary relations, a complicated system of compensation must be operated at the border between member countries.

Community Takes Action

After July 1, Europe's situation will improve. The Community has decided that from that date member states' currencies will not diverge from one another by more than 2.25 per cent at a given moment. This new narrow band has become known as the "snake" inside the "tunnel" of the global 4.5 per cent band. As long as market forces maintain Community currencies within 2.25 per cent of each other inside the tunnel, there will be no problem. The snake could be as thin as market forces permit. For example, if all the currencies remained at the same rate against the dollar, the snake would simply be a single line on a chart. The Community aims to gradually slim the permitted band to this point, creating a common European currency at least for central bank transactions.

When the relationship between two Community currencies threatens to diverge beyond 2.25 per cent, problems will arise. Central banks of the two currencies will have to intervene in the money market in each other's money to ease the pressure. If, for example, the mark were at the upper limit and the lira at the lower, either the Banca d'Italia would borrow marks from the Bundesbank and use them to buy lire and support its sinking currency, or the Bundesbank would buy lire and sell marks. Which bank should bear the brunt of intervention — the one with the strong money or the one with the weak money — will be decided on a case-by-case basis.

The Snake and the Dollar

In principle, the Europeans would like the band, which can be narrower than 2.25 per cent but never wider, to move up

and down in the tunnel according to market forces. When the dollar is weak, the snake's top will touch the ceiling, and central banks of countries with the strongest currencies will buy dollars as before to force their currencies down. Similarly, if the dollar becomes strong and the snake hits the bottom, the banks with the weakest currencies will sell dollars and buy their own currency.

The Commission has proposed a common fund to spread the burden from the high or low currencies which must intervene in dollars, and the governments have asked their central banks to report on the proposal this summer.

Settling Accounts

As the Europeans intervene in one anothers' currencies they will inevitably run up debts. Central bankers want to avoid a precedent for holding each other's currencies or leaving debts unpaid too long. If a currency is consistently strong and its bank keeps lending money to support others, it could become a kind of reserve currency with the usual key-currency headaches. Therefore, the Community decided to balance all debts once a month.

Community bankers also frown on allowing debtors to make repayments in whatever form they wish, since the temptation to unload unwanted dollars might be overwhelming. Thus each country will pay its debts by a formula corresponding to the composition of its reserves.

One short-term advantage of the new Community arrangement is that discriminatory treatment favoring the dollar will be eliminated. Also, Community payments will be increasingly stabilized. Moreover, the agreement is a forceful step toward a Community monetary system. Nonetheless, it remains to be seen whether the new system will be able to withstand intense speculative pressure. If a member currency changes its value through revaluation or devaluation (steps which the Council's agreement does not exclude), the system can theoretically absorb the change since the fixed rate itself, and not the margin, is shifted. If such a change is preceded, however, by the usual period of hesitation, speculative movements could upset the mechanism used to preserve the narrow band. To prevent this, member states have adopted measures to control sudden inflows of short-term capital.

Another major problem could arise should one currency become a chronic debtor, thereby draining its reserves. A number of devices currently exist to extend credit, including the Community's medium-term and short-term financial aid systems totaling $4 billion. Recourse to these, however, will not correct the situation. The chief weapon against chronic imbalances would be economic coordination measures. The member states' ability to keep their economies in line are seen by many as the key to ensuring the success of the plan for economic and monetary union.

Aligning National Economies

MARCH ACCORD BOOSTS ECONOMIC AND MONETARY UNION

After almost a year's halt, the Community is back on the road to economic and monetary union.

In addition to reducing fluctuation margins between Community currencies (see page 11), the Council of Ministers' March 21 agreement established a top-level committee to coordinate national economic policies within Council guidelines. By requiring member states to submit national policies to Community scrutiny, the agreement symbolizes a growing political will to make the sacrifices necessary for economic and monetary union.

Coordinating National Economic Policies

The "Coordination Group" established by the Council consists of the member countries' special representatives or their finance ministers, and a representative of the Commission. This group will "ensure reciprocal and constant information on the member states' short-term economic and financial policies and the coordination of these policies within the framework of economic policy guidelines defined by the Council."

As the result of a decision last March, the Council of Ministers currently meets three times a year to establish short-term economic guidelines in the fields of incomes, credit, investment, and budgetary policies. Prior to taking action contrary to Council guidelines, member states have agreed to consult with the newly-formed Coordination Group. It is understood, however, that in emergencies governments may act first and seek approval afterwards. The chairmen of the Short-Term Economic Policy Committee, the Monetary Committee, and the Budgetary Policy Committee will assist the Coordinating Group which will also work closely with the Committee of Permanent Representatives to prepare the tri-annual Council sessions.

Antispeculation Measures

As part of the Community's resolution to coordinate national policies, the Council adopted a directive designed to protect Community economies from destabilizing capital flows caused by speculation. According to the directive, national monetary authorities will be given instruments to regulate capital inflows and to neutralize their negative effects. The authorities will be granted the power to regulate

- investment in the money market and interest paid on non-residents' deposits
- loans which Community residents contract in non-Community countries
- the net external liabilities of credit institutions
- compulsory reserve requirements, particularly for non-residents' bank accounts.

Regional Development Fund Still Pending

The Council's resolution adhered to the Commission proposal in most cases with one major qualification, the proposed creation of a regional development fund. The Council agreed that either a fund should be created or "that an entirely different system of resources should be established to finance regional development." The Council also agreed to use funds from the Agricultural Guidance and Guarantee Fund for regional development. The Council invited the Commission to propose measures to solve the most urgent regional development problems and pledged to act on the proposals before October 1, 1972.

Germany and France were unwilling to commit themselves at this stage to the establishment of a European monetary cooperation fund to coordinate central bank interventions on money markets and harmonize reserve policies. Such a fund presupposes far-reaching integration of monetary policies and would represent significant progress toward a Community central bank system and a pooling of reserves. The Six therefore repeated last year's decision that experts submit a report on the proposed fund by June 30, 1972.

The Council also agreed to consider Commission proposals on fiscal harmonization and a European capital market within six months after they appear on the Council's agenda.

Hopes for Monetary Union Renewed

The Community countries' pledge of unity renewed hopes for economic and monetary union, an idea introduced to the Council by the Commission three years ago.

Last March, the Council passed a similar though less detailed resolution to work toward union, but plans lost momentum in May of 1971, when Germany and the Netherlands decided to float their currencies. The US announcement on August 15 severing the dollar's tie to gold further disrupted an already shaky international montary system and made the atmosphere less conducive to European unity on economic matters.

Although the Washington accord reintroduced a semblance of order to international money markets, Community member states felt that their economies were still linked too closely to the dollar and might suffer a massive inflow of dollars. Community central banks were forced to either buy up the dollar to maintain its parity or let it depreciate further, making Community goods less competitive on world markets. Member governments therefore had a powerful incentive to agree swiftly on a set of economic and monetary measures.

The March 21 agreement is based largely on the Commission's proposal. The Commission played a major role in enabling the Six to make the necessary concessions and so reach a common stand.

France Urged Narrower Band

France was especially eager to have the fluctuation band narrowed, because currency fluctuations disturb the operation of the common agricultural policy. Common farm prices are fixed in "units of account," equivalent to the value of the dollar before its devaluation. Whenever Community parities have changed their relationship to one another by more than 2.5 per cent, the Community has had to impose border taxes and rebates to keep farm prices and income stable throughout the Community.

Germans and Dutch Wanted Economic Coordination

Germany and the Netherlands argued that because their currencies were the strongest in the Six, their central banks might well bear the burden of keeping weaker currencies within the narrower band. They therefore sought Community action to coordinate member states' economic policies. Here, France accepted Germany's views on prior consultation and the creation of a high-level steering committee.

Italy Pushed for Regional Development

Italy, supported by Belgium, requested Community action to support development of the Common Market's poorer areas. By committing themselves to tighten coordination of monetary and economic policies, member governments lose some flexibility in national programs for balanced development.

Along with Italy, the candidate countries, Britain, Norway, and Ireland, have the most serious regional problems of the Ten and therefore stand to gain most from allocation of Community funds for regional development.

All member countries agreed that the accord establishing the Community as an independent monetary area will benefit the entire international monetary system. French Finance Minister Valéry Giscard d'Estaing reflected the views of many Europeans when he lauded "the new role European currencies will play in stabilizing international financial relations."

Are We Ignoring History?

Europeans have long been able to predict at least one phrase in political speeches. "The need to consider 'Third World' interests" is always mentioned, no matter what the speech's main topic.

During the Accession Treaty signing ceremonies on January 22, almost every orator urged the Community to develop a common economic aid policy commensurate with the means and responsibilities of an enlarged Community. Who could question the legitimacy of a common development policy or its positive contribution to Community cohesion?

Hearing so many development pledges, the European public must think that if not every Third World problem has yet been solved, solutions are just around the corner. After all, public attention is drawn daily to a new agreement for cooperation on development, or a loan to finance a development project, or a new conference to organize markets for Third World exports.

Huge and Rising Debts

Closely informed people, however, point to some reports on the Third World which tell a different story, one which the media practically ignore. According to these reports, aid to developing countries is decreasing. Over their heads in debt, many developing countries pay out much more than they receive, thus aggravating their credit situation. Although directly affected by changes in the international monetary system, the Third World has little hope for a settlement which will take its needs into account.

According to other reports, the developing countries' economies are at the mercy of world market fluctuations. They do not have the resources to protect their producers from the vagaries of world market prices.

Unfortunately, these are the indisputable facts about the Third World. Financial aid at its current level cannot possibly balance the developing countries' deficits. No reprieve is in sight, because many developed countries do not seem to consider the situation grievous enough to take the necessary political action.

Development Is Also in the Interest of the Rich

Events are unfolding as if our own society's history had nothing to teach. In today's small world, the gap between the rich and poor nations is similar to the one in the nineteenth century between the privileged upper class and the proletariat. The same motivations of self-interest and morality which prompted action in that era are applicable today on a global scale.

As was true during Europe's industrialization, the underdeveloped must be included in the growing wealth to encourage them to participate peacefully in our own development. As in the past, we must avoid errors inspired by a desire for maximum profit in the short run. Restricting the benefits of progress to a small élite could lead to bloody conflicts within or between societies. Development aid to poor nations is only a new dimension of social and fiscal policy upon which our own prosperity depends.

The Enlarged Community's Special Role

The wealth, trade volume, experience, and know-how of an enlarged Community will enable it to assume a large part of the world's responsibility toward the developing nations. Debate on development policy within the Community must be accompanied by firm pledges made before the entire international community in such forums as the United Nations Conference on Trade and Development (UNCTAD), in Santiago, Chile this month.

The Community has so far accomplished a great deal bilaterally and collectively within such frameworks as the Yaoundé Association of 17 African countries and Madagascar. Through enlargement, the Community has pledged to work toward the well-being of the numerous Commonwealth nations which share the economic plight of the associated countries. The Community has recognized certain obligations toward the Mediterranean countries and is becoming more aware of its responsibilities toward developing nations from other parts of the world.

The Community intends to expand its development efforts and to turn public attention toward the actions open to developed nations.

UNCTAD III: Third World Speaks Up

NORBERT KOHLHASE *director of the Community's Information Office in Geneva.*

Just before the third United Nations Conference on Trade and Development (UNCTAD III), in Santiago, Chile, UNCTAD Spokesman Tibor Mende published a vehement critique of current development policy, entitled "On Aid to Recolonization: The Lessons of Failure." With this comment, the author tendered his resignation from UNCTAD where he had been spokesman since its formation in 1964. This political act by one of UNCTAD's best known theorists reflects the general uneasiness surrounding UNCTAD III. According to the documents prepared for the conference by the UNCTAD Secretariat, the Third World is losing ground, and despite years of effort is worse off from almost every point of view than could have been predicted.

A Gloomy Picture

In the field of trade, the developing countries have experienced both a decline in terms of trade and a reduction of their world market share. On the general economic level, their external debts have assumed such proportions that interest payments alone eat up most of their foreign aid revenue.

Few people would consider this too gloomy a view. Cooperation on development so far has not solved the critical problems of this century. This was the message of the "Lima Action Program" of November 1971 in which 100 developing countries (not counting Bangladesh and mainland China) outlined their needs and hopes for UNCTAD III. This document, which covers up conflicts of interests between the developing countries, was made possible by extending the list of demands rather than by compromises. The list names almost every economic device used to help any developing country. New topics include: the effects of an environmental policy on developing countries; economic and commercial aspects of disarmament; transfer of technical know-how, and at the insistence of a few countries, study of the effects of closing the Suez Canal.

Painstaking Preparations for UNCTAD III

The sheer number of topics to be covered in Santiago has complicated the negotiating procedure, but painstaking preparations for the conference may compensate for this drawback. Neither of the two previous conferences, in Geneva in 1964 and in New Delhi in 1968, had been as carefully prepared as this one. Before completing plans for UNCTAD III, Manuel Perez-Guerrero consulted the developing countries, the Organization for Economic Cooperation and Development (OECD), the Community, and numerous UNCTAD member governments. He hopes the conference will concentrate on some basic questions which, judging from the numerous preparatory papers, will be different from those treated in previous negotiations. Less time will be spent on specific quantifiable issues and more on setting new, almost normative, guidelines.

The developing countries first request will probably be to participate in the process of deciding on the final shape of the new international monetary system and in the next round of General Agreement on Tariffs and Trade (GATT) negotiations on non-tariff barriers. They will also insist on receiving generalized preferences from every industrial

Roads such as the Tan-Zam Highway, linking Zambia's copper mines to the port of Dar es Salaam in Tanzania, are a prerequisite for industrial growth.

country and a guaranteed fair share of industrial markets for their competing basic products and any necessary changes in the economic organization of these markets.

These grievances far surpass the objectives of traditional negotiations. The developing countries realize that financial aid cannot solve their problems. Central to debate will be their new insistence on improving the international division of labor. The basic tenets of the world economic order will be questioned.

Recommendations, Not Decisions

Naturally, the developing countries do not expect decisions on every subject. In any case, UNCTAD can only make recommendations which its member governments must sell in the appropriate international forum. This is what happened after UNCTAD II in New Delhi where the principle of generalized preferences was approved.

Other restraining forces must also be considered:

- The world monetary crisis continues.
- In view of the GATT's preparations for vast multilateral negotiations in 1973, the industrial countries will want to keep their hands as free as possible, so as not to compromise future opportunities for making concessions.

The Community itself is caught up in problems connected with its enlargement. That is why the Commission, in its March 8 communication to the Council, said that it would be "difficult for the Community of Six to make any promises in Santiago beyond what is implicit in [its current] policy and practice. The enlarged Community's future policy will naturally include a commitment to cooperation on development, but the Community of Ten must define the content of this policy and put it into effect."

UNCTAD III will influence such a policy. The agenda of the forthcoming Community "summit" conference will include discussion of the Community's external relations, especially with the developing countries. Santiago's special mission lies in confronting the Community and the other industrial powers with their new international responsibilities.

Developing Nations Defy Stereotypes

JEAN MARIE ALBERTINI *French Center for Scientific Research*

No single approach to economic development works in the "Third World." So varied are the developing nations' aspirations, economies, societies, and political persuasions that effective aid to individual poor countries takes imagination and foresight. It depends on the donor country's ability to interpret the deceptively simple goal of "economic development" in the light of each poor country's unique needs.

Some Misleading Generalities

From 1955-67, developing countries achieved an average growth rate of 4.5 per cent, compared to 5.2 per cent in western industrial nations and 7.6 per cent in communist countries. In that same 12-year period, food production increased 41 per cent in the Third World, a 6 per cent increase after allowing for population growth.

Third World industrial growth rates surpass those of developed countries. From 1955-67 the developing countries increased industrial production by 92 per cent, compared to 83 per cent for developed countries. These seemingly impressive figures can be misleading, because 90 per cent of an initial production capacity of almost zero is substantially less than 80 per cent of a larger initial capacity. In other words, there is still a large discrepancy between absolute production figures, through growth rates are similar.

Per Capita GNP Varies Widely

A comparison of per capita gross national product (GNP) in developing nations shatters any illusions of Third World homogeneity. For example, the average Haitian produces $91-worth of goods a year, compared to the average Venezuelan's $944.*

Differences are even greater in Africa. Chad, at the low end of the scale, has a GNP of $64 a person, compared to the richest country, Libya, with $1412. Libya has such difficulty using the earnings of its expanding petroleum industry that it has become an aid donor country.

The contrast is less marked in Asia, except Kuwait, where per capita GNP is nearing that of the United States ($4,664). There is a substantial difference, however, between India's per capita GNP of $84 and Singapore's $844.

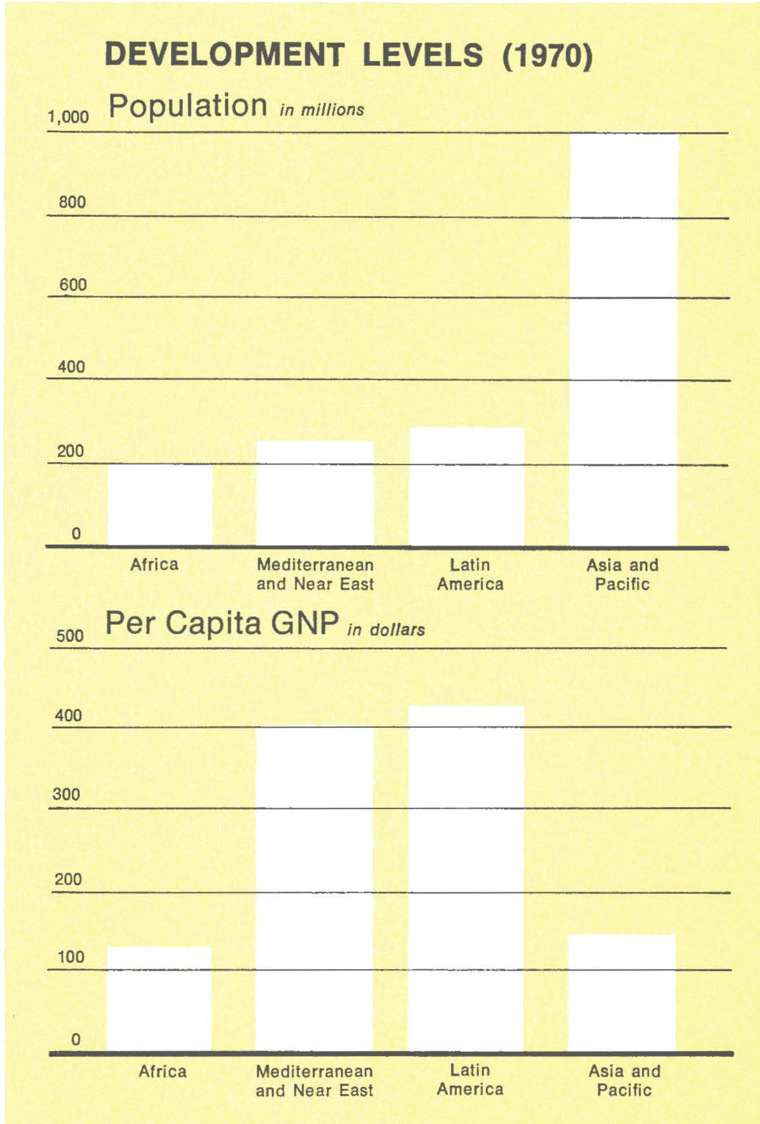
Absolute Figures Tell the Story

Despite its convenience in comparisons, GNP per capita gives only a partial picture of economic realities. Differences between fast growing and stagnating economies and disparities in economic potential present individual countries with diverse development problems.

With $84 GNP per person, India has a far greater capacity for growth than Paraguay with its $236 annual GNP per person, even though India's actual growth rate may be smaller. Development is not a simple question of percentages. Absolute figures are also tell-tale indicators.

With a gross national product of more than $40 billion,

**Per capita GNP figures are taken from* The United Nations Statistical Yearbook—1970, *No. 22, Department of Economic and Social Affairs, New York, 1971.*

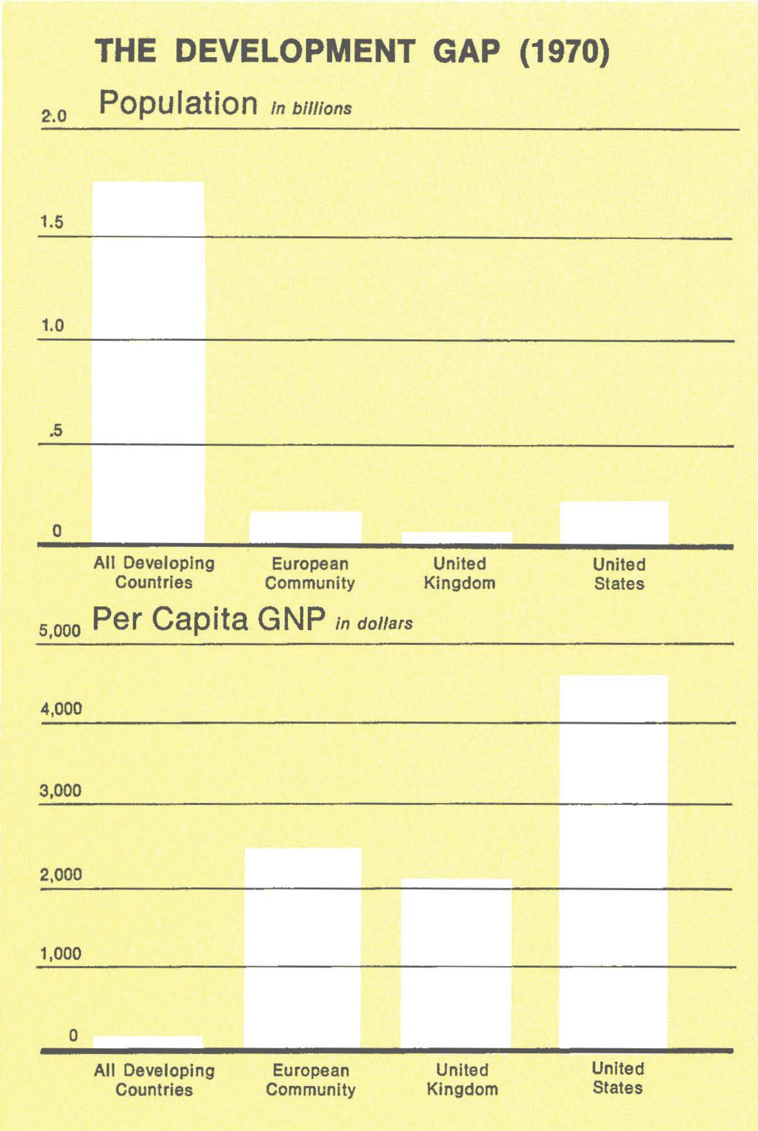


India can develop advanced industries, including nuclear and electronic plants. India can afford to train managers, to pay for an efficient army (as demonstrated in the Indo-Pakistani war), and to establish research centers.

Such ventures are impossible for countries with a gross national product of less than $1 billion. In other words, only subcontinents like mainland China or those countries which have already crossed the $1 billion to $1.5 billion GNP threshold can ever hope to attain economic power.

Political Systems Run Entire Gamut

The politico-economic systems of Third World countries range from free enterprise capitalism to centrally controlled socialism. Capitalism or neocapitalism has enabled countries like South Korea and the Ivory Coast to achieve growth rates of 7 per cent or more per year. Socialism delivered Cuba from economic collapse, following its break with the United States. Algerian socialism is, after modest first results, beginning to bear fruit with a 6 per



Raw materials, such as the sisal which these Tanganyikans dry in the sun, often form the bases of developing nations' economies.

cent annual growth rate in the late Sixties. Political differences even pit one developing nation against another, as in the case of India and Pakistan.

Aid Must Conform to Country's Situation

Faced with a variety of situations, developed countries have diversified the form of their aid. Cooperation with a country just emerging from underdevelopment cannot be on the same basis as with a nation in the first stage of industrialization. Aid to a country of a few hundred thousand inhabitants bears only remote similarities to the kind of aid needed by an entire subcontinent. Capitalist and socialist systems also call for different treatment.

Diverse aid policies, however, have not always reflected a realistic approach. In many cases, they indicate an absence of policy or specific types of power relationships. For example, bilateral aid is sometimes successfully used as a form of neocolonialism which allows the rich to maintain a privileged place in the markets of the poor.

No Quick Remedy in Sight

Equality of economic prosperity between the Third World and developed countries is both improbable and impossible. The world's resources are insufficient to sustain a world living standard as high as current living standards in the rich nations. Raising world living standards to the current North American level would take, for one thing, 60 billion metric tons of iron ore. Today, world mines produce only 350 million tons a year.

Aside from the sheer volume of consumption in the rich nations, developing countries' efforts to achieve a measure of prosperity are constantly at the mercy of economic developments in the industrialized nations. Should the international monetary crisis continue despite the December 18, 1971, Washington accord, a trade recession could claim the developing countries as its first victims.

Where to Go From Here?

What course of action is open to the Third World? Some countries will seek economic development through increasing cultural and economic isolation, a strategy open only to countries, mainly subcontinents, with sufficient resources. Other countries will continue trying to use foreign aid to boost their economies to self-sufficiency. Still other nations, faced with social and economic upheaval, may seek foreign aid to postpone internal difficulties. Foreign aid cannot, however, solve problems caused by fundamental social and economic imbalances between rich and poor, whether within a country or between nations.

Developed nations could devote more attention to adapting aid to individual situations. The European Community, as the world's largest importer of raw products, could play a decisive role in reordering the entire international trade and aid structure to benefit developing countries. By building on its experience with its 18 African associates and Britain's knowledge of development of the Commonwealth, the Community could help to redefine aid policy goals, thus contributing to world peace and prosperity.

Aid Policy Coordination Urged

BETSY BAKER *freelance journalist specializing in problems of developing countries.*

Most developing countries received only 30 per cent of the food aid they requested from Community member countries in 1969, but Tunisia got 89 per cent and the United Arab Republic, which had asked for 175,000 tons of grain, received 172,000 tons.

To eliminate such discrepancies in treatment, the Commission has called on the Six to coordinate national food aid policies as part of an extensive overhaul of Community and national policies toward developing countries. In a wide-ranging memorandum last summer, followed by a more detailed memorandum in February, the Commission urged member states to reshape current development measures and adopt a long-term Community program.

February's memorandum suggested that the Six coordinate and intensify aid efforts, seek world commodity agreements on primary products, and promote exports of "Third World" products.

An enlarged Community, including the United Kingdom, Ireland, Denmark, and Norway, would be the largest donor of financial aid and the biggest market for Third World exports. The Community must therefore work out an overall strategy commensurate with its responsibilities to the needy two-thirds of mankind, the Commission said.

Community Aid Below UNCTAD Target

The Community's average aid level has fallen below the 1 per cent of gross national product recommended by UNCTAD, the Commission reported. In 1970 Belgian, French, and Dutch aid exceeded 1 per cent of their national GNP, but Germany's and Italy's lower figures dropped the Community average below the target. (US aid in 1970 amounted to .61 per cent of GNP.)

According to statistics published by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), the Community members, excluding Luxembourg which is not a DAC member, contributed a net flow of $4.776 billion in official and private financial aid to developing countries in 1970. Adding the contributions of the United Kingdom, Denmark, and Norway, the three applicant countries which are DAC members, an enlarged Community's net flow would total $6.221 billion, $250 million more than the US aid total.

In the future, the Commission said, the member states should concentrate on improving official aid, where the UNCTAD target is 0.7 per cent of GNP. Not one member state reached this level in 1970. France came closest with 0.65 per cent, but the figure for Italy was only 0.16 per cent, compared with 0.31 per cent for the United States.

Untie Aid From Purchasing Requirements

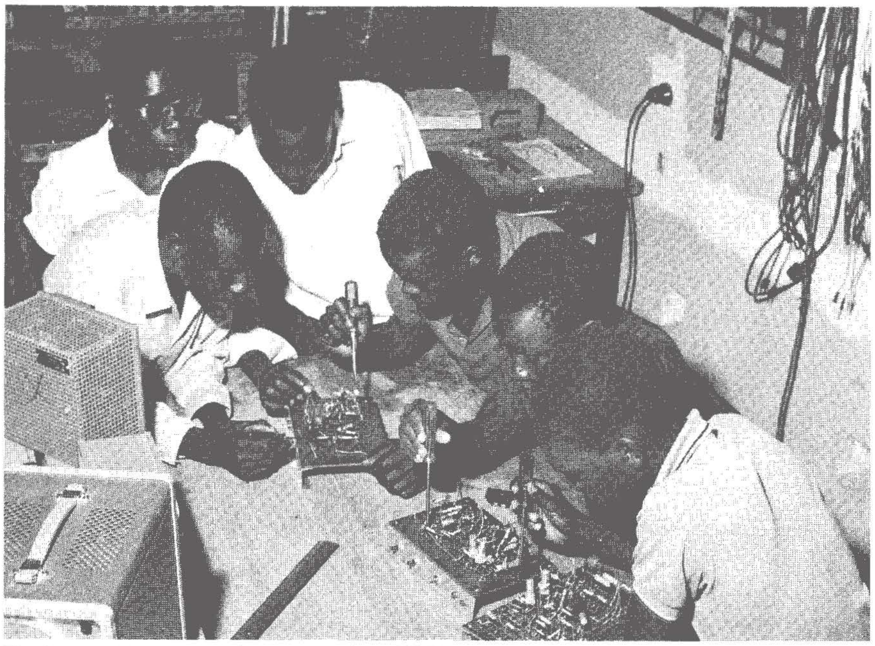
The Commission recommended that the member countries integrate their official aid plans into the Community's medium-term economic program, covering five years, instead of assigning funds on an annual basis. They should progressively increase the number of non-repayable grants and reduce loans which increase the developing countries' indebtedness.

The Six should also begin to "untie" aid by agreeing that aid granted by one member state could be used for purchases in any other Community country, according to the Commission. The system could be extended to the ten-nation Community after enlargement and to the rest of the world as soon as possible.

The Commission also called for increased private investment in the Third World, a Community system of investment guarantees, and Community assistance to prepare developing countries for private investment. Other recommendations included creation of a data bank on investment opportunities in developing countries, an expanded role for the European Investment Bank, and clearing houses for subcontracting between Community industries and developing countries.

Assistance Through Market Organization

The Commission urged member countries to play a major role in securing world agreements on primary products exported by developing nations. The Community should join the international sugar agreement and gradually decrease its own internal sugar production. The Commission also recommended that the Community work for a long-term coffee agreement and consider agreements on cocoa, oilseeds, tea, and jute. Where international agreements cannot be reached, the Community should seek regional or *ad hoc* agreements with developing countries.



The Community's European Development Fund (EDF) has allocated more than $1.3 billion (new dollars) since 1958 and plans to allocate an additional $1.1 billion in the future for development projects in education, health, rural modernization, and road construction. Most Community aid is given in the form of grants. Opposite page: An African road surveyor in Imbo, Burundi. Upper left: A construction worker ties iron support rods for the foundation of the Technical Institute of Africa in Gitéga, Burundi. Lower left: A doctor makes rounds at the hospital in Rutana, Burundi. Upper right: Burundi students attend electronic class in EDF financed section of the Bujumbura technical school.

Promoting Third World Exports

Wherever possible, the member states should encourage the use of primary products exported by the developing countries. The Community could also sponsor an information service about the Community market for exporters and a promotion service for public export organizations in the Third World. Other recommended Community projects include the opening of Community trade centers in certain developing nations to promote their exports and provide technical assistance so that exports meet Community health and other regulations.

In the field of social cooperation, the Commission called for aid to establish or adapt infrastructure, hospitals, schools, and housing. Aid to education would also have top priority. The Commission stressed that such programs could best be coordinated at Community rather than national level.

The Community should also try harder to integrate Third World migrant workers into its member countries' social and economic life. In particular, the Commission recommended the extension of advantages accorded to Community workers to workers from developing countries.

Aid to Boost Technical Know-How

The Commission urged the Community to increase technical aid for scientific research facilities which are beginning to spring up in the Third World.

Noting the Community's experience in giving technical assistance on regional planning and integration, the Com-

Subsistence agriculture accounts for more than half of Burundi's gross national product. Here, workers pick tea leaves on a plantation in Rwengura, started with Community aid to help diversify crops.

mission recommended the organization of training courses or conferences for interested developing countries. Independent experts or Community staff members could also be made available to counsel regional organizations.

Lack of Coordination Breeds Chaos

In the Commission's view, cooperation between aid donor countries is one of the major themes of the Second Development Decade and a goal endorsed by the European Parliament. Lack of coordination between national and Community development programs has resulted in duplication, resource waste, and inefficiency. For example, member countries' food aid is divided between Community and national programs. It has been comprehensive in its geographical distribution, but lack of coordination has turned what should have been a straightforward operation into a complex, incoherent system. The Commission recommended that the Community's jurisdiction over food aid be enlarged, with a view toward eventual Community control over the entire operation.

While bilateral aid and diplomatic contacts in general are likely to continue dominating relations between member states and most developing countries, the Commission believes that as much as possible should be done at Community level.

Political Will Needed to Make Sacrifices

Major internal economic policies of the Community and member states influence developing countries and should, therefore, be coordinated with trade and aid policies. Some development assistance programs could also affect people living within the Community. For example, concessions for certain temperate-climate imports from developing countries could influence the common agricultural policy, thereby affecting Community farmers.

Any industrialized country which cuts back its own textile production to favor imports from newly industrialized countries, such as India, will face domestic social problems. Nevertheless, with the political will to make necessary sacrifices, most social problems can be solved, the Commission said. Sacrifices should not be borne primarily by individuals; tax policy should spread the burden among member states and between the rich and poor. Retraining programs should be flexible enough to meet unexpected crises and bottlenecks. Attempts to economize on such reorganization would cost more in the long-run, the Commission said.

Where Community Policy Stands Today

When the Common Market was established, the member states included a chapter in their Treaty on relations with 18 African territories, mainly French. These provisions remained in force until 1964 when the Yaoundé Convention took over, associating the "Eighteen" newly independent countries with the Community. After this five-year Convention had expired, a second Yaoundé Convention was signed in 1969.

In 1968 Kenya, Uganda, and Tanzania became associates of the Community through the Arusha Convention. Other developing African Commonwealth members and Commonwealth states in the Caribbean have been offered associate membership after enlargement, although agreements have not yet been reached.

Association agreements leading to eventual membership were concluded in 1961 with Greece and in 1963 with Turkey. Special trade acords have also been signed with Malta, Morocco, and Tunisia.

To maintain economic and commercial equilibrium among nations around the Mediterranean, the Community has signed preferential agreements with Spain and Israel. In the Commission's view, geographical proximity and similarity of traditions and interests make development of the Mediterranean a natural extension of European integration.

Latin American countries tried during the early 1960's to interest the Community in the region but with little success until 1969, when a Commission memorandum focused on relations with Latin America. The Council decided that the memorandum which summarized each Latin American country's problems would serve as a basis for extensive study. In June 1971, a mechanism for permanent dialogue between Latin Americans and the Six was agreed upon. Later that year, the Community signed its first trade accord with a Latin American country, Argentina.

Trade as Aid

As the world's major importer, the Community considers trade a significant part of its development policy. Community imports from developing countries have grown faster than member states' exports to the Third World. In some areas, the Community has had to reconcile the associated states' trading interests with those of other developing countries.

To improve markets for developing countries' manufactured goods, the Community introduced a system of generalized tariff preferences for industrial goods from the Third World on July 1, 1971. The United States has not yet established a comparable system.

The Community finances development projects through the European Development Fund and the European Investment Bank.

The Commission is a member of the Development Assistance Committee (DAC) and participates as an observer in the UNCTAD, the United Nations Economic and Social Council, its Economic Commission for Africa, and its Organization for Industrial Development.

Promoting African Exports

EC SUGGESTS WAYS FOR AFRICAN ASSOCIATES TO RAISE EXPORT EARNINGS

Eight of the world's 25 least-developed countries are associated with the European Community through the Yaoundé Convention.

In a study * that could help change this record, the Commission of the European Communities has suggested how these eight and the other ten Yaoundé countries might increase their manufactured exports, thereby improving export earnings and strengthening their economies.

Burundi, Dahomey, Upper Volta, Mali, Niger, Rwanda, Somalia, and Chad are the associated nations numbered among the world's least-developed countries by the United Nations Conference on Trade and Development (UNCTAD). The other parties to the Yaoundé Convention are Cameroon, Central African Republic, Republic of the Congo, Gabon, Ivory Coast, Madagascar, Mauritania, Senegal, Togo, and Zaïre.

The Commission's study, conducted with the approval of the associated countries, analyzes ways in which African industries could use domestic natural resources to produce goods needed by the industrial nations, particularly Community members. Financed by the Commission, the study is a good example of aid used to bolster trade.

Industrialization and Economic Diversification

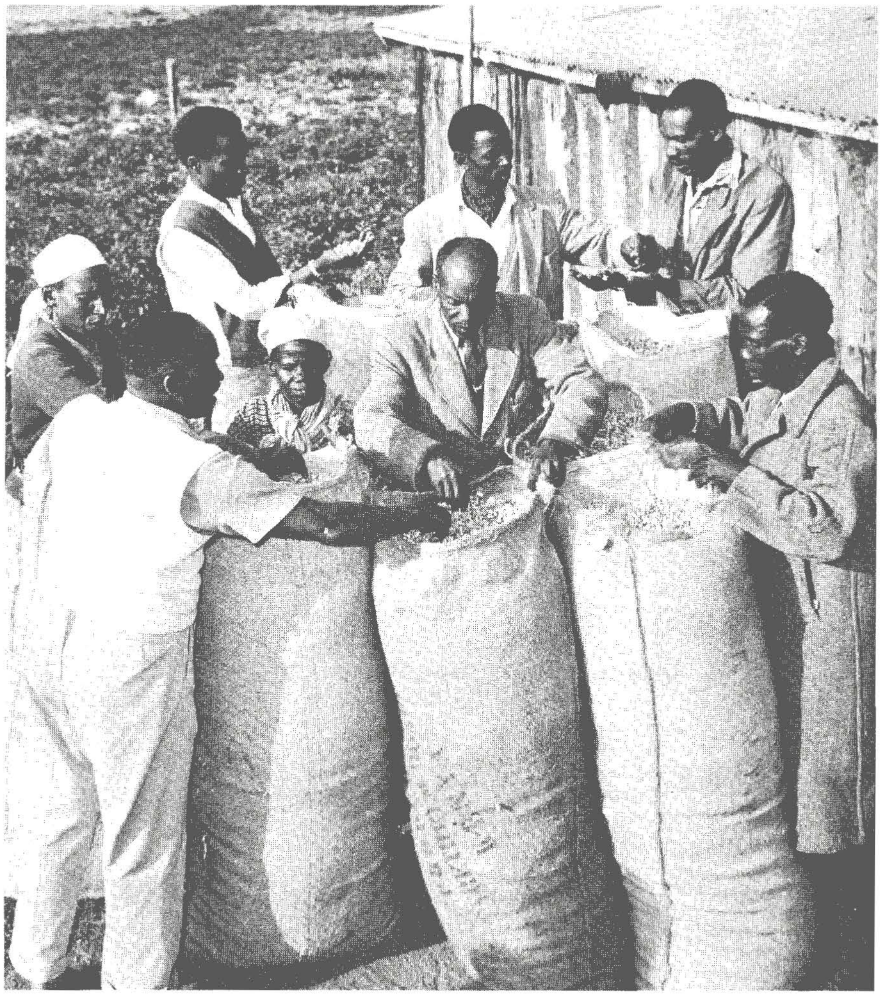
Industrialization and economic diversification of the associates have been the preoccupation of the Community and the associates alike since their special trade relationship was established. The terms of this relationship were first specified in the 1958 Treaty creating the European Economic Community, at a time when the associates had not yet attained independence. The Yaoundé Conventions were signed after most of the associates had become sovereign states.

During the term of the first Yaoundé Convention 1964-69, the associated African states emphasized local production of consumer goods which otherwise would have been imported, draining reserves needed for development. The second Yaoundé Convention, covering from 1971-75, calls for diversification of industrial production. In its new study, the Commission brought both goals together.

"Export and locally-oriented industries are complementary paths, one as necessary as the other [for economic development]," the Commission said. Export industries, if carefully chosen, would stimulate the economy by foreign exchange earnings without harming locally-oriented industries. The Commission suggested that the African states should concentrate on producing for export goods in which they have a competitive advantage over industrialized competitors. The Commission's study listed the most promising industries in terms of profitability and viability.

What the Study Turned Up

Which products do the industrial countries import from the developing countries? Which of those products are most competitive? These were two questions the study tried to answer.



Members of a cooperative near Nakura, Kenya, inspect a crop of pyrethrum, a daisy-like flower used to make insecticides.

Three lists were compiled in response to the second question. First were industries which were not exporting but which could be reorganized to do so profitably. Second were natural-resource-oriented industries which could export, and third were those industries employing large numbers of unskilled workers.

The study delineated criteria for judging whether an industry was feasible in terms of cost and competition with established producers and could efficiently exploit easily accessible resources.

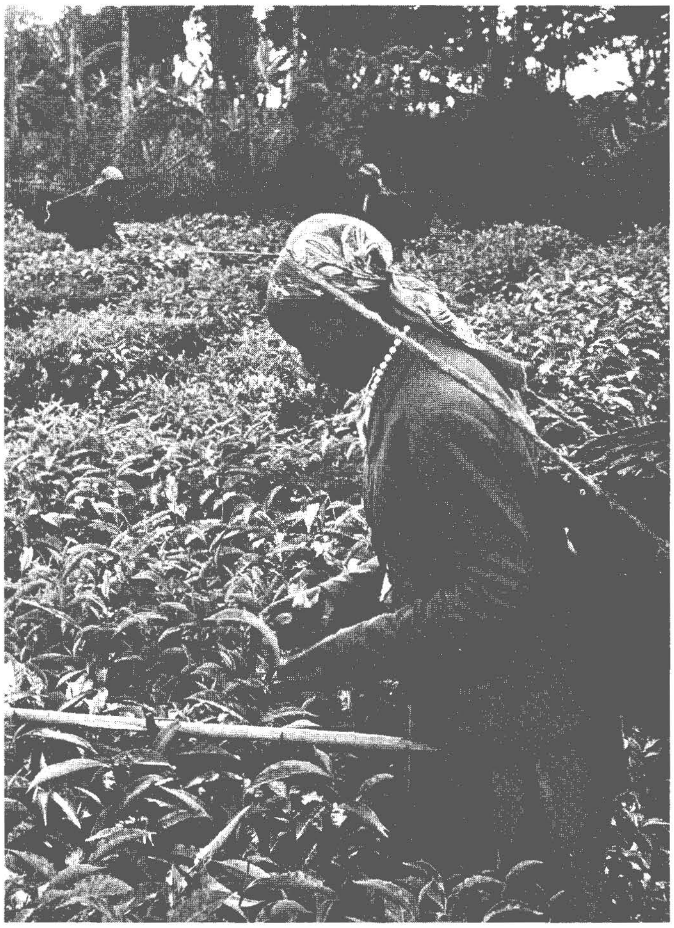
The Commisison noted that these lists were only a point of departure for further marketing studies.

What Developed Countries Want

The selection of products began with an analysis of the Community's, the United States', and the United Kingdom's imports of industrial goods from developing countries. The analysis concluded with the compilation of a list of 328 industrial goods of which the industrial countries imported at least $0.5 million-worth a year.

The Yaoundé associates supplied only 6 per cent of the

*Pré-sélection des Industries d'Exportation Susceptibles d'Etre Implantées dans les Etats Africains et Malgache Associés, *Brussels, 1972. This five-volume report is not available for general distribution but may be consulted in the library of the Delegation of the Commission of the European Communities in Washington.*



Workers in Kenya pluck and prune tea shrubs to a specified height. Kenya, an associate of the Community through the 1968 Arusha Convention, benefits from trade and tariff advantages in the Six.

Natives of Glidji, Togo, carry coconuts to the copra shed, where the coconut meat is dried before processing to extract coconut oil.

developed countries' total imports of industrial goods from all developing countries. About 93 per cent of the Eighteen's industrial exports go to the Community. Most of these exports come from local raw materials (52 per cent mineral, 43 per cent vegetable, and 5 per cent animal).

Of the 187 industrial products which the Community imports from developing countries, 13 products dominate the list. Of the 220 products imported by the United States from developing countries, four products dominate the list.

Supply Conditions in the Eighteen

Three lists were compiled of industrial activities which could convert to large scale export operations either by

- reorienting existing industries toward export manufacturing
- exploiting local natural resources more fully
- using unskilled labor on a massive scale.

The study eliminated products for which the Eighteen would have no competitive advantage over the producers of the article, those which utilized imported inputs at a low rate of return, and those whose unit value was too low to defray export marketing costs, such as transportation.

How to Hold Down Start-Up Costs

A preference was expressed for persuading existing but non-exporting industries to sell overseas instead of starting new export industries. This course would reduce the initial investment, use existing technical knowledge about the product, and complement the domestic market. For example, fruit juice production in Senegal could be developed as a competitive export industry.

The success of exploiting local natural resources hinges, naturally, on the abundance of the particular resource and its development at a cost competitive with the industrial countries. In Cameroon and Chad, where clay is abundant, pottery, crockery, and ceramic tile production would be potential export industries.

Industries using a large unskilled labor force have been the key to industrialization in many developing countries. Exports by the leather goods and jewelry industries, both labor intensive, could be developed in many of the Eighteen. So far, the Eighteen have not capitalized on their abundant supply of unskilled workers.

A Final List of Viable Export Industries

Because of good supply conditions in the Eighteen, 200 products were deemed feasible for export promotion. These 200 were rated according to viability criteria including the

- demand for the product in the industrialized countries
- volume and growth rate of the developing countries' exports of the product
- the abundance and competitiveness of natural resources used in production
- industrial techniques used
- existence of a complementary domestic market
- degree to which unskilled labor is used.

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...

The Dutch: How They Live and Work. By Ann Hoffmann. Praeger Publishers, New York, 1971. 171 pages with bibliography and index. $5.95.

A study of present-day Holland.

The author describes the Netherlands and its characteristics: historical background, the country, the people and the political and social institutional context. Information is given on the lives of the Dutch, their work, their amusements, their educational and transportation systems. The narrative is backed up with statistical data and illustrations.

Tariff Profiles in Latin America: Implications for Price Structures and Economic Integration. By Harry H. Bell. Praeger Publishers, New York, 1971. 155 pages with notes and index.

A survey of protective trade measures applied in Latin America, and an illustration of the insights that analysis of national structures (called "profiles") of protection can contribute to the interpretation of current commercial policy issues.

The study views tariffs and other protective barriers not so much as barriers to trade flows but rather in terms of their implication for the ratios between domestic and world-market prices. The author examines the concept and methodology of measuring tariffs, reviews the concept of comparative advantage and gains from specialization. He studies the implications of special features of the tariff structure and focuses on prospects for Latin American integration and its national and international implications.

Financial Management of Foreign Exchange: An Operational Technique to Reduce Risks. By Bernard A. Lietaer. The MIT Press, Cambridge, Massachusetts, 1971. 156 pages with mathematical appendix, selected bibliography and index. $12.50.

A study of foreign exchange risks, with the objective of giving practical advice to large international corporations on ways of determining international financing and hedging strategies.

The author handles different types of international financial transactions: loans, forward exchange contracts, swaps, bond investments, and repatriation of profits. He has developed a computer model for developing possible strategies with explicit trade-offs between costs and risks. The financial manager can choose whichever strategy best fits his own risk preferences. Devaluation and revaluation of foreign currencies, as well as floating exchanges, crawling pegs and widened bands are included in the model. A case study of a hypothetical international company completes the book.

The Modern Netherlands. By Frank E. Huggett. Praeger Publishers, New York, 1971. 222 pages with appendices, including bibliography and index. $9.00.

An analysis of Dutch society, emphasizing recent trends which have brought about significant structural changes.

The author traces the history and evolution of Dutch society from the first settlers. He contrasts remnants of the old social structure with the emerging pattern which he believes to have started around 1964-1966. The change, he claims, is due to massive increase in wages, growth of new political parties, the transformation of the Catholic Church, and the emergence of the Provo movement, among other factors.

These changes have led to considerable achievements in cultural affairs, social welfare, management of the economy and in consensus politics. The author emphasizes the uniqueness and the value of this radical social transformation which no other country in Western Europe has achieved in the past five years.

US Foreign Economic Policy for the 1970s: A New Approach to New Realities. National Planning Association, Washington, D.C., 1971. 215 pages. $2.50.

A policy report on domestic and international economic problems confronting the United States.

Regarding increased international economic integration as not only positive but necessary, the authors discuss the internal and external adjustment measures geared to encourage free trade development. Institutional changes, such as a reassessment of antitrust policies on the domestic front and international monetary reform on the external side, must accompany the resolution of economic and political problems such as labor standards, adjustment assistance, or defense burden sharing and policies for developing countries. Tariffs, quotas, and non-tariff barriers and other problems related to protectionism—are dealt with.

The report is supplemented by papers on trade blocs, the harmonization of national economic policies, monetary reform, international payments adjustment, US defense commitments and by a study of various adjustment assistance programs.

Joint Venture Survival in Multinational Corporations. Lawrence G. Franke. Praeger Special Studies, New York, 1971. 217 pages with tables and appendix. $17.50.

A study of the prospects of stability and longevity of joint ventures in multinational corporations, examining the relationship between the stages of development and the nature of production of the subsidiary on one hand, and the strength of the joint venture on the other.

It is the author's contention that the stability of the joint venture, which implies local and semi-autonomous decision-making on all levels is most likely to be assured where production is highly differentiated. If headquarters lets its foreign subsidiaries branch out instead of merely seeking product rationalization in one market, which eventually will force it to create a monopoly to eliminate competition and centralize management—foreign participation will be successful. This can be extended to say that, in its initial stages, when a foreign subsidiary is creating a market and allowing local knowledge to dominate decisions, the joint venture will also be stable and will contribute to international growth. Concentration of management is not inexorable; but where it is eventually intended it should be so stated by the home company to avoid the frictions created when large multinational corporations buy out smaller subsidiaries.

Current Legal Aspects of Doing Business in Europe. Edited by Leonard J. Theberge, American Bar Association, Chicago, 1971. 150 pages.

The proceedings of the American Bar Association National Institute, in Chicago on March 26-27, 1971, on national and Community laws on trade, investment, and corporate practices.

The book begins with an introductory speech by Ralf Dahrendorf, predicting that the Community's strength will grow in the 1970's and stressing that strength should be used constructively in the interests of free-trade. Other papers deal with joint ventures and connected tax problems; antitrust trends in the Common Market, mergers, distribution arrangements, and industrial property rights; individual problems for executives involved in European business; and new developments in European business law, dealing with indirect marketing and draft licensing arrangements. Future trends in the field are also discussed.

Publications Available

CINQUIEME RAPPORT GENERAL SUR L'ACTIVITÉ DES COMMUNAUTES 1971. Commission of the European Communities, Brussels, February 1972, 513 pages .. $4.00

Available in French, German, Dutch, or Italian. An English edition will be advertized when it becomes available. Contains a detailed description of the activities of the European Coal and Steel, Economic, and Atomic Energy Communities during 1971.

EXPOSE SUR L'EVOLUTION DE LA SITUATION SOCIALE DANS LA COMMUNAUTE EN 1971. Commission of the European Communities, Brussels, February 1972, 336 pages $2.40

Annual report on social developments in the Community during 1971. Covers employment, vocational training, labor relations, wages, housing, social services, social security, health, and medicine. Also includes a statistical annex.

GATT DOCUMENTATION FOR TARIFF STUDY SHOWS COMMON MARKET INDUSTRIAL TARIFFS STILL LOWER THAN US TARIFFS IN 1972. Background Information No. 3, European Community Information Service,Washington, D. C., February 15, 1972, 12 pages .... free

Analysis of the present tariff structure of the Community, United States, United Kingdom, Japan, and other industrialized nations. Based on a study prepared by the Secretariat of the General Agreement on Tariffs and Trade (GATT).

THE ENLARGED COMMUNITY: OUTCOME OF THE NEGOTIATIONS WITH THE APPLICANT STATES. *Bulletin of the European Communities* Supplement No. 1, 1972, Commission of the European Communities, Brussels, January 22, 1972, 69 pages .. $.60

Summarizes in detail the results of the enlargement negotiations with the United Kingdom, Ireland, Norway, and Denmark. Also includes sections on the negotiating positions and procedure.

BALANCES OF PAYMENTS 1960-1970. Statistical Office of the European Communities, Luxembourg, 1971, 121 pages .. $2.00

This yearbook gives: the balances of payments of the Community countries, overall and broken down by area; the overall balances of the applicant countries (the United Kingdom, Ireland, Norway, and Denmark); and the overall balances of the United States and Japan. Includes special sections on the financial accounts of the institutions of the European Communities for 1969 and 1970 and criteria used in establishing the data.

LES DEBATS DE RATIFICATION: LES RESSOURCES PROPRES AUX COMMUNAUTES EUROPEENNES ET LAS POUVOIRS BUDGETAIRES DU PARLEMENT EUROPEEN. The European Parliament, Luxembourg, October 1971, 192 pages $2.60

Reproduces the parliamentary debates of each member state on the Treaty granting the Community its own resources. Also outlines the major issues involved in the debates.

REPORT DRAWN UP ON PREPARATIONS FOR THE THIRD SESSION OF UNCTAD. *Working Documents* No. 278/71, The European Parliament, Luxembourg, March 13, 1972, 75 pages $1.00

Report by Pierre-Bernard Cousté for the Committee on External Trade Relations. Describes the preparations for the third session of UNCTAD and the EEC position in particular. Includes annexes of the provisional agenda, declaration and principles embodied in the Lima program, statistical data on trade between developing and industrialized countries, and the United Nations resolution adopted on December 16, 1971, on the Conference.

THE TEN. European Community Information Service, London, December 1972, 8 pages .... free

Color reprint of some of the articles which have appeared in the British version of EUROPEAN COMMUNITY.

THE DEVELOPMENTS OF THE ECONOMIC AND TRADE RELATIONS BETWEEN THE UNITED STATES AND AN ENLARGING COMMUNITY CALL FOR NEW FORMS OF COOPERATION. Declaration by Mr. Pierre Malvé, Counselor for Economic and Trade Affairs, Delegation of the Commission of the European Communities in Washington before the International Committee of the Aerospace Industries Association of America, Inc., Santa Barbara, California, March 15, 1972, 16 pages .... free

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