european community

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COVER: *Research and technology are the building blocks of an industrially united Europe.*

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Community News

Tariff on US Aircraft Suspended Another Year

The Community has extended tariff suspensions on imported aircraft for another year with hopes for a Community policy in this sector by 1973.

The Community still depends heavily on aircraft imported from the United States. The entry of Britain with its strong aircraft industry, however, and the development of competitive European aircraft such as the Concorde and the Airbus make a new approach both possible and necessary. A coordinated approach would regulate competition and taxation and, in the tariff field, aim at enabling Community aircraft to compete with US products.

The recently adopted measures include a total suspension until December 31, 1972, of duties on aircraft in the 2-ton to 15-ton range. Duties on spare parts for this type of aircraft have been dropped as part of the final Kennedy Round cuts which came into effect on January 1.

Carlo Scarascia-Mugnozza, an Italian member of the European Parliament since 1961, was appointed Commissioner in charge of agriculture.

Scarascia-Mugnozza Receives Farm Dossier

The final appointment has been made in the recent reshuffle of Commission responsibilities in the European Communities.

Following the resignation of Franco Maria Malfatti from the presidency in March, the Commission member responsible for agriculture, Sicco L. Mansholt, took over the top post in Brussels. To fill the Italian place thus opened on the nine-member Commission, Italian Carlo Scarascia-Mugnozza was appointed.

Mr. Scarascia-Mugnozza has sponsored numerous agricultural reform bills in the Italian Chamber of Deputies, to which he was first elected in 1953. A member of the European Parliament since 1961, the 52-year-old Christian Democrat has been chairman of its Political Affairs Committee since 1969.

On April 13, the Commission gave Mr. Scarascia-Mugnozza responsibility for agriculture. Mr. Mansholt's previous assignment.

EC Official Answers Brezhnev

The European Community has affirmed its readiness to deal with all European countries, including the Soviet bloc states, equally and without discrimination.

The first formal Commission reply to a March 20 speech by Soviet Party leader Leonid Brezhnev came on April 19 at the twenty-fifth anniversary of the United Nations Economic Commission for Europe (UNECE). Ralf Dahrendorf, Commissioner in charge of the Community's external relations, expressed satisfaction that the Community was now recognized internationally. He also cited the UNECE as the most appropriate vehicle for East-West understanding on major European issues.

Mr. Brezhnev, in an about-face from previous Soviet hostility toward the Common Market, had said that the Community was a European fact of life. "Understandably, our relations with the members of this grouping will depend to what degree they will recognize, on their side, the realities which exist in the socialist parties of Europe, notably the countries of the Council for Mutual Economic Assistance (COMECON)," Mr. Brezhnev had said.

EC Trade With US Still Runs in the Red

The Community's trade balance with the United States remained in deficit in 1971. The Community bought $1.28 billion more goods from the United States than it sold in the US market.

Despite falling production levels at home, Europe's overall external trade balance showed a healthy rise in 1971, pulling itself out of a deficit from the preceding year.

The European Communities Statistical Office published the wrap-up of EC trade in 1971 with other countries in its February issue of "External Trade."

Exports of the Six to countries outside the Community rose 12 per cent, reaching a total of $50.6 billion. Imports also saw a marked increase of 7.6 per cent, for a 1971 total of $49.1 billion. The resulting trade surplus of $1.5 billion reverses the Community's 1970 $436 million trade deficit.

Paris Chosen for October Summit

Foreign Ministers of the proposed Community of Ten have agreed that the European summit conference to be attended by the heads of state or government of the six member and four candidate nations should take place in Paris on October 19-21.

Three subjects will be prepared for the agenda

- economic and monetary union and social progress in the Community
- foreign relations and the Community's responsibilities in the world
- the strengthening of Community institutions and progress in political cooperation.

The Ministers agreed to associate the Commission with their work on economic and monetary union and on institutions and relations with non-member countries. The Ministers said they would decide later on Commission participation in their talks on political cooperation.

Europeans Favor United States of Europe

Europeans seem to be transcending centuries of national and cultural division, according to recent public opinion surveys. A majority of those polled favor a "United States of Europe."

In a survey sponsored by the Commission of the European Communities in 1971, Europeans were asked whether they were for or against the Common Market's evolution toward a political United States of Europe. An overwhelming majority (72 per cent) of Italians questioned were in favor. The French were the least enthusiastic with 50 per cent for union, down from 63 per cent in 1970. Only the number of Germans in favor of union increased over the previous year's number, rising from 69 per cent to 71 per cent.

The French response was not as negative as it would seem at first glance. Thirty-three per cent of those polled expressed no opinion and only 17 per cent opposed eventual political integration.

Results of a French poll conducted at the end of 1971 by the Societé Française d'Enquête par Sondage (SOFRES) in France indicated that about 60 per cent of the population is in favor of a European government which would leave local decisions to national authorities.

EC Must Guide, Not Limit, Progress

An epicurean, a monk, or a hippy might be content to limit social and economic development. Most of mankind, however, will never sacrifice the adventure, the knowledge, and the social change accompanying human growth.

That opinion was expressed by Altiero Spinelli, Commissioner of the European Communities in charge of industrial, technological, and scientific affairs, in his April 20 opening address to a conference in Venice on "Industry and Society in the European Community." The three-day conference, sponsored by the Commission was attended by almost 350 European businessmen, labor leaders, civil servants, and professors.

Mr. Spinelli told the conference that the Community must not attempt to achieve "an impossible static equilibrium between society and the environment but [must] steer the evolution of both so that further progress in the human adventure may be achieved." The challenge facing the Community is to guide economic growth, not to eliminate it. To meet the challenge member states must tackle certain "priority themes," such as the common industrial policy, the Commissioner said.

Removing Barriers Not Enough

Removing barriers to trade is not enough to exploit fully the Community's new continental dimension, Mr. Spinelli said. A common industrial policy must include the formation of European companies, opening public contracts, and pooling technological efforts. An industrial policy must also consider ecological needs, the quality of life, workers' participation in management, and an equitable distribution of wealth.

Mr. Spinelli said, however, that the Community's resources and institutions are now inadequate for these ambitious tasks. Lamenting what he termed the Community's "constitutional inflexibility," the Commissioner recommended

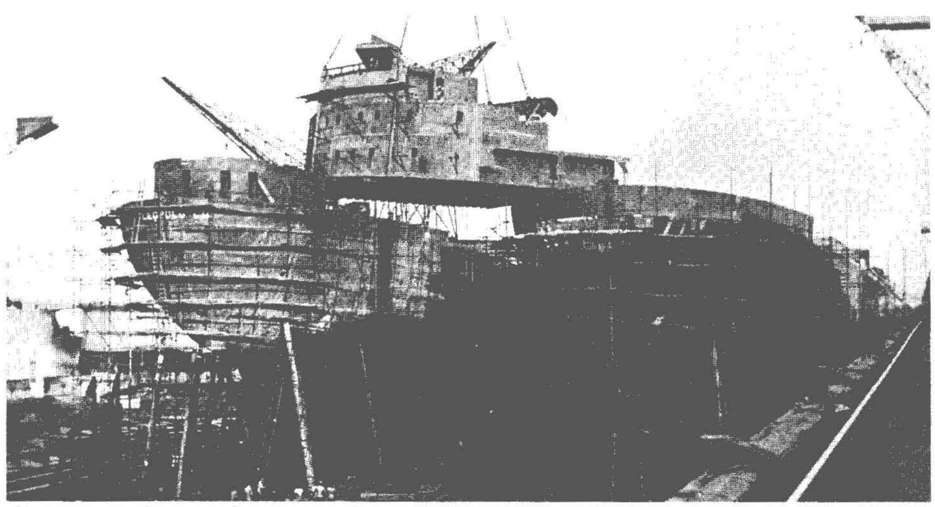
- strengthening the European Investment Bank to provide additional investment capital to developing Community industries
- establishing a Regional Development Fund
- strengthening the decision-making power of Community institutions, particularly the Commission's power of initiative and the Parliament's budgetary control
- direct election of members of the European Parliament

European Shipbuilding Far From Collapse

Despite cries from across the Channel that Europe's shipbuilding industry is on the threshold of a crisis, the European Community said the $1.5 billion a year industry is far from collapse.

In reply to a question from Hendrikus Vredeling, Dutch Socialist member of the European Parliament, the Commission of the European Communities, on April 4, refuted the forecasts published in the October 16, 1971, issue of *The Economist.* That article predicted a "bitter crisis" in the Community's shipbuilding industry within two years unless the EC made a serious effort to stop supporting overproduction in the industry and to retain the estimated 150,000 workers they employ.

The Commission answered unequivocally that no such crisis is in the offing. On the contrary, Europe's shipbuilding industry's viability has improved to the point where national and Community officials have begun to try to eliminate aids to the industry.



Shipyards, like this one at Saint-Nazaire on the Loire River in France, are doing so well that the gradual phase-out of national aids has begun, according to the Commission.

Commission Urges Food Aid for Bangladesh

The Commission of the European Communities has called for extensive food aid to the new nation of Bangladesh.

In an April 14 communication to the Council of Ministers, the Commission proposed that 100,000 tons of grain from Community countries be sent to the new South Asian nation of 75 million people. The Commission also asked that an additional 28,000 tons be subtracted from aid to Pakistan and given to Bangladesh. This allocation would offset Pakistan's diversion of aid originally destined for East Pakistan, now Bangladesh.

The Community had been asked to supply a third of the 2.6 million tons of grain sought by the Bangladesh Government. It said that 30 million of its citizens would need free food rations for six months and that 20 million need it all year.

The Six Recognize Bangladesh

All six members and the four candidate countries formally recognized Bangladesh in February. Only two of the ten member and candidate countries have established diplomatic relations with Bangladesh. The United Kingdom appointed a high commissioner, equal in rank to an ambassador, after Bangladesh became an official member of the Commonwealth on April 18. Germany named an ambassador to Dacca, while France and Italy plan to do so in the future.

Wage Survey Scheduled for 1973

The Community has added a survey of industrial wages in member states to its planned 1973 activities.

The survey will compile data on workers' incomes in industry and labor costs for manual and white-collar workers through a poll of Community companies employing ten or more workers.

Another survey will cover the structure and distribution of wages paid white-collar and manual workers since 1968.

EC Goes to Court for Italian Farmers

The European Commission is going to court on behalf of many of Italy's fruit growers.

The suit against the Italian Government will be heard before the Court of Justice in Luxembourg.

Some 11,000 Italian farmers have petitioned to Brussels that they have not been paid the premiums introduced in December 1969 for uprooting fruit trees to limit the supply of peaches, apples, and pears on European fruit stands.

The premium is set at the equivalent of $350 (new dollars) an acre. More than 75,000 acres have been cleared in other Community countries.

EC Finances Projects in Africa, South America

Nine development projects, scattered in eight countries from Curaçao in the Caribbean to the Congo, will benefit from the equivalent of $29 million (new dollars) in Community aid. The Commission of the European Communities' latest aid decisions, on March 3, bring total allocations of the Third European Development Fund (EDF) to $293 million for "Third World" development.

Two grants, amounting to $13,995, will go to the Republic of Mali for bridge construction and developing rice production in the Segou area of central Mali. The two projected bridges will complete the modernization of the Bougouni-Sikasso highway, which was built between 1963 and 1967 with a total of $10.9 million from the EDF.

Irrigation Project in Senegal

The Commission's second largest allocation, $6.5 million, went to Senegal. It will help finance an irrigation project which will add 4,963 acres over a four-year period to the West African nation's rice cultivation area. With this grant, total Community aid to this important sector of Senegal's economy surpassed $10 million.

In nearby Upper Volta, rural development will be stimulated by a $2 million grant from the EDF. Upper Volta's Regional Organization for Development will use the funds for its campaign to promote efficiency in cultivating the southwest's primary products, rice, peanuts, and sesame.

Dutch-speaking Surinam in South America has been given the go-ahead to complete a 23-mile highway which was originally financed by a 1969 EDF grant. Due to newly stringent standards imposed by the Government and increased labor costs, the Commission has agreed to allocate $566,000 for the completion of the road, roughly half of the initial allocation.

Roads Financed in Curaçao

Off the coast of Venezuela, the island of Curaçao also received an EDF grant. The Fund had allocated $3 million for a road-building project in 1966. Now it has granted $838,000 for an urban extension to the original mileage.

In East Africa, tea planting in Rwanda and Burundi will be supported through a $5 million EDF grant. Plantation enlargements in Burundi and tea growing aid in Rwanda will be part of the Community's continuing support of the tea sector. EDF funds allocated to this sector total $16 million, evenly divided between the two countries.

The People's Republic of the Congo will enlarge the capacity of a stationary dredge for Pointe-Noire, its major port. The grant of $566,000 will compensate for steel-price rises since the first EDF allocation of $1.5 million in 1969. Previous Community aid helped pay for the dredge.

Rome Treaty Law Course Offered in Amsterdam

The legal implications of the Common Market Treaty can be a puzzling maze even for lawyers and law students.

The *Europa Institut* of the University of Amsterdam has announced the fifth annual summer course on legal aspects of European integration, designed for the members of the legal community who regularly confront problems raised by the Treaty.

The August 21 to September 2 session, conducted in English, is organized in collaboration with the Netherlands Universities Foundation for International Cooperation (NUFFIC). Tuition fees are 600 Dutch Guilders (approximately $185). Accommodations are not provided by the Institute, located at 508 Herengracht, Amsterdam.

Applications including name, date, place of birth, nationality, mailing address, university degrees, and current occupation should be sent to: NUFFIC, 27 Molenstraat, The Hague, The Netherlands.

Vacations Too Short? Get a Job in Europe

For most French workers, the month of August means vacation. Many factories and offices close, and workers stream to the Côte d'Azur to enjoy a lazy four weeks.

Looking forward to vacation is a pleasant experience for the average European worker, and the length of his vacation is one good reason.

While the average US worker struggles 50 weeks a year toward his precious two-week leave, European workers are enjoying almost twice as much leisure time. A minimum three-week vacation is a general law in Italy, and in Germany almost five weeks of paid holidays are the rule in most industries.

Figures on work hours and holidays were compiled as an addendum to the Fifth General Report of the European Community's activities. They were published in February as part of the EC's Social Report.

Weekly hours worked differ beween industries and member countries. For instance, in Germany workers in almost every industry work a 41 hour to 43-hour week. Italian metal workers are on the job 42 hours a week, while Belgian beverage industry workers clock a 44-hour week. The every industry work a 41-hour to 43-hour but workers often work three or four more hours than their contracts specify.

Norway's White Paper Urges EC Entry

Norway's Labor Government has published a 680-page White Paper recommending that the country join the European Community on the conditions agreed upon in membership negotiations.

The Government stated that the exact consequences of membership for the Norwegian economy could not be determined, but said they would clearly be advantageous. Remaining outside the Common Market would retard economic growth and reduce potential for social and economic progress. Membership would ensure Norway's unhampered access to a large market for the nation's exports, the paper said.

For shipping, which earns about 40 per cent of Norway's foreign currency, membership is a necessity, the Government said. The enlarged Community would be the largest customer of Norwegian shipping services, employing about 60 per cent of the country's merchant fleet. Norway's 40,000 fishermen would continue to face customs barriers if the country did not join the Community and would not benefit from high fish prices in the Community. Opposition to membership in Norway is strongest among fishermen and farmers.

The national legislature will discuss the White Paper before the summer recess, probably in May or June. Final debate and vote will be held a few weeks after the advisory referendum on September 24-25. Although not bound by the outcome of the referendum, any legislators who have not yet made up their minds will probably follow the electorate's advice.

EC, Yugoslavia Hope to Expand Trade Accord

Yugoslavia and the Common Market will soon begin talks to expand economic cooperation and revise their 1970 trade agreement in preparation for the Community's enlargement.

At the second meeting of the joint EC-Yugoslav Commission, on April 10-11 in Brussels, the delegations reviewed trade progress over the past two years. Community representatives agreed to continue preferences granted to Yugoslav beef exports and to begin negotiations later this year on Yugoslav cotton textile exports.

The current agreement will expire April 30, 1973. Both parties hope to reach a new, expanded agreement with the participation of the four candidates before that time.

Roy Jenkins resigned as the British Labour Party's deputy leader to oppose a nationwide referendum on Common Market entry.

Labour Party Splits on Common Market Issue

The roller coaster ride of dashed hopes and rising expectations that seems to be the 11-year-old story of British efforts to join the Common Market took yet another suspenseful turn last month with the resignation of Roy Jenkins as the Labour Party's deputy leader.

The April 10 resignation from the "Shadow Cabinet" of Jenkins, along with former Common Market negotiator George Thomson and former Treasury Secretary Harold Lever, was precipitated by Labour leader Harold Wilson's support of a nationwide referendum on the Common Market issue. A consultative referendum has been pushed by Conservatives opposed to Common Market entry. Jenkins had led the 69 Labour members voting in principle for Market entry last October but had been willing to vote against the subsequent enabling legislation in the interest of Party unity. Now that he has resigned, Jenkins will be free to follow his convictions, as will the other pro-European Labourites.

A week after Jenkin's resignation, the House of Commons rejected a referendum on British entry by a vote of 284 to 235.

European Institute Receives Final Okay

An agreement to establish a European University Institute was signed by representatives of the Six on April 19 in Florence, the site of the proposed Institute.

The Institute, in the words of the agreement, "will contribute to the cultural and scientific development of a united, yet diverse Europe." Beginning operations in 1973, the Institute will enroll 250 postgraduate students and researchers studying history and civilization, political and social science, economics, and law. The working languages of the Institute will be German, French, Italian, Dutch, and English.

The idea for a European University originated in the 1957 Treaty creating the European Atomic Energy Community (Euratom) but remained dormant because of opinion differences in Europe's academic community. Finally, in November 1971, the last obstacle was overcome. The European Communities Council of Education Ministers approved a temporary method for financing the multinational Institute. Until 1978, it will be run on prorated contributions by the individual member states: 28 per cent by Germany, France, and Italy; 7.9 per cent by Belgium and the Netherlands, and 0.2 per cent by Luxembourg. After January 1, 1978, the Institute may be financed by the Community's budget.

Dutch Firms Heed EC Competition Rulings

Two Dutch cartel agreements, on building materials and licorice marketing, have been voluntarily rescinded, following decisions by the Commission of the European Communities.

Competition within the Six is supervised according to the Rome Treaty's Article 85, used to crack down on agreements which deny a substantial number of producers a free marketplace in any sector.

In the case of Vereeniging van Handelaren in Bouwmaterialen in Nederland (HIBIN), the Commission found that the cartel, which imported and distributed a high-quality insulatory material for building construction, had monopolized the Dutch market. Smaller building companies which did not benefit from exclusive rights were found to be damaged. Restricting competition and putting up obstacles to trade between the member states, the agreement was termed incompatible with the competition rules in the Common Market Treaty. Following the Commission's ruling, the Dutch cartel was dissolved.

Licorice Rebates Rescinded

In the other case, brought to the Commission's attention by a German licorice manufacturer, an exclusive, cooperative agreement joining ten Dutch licorice producers was also refused a "negative clearance." A negative clearance means that the agreement restricts competition, but that the restrictions are necessary to achieve economic or technical benefits, and that neither affect a "substantial proportion of the goods concerned" nor harm consumer interests.

According to the agreement, ten companies granted collective rebates to Dutch wholesalers who bought their products, making it difficult for other manufacturers of the Six to compete in that market. The Dutch producers immediately dismantled their collective rebate system.

French Voters Say "Yes" to Enlargement

The first national vote on a major European Community policy question ended in victory for French President Georges Pompidou, despite a disappointing turnout at the polls.

In the April 23 referendum on the entry of the United Kingdom, Denmark, Ireland, and Norway, 68 per cent of those voting approved enlargement, 32 per cent voted against, and 7 per cent turned in blank ballots. Almost 40 per cent of the eligible voters stayed home from the polls, meaning that only 36 per cent of the total French electorate approved enlargement.

Many commentators and politicians view the poor turnout and the large number of "no" votes as disapproval of the Pompidou Government rather than opposition to Community enlargement. Government officials maintain that 36 per cent approval of a foreign policy issue is a satisfactory response. The next referendum on enlargement will be in Ireland on May 10 and fall referenda are scheduled in Denmark and Norway. The United Kingdom has never held a referendum and is not planning a public vote on British entry.

EIB Gets Preferential Status in Switzerland

Negotiations between the European Investment Bank (EIB) and the Government of Switzerland have solved the problem of the Bank's legal status in that bankers' paradise in the heart of Europe.

Subject to ratification by the Federal Assembly in Berne, the agreement signed March 24 will give the EIB the same status as that accorded the World Bank in 1952 and the Inter-American Development Bank in 1970. This recognition entails a preferential borrowing status on the Swiss capital market: a reduction in the usual 1.2 per cent stamp tax to 0.6 per cent. All three banks concentrate on financing development.

Direct Election Urged for British EP Members

Former Labour Foreign Secretary Michael Stewart has proposed the direct election of British members of the European Parliament.

He called for 30 new members of the House of Commons, with seats in both the British and European Parliament. The other six British representatives would come from the House of Lords.

Each European member would represent a regional grouping of 20 to 30 constituencies. European candidates would appear on the same ballot as ordinary constituency candidates and would have normal party affiliations. He recommended full voting rights in the House of Commons for British delegates to the European Parliament.

They would be relieved of normal constituency duties and would not serve on British parliamentary committees, allowing the legislators time to concentrate on European affairs. If unable to attend the House of Commons for important debates, they could vote by proxy, Mr. Stewart suggested.

Mansholt Previews His Nine-Month Term

The last nine months of 1972 will be strategic ones in the ongoing process of European integration, according to the newly-appointed President of the European Communities.

Speaking before the European Parliament on April 19 for the first time since his appointment, Commission President Sicco L. Mansholt said the Community is now in a critical transition period. Not only must the Community of Six prepare for its enlarged to Ten, but the movement toward economic and monetary union must also be maintained and continually reinforced. The Community institutions and decision-making processes will have to be adapted to new problems not foreseen in the Common Market Treaty, Mr. Mansholt said. The new President also cited overpopulation, natural resource waste, and environmental pollution as common problems demanding common solutions.

Sicco L. Mansholt addressed the European Parliament for the first time as President of the Commission of the European Communities on April 19.

The current nine-man Commission is scheduled to resign December 31, 1972. A new 14-member Commission, including officials appointed from the four candidate countries (the United Kingdom, Denmark, Ireland, and Norway) will take office on January 1, 1973.

Council Approves VAT Postponement in Italy

Italy, in the throes of domestic tax reform, received a third postponement in the European Community's deadline for introducing the common turnover tax.

The Council of Ministers voted on April 24 to grant Italy another six-month extension beyond July 1, 1972, to introduce the tax on the value added (VAT) at each stage of production and distribution up to retail. Opposition in the Italian legislature, its legislative backlog, and the early call for national elections (May 7) had forced the Government to seek another delay. The first extensions were granted because the Italian Government wanted to synchronize the VAT's introduction with other tax reforms. All the other Community members now apply VAT.

Cows May Lose Status

Ice cream may contain any fatty vegetable substance that does not damage the consumer's health, according to the European Parliament.

In a January resolution, the Parliament objected to the Commission's proposed restriction of permissible non-dairy vegetable additives to one ingredient, cocoa butter. The Parliament would respect the consumer's right to know what he is eating by requiring the statement of ingredients on the ice cream label in the consumer's language.

The Commission's proposal, which will be revised before going to the Council of Ministers, is intended to harmonize ice cream standards throughout the Community.

Study With the British

A study program planned especially for American and Canadian undergraduates in liberal arts or social sciences is being offered this fall by the University of Sussex, near Brighton, a 50-minute train trip from London. The program runs from September to June 1973.

Students will choose five courses each semester from a curriculum of 18 courses. Credit for these studies will be by arrangement with the parent university which will also decide final grades on the basis of papers and examinations written while at Sussex.

Further information may be obtained from The Director of Admissions, EPA Admissions Office, 112 Dover Road, Williamsburg, Virginia 23185 (telephone: 703-229-3000, extension 486).

More and more European children are benefiting from preschool training as working parents demand state supported day-care facilities.

Day-Care Centers Sprout

National campaigns for free child-care centers are mounting as more and more European parents share the role of bread-winner.

Day-care centers are cropping up throughout the Six with the financial backing of public as well as private institutions in each country. The national approach has developed numerous responses to this pressing social question.

In Belgium, the Government has proposed combining infants' day-care centers with kindergardens in "Children's Centers" to avoid abrupt changes in the surroundings of the child during the early years.

German legislation passed in October 1971 will provide kindergarten space for approximately 80 per cent of that country's three-to-six-year-olds by 1980. Today there is space for only one-third of these children.

France has also set ambitious targets for its youngest citizens. By the late 1970's, one French two-year-old in five, two three-year-olds in three, and almost every four- and five-year-old will attend preschool centers.

Italy will open 3,800 day-care centers in 1972-76. Only 600 are now in operation.

New ECSC Bond Issue

The European Community and a French banking consortium concluded negotiations on March 24 for a $29.3 million-equivalent bond issue to finance investments in the European coal and steel industries.

Conforming to the provisions of the European Coal and Steel Community (ECSC) Treaty, the proceeds from the loan will also help finance ECSC industrial reconversion and labor retraining programs.

The bonds will be offered at 99 per cent of face value on the international capital market and will earn an annual interest rate of 7.25 per cent. The maturation period is 15 years.

EC Officials Urge End to Development Gap

Commission President Sicco L. Mansholt and Council of Ministers President Gaston Thorn called for global efforts to close the gap between rich and poor countries at the third United Nations Conference on Trade and Development (UNCTAD III) in Santiago, Chile.

In his first appearance before an international organization as Commission President, Mr. Mansholt told the conference's plenary session on April 17 that developing countries should receive additional Special Drawing Rights (SDR's), the "paper gold" issued by the International Monetary Fund, to help finance economic development and compensate for the decrease in value of their foreign exchange reserves in last year's monetary crisis. Mr. Mansholt cautioned, however, that SDR's are not a "panacea" and cannot substitute for financial and technical assistance or improved trade relations.

Debt Burdens Hinder Development

Mr. Mansholt warned of a "paradox" in the current development aid program. "Aid can turn against the recipient developing countries when given on unreasonably hard terms or granted merely to compensate adverse terms of trade," he said. The Commission President called for limits on development aid to avoid "an excessive debt burden which would impair economic growth [in the developing countries]."

Mr. Mansholt emphasized the willingness of the Common Market to negotiate new international commodity agreements to guarantee stable markets and fair prices for developing countries' primary product exports.

In addition to generalized preferences granted by the European Community, the Commission President recommended tariff modifications to help achieve a 15 per cent growth rate in manufactured exports from developing countries.

Mr. Thorn, reviewing the Community's past record toward developing countries, noted that Common Market imports from these countries had increased from $6.8 billion in 1958 to $17.7 billion in 1971. Mr. Mansholt said the Commission is willing to widen further Europe's market for "Third World" exports. He also pointed out the Community's consistent trade deficit with developing countries.

Mr. Thorn, who spoke at the conference on April 14, said that the enlarged Community of Ten would recognize and respond to its responsibilities toward the Third World.

The Month in Brief

APRIL 1972

3 President Richard M. Nixon signed legislation to devalue the dollar by raising the price of gold to $38 an ounce.

10 Roy Jenkins resigned as the British Labour Party's deputy leader *(see page 6).*

13 New Commission Vice President Carlo Scarascia Mugnozza received the common agricultural policy dossier *(see page 3).*

13 The third United Nations Conference on Trade and Development (UNCTAD III) opened in Santiago, Chile. Commission President Sicco L. Mansholt and Gaston Thorn, President of the Council of Ministers, spoke at later sessions *(see page 8).*

17-18 Delegations from Cyprus and the European Community held a second round of negotiations to discuss terms of their proposed association agreement.

17-20 The European Parliament met in Strasbourg, France. Sicco L. Mansholt addressed Parliament for the first time as President of the European Communities *(see page 7).*

20-21 West German Chancellor Willy Brandt visited London for talks with British Prime Minister Edward Heath on European political and defense matters.

20-22 "Industry and Society," a conference sponsored by the Commission of the European Communities, met in Venice, Italy *(see page 4).*

23 The majority of those voting in a French referendum on enlargement approved a Community of Ten *(see page 7).*

24 The Council of Ministers granted Italy a third extension for applying the value added tax (VAT) *(see page 7).*

24 Central bankers of the Six narrowed the fluctuation margins between Community currencies from the global band of 4.5 per cent to a Community band of 2.25 per cent.

25-26 Delegations from Uruguay and the Community continued negotiations on the proposed EC-Uruguay trade agreement.

27 West German Chancellor Willy Brandt's Government withstood a vote of confidence in the German Bundestag by a two-vote margin.

27-28 Commissioner Ralf Dahrendorf met with US Under Secretary of State for Economic Affairs Nathaniel Samuels to discuss US-Community relations and plans for the 1973 global trade talks. The Brussels meeting was part of a semi-annual exchange of information and opinion between the Community and the United States.

Industrial Policy: Maintaining Momentum

CHRISTOPHER LAYTON *chief executive assistant to Altiero Spinelli, Commissioner responsible for industrial affairs and research and technology.*

Now with enlargement negotiations finished, the Community can redirect its attention to other less striking but equally significant Community goals. Among these goals, development of a common industrial policy holds top priority among Community "musts."

The benefits of enlargement can only be garnered if the Community reaches beyond its customs union to a radical pooling of technological resources and an improved coordination of government efforts to develop industry. The elimination of customs barriers within the Six has provided a common market for such industries as textiles and cars. In the advanced-technology industries, however, where governments provide market and financial support, still more barriers must be removed. The Community is just beginning to develop a common industrial policy.

Slight Progress So Far

Certain aspects of an industrial policy follow naturally from the Common Market Treaty and its primary purpose, removing barriers. The Community is making slow progress in securing freedom of establishment, merging capital markets, harmonizing taxes, and removing discriminatory taxes which discourage cross-border mergers and take-overs.

In large areas of policy, however, much more must be done to create a Continent-wide environment where industry can operate as in a home market and where resources of men and finance are pooled. Today modern states intervene to protect local industries by direct purchasing and aid to research and development. Such measures and the industrial structures associated with them are good examples of a conflict between short-term national political expedients and long-term common interests. The common goal of a strong European industrial base may be sacrificed for short-term benefits to national industries, in the absence of political decisions to coordinate national activities. Hopefully, this fall's "summit" conference of the six members and the four candidate countries' heads of state or government will lead to political decisions to continue developing a common industrial policy.

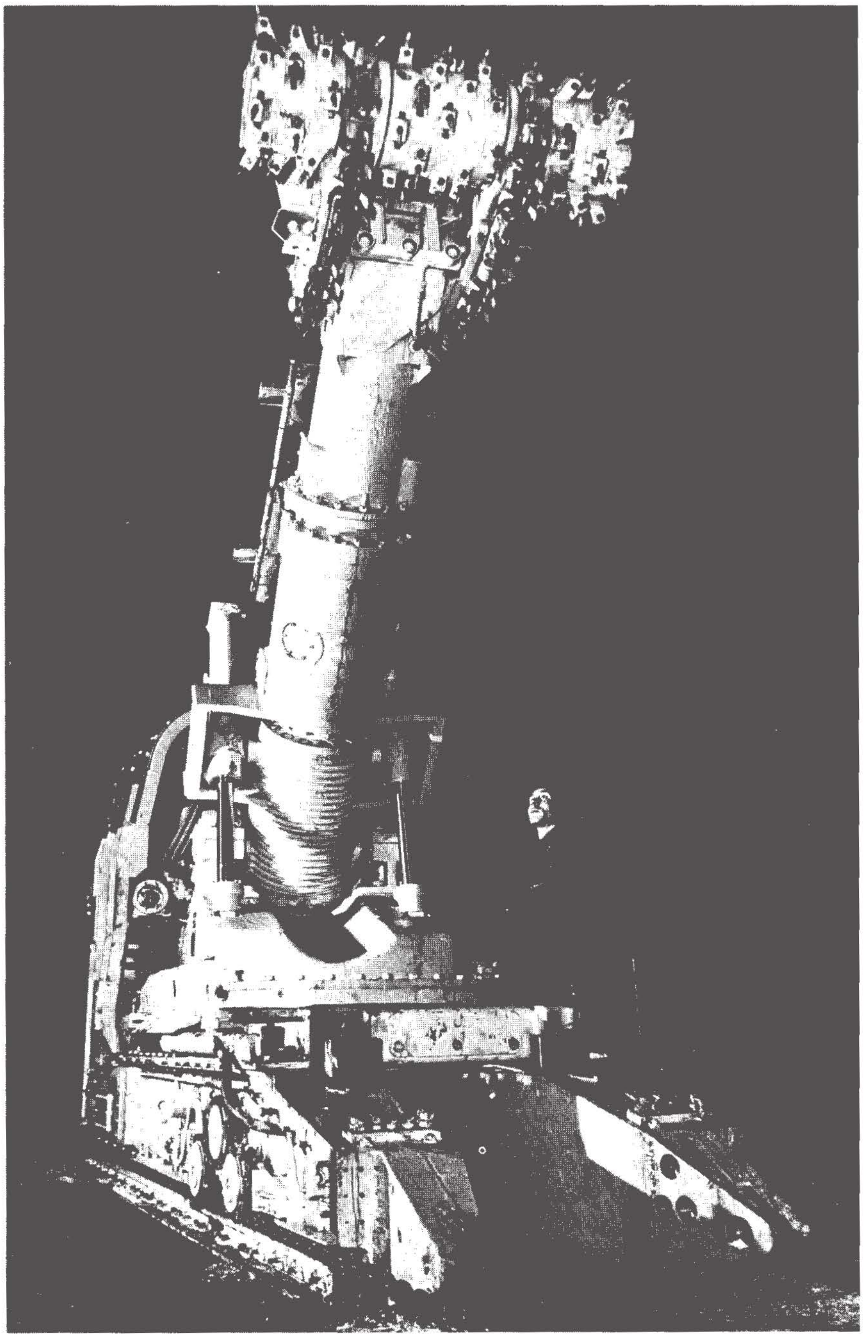
Small Firms Lose Big

Differences in member states' laws often hurt the small businessman more than his larger competitors. Large firms can adapt more easily to the different legal and tax systems of the countries in which they operate. They can take advantage of fiscal differences by concentrating profits in the country with the most lenient tax rules. They can develop a multinational structure even in the absence of a European company statute. They can bid for public contracts in every country in which they are established, assuming the cloak of their local subsidiary. They also have access to the Eurodollar market. These avenues are often closed to smaller companies. Medium sized and small firms will profit most from the harmonization of legal and fiscal systems, the abolition of administrative or technical barriers to trade, and the standardization and opening of public contracts.

Research Aid Can Be Divisive

Helping to finance research and development is one government tool for promoting advanced-technology industries. Since such funds are now provided on a national basis, they often encourage fragmentation. In the computer industry, for instance, national aid has encouraged the formation of small, unviable national firms instead of a few large companies with continental operations.
For this reason, the Commission has proposed the use of funds from the Community budget to promote new tech-

Through reconversion grants and loans, the Community has helped retrain miners whose jobs have been mechanized by such heavy equipment as this mining machine which shears coal from vertical deposits and loads it onto a conveyor.



nologies through development contracts. The aim is not to develop prestige industries but rather to help new technologies through the difficult phase of early development. Community help is essential when technology must be developed through cooperation between enterprises in different member states.

Each large contract should have to be approved by the Council of Ministers. For small contracts, the Community should establish a general section in the Community budget from which contracts can be awarded in response to proposals from industrial firms under a simple decision procedure.

The Community's budget today mainly goes into agriculture. In the next ten years, the proportion of Community resources spent on industrial and regional development could be enlarged. The appropriate forum for such a major political decision is the fall summit conference.

Developing New Priorities on a European Level

If Europe is to make rational use of its scientific and technological resources, another decision of principle has to be made. In the past, joint technological cooperation has emerged from *ad hoc* projects and programs derived from the needs of separate nation states. National priorities, worked out in separate frameworks, have been linked clumsily together.

Now Europe's scientific and technological priorities must be considered together. Do we need a space program? If so, how large and what kind should it be? Should we spend more money on internal European transportation? If so, what kind? Should we be developing supersonic flight? What are the priorities for common research projects in ecology and in the whole area of environmental studies?

To achieve satisfactory common programs and projects, member states must agree on common aims. The Community must reappraise the available resources, for instance in specific fields of scientific exploration. The Community must then decide how best to utilize resources through national, local, or common efforts. The Six should seek ways of improving existing methods of cooperation, sector by sector. To fulfill the need for an overall policy, the Commission has proposed the establishment of a European committee for research and development. The committee would help the Commission to prepare proposals for cooperation, which would then be submitted to national officials and the Council. Hopefully, the summit conference will endorse this strategic aim.

Taking a critical look at Europe's priorities does not mean executing all science and technology policy at the Community level. Indeed, it is most important to distinguish between decisions on priorities, objectives, and strategies (which are a natural Community task), and the tasks of management and execution. The Commission is now trying to decentralize and make autonomous the Community's Joint Research Center. The same managerial independence should almost certainly apply if one day the Community seeks to develop a European science foundation. Industry and national laboratories and agencies will continue to play an immense role. Nonetheless, the Community should try to introduce a new common strategy to policies for industry, science, and technology, especially in relations with the world outside.

Looking Ahead

In all these matters, the Commission is preparing or has made proposals. Now action is needed. Member governments must define the Community's power to develop policies in a wide range of new fields — environment, regional development, and research and development outside the nuclear field. Common sense suggests that although these are essential tasks for the Community, time consuming and wasteful legal and institutional arguments have often prevented progress.

Developing a common industrial policy demands all the resources Community institutions possess. Hopefully, political decisions at the fall summit conference with the support of the European Parliament, the Commission, and the Council of Ministers will bring industrial policy out of the realm of dreams and into reality.

Industrial Policy on Record

PAST AND PRESENT ACTIVITIES

- Harmonize customs laws
- Eliminate measures similar in effect to quotas
- Abolish technical barriers to trade
- Open national contract awards by public agencies to firms in every member state
- Extend the right of establishment throughout the Community
- Harmonize company law and tax systems
- Harmonize welfare provisions
- Free capital movements

FUTURE OBJECTIVES

- Establish a European company statute
- Establish European economic interest groups
- Broaden qualifications for a joint enterprise status which, under the Treaty creating the European Atomic Energy Community (Euratom), exempts enterprises from direct taxation and provides other commercial benefits. This status is now limited to transnational firms in the nuclear energy sector
- Foster tax rules which encourage company mergers and avoid double taxation of parent firms and subsidiaries
- Harmonize value added tax (VAT) rates and indirect taxation
- Harmonize certain public or semi-public purchases
- Establish an office to promote close relations between small companies
- Promote Community industrial development contracts
- Foster policies for scientific and technological development

Jumping the Non-Tariff Hurdle

The Community dismantled customs duties and quotas between the Six well ahead of the timetable given in the Common Market Treaty. Nonetheless, trade is not yet completely free in the Community.

Non-tariff barriers still hamper the free flow of goods and have proven to be far stickier obstacles to remove than tariffs. Discriminatory administrative practices, disparate laws, and differing technical standards are among the many areas where so far there are no common rules.

Why have tariffs and quotas disappeared ahead of schedule, whereas non-tariff barriers still impede the development of free trade in the Community? One explanation is that customs duties and quotas are more "visible" than non-tariff barriers; another is that bodies such as the Organization for Economic Cooperation and Development (OECD) and the General Agreement on Tariffs and Trade (GATT) had already prepared the way for the reduction or removal of customs duties. There had been hardly any previous work on indirect obstacles to trade in the Common Market's early years. First an inventory had to be made, a time-consuming, tedious job. Community authorities had to rely on complaints from firms and governments for evidence of non-tariff restrictions. Compared to tariffs and quotas, indirect trade obstacles were less important in the Common Market's early years; many of them emerged as obstacles only after the Six had achieved customs union in 1968.

Today, the authorities have an adequate inventory of the wide variety of indirect obstacles. Non-tariff obstacles are classified in four general groups.

Raising Import Costs

The first group, having the equivalent effect of quotas or customs duties, comprises laws, regulations, administrative practices, and official charges which make imports more expensive than comparable domestic products. For example, marks of origin requirements on imports increase production costs for the importer, giving the domestic product a price advantage. Here, the Community's aim is to abolish such discriminatory rules.

Health, Safety Rules Restrict Trade

Wide variations in national health and safety regulations make up a second group of non-tariff obstacles. Because a firm has to produce the same product according to different specifications, it incurs extra costs. Technical obstacles to trade are eliminated by aligning, not abolishing, member states' rules.

Community countries have special rules for a wide range of foods, consumer goods, toys, medicines, and technological and industrial equipment. One product may encounter a different set of regulations in each country. Consumer habits and varying ideas on safety contribute to the dissimilarities of national law, but often it is simply the wording of the laws which makes the difference. The Commission has submitted more than 100 proposals for removing technical obstacles through harmonization of the member states' laws. So far only 28 have been adopted. The others are still under consideration. Diverse legal

Non-tariff barriers, such as national safety regulations and disparate public purchasing policies, can limit intra-Community trade in heavy machinery. Here a diesel engine destined for export from the Brissonneau et Lotz locomotive factory in France is loaded on board ship.

conceptions have evolved in the member states and have become deep-rooted in the attitudes of their peoples. Also, regulations often try to safeguard special interests. At Community level, such conflicts of interest are difficult to overcome.

Aligning legislation implies a transfer of power from member states to the Community. In addition to the process of legal harmonization, complementary administrative measures are often needed to ensure an open market for partner states. Free trade in medicines and electrical goods manufactured under license, for example, means that member states must recognize each other's licenses. Mutual recognition of licenses and diplomas calls for some alignment of member states' administrative procedures.

Public Purchases Favor Domestic Producer

Disparate regulations for government purchases form the third type of non-tariff barriers. Member states have developed varying national standards for products purchased chiefly by public agencies. As a result, governments rarely place orders with suppliers in partner countries. If firms in partner countries do align production to fit standards of the purchasing country, the extra cost often makes their goods less competitive. Community contract-awarding procedures which go into effect in July will eliminate legal, administrative, and technical restrictions for projects involving more than $1 million *(see page 13).*

Border Controls May Persist

The fourth type of non-tariff barriers consists of controls at intra-Community borders. These controls are generally imposed on imports of food and plants to prevent the spread of infectious diseases. Only when the Community has harmonized these laws will it be possible to abolish controls. Trade across intra-Community borders will, however, still be subject to border checks for other reasons, particularly where there are special consumer taxes or where certain goods are produced under monopoly. Unless controls are lifted or the relevant taxes are harmonized and the monopolies reorganized, indirect obstacles in transborder trade will persist.

Removing indirect obstacles to trade is not a secondary aspect of integration. From the daily humdrum work of a large number of Community and national officials is emerging a new, specifically Community legal framework and a set of values shared by the people creating the new rules and those to whom they apply.

"E Pluribus Unum"

MERGING NATIONAL INDUSTRIAL POLICIES

GERHARD HEIDELBERG, *Brussels correspondent of the Vereinigte Wirtschaftsdienst.*

In 1958, 74 million persons were employed in the newly founded Community of Six. Of these, 41 per cent worked in industry, 21 per cent in agriculture, and the rest in the services. The 30 million persons in industry produced 47 per cent of the Community's gross product, while farming contributed only 10 per cent. Nevertheless, the Community first turned its energy toward creating the common agricultural policy, since then the "core" of European integration.

Despite the central role of industry in every member state's economy, the term "industrial policy" is not mentioned in the Common Market Treaty and was neglected for the first 12 years of the Community's history. Finally, in March 1970, the Commission presented a broad memorandum on a common industrial policy to cement economic and political unity and to ensure continued growth and technological independence. The Commission made clear its view that integration took more than a customs union and a common farm market.

An Integral Part of Economic Policy

The objective of industrial policy is to allow the industrial sector of a country or region to adapt to outside forces while remaining competitive. This objective must be an integral part of overall economic policy, a principal the Six recognized in their initial decisions for economic and monetary union, a year after the industrial memorandum.

Individual member countries began industrial policies soon after World War II, when they had to equip their industries for the new realities of international commerce. The process has continued at the national level ever since, mainly because the Six have not yet realized an integrated common market for goods, labor, and capital.

Stop-Gap in Germany

In Germany, where industry contributes 54 per cent of gross domestic product,* industrial policy until recently has focused on the original bases of industrial growth — coal, steel, and shipbuilding. Now the accent falls on the advanced industries (electronics, atomic power, areospace) which should provide the main source of economic progress. The Economics and Finance Ministry plays the main role, but a government-sponsored body, the Rationalisierungs Kuratorium der Deutschen Wirtschaft, promotes productivity of small and medium-sized companies. In Germany the free decision of the entrepreneur is the main guideline with state aid playing a stop-gap role.

France Aids Key Sectors

France, where industry provides 47 per cent of gross domestic product, aids certain key sectors, including electronics, data-processing, and chemicals, through the Fonds de Development Économique et Sociale. Smaller companies, especially those in less developed regions, get state-guaranteed loans from the 15 Sociétés de Developpement Régionale. France has a Ministry of Industry and Research as well as a Planning Commission and an Industrial Development Institute.

Closing the North-South Gap in Italy

In Italy, where industry provides 43 per cent of the gross domestic product, the main problem is reducing the gap between the industrialized north and the poorer south. A 1957 law required all public enterprises (which play a strong role in Italy) to make at least 40 per cent of their investment in the south. Fiscal and credit incentives are also used. This has increased steel, chemical, and cement output, and production of some finished goods in the south, but the job is not yet finished.

Investment Incentives in Benelux

Belgian industry represents 41 per cent of gross domestic product (the lowest in the Six). The Government promotes industry through the economic expansion law, which provides investment incentives, aids, and loan guarantees. Since 1962 the Société Nationale d'Investissements has also supported reorganization and expansion. Belgium employs a liberal foreign investment policy.

In Luxembourg, where industry provides 44 per cent of gross domestic product, the main emphasis is on diversification away from steel production. Diversification is accomplished mainly through investment incentives, particularly lenient tax laws.

The Netherlands, where industry has a 43 per cent share of domestic product, used strong fiscal and social measures, along with voluntary union restraint, to reverse postwar stagnation. But success created a gap between the industrialized coastal area and the neglected north and south. Dutch industrial policy is now aimed at long-term development with intervention in carefully chosen sectors. To attract companies to the east, the Government uses investment incentives and, in some cases, public investment in private companies.

Common industrial policy will have to take into account member countries' different development programs and parallel regional, social, and environmental policies.

* *Gross domestic product is the sum total of final goods and services, excluding intermediary production, produced within national borders, plus import taxes.*

"In the Hopper"

Recent Commission proposals to harmonize national legislation treat

- permissible exhaust emissions from diesel engines of cars and trucks
- interior designs of passenger cars with emphasis on safety
- highway transportation of dangerous petroleum and chemical products
- weights for balance scales in the one-milligram to 50-kilogram range
- fertilizer production and packaging
- packaging and labeling of solvents.

Competition to Stem Waste

PUBLIC WORKS CONTRACTS OPENED IN JULY

MARCELL VON DONAT, *member of the Commission's Spokesman's Group.*

How can Community countries build an additional 125 miles of road each year without increasing spending on public works? The answer is the age-old keystone of the capitalist system — competition.

Government spending accounts for more than a quarter of the gross national product of the Six. Much of this money is used to pay for vital public-works projects for which few would question the need. Indeed, the amount of money spent by governments is bound to increase in the coming years as the public outcry mounts for better roads and schools and stringent measures to protect the environment and reduce pollution.

Whether a business-like approach to public contract awards could reduce the costs of executing such projects is another question. The answer must be an unequivocal "yes," according to French Minister of Public Works and Housing, Albin Chalandon. He maintains that changing some contract awarding procedures could cut the cost of public works projects by up to 20 per cent. A savings of only 1 per cent would pay for 200 kilometers (125 miles) of roads every year in the Community.

Community Takes Action

The Commission and member governments have been studying ways to reduce this waste since 1966. In July this year, the first step will be taken toward removing national discrimination in the awarding of public works contracts within the Community.

In 1966 the Commission drafted a directive embodying the following principles:

- All major public works projects should be advertised.
- All Community undertakings with the required technical and financial capability should be entitled to submit bids.
- The most advantageous bid should be selected.
- The choice should not be made according to national criteria.
- Technical standards should not be applied if they would have the effect of national discrimination.

Disparate Procedures Favor National Companies

Between the issuing of the draft directive and its passage by the Council on July 26, 1971, experts negotiated long and hard to harmonize disparate contract-awarding procedures and regulations in the Six. It was not easy to harmonize legislation meeting the various requirements of six separate countries. Each nation believed in the efficacy of its own legislation. Also, governments were often guided by social considerations. For example, they awarded contracts in areas of high unemployment.

The new Community contract-awarding procedures for public works projects will eliminate legal, administrative, and technical restrictions which protect national companies from companies and individuals from other Community countries. The procedures, applying to projects worth more than $1 million, will go into effect throughout the Six on July 26, 1972, and in the four prospective Community members (Britain, Ireland, Norway, and Denmark) on July 1, 1973. Companies registered anywhere in the Community can submit bids on the projects published in the Community's Official Journal. A watchdog committee will adjudicate cases where a company suspects discrimination.

This Dutch surveyor and his company will be able to bid for public road building contracts worth more than $1 million throughout the Six after July 26.

Free Movement for Construction Trade

Another Council directive in the public works field also goes into effect on July 26, 1972. It eliminates rules restricting the building trade's freedom of establishment and freedom to provide services within the Community and lists occupations which may be performed by Community citizens anywhere within the Six. Community citizens must receive the same financial advantages as citizens of the state in which the occupation or service is performed.

The Council's next task is to remove restrictions on competition to save taxpayers' money in public procurement and purchasing. Last year the Commission drafted a directive aimed at the same targets as the public works directive passed by the Council. The new proposal would cover everything bought by the state, from bootlaces to battleships. Contracts of more than $60,000 would have to be published and put up for competitive bids throughout the Community.

Labor vs. Management in Europe

WHERE LABOR UNIONS STAND IN EUROPE'S INDUSTRIAL PICTURE

THOMAS BARRY-BRAUNTHAL, *Press Officer of the International Confederation of Free Trade Unions in Brussels.*

A panacea for industrial troubles to some, industrial anarchy to others — views on labor participation in European industry's decisions are as varied as the workers themselves. Types of participation range from workers' councils to profit-sharing to 50 per cent representation on supervisory boards.

People in favor of workers' participation consider it a novel approach to some of industrialization's ills. Some employers think that giving workers a stake in the company makes them feel responsible for the company's performance, thereby increasing productivity. For the worker, it seems to overcome the feeling of being a production tool run by uncontrollable forces. Unions see participation as a way to safeguard the interests of their members, whose livelihoods and careers are bound up with their company. Politicians support it, hoping to lessen the tensions of industrial strife. Sociologists argue that labor participation will reduce the "we/they" dichotomy so common in industrial relations.

The chief opponents of participation are employers who fear it will hamper effective management. Some unions also object for fear that associating with management will weaken labor's bargaining power.

How Much is Too Little?

There are two main types of participation: participation in company profits and participation in management decisions. In the European Community, the debate has flourished over how much participation should be granted in an eventual European company. It blocked the Commission's final decision on its draft European company law until last year. A glance at union views on the subject in the six countries shows the problem's complexity.

In Germany, codetermination or shared decision-making has been a reality for 20 years. The labor unions would not tolerate a reduction of their participation in a European framework. The German unions back their reluctance with arguments based on traumatic historical experiences. The unions believe that many industrial barons of the Thirties abused their unrestricted economic power to hasten the fall of the Weimar Republic and then linked themselves to the Nazi regime.

After the war, the unions demanded codetermination to keep economic power under control and to prevent its political misuse. The occupying powers shared this view. When the coal and steel trusts of the Ruhr broke up after 1945, the British military administration instituted joint management-union control of mines and steelworks, based on parity. Anxious to reopen their factories and pits, the employers agreed to labor participation, and cooperation between both sides greatly contributed to industry's rebuilding.

Codetermination was put into effect in numerous concerns in 1946 and 1947, although the law on codetermination (*Mitbestimmungsgesetz)* was adopted only in May 1951. This law, covering the iron and steel industry and mining, gives the workers' representatives the right to half the seats on the company's supervisory board. The other seats go to the stockholders' representatives. In the German two-tier system, the supervisory board appoints and dismisses the three-man board of directors, one of whom is a worker-director, and controls its activities.

In other industries, companies are subject to another law (*Betriebsverfassungsgesetz* of 1952), which allocates one-third of the supervisory boards' seats to workers' representatives. This law was amended by the German legislature in the spring of 1971 by extending the rights of the workers' councils and the unions.

Industrial Peace Promoted

Despite some management objections to sharing power of decision, most observers are convinced that the German experiment has contributed both to industrial growth and peace. Management has not lost profits, and the unions have retained their members' confidence. Several successful plans for workers' profit-sharing have been pushed through mainly by the construction workers' union, whose former president, Georg Leber, is now Minister of Transport. Nonetheless, genuine work satisfaction still remains a distant goal for the vast majority of the industrial labor force.

Belgian unions see the problem in terms of the individual workers' frustration at being a helpless cog in an industrial complex. They want the workers themselves to run the enterprise in a democratic framework. With confidence stemming from a high degree of unionization in the country (over 60 per cent), the January 1971 congress of the Belgian Federation of Labor (FGTB) supported a policy of workers' control. It said workers' control could be achieved by coordinating the various forms of union representation within the enterprise and on industrial, regional, and national levels. In this way the country's economic and social activities would gradually depend less on management's decisions and pursuit of profits and more on the will of the workers.

Workers' control, as they see it, means that management must inform the unions fully before economic decisions are made, giving labor the right to contest decisions and make counter-proposals. Under the slogan "no integration into the capitalist system," the FGTB congress rejected the German formula of codetermination. The other large labor organization in Belgium, the Confederation of Christian Trade Unions (CSC), has also refused to share in management responsibilities on the same grounds.

Belgian labor's entrenched attitudes show the desire for fundamental solutions and the philosophical approach to industrial problems. Worker participation in Belgium is not negligible, although it falls short of institutionalized influence on economic or managerial policy. Through the union delegation, the workers' council, and the "committees for safety and hygiene," the workers have a say in running the company but not in economic decisions.

Compromise in the Netherlands

The Dutch unions also oppose integration in the capitalist system but claim greater public and workers' control over the big companies than Belgian unions. After long negotiations, first among the three major labor federations (socialist, Catholic, and Protestant) and then with the employers in the Netherlands Social and Economic Council, a compromise was accepted by all parties in 1970. It recommended to the Government that companies with a capital of at least 10 million florin (about $2.5 million) have a supervisory board (*raad van commissarissen*) consisting of members who must have the confidence of both stockholders and company employees. The supervisory board could appoint and dismiss the company's board of directors. The annual company statement and balance sheet would be discussed in the workers' council before going to the supervisory board and the stockholders' meeting. For every seat to be filled in the supervisory board, candidates could be put forward by incumbent members, management, stockholders, and the workers' council. Acceptance of a candidate would depend on agreement between stockholders and the workers' council. If objections to a nomination were voiced, a commission appointed by the Social and Economic Council would arbitrate.

The Luxembourg unions would like to see genuine codetermination in industry. In 1967 they submitted a program for joint workers' councils elected on a parity basis between employers' and workers' representatives for all enterprises employing more than 250 people. Workers' councils would fix criteria for the hiring, promotion, transfer, and dismissal of staff. They would be consulted on working and production methods, production programs, sales, and investments. They would also be fully informed of the firm's financial situation, especially the annual financial reports. For companies with more than 1,000 employees, the unions also demand representation on the company's supervisory council. These union demands, which in December 1968 contributed to the break-up of the Government coalition between the Social-Christian Party and the Socialists, have been submitted to the Luxembourg legislature, where they are likely to be passed with a few changes.

Many French workers, including these mechanics employed with Sud-Aviation, own stock in their company. Firms with more than 100 workers must distribute shares of company profits to their employees, according to French law.

French Workers Share Profits

In France "participation" is freely used in talking or writing about industrial relations, but both employers and unions are resisting sharing responsibilities for opposite reasons. The government-sponsored legislation on participation is a system of profit-sharing. The Government sponsored the law of January 7, 1959, on the association of workers with the enterprise and the law of August 17, 1967, establishing compulsory profit-sharing in firms with more than 100 employees. The amount of required stock distribution is set by a formula which has so far given 2.5 million workers an average profit-share of about 2.7 per cent of their wages. This sum is not paid but kept in their accounts for a minimum of five and a maximum of eight years. The total amount paid by December 1, 1970, was 766 million French francs (about $58 million) for 6,515 enterprises with 2,551,000 wage earners — an average of 353.71 francs (about $70) per worker. The cost of the operation is borne by the French Treasury through corporate tax relief. The three main labor federations in France are the Communist Confédération General du Travail (CGT), the Socialist Force Ouvriére (FO), and the Christian Confédération Française Démocratique du Travail (CFDT). At the moment, they are not strong enough to force on management a form of participation acceptable to their membership.

This situation applies to labor union rights in general Only after the strike wave of 1968 did the unions win the right of access to factories and workshops. Even in 1970, the press reported numerous cases of employers' harassing union members and shop stewards. The nineteenth century concept of the employer (*le chef d'enterprise*) as absolute master in his own home, accountable only to his stockholders, is still widespread. Such a situation makes the unions wary of governmental attempts to paper over the fundamentally conflicting character of industrial relations; they trust only agreements reached through collective bargaining.

Italian Political Parties Bypassed

The Italian constitution provides for worker participation, but Italian unions oppose participation. Labor is generally committed to changing society's current form and therefore does not want to be associated with capitalist management. However, the Italian unions' strength, composition, and interrelationship are now changing so quickly that it is difficult to pin down specific policies. At one point, the three labor confederations [the Communist Confederazione Generale Italiana del Lavoro (CGIL), the Catholic-Socialist Confederazione Italiana Sindacati Lavoratori (CISL), and the Social Democrat Unione Italiana del Lavoro (UIL)] united to bypass the political parties in striking for and obtaining political reforms and promises of taxation, pension, and housing reforms.

The workers' councils exhibit some influence on the industrial scene in Italy, but it cannot be labeled participation. The unions want the right to contest and negotiate company decisions. They have representatives on consultative bodies of such state-controlled industries as the huge Istituto per la Ricostruzione Industriale (IRI), which runs innumerable state enterprises, and the nationalized oil industry Ente Nazionale Idrocarburi (ENI), as well as on the National Economic and Labor Council (CNEL).

The European Confederation of Free Trade Unions in the Community, made up of seven social-democrat labor federations in the Six, agreed to a compromise on proposals for a European company law. Unions will be represented on the company's supervisory council on a basis of parity with one-third of the seats for stockholders, one-third for workers, and the remaining third chosen by and acceptable to both groups. It seems doubtful whether this parity will be achieved in the final version, but the principle of union representation has been accepted.

Labour Party Urges Industrial Democracy

In Britain profit sharing has been practiced in many companies with different but unspectacular results. In general, the workers considered the advantage the same as a wage bonus. During the latter period of Harold Wilson's Labour Government the idea of worker participation in management decisions again came up. The Trades Union Congress of 1968 adopted resolutions urging government to put into effect industrial democracy and labor union representation on management boards of publicly-owned industries and statutory public authorities.

A few weeks later, the Labour Party annual conference pledged to recognize workers' rights to organize, be represented, and participate in major matters affecting their working lives. The Party also endorsed "the extension of collective bargaining to include all elements of management (dismissals, discipline, introduction of new machinery, forward planning of manpower, rationalization, etc.)." The Party said that workers' representatives should have adequate information on all aspects of company affairs, provided that it did not jeopardize the company's commercial interests. It envisaged legislation to compel management to provide requested information on the company and its prospects.

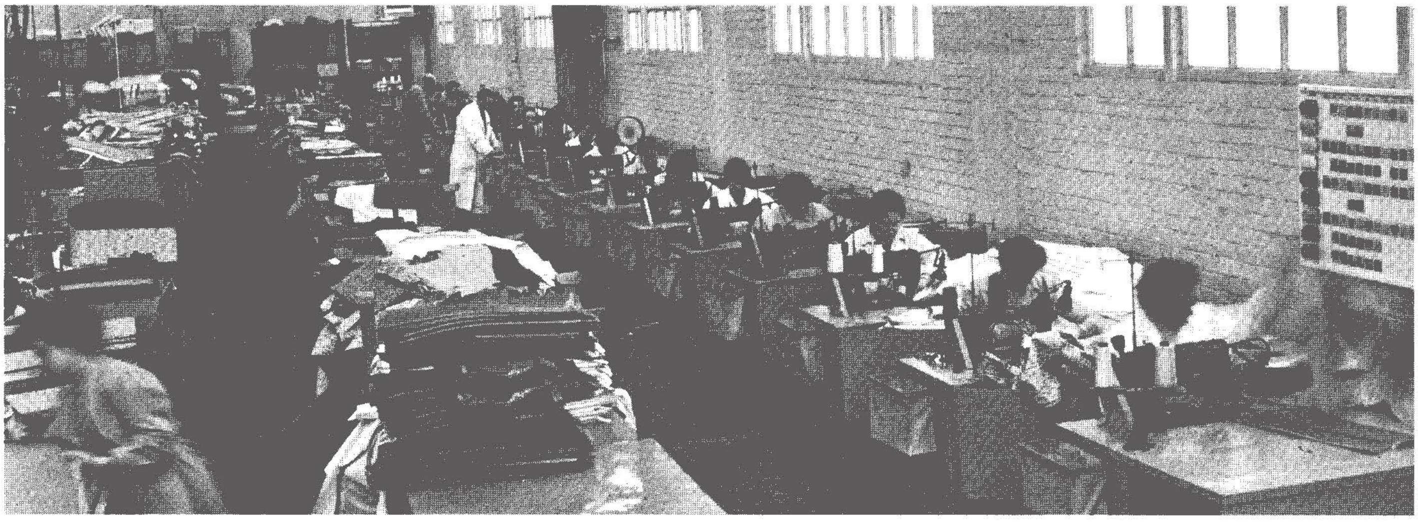
For some European labor unions, participation does not go far enough toward industrial democracy. The overall picture in the Community, however, seems to point to a union trend toward some form of workers' participation in management.

The Danish Trade Union Federation favors participation in management and urges "coinfluence and codecision" for unions. One of its goals is to obtain "the greatest possible influence and codetermination for the wage earner." It has proposed the creation of a general wage earners' profit and investment fund.

In other European countries, such as Sweden and Switzerland, unions have only recently begun to favor participation in management. Swedish Trade Union President Arne Geijer in January 1971 made it clear that unions will seek workers' representation on management boards. The Swiss unions staked out their claims along these lines in March 1971.

Progress will depend on organized industrial strength and political power. Many unions in the Community look hopefully across the Channel and toward Scandinavia for support to tilt the overall balance in their favor.

Renault, a nationally owned industry, produces 40 per cent of the motor vehicles used in France. Renault employees, like these upholstery workers, have long been represented on the company's board of directors.



No Italian Teeth for French Dentists

PROGRESS REPORT ON RIGHT OF ESTABLISHMENT AND FREEDOM TO OFFER SERVICES

Italian teeth are still off-limits for French dentists, and a Belgian soccer coach cannot be licensed to teach "fussball" to German youths.

These are two of many instances where professionals in the Common Market do not benefit from laws protecting their "right of establishment" and their "freedom to offer services." The right of establishment granted by the Common Market Treaty entitles companies and non-wage-earning persons to do business in other Community countries. "Services," according to the Common Market Treaty, include industrial and commercial activities as well as activities performed by artisans and members of the liberal professions. These provisions mean that member states must admit persons and companies from any other member country and remove any legislative or administrative devices that may keep them from doing business or offering services there.

So far, the Council of Ministers has passed 37 directives dealing with these rights in various fields and activities. Nonetheless, progress has been slow. The legislative process often takes two years. Many liberal professions have not been opened up because of the wide range of professional qualifications and the inability to agree on the equivalency of diplomas and qualifications.

The Treaty stipulates that restrictions on the right of establishment and the freedom to supply services would be gradually eliminated. The approach has been profession by profession and trade by trade. Since January 1, 1958, the member states have been forbidden to enact new measures restricting these rights.

A brief look at the current situation in various sections and occupations will show the Community's progress so far.

Trade. Liberalized, except for pharmaceutical products, hairdressing, door-to-door sales operations, and certain personal services for which directives are in preparation.

Industry and small manufacturers. Liberalized, except for pharmaceuticals and tobacco products.

Agriculture. Liberalized for services. A final directive on establishment of individual farm operations is pending in the Council of Ministers. Hunting and fishing have not been liberalized.

Transportation and related activities. Not yet liberalized. The Council is currently studying two proposed directives on transportation-related activities (warehouse and customs personnel). Three draft directives on the freedom of establishment for passenger and freight transport operators (by road and inland waterway) have been submitted to the Council by the Commission.

The Council has passed a directive on ending checks of international car insurance cards (the "green card") at frontiers between Community member states.

Technical professions. Not yet liberalized. A number of proposed directives (removal of restrictions, recognition of diplomas, and coordination of program and transitional measures) for most of the activities in the technical sector, including three relating to architects, are awaiting examination by the Council. The texts of directives on agricultural engineers and surveyors are being drafted.

Medical professions. Not yet liberalized. Proposals for directives on doctors and dentists, pharmacists, veterinarians, opticians, masseurs, and nurses have been submitted to the Council of Ministers.

Legal professions. Not yet liberalized. A proposal concerning lawyers (supply of services) was submitted to the Council in 1969. Other proposals relating to tax consultants are in preparation.

Cultural professions. Partially liberalized for the film industry. A number of draft directives on these professions are being prepared by the Commission. A proposal concerning the press is before the Council. Proposals concerning recreational services, in particular sports instruction, are also in preparation.

Companies. The Council has enacted a directive on the coordination of company law (publication of balance sheets, validity of commitments, and dissolution of partnerships).

Two proposed directives on mergers at the national level, the maintenance of companies' own capital and changes in corporate capital, will be submitted to the Council. A number of directives are being prepared (corporate accounts, board of directors, structure, and distribution of responsibilities). Also under study are proposals relating to bonds, the dissolution of "limited liability companies," cooperatives, and legal persons under public law.

Banks. Not yet liberalized. The Council is examining a proposed directive on the removal of restrictions on banks' freedom of establishment and freedom to supply services.

Insurance. Reinsurance is liberalized. The Council is examining a proposed directive on the harmonization of conditions of access to activities in direct insurance (other than life insurance) and the pursuit of such activities. A draft directive on the removal of restrictions on establishment has also been submitted to the Council. Other topics under consideration are harmonization of conditions of activity in the life insurance sector, harmonization of direct insurance contracts, establishment of private international law, and dissolution of insurance companies.

Outsiders Surpass EC Investors

Outsiders have used the Common Market's favorable climate for economic growth to better advantage than have industries inside the Community.

Community and non-Community companies have both profited from the development of a single large economic unit. Yet a close look at the Sixties reveals that Community firms have been slower to react to the stimulus of the expanding European market than many better equipped and more enterprising industrial interests from non-member countries.

Community Countries Still Border-Conscious

The restructuring of member states' industries occurs more often within a national than a Community-wide framework. Between 1961 and 1969, there were 1,860 changes in structure (mergers, conglomerate creations, and take-overs) within individual Community countries, compared to 257 such transactions between industries from different Community countries. In the Community, there were also 1,350 cooperation agreements (exchanges of stock, information sharing, standardization, joint research and development, and joint use of branch offices) between industries in the same country, compared to 1,000 intra-Community cooperation agreements.

The lack of one company law valid throughout the Community causes legal and financial obstacles to mergers. Industries try to overcome these obstacles with ambitious cooperation agreements, which partially explains the relatively large number of cooperation agreements in comparison with mergers.

Branch Offices Prevail

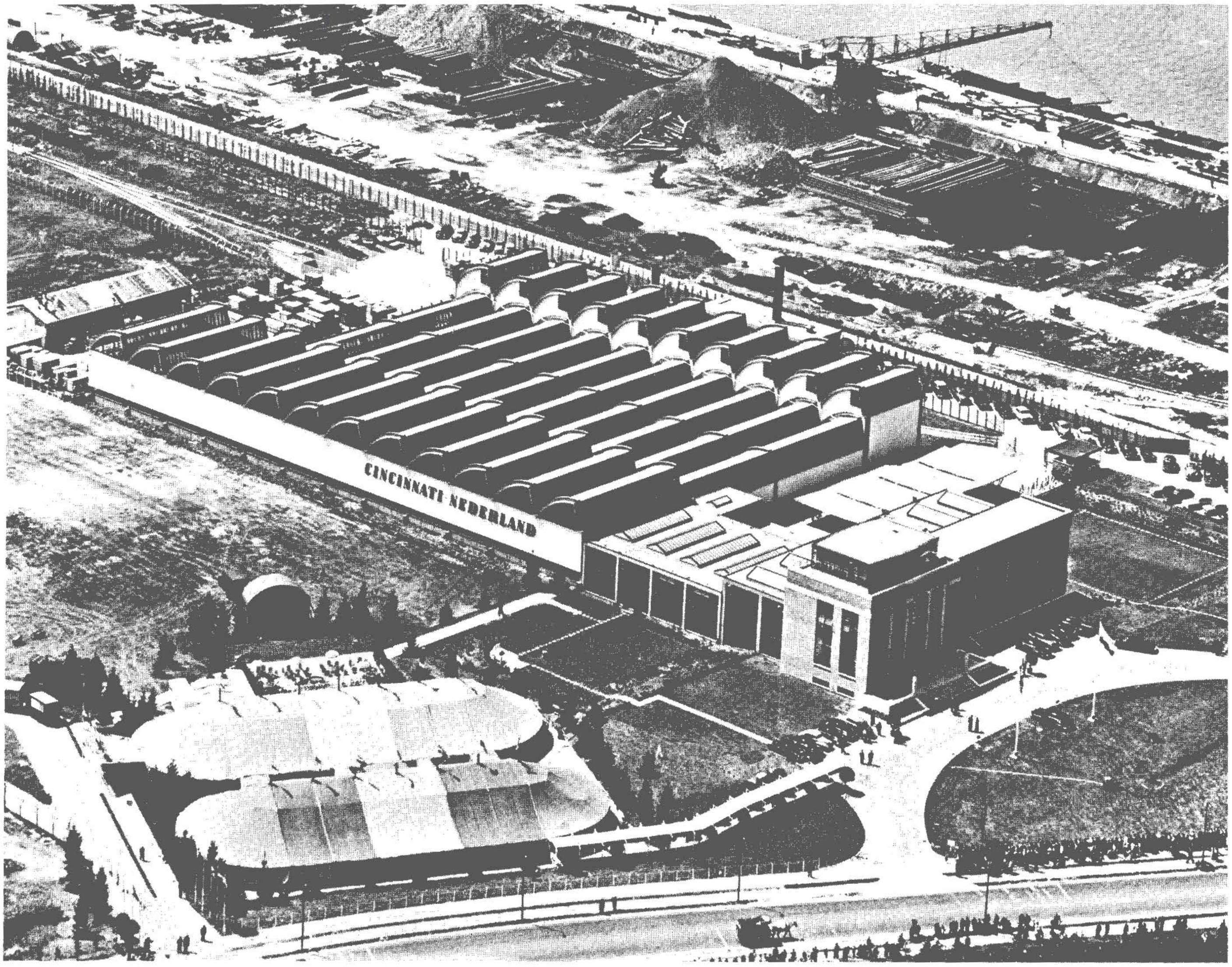
Member-state companies generally extended their activities to other Community countries by opening branch offices for production and distribution. There were 2,300 such cases, compared to the 1,000 cooperation agreements and 257 structural changes already mentioned.

The most common means of expanding, opening branch offices, increased by only 26 per cent from 1961 to 1969. Community cooperation agreements increased by 50 per cent, and intra-Community reorganizations rose by 84 per cent. These figures indicate that the Common Market has fostered expansion through cooperation and mergers rather than through the traditional method of establishing branch offices.

Companies registered outside the Community are particularly eager to locate branch offices in a Community country *(see box)*. Some of them, especially US com-

Transnational Activities in Common Market 1961-69

CREATION OF BRANCH OFFICES	Number
From member country to member country	2,300
From non-member country to member country	3,540
From member country to non-member country	1,158
COOPERATION AGREEMENTS	
Between two member countries	1,000
Between member country and non-member country	2,790
MERGERS AND TAKE-OVERS	
From member country to member country	257
From member country to non-member country	215
From non-member country to member country	820



Cincinnati-Nederland, a subsidiary of Cincinnati Milacron of Ohio, located in Vlaardingen, the Netherlands, produces metal cutting machines and cutting fluids for European industrial consumption.

panies, maintain a competitive edge over Community firms because of their familiarity with large market operations, advanced technology, and financial superiority. Domestic market saturation and strict antitrust legislation also encourage foreign investment in the Community.

Member Country Situations Differ

Some Community countries invested more in other member countries than they received from other member countries.

For example, the Netherlands established 187 companies in the Community for every 100 companies established by member countries in Dutch territory. The Netherlands also bought twice as many companies in other member countries as it sold to its Community partners.

In Germany, for every 100 new Community companies, 175 German companies branched out into other countries. Germany also bought one-and-a-half times as many companies in other member countries as it sold to other member countries.

French investors, however, bought slightly fewer companies in the Community than member country investors purchased in France. Similarly, in Belgium, twice as many Belgian companies were purchased by member-country investors as Belgian investors bought member-country companies. Purchases of Italian companies were three times greater than Italian purchases in member countries.

All Community countries set up fewer companies in non-member countries than vice versa. For every 100 non-member companies formed in Germany, 66 German companies were established in non-member countries. For the other Community countries, the ratios of foreign companies in the member states to member-country companies in foreign nations were: France, 100 to 33; the Netherlands, 100 to 24; Italy, 100 to 22; Belgium, 100 to 6. The same ratios for take-overs were: Germany and the Netherlands, 100 to 40; France, 100 to 17; Belgium and Italy, 100 to 14.

Investment Equilibrium in 1985

The rate of Community investments in foreign countries (starting from a low figure in 1960) increased faster than the rate of foreign investment in the Community. At the present rate, investment equilibrium will not be reached before 1985.

US investment in member countries is three times greater than Community investment in the United States. In 1970 US investment in the Six totaled $11.7 billion, up from $2.2 billion in 1960. Community investment in the United States rose from $1.4 billion in 1960 to $3.5 billion in 1970. While the Community remains the preferred area for US investors, the Six prefer to invest in Britain and developing countries to the detriment of US-EC investment equilibrium.

Statistics show that foreign companies have deeply penetrated the Common Market, while European industries, for a variety of reasons, have remained relatively unreceptive to investment opportunities offered in their own Common Market. The Commission of the European Communities, member governments, and individuals in the business sector must eliminate remaining obstacles to intra-Community investment, especially those which increase the cost of intra-Community mergers and complicate relations between main and branch offices. Future Community action should also include the creation of a European company law and an integrated European capital market.

Publications Available

Publications listed may be obtained from the European Community Information Service, Suite 707, 2100 M Street, N. W., Washington, D. C. 20037. Persons in the New York area can order from the New York branch, 155 East 44th Street, New York, N.Y. 10017.

SECOND AVANT-PROJET DE CONVENTION RELATIVE AU BREVET EUROPEEN POUR LE MARCHE COMMUN ET DOCUMENTS ANNEXES. Council of the Ministers of the European Communities, Brussels, 1971, 203 pages $4.20
French/German/Dutch/Italian text. Texts of the second draft convention for a European patent for the Common Market. Includes the first drafts for a regulation executing the Convention, a regulation relative to taxes, and commentaries on the second draft convention and draft regulations. This draft is different from the one entitled Second Preliminary Draft of a Convention Establishing a European System for the Grant of Patents.

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Complete texts of the Accession Treaty, annexes, and connected documents.

W. HALLSTEIN AND J. REY: FREEMEN OF THE CITY OF BRUSSELS. Commission of the European Communities, Brussels, 1971, 20 pages .... free
Speeches given on December 2, 1971, when Walter Hallstein, former President of the Commission of the European Economic Community and Jean Rey, former President of the Commission of the European Communities, received the honor, Freedom of the City of Brussels.

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This document is a revised edition of Topics Nos. 11, 27, 32, and 37. Describes how the four institutions of the Community work. Includes information on the agricultural management committees and the Committee of Permanent Representatives.

ADDRESS TO THE EUROPEAN PARLIAMENT BY FRANCO MARIA MALFATTI, PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES. Commission of the European Communities, Strasbourg, February 8, 1972, 21 pages .... free

COMMERCIAL RELATIONS BETWEEN JAPAN, THE UNITED STATES AND THE EUROPEAN COMMUNITY. *Information Memo* P-20/72, Commission of the European Communities, Brussels, April 1972, 5 pages .... free
Presentation of the Fifth General Report of the Commission of the European Communities, covering 1971, and the Commission's program for 1972.

COMMUNITY LAW. Commission of the European Communities, Brussels, 1971, 40 pages .... free
Excerpt from the Fourth General Report on the Activities of the Communities—1970. *Discusses institutional changes during 1970 in the Communities' treaties, and the nature, scope, and application of Community law. Includes a summary of the Court of Justice's work in 1970.*

PUBLICATIONS JURIDIQUES CONCERNANT L'INTEGRATION EUROPEENE, Supplement No. 4. Court of Justice of the European Communities, Luxembourg, July 1971, 251 pages $3.00
French/German/Dutch/Italian text. Fourth supplement to a bibliography on European integration. It focuses on the Communities and the activities of their institutions. Contains a keyword index in the four official languages of the Community and an index of authors.

LES PROBLEMES DE MAIN-D'OEUVRE DANS LA COMMUNAUTE 1971. Commission of the European Communities, Brussels, April 1971, 146 pages $1.40
Annual report on the Community labor market. Covers employment by industry in each member state. Also describes migration of workers. Includes a detailed statistical annex, an analysis of employment in 1971 and a forecast for 1972.

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