# european community

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# When Six Became Nine

## A QUANTITATIVE, QUALITATIVE CHANGE

January 1, 1973, marks the most important event in the European Community's 14-year history—important too for its future.

Britain, Denmark, and Ireland are now full members of the Community, with all the attendant rights. During a transitional period, they will gradually assume the responsibilities of membership. Industrial tariffs between the old and new member states will be eliminated in five stages by July 1, 1977. Agricultural alignment, a six-stage process, will be completed by December 31, 1977. New member states' financial contributions to the Community budget will also be progressively increased until January 1, 1978, when each new member state will carry its full, proportionate share of the budget.

The Community's enlargement has brought with it institutional adjustments. The Commission of the European Communities now has 13 members, instead of the former nine: two each from Britain, France, Germany, and Italy, and one each from Belgium, Denmark, Ireland, Luxembourg, and the Netherlands. Voting rights in the now nine-member Council of Ministers are: Britain, 10; France, 10; Germany, 10; Italy, 10; Belgium, five; the Netherlands, five; Denmark, three; Ireland, three; and Luxembourg, two. The new Court of Justice has nine judges and three advocates general. The European Parliament now has a total membership of 198: 36 members each from Britain, France, Germany, and Italy; 14 each from Belgium and the Netherlands; 10 each from Denmark and Ireland, and six from Luxembourg.

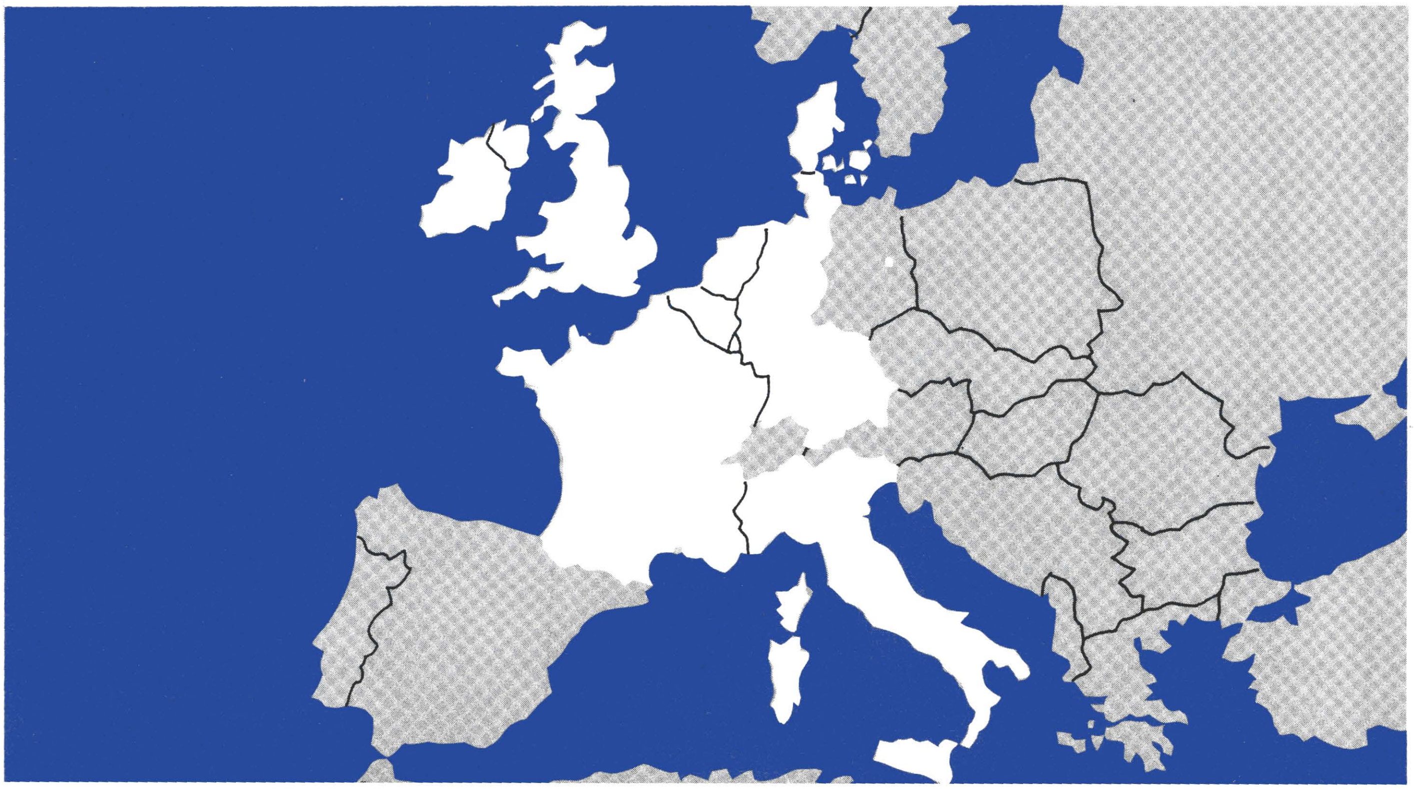
### Change: The Only Certainty

What do these mechanical adjustments mean? Will the executive Commission and the Parliament become stronger? Will historical trading patterns change? It is difficult, if not impossible, to say. About the only certainty is that there will be change, meaningful change. For example, most observers see the addition of Britain and Denmark, with their strong democratic traditions, as strengthening the European Parliament. Many Danes and Britons have already spoken out in favor of the Vedel Report, which calls for a directly elected European Parliament with real powers in the Community's decision-making process.

The largest question, however, is the one asked ever since the European Communities were formed: Are enlargement and integration mutually exclusive? Will the addition of three countries to the quest toward European unity confuse the search? The answers are many, but optimism now prevails in Europe. Had Britain, Denmark, and Ireland not joined the Community, the cause of European unity would have suffered a setback from which it might never have recovered. In danger of "stabilizing" to the point of stagnation, the European Community has received a new vitality, equal perhaps to that which sparked its creation. Evidence of that vitality emerged from the first Summit meeting of the heads of the enlarged Community's nine member states in Paris last fall: they called for a transformation of "the whole complex of their relations into a European union by the end of the decade." This "European union" may not be the United States of Europe of which the Community's founding fathers dreamed, but it amounts to much more than an enormous trading bloc.

### A Face-Lifting

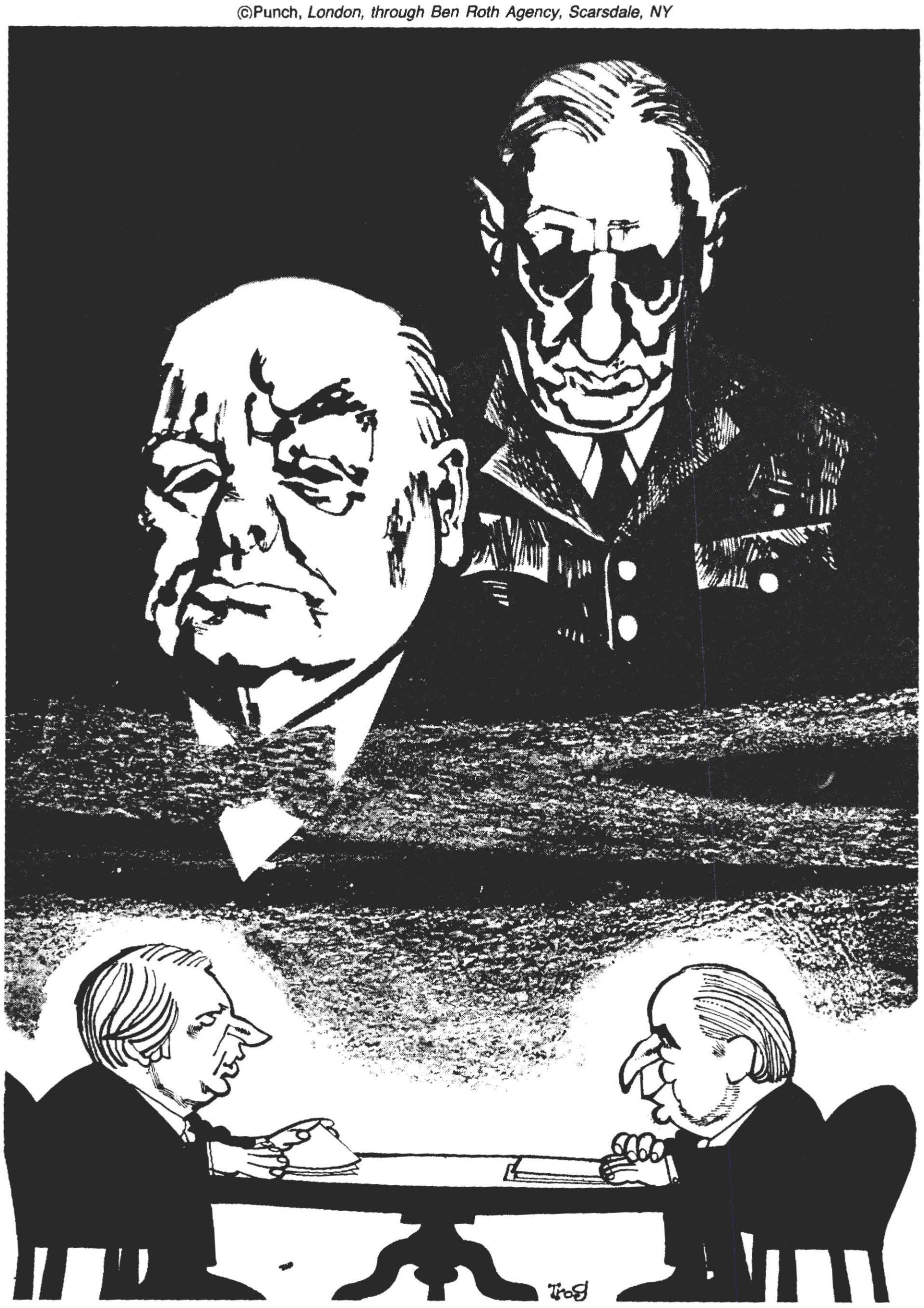
The entry of Britain, Denmark, and Ireland will revitalize the Community in other ways. With the addition of Denmark and Ireland, small nations will make up five of the new Nine. Since the small countries have traditionally supported a united rather than national approach to international problems, their new influence can only accelerate Europe's political unification. The recent efforts to give the Community a "human face" to replace its currently widespread economic and commercial image will be spurred. The new countries will add their weight to the push for better regional development and social policies and increased democratic input into Community decision-making.



# The "Nine" Join Destinies

A nineteenth century Romantic or a Wilsonian idealist drawing a map of a democratic, united Europe would have included Britain, Denmark, and Ireland; but these countries were bystanders when the once warring European nation-states began to build today's European institutions. Two of the prime movers toward postwar European integration were France and Germany whose past efforts toward European unity had been through conquest. A third was Italy whose agricultural economy had seemed eternally incompatible with northern Europe's industrial base. Of the six founding members of the European Coal and Steel Community (ECSC), only Belgium, the Netherlands, and Luxembourg in 1952 shared economic, political, and social histories which seemed the likely cornerstone of a democratic, united Europe.





History, however, has disproven pessimistic forecasts of Europe's venture. The "Six" not only eliminated tariffs, quotas, and many other obstacles to the free exchange of goods and services among themselves, but also established a single tariff on goods imported from outside. The Community adopted policies which affected the economic and social destinies of its 190 million people.

Today, the United Kingdom, Denmark, and Ireland have tied their futures to the continuing process of European unification. They became full members of the European Community on January 1, 1973. Their entry culminated a series of stop-start movements, enthusiasm followed by doubt, not only in the United Kingdom but also on the Continent.

### Britain Said No in the Early Days

Britain refused to participate in the Schuman Plan negotiations for the ECSC and later in the Messina Conference from which emerged the European Economic Community (EEC) and the European Atomic Energy Community (Euratom) in 1958. Great Britain the only European "victor" in World War II, with an insular tradition of more than 400 years, would relinquish neither sovereignty nor pretensions to world power in an international system increasingly dominated by the Soviet Union and the United States. Others followed Britain's footsteps away from a united Europe: not only Denmark, with its unseverable economic links to Britain and Ireland, with its historical, if ambivalent ties to "Albion," but also Austria, Norway, Portugal, Sweden, and Switzerland. These countries (with the exception of Ireland) formed the European Free Trade Association (EFTA) in 1960. This free trade area was designed to meet the unexpectedly strong economic challenge of the EEC but without the political sacrifices required by the Common Market.

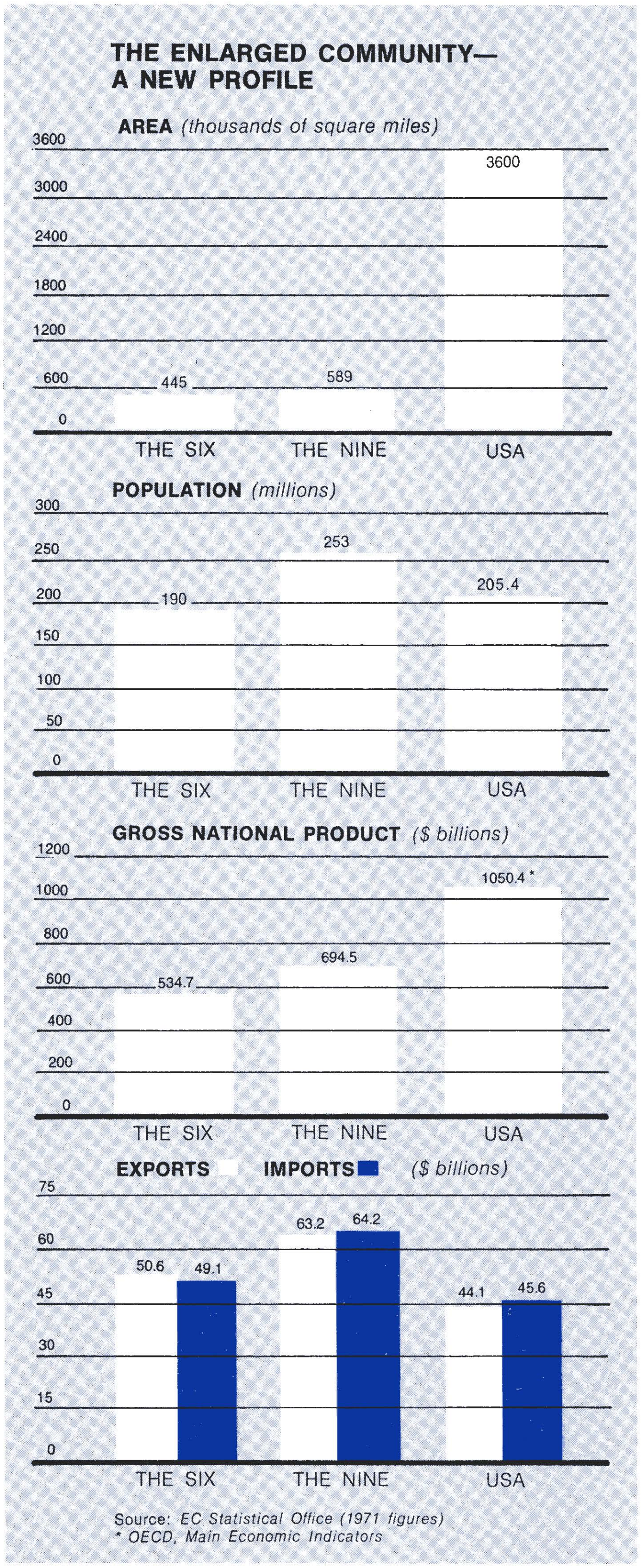
At the same time, Britain encouraged the development of the European Communities. Sir Winston S. Churchill's 1946 call in Zurich for "some sort of United States of Europe," is often cited as the first catalyst to the European integration movement. Nevertheless, until 1963, Britain was "with" but not "of" Europe.

### Britain's Change of Heart

On July 31, 1961, British Prime Minister Harold Macmillan announced his Government's decision to apply for Common Market membership. "To pool sovereignty," as Edward Heath put it at the time, "is perhaps the most momentous decision any nation-state can make." Macmillan's announcement not only marked reversal of British postwar foreign policy but also closed 400 years of tradition. The British Government had realized—perhaps belatedly—that Britain would be better off in than out of Europe. Soon, Denmark, Ireland, and Norway reached the same conclusion and applied for Community membership. This time, however, the latecomers were sent home. The Community—and French President Charles de Gaulle in particular—vetoed British entry, thereby scuttling Danish, Norwegian, and Irish entry as well.

### Negotiations, Then Doubts

Not until the December 1969 Summit meeting in The Hague did the six Common Market members' political leaders give the go-





*"Could you ever imagine that Europe would unite so peacefully?"*
©*Juhl, PIB, Copenhagen through Ben Roth Agency, Scarsdale, NY*

ahead to Community enlargement. After a year and a half of intensive negotiations, the Community and the four applicants agreed on the terms of entry. However, at least three of the four prospective members later had second thoughts. Of the "Four", Ireland wavered least; Irish hopes for economic and regional development were founded on Common Market entry. But in Britain, Denmark, and Norway, nationalistic sentiment ran high.

Over the legislative and public opinion hurdles to membership, however, only Norway stumbled. In a September 1972 referendum, the Norwegian people rejected Community membership. Both the Irish and the Danish people voted overwhelmingly to join, as did their respective legislatures. In the British Parliament, the necessary legislation for entry into the Community squeaked through narrowly, despite public opinion polls showing a majority of the British people opposed to entry.

The story of the Community of Nine will surely be as full as the epic of its expansion. It is the largest trading bloc in the world. Except in the military sense, it ranks as an emerging superpower in a multipolar world. Internally, size will not affect the Community's integrative cohesion; to the contrary, the addition of smaller states and states with long democratic traditions will no doubt accelerate the strengthening of the Community's institutions. January 1, 1973, is thus a milestone by any measurement. It will be a date to remember not only for Europeans but also for Americans.

# Plus or Minus for the United States?

The goal of a united Europe, economically strong and democratically free, has been a cornerstone of US foreign policy since the close of World War II. Both the Marshall Plan and the North Atlantic Treaty Organization (NATO) were conceived in this light. Every subsequent US Administration reinforced what the Harry S. Truman Administration had begun—making a united Europe one of the most consistent foreign policy objectives in American history.

Abstract ideas, however, often take on strange and unexpected shapes when translated into reality. As Representative John C. Culver, chairman of the House Subcommittee on Foreign Economic Policy, noted in the Subcommittee's July 1971 hearings on the enlarged Community's implications for US foreign economic policy, "There have, in contrast to the late Fifties and early Sixties, been fewer and more muted expressions of official attitude regarding the advantages to this country of a widened European Economic Community (EEC) association." Even President Nixon, in his February 1971 "State of the World" message qualified the US commitment to European unity through a strengthened and enlarged Community: "For years . . . it was believed uncritically that a unified Western Europe would automatically lift burdens from the shoulders of the United States. The truth is not so simple. European unity will also pose problems for American policy, which it would be idle to ignore."

### Partner Plus Competitor

The enlarged Community is increasingly perceived as a competitor as well as a partner. What indeed is the balance sheet for the United States? What are the pluses and what are the minuses? Will the enlarged Community continue to be a partner or will it become a rival? These questions produce a wide variety of answers often revealing confusion and misguided fears. Some misinformed Americans think the enlarged Common Market spells only trouble for the United States. Misunderstanding on the continent has been no less prevalent. Some Frenchmen, for example, saw British entry into the Community as a "Trojan Horse" for American interests. In England and Commonwealth countries, some people said America supported British entry so that it could take over the Commonwealth or at least reap the trade benefits from the dismantling of the Ottawa preference system.

### Economic Impact

Even among many well-informed Americans, there is considerable apprehension about the enlarged Community's economic

## US Presidents Support Europe

"The Common Market promises to overcome many of the divisive national rivalries that have cost Europe so dearly in the past. In promoting international economic strength, the Common Market will also provide a basis for more stable governments and for stronger defensive forces in the interests of world peace and security."—President Dwight D. Eisenhower before Congress, June 25, 1959.

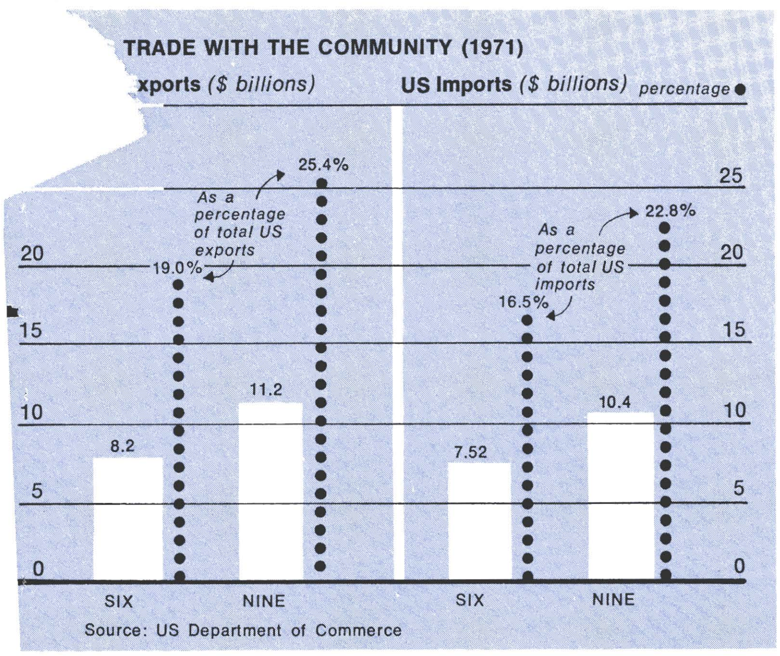
"The nations of Western Europe, long divided by feuds more bitter than any which existed among the 13 colonies, are joining together, seeking, as our forefathers sought, to find freedom in diversity and unity in strength. The United States looks on this vast new enterprise with hope and admiration. We do not regard a strong and united Europe as a rival but as a partner. To aid its progress has been the basic objective of our foreign policy for 17 years. We believe that a united Europe will be capable of playing a greater role in the common defense, of responding more generously to the needs of the poorer nations, of joining with the United States and others in lowering trade barriers, resolving problems of currency and commodities, and developing coordinated policies in all other economic, diplomatic, and political areas. We see in such a Europe a partner with whom we could deal on a basis of full equality in all the great and burdensome tasks of building and defending a community of free nations."—President John F. Kennedy, Independence Hall, Philadelphia, July 4, 1962.

"A united Western Europe can be our equal partner in helping to build a peaceful and just world order; a united Western Europe can move more confidently in peaceful initiatives toward the East; unity can provide a framework within which a unified Germany could be a full partner without arousing ancient fears. We look forward to the expansion and further strengthening of the European Community. The obstacles are great. But perseverance has already reaped larger rewards than any of us dared hope 20 years ago. The outlines of the new Europe are clearly discernible. It is a stronger, increasingly united but open Europe—with Great Britain a part of it—and with close ties to America."—President Lyndon B. Johnson, Address before the National Conference of Editorial Writers, New York, October 7, 1966.

"The European Community is on the threshold of a momentous advance. . . . The prospect of an expanded Community—and the determinations which emerged to move toward monetary and economic union—make the Community a potential economic giant. If these come to pass, the major economies of the Continent will be combined into a vast industrial power second only to the United States. . . . The United States has always supported the strengthening and enlargement of the European Community. We still do. We welcome cohesion in Europe because it makes Europe a sturdier pillar of the structure of peace. Regional cohesion contributes to world stability. And America's and Western Europe's fundamental interests are parallel in most areas of policy."—President Richard M. Nixon, "State of the World" Message, February 25, 1971.

impact on the United States. The most frequently voiced criticism is that the Community, now the largest trading bloc in the world, will be inward-looking and protectionist. In fact, the contrary is true. The United Kingdom's current industrial tariffs are generally above the Community's common external tariff (CET) and will have to be lowered to conform to the CET. Both Britain and the Community depend on foreign trade to a greater extent than the United States and consequently have a greater economic interest in liberal world trade. In 1970, US export earnings for goods and services were 5.5 per cent of gross national product (GNP); the former Community of Six exports were 22.5 per cent; and British exports were 22.1 per cent of GNP. As one of the four larger nations in the Community, the United Kingdom's free trade persuasion will certainly reinforce the Community's belief in liberalized world trade.

The enlarged Community will indeed present a great challenge to US exporters, but a challenge in the positive sense—an opportunity. The sales potential for American exporters in the enlarged Community is so immense it cannot be accurately predicted. The enlarged Community encompasses a single trading group of over 250 million consumers. After the five-year transition period, it will be a single market with one set of tariffs and harmonized regulations. American firms are accustomed and equipped to tackle such a market. They have the funds and the organization to sell that market successfully, something European companies are only beginning to match. The stimulating effect of enlargement on the economies of the three new member countries is expected to increase per capita national income in those countries, resulting in increased demand for goods and services. If the boost is as strong as expected, an increase in British imports from the United States would be a logical by-product. Moreover, under the General Agreement on Tariffs and Trade (GATT), the United States has a right to "compensation" for the adverse effects of enlargement on US trade interests.



Source: US Department of Commerce

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## No Harm Seen to US Farmers

Even in the agricultural sector, US export interests are likely to benefit from the Community's enlargement. For the Community's external tariff wall on all major US agricultural exports—with the exception of feed grains—is lower or about the same as Britain's prior to entry. The United Kingdom will thus remain one of the largest markets for US agricultural products. Britain's interests as a food importer coincide with US export interests. As a Community member, Britain may hasten reform of the Community's agricultural sector, including a lowering of the common agricultural policy (CAP) support prices in relation to world prices.

For US investors, Community enlargement can only mean good news. Many American multinational firms now have plants in both Britain and the original six-member Common Market; with British entry into a giant nine-nation market, these firms can streamline operations. New investments will be more rapidly profitable: Ireland, for example, is rolling out the welcome wagon for US investors as an "inroad" into the Common Market.

The economic impact on the United States of the Community's enlargement, although great indeed, is small compared to the political consequences. The prospect of a politically cohesive Europe has been the real basis for US support of the Community all along. There are still many imponderables, but the Community's enlargement portends a growing European "superpower," an equal partner with the United States in all major policy matters. Europe may someday speak with a common voice not only in economic and monetary affairs but also in political and military concerns. Once that voice is heard, Europe may truly share with the United States their common burdens in the interest of their common ends. With enlargement, that "Atlantic Partnership" of which President Kennedy spoke more than a decade ago seems closer than ever.

# United Kingdom

## BRITAIN BRIDGES THE CHANNEL

"STORMS IN THE CHANNEL. CONTINENT ISOLATED." So ran a famous headline in a London evening paper, reflecting an era when British self-sufficiency was still authoritative enough to laugh at itself. On January 1, 1973, that era was officially consigned to the past when Britain acceded to the new nine-member European Community. The contemporary British attitude is expressed by Prime Minister Edward Heath in a White Paper sent to Parliament in July 1971: "The Channel is no longer a barrier when the greater Powers are bridging space itself."

In shedding its insularity, the United Kingdom also hopes to shed its latter-day tendency to be outpaced by its continental neighbors. The lag has become apparent since the Community began operating in 1958. For example, average earnings in Britain in 1958 were on a par with those in France, Germany, Belgium, and the Netherlands and half again as high as those in Italy. By 1969, average earnings in Italy equaled those in Britain, while in the remaining Common Market countries average earnings surged ahead of British levels by 25 per cent to 50 per cent. Over the same period, growth rates of gross national product (GNP) per capita in the Community were roughly double those in Britain. In the percentage of GNP channeled into investment the Six again took the lead, 24 per cent to 17 per cent. Finally, the Community during these years built a solid balance-of-payments position, earning a surplus on current account of over $25 billion, whereas the United Kingdom chalked up a small cumulative deficit.

Proponents of Britain's entry into the Common Market expect it to provide a forceful boost to the economy. The debate in Britain had centered on whether short-term costs would be outweighed by short- and long-term benefits.

### A Price to Pay

In 1973, Britain's contribution to the Common Market budget—for such purposes as farm price support, the European Social Fund, and administrative expenses—will involve a net cost to its balance of payments of $240 million, .048 per cent of GNP, according to the White Paper. By 1978, at the end of the transition period, this cost will rise to about $480 million, or .096 per cent of GNP. Following two more years, during which its contribution would also be limited, Britain will go over to the automatic budget mechanism, passing on to the Community all revenues from customs duties and agricultural import levies, plus a small amount of value added tax revenue.

The lion's share of Britain's contribution to the common budget will go towards support of the common agricultural policy (CAP). In adopting the CAP, Britain—the world's largest net importer of food—will witness a rise in food prices and the cost of food imports. The size of the increase will, of course, reflect the difference between Community and world food prices, and this margin has shrunk in recent years. Assuming, however, that the present margin continues and taking into account foreseeable changes in British production and consumption, it appears likely that the added burden to the balance of payments on account of food imports will not exceed $12 million in 1973, or $120 million by the last year of the transition period, according to the White Paper. With the same provisos, during each of the five transitional years, the British housewife will pay 15 cents more on every dollar for food, raising the cost of living some 3 per cent annually between 1973 and 1978.

*"All I hope is, that when all this Common Market business is settled we don't have to sit through an action replay of the whole damn thing."* ©Punch, London, through Ben Roth Agency, Scarsdale, NY

The cost of living increase, nonetheless, should not affect wages enough to alter industrial costs or, therefore, Britain's international competitive position and trade balance.

### Costs Redeemable

In return for these burdens, British industry will see its "domestic market" expanded fivefold, from 55 million people to 253 million. British trade will respond to the impetus of the abolition of tariffs within the customs union. Many observers believe that the intensification of competitive pressure will give rise to a new, "no-nonsense" breed of entrepreneur in the manufacturing industries. Liberated from the complacencies of protectionism, this alert management would, it is hoped, rapidly reduce costs and raise efficiency.

The British manager has traditionally devoted his energies to production and assigned to marketing the status of an afterthought. This viewpoint was tenable in a small, protected market, but now competition from within the Common Market and higher labor costs mean that he must improve both productivity and marketing techniques.

The Community's market is big enough to allow economies of scale and specialization, particularly in industries where research and development costs are formidable and where a large domestic market is required as an expansion base.

Britain's advanced technology industries are a case in point. The United Kingdom brings to the Community high expertise in aerospace, electronics, and nuclear power. For such industries, obliged to compete with the giants of America and Japan, Britain had become, in the most constricting sense, a tight little island.

Now, with the expanded domestic market resulting from Community membership, they will be able for the first time to envision an output that vindicates their heavy investment in research and development. British exports will be redirected into the Community zone of big GNP's, fast growth rates, and high import levels.

Investment in Britain should also be quickened by adoption of the Community's value added tax and by the elimination of the "confidence crisis" which persisted as long as Britain's relations with continental markets remained unsettled.

Taken together, the gains accompanying Britain's Community membership could engender much more than the 1 per cent rate of growth which, according to studies made by the Confederation of British Industries (CBI), is needed to cancel the loss incurred in support of the CAP. In addition, membership wards off the unquantifiable disadvantages attendant to continued exclusion from the Common Market.

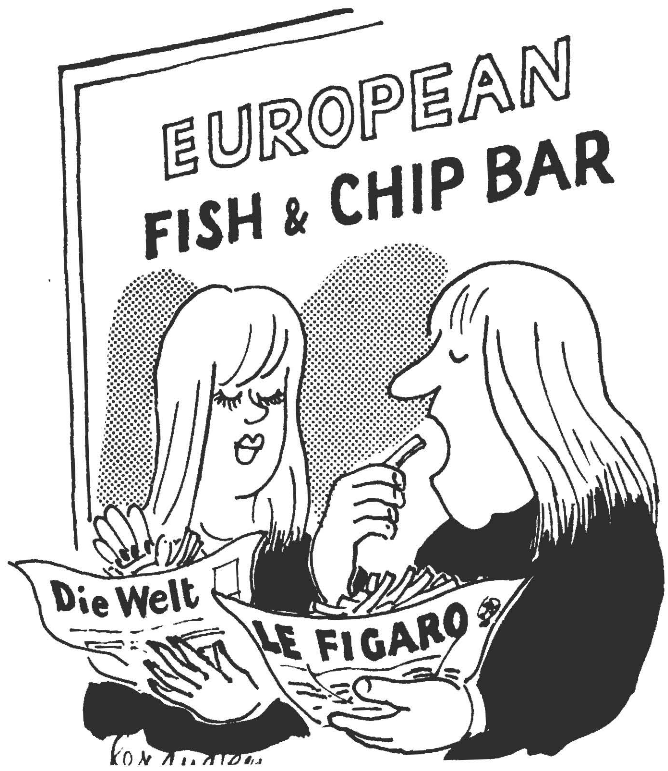
### Britain and World Trade

As a partner in Europe, the United Kingdom inherits trading arrangements with several nations, while its relations with the countries of the Commonwealth will be renewed in a Community context.

In Ireland, its third largest single customer, and in the six-nation European Free Trade Association (EFTA), Britain now shares its former preferential position with the other Common Market members.

Britain's preferences with the Commonwealth countries have been steadily eroded in recent years and "would probably continue to diminish in the future even if we remained outside the Community," according to the White Paper.

*"At the moment, Signora, our prices reflect the advantages of Britain not having been a member of the Common Market."* ©Punch, *London, through Ben Roth Agency, Scarsdale, NY*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Community membership will enable Britain to restructure its bonds with the Commonwealth. The option of association under a renegotiated Yaoundé Convention will be offered to the 19 independent developing Commonwealth countries of Africa, the Caribbean, and the Pacific Ocean (who are free, however, to choose less comprehensive links with the Common Market.) For India, Pakistan, Ceylon, Malaysia, and Singapore—already beneficiaries of the Community's generalized preferences—the Common Market is committed to seeking solutions to any eventual trade problems.

Britain's new trading privileges should offset the loss of preferences in South Africa and in the wealthy Commonwealth nations of Canada, Australia, and New Zealand. As for the rest of the non-Commonwealth sterling area—notably the Middle Eastern oil-producing countries—Britain's gradual adoption of the common external tariff (CET) is not likely to have any appreciable effect.

### Eyes on the City

Continental businessmen have perennially lamented the lack of a single, central capital market, and many of them see London now taking on just such a role. Regardless of whether London becomes Europe's New York, it will prosper in the Common Market, and its burgeoning activity should spur modernization and competition in continental finance. London has the busiest stock exchange in Europe, and it has taken the lead in the Eurodollar and Eurobond markets.

Also, in the words of *The Economist,* "The London short-term money market stuns Europeans who visit it; the matching up of day-to-day and highly liquid money with short- and medium-term government and commercial paper of every description is a thing without parallel in Europe." The increased freeing of capital movements should encourage the spread of London's dynamism across the Channel.

# Ireland
## THE EMERALD ISLE GOES EUROPEAN

Something has happened to the Irish. Seven hundred years of British rule, climaxed by the bitter memory of famine, turned the already clannish Irish inward even before they won political independence in 1921. Today, they have said a final good-bye to a stubbornly lingering isolationism born of hard times. The Irish have joined Europe.

The British decision to join the European Community narrowed the economic choice for Ireland. The United Kingdom supplies half of Ireland's total imports and buys two-thirds of Irish exports. Damaging trade barriers would have gone up between Ireland and its largest trade partner, if Ireland had chosen to remain outside. Already beset by inflation and stagnation, the Irish economy would have been dealt a severe blow, with repercussions throughout the small nation of 3,000,000 people.

In May 1972, the Irish voted by 83 per cent to 17 per cent to join the European Community. Many issues entered the pre-referendum campaign—national sovereignty, Irish neutrality, British economic domination, Northern Ireland—but the bread and butter issue undoubtedly brought the "yes" votes tumbling in. Facing an expected gross national product (GNP) growth of only 1.5 per cent for 1972 and an unemployment rate of about 9 per cent, the Irish welcomed outside investment and economic expansion expected to accompany Ireland's entry.

### Good for the Farmer, Good for the Nation?

Had Ireland been a full member of the Community in 1970, Irish farmers' incomes would have been about $50,000,000 higher than they were, at constant production levels. Approximately $33,000,000 of that would have come from increased export earnings. At the same time, the Irish Government would have saved at least $12,000,000, representing 6 per cent of the national budget, which it now spends on farm subsidies. For many years, the benefit of farm subsidies has gone to English consumers who buy Irish food imported under quota at artificially low prices. Now that Ireland is a member, Irish taxpayers can no longer claim to be subsidizing English household budgets.

The farmers' added income will be spent largely in rural areas, benefiting local and service industries. New export income will mean tens of thousands of new jobs in other industries and services—manufacturing, building, distribution, and public administration.

EC membership means not only higher prices for the Irish farmer, who represents 25 per cent of the working population, but also secure, guaranteed markets at these prices for unlimited production of almost every product. As in continental Europe, many farms in Ireland are too small to give their owners a good living. Now that Ireland is a member of the Common Market, its farmers can take advantage of EC programs designed to increase farm size and production efficiency. Irish farmers over 55 years of age can now retire with a pension of between $600 and $1,000 a year, while keeping their houses and renting their land on long-term lease or selling it to another farmer. Other programs will help small farmers increase their acreage and production with the help of loans at low interest rates. Training grants and grants for new jobs created in rural areas are available to younger farmers or farmer's sons who want to take up another occupation.

Guaranteed prices and markets for farmers mean that Irish


*Aircraft and terminal buildings, Shannon Airport. Ireland has said a final good-bye to a stubbornly lingering iso*

consumers must pay higher food prices. EC farm prices will increase the Irish family's food budget by 3 per cent, according to some estimates. Before entry, however, consumers paid taxes to subsidize farmers. The difference in food costs before and after joining the Common Market almost disappears when indirect costs to the consumer are taken into account.

### In or Out, Some Jobs Would Go

No one can be sure what the winds of competition will bring in the next five years as Ireland phases out its tariffs with other EC members. Exposure to Europe will certainly reduce the number of overprotected and inefficient Irish industries.

In 1964, a detailed study was made jointly by the Government, management, and the labor unions to see which and how many jobs would be threatened. The group, the Committee on Industrial Organization, concluded that, with preparation, only 11,000 jobs in Irish industry were threatened by free trade. Since then, industry and the Government have invested heavily in adapting and modernizing Irish industry to meet the free trade challenge. Included in that 11,000 estimate were 2,000 automobile assembly jobs which were guaranteed during the enlargement negotiations until 1985. Other jobs were in the already declining textile and footwear industries.

Irish entry holds some employment uncertainties and subsequent adjustment problems; but not joining would have further lengthened the unemployment list. The livelihoods of more than 35,000 people now depend on industrial exports, about two-thirds of which go to Britain. If Ireland had remained outside the Common Market, the employment picture could have been dismal indeed.

The optimists expect the Common Market to create as many or more jobs in Ireland than it threatens. Agricultural price rises and guaranteed markets, combined with new programs to reform agriculture, could increase Irish output by up to 40 per cent, according to some calculations. This extra output will be processed in Ireland, raising employment in agri-business. The meat industry will be particularly affected by Irish entry. It is now more profitable

m born of hard times. Today Irish hopes are tied to Europe. PHOTO: Courtesy Irish Tourist Board, New York, NY

to export live cattle to Britain than to process beef at home. EC membership will eliminate the British import procedure for Irish meat, thus encouraging Irish meat factories to expand. The food processing industry alone is expected to open up 10,000 additional jobs by 1980.*

## Rich Soil for Outside Investment

Ireland will attract new industrial investment once all customs barriers disappear between Ireland and the other eight EC members and the common external tariff is in place at the end of the five-year transition period. Irish incentives for investment in its underdeveloped areas (everywhere outside Dublin) have remained intact following enlargement negotiations. A protocol to the Accession Treaty recognizes Ireland's desire either to continue current state aids to industry or to replace them by equally advantageous concessions. The protocol calls on EC institutions to use the means at their disposal, including their financial resources, to assist the Irish Government in its industrial and economic development program to end unemployment, accelerate growth, lessen regional imbalances, and raise Ireland's standard of living to those of its future Community partners. The greatest investment incentive now offered by the Government is a plan for full tax remissions on profits from exports. The Government has also taken a hand in attempting to influence growth this year by introducing the first deficit budget in Ireland's history. Investment incentives, the Government's intentions to devote resources to expansion, job creation, industrial dispersal, and Ireland's access to a vastly enlarged market will rank Ireland among the most profitable locations for new investment.

## The Northern Ireland Issue

To those who favor unification of Ireland's North and South, Irish entry into the European Community became a must after Britain had decided to join. Had Ireland remained outside, the current gap between farmers' incomes and social services in the North and the South would have widened. These economic and social factors would have drawn the current border still more deeply between North and South.

Now the North and the South enter the Common Market together. Customs controls between the North and South will be phased out and the free movement of people, goods, and services across the border guaranteed. For example, laws in force before enlargement preventing people from Ireland from taking employment in Northern Ireland will be stricken from the books after the transition period. Differences in taxation will tend to be reduced. Farmers North and South of the current border will have the same prices and markets. If Ireland had not joined the Community, the two parts of the country could have drifted even farther apart, making national unification increasingly elusive with the passage of time.

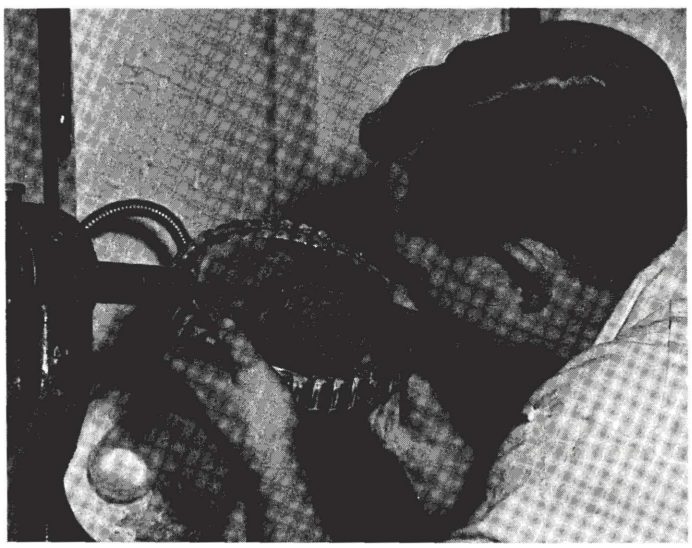
## Escaping Britain's Shadow

Many Irish hope that through participation in the European Community Ireland will regain some autonomy from Britain and dispel its "poor country cousin" image. Economically, Ireland, especially its farming sector, is tightly tied to Britain. With entry, Ireland will be able to diversify export markets, thus gaining new freedom from constraints imposed by British economic policy.

If experience indicates the future, Ireland can be expected to play a greater role in the Common Market than its size would suggest. The Netherlands has never ceased to push for the direct election of the European Parliament to strengthen democracy in Community decision-making. Although direct election has not yet been decided upon, Dutch pressure and determination to have Dutch representatives directly elected, even if other EC members refuse to go along, has stirred grass roots demands in the other member countries.

The fabled Irish sense of humor will be welcomed in the night-long marathon sessions for which the Council of Ministers is so famous. But policies and humor are not the only contributions Ireland will make to the European Community. Its rejection of an insular attitude toward the Continent, its recognition of the positive direction of European affairs, and its acceptance of the goals the Six have achieved have given new impetus to one of the most unique processes in world politics, European unity.

*An Irish craftsman puts the finishing touches on a Waterford crystal plate, a famed Irish export. The livelihoods of more than 35,000 Irish people now depend on industrial exports, about two-thirds of which go to Britain.* PHOTO: *Courtesy Irish Tourist Board, New York, NY*



*Statistics obtained from Irish Council of the European Movement publications.

# Denmark

## A NORDIC CONTRIBUTION

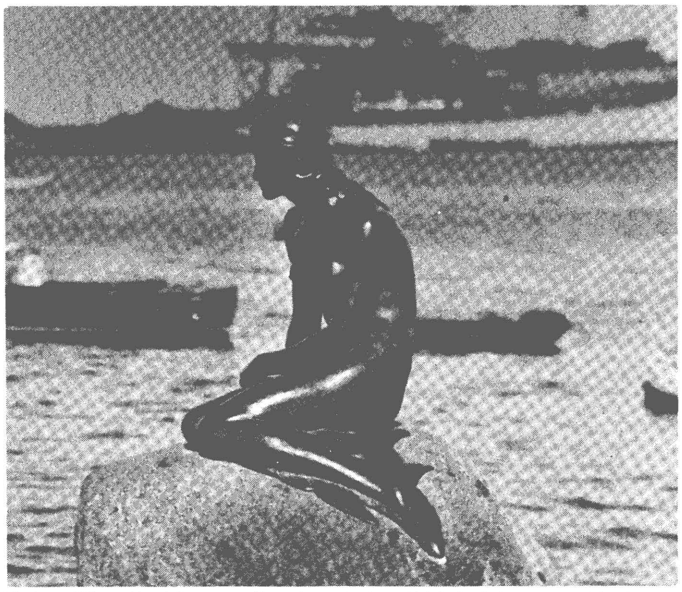
Even the little bronze mermaid who overlooks Copenhagen harbor must have breathed a sigh of relief when her countrymen decided to join the Common Market. Her port city is now assured of thriving business.

Only after the last vote had been counted on the evening of October 2, 1972, could anyone say with complete confidence that Denmark would be one of the "Nine." As it turned out, 90 per cent of the electorate went to the polls to vote—1.9 million for and 1.1 million against—a healthy margin for membership. Norway's "no" to the Common Market the week before and the growing lack of enthusiasm for Europe indicated by polls had cast clouds of uncertainty over the referendum results.

Now that Denmark is in, some of the predictions of membership proponents will begin to materialize. Farmers should prosper, export earnings will increase, and Denmark will take an active role in shaping Community policies affecting the social and economic well-being of its people.

### Overnight Growth Into Industrialized Nation

When Denmark first applied for EC membership in 1961, it was an agricultural nation where farmers provided about 50 per cent of total exports. In the last decade, Denmark's economy has changed, partially because it has remained outside the Common Market. When the Common Market began operating in 1958, seven European countries which had not joined the EC established the European Free Trade Association (EFTA) which eliminated tariffs among its members on industrial goods but did not cover free trade in farm goods. As a member of EFTA, Denmark more than doubled its industrial exports. Danish agricultural exports were discouraged by EC policies toward farm imports from third countries, a market loss for which EFTA could not compensate. Denmark negotiated bilateral agricultural agreements with its EFTA partners; the most important was one with the United Kingdom under which Britain imports half of its pork needs and 20 per cent of its butter.



*The famed Mermaid watches over a Copenhagen harbor which is due to become much busier now that Denmark is a Common Market member.* PHOTO: Danish Information Office, New York, NY

By 1970 Danish agriculture provided only 25 per cent of the country's exports, and only 140,000 farms remained, down from 196,000 in 1960. At the same time, production had increased 4 per cent to 5 per cent annually. The British market currently absorbs about 50 per cent of total Danish farm exports.

### Danish Farmers Reap Windfall

What do these trends and statistics mean in terms of Danish membership in the Common Market? First, they mean that Denmark would have lost its largest market for farm goods if Britain had entered and Denmark had not. In more positive terms, Denmark now has free access to a market of over 250 million people in which the Danish farmer is one of the most efficient. The Common Market's higher food prices will bring windfall profits to Dan-

*Danish farms, among Europe's most efficient, will now yield windfall profits for their owners thanks to Common Market guaranteed food prices. PHOTO: Courtesy Danish Information Office, New York, N.Y.*

ish farmers even without any production increases. The Danish Foreign Ministry has estimated that by the end of the five-year transition period that began on January 1, Danish farm income will have risen by $400 million, $321 million of it from exports.

More than half Danish exports are now manufactured or semi-manufactured goods, a major achievement in a country with few domestic raw materials. Danish industry exports about a third of its output. Denmark consequently supported EC negotiations with non-candidate countries to prevent the re-erection of trade barriers in Europe. As a result of these negotiations, the Community and the non-candidate EFTA countries have agreed to establish an industrial free trade area between 1973 and 1977.

Denmark developed its current industrial strength under a national tariff policy which provided duty-free imports of raw materials, semimanufactures, and machinery not produced locally. As a member of the Common Market, many of these advantages will be reduced or disappear. The pattern of industrial imports will change to favor countries within the Community as Denmark raises tariffs on imports from non-member countries to the EC external tariff level and dismantles tariffs on goods imported from other EC countries. The Danish Foreign Ministry expects the new trade pattern to increase the total industrial import bill by 2 per cent or 3 per cent, equivalent to $43 million. To offset the increase in raw materials' cost, however, the Danes are confident that their electronic components, precise measuring instruments, furniture, ceramics, and other quality manufactures will find a growing market in the other Community member states.

### Reducing the National Debt

An industrial and agricultural revolution of this magnitude and rapidity could not be accomplished without investment. Rather than risk a drop in the standard of living by taxing Danish citizens, Denmark borrowed abroad. The resulting foreign debt of $2.4 billion set a European record for a country of Denmark's size. Throughout the Sixties, Denmark ran a balance-of-payments deficit which hit $542 million in 1970, according to EC statistics. Toward the end of the referendum, campaign voters were told that only by joining the Community could Denmark avoid a substantial devaluation of its currency, drastic government austerity measures, mass unemployment in the cities and what was darkly described as "national bankruptcy." Although some of these claims may have been overstated in the heat of debate, Denmark's national debt problem will be easier to handle now that the country is a member of the Community.

### The Fish Debate

Denmark had less difficulty than Norway accepting the Community's common fisheries policy which allows other member countries' vessels to operate in national waters. Danish fishermen welcomed entry as a means of guaranteeing free access to nearby sales centers in Northwest Germany. In 1970 Denmark's total fish exports were valued at $143 million. Denmark is the largest single exporter of consumer fish to the Community.

The common fisheries policy, however, did create problems for two Danish territories, the Faroe Islands and Greenland. Fishing is almost the only source of income for the 80,000 inhabitants of these areas. Although the territories did not raise difficulties on the scale of those caused by Britain's links with its former Empire,


*Strøget Street, Copenhagen, was closed to motor traffic 10 years ago. An early return to the "mall" concept, it has been studied by urban planners eager to give cities back to the people. PHOTO: Courtesy Embassy of Denmark.*

the Danes did feel the two areas needed special treatment. According to the Accession Treaty, therefore, Greenland will maintain until December 31, 1982, a 12-mile fishing limit reserved for the local population. The self-governing Faroe Islands will have three years to decide on membership in the Community, a decision to be taken by the local Faroe Islands Government.

### Independent, Yet Involved

Like Britain, Denmark—the oldest kingdom in Europe—has a long tradition of independence. Since 1945 Denmark has become convinced that an insular attitude toward the rest of Europe would dilute its own influence on trends affecting both the Continent and the world. Denmark views Community membership as a way to maximize its influence without losing its individuality. Denmark has a seat and voting rights in the EC Council of Ministers, a representative on the Commission, and representation in the European Parliament.

Denmark's strong democratic principles and sophisticated social philosophy will have their impact on the Community. Danish social welfare is extensive. Welfare and education account for more than half the national budget—twice Denmark's spending on defense.

Economically, Denmark has much to gain from membership in the Common Market, but the relationship is not one-sided. The Community has much to learn from Denmark's human orientation and its concern for the quality of life of its citizens.

# Enlargement and the Third World

The venerable and idyllic "zones of influence" into which European statesmen once carved today's "Third World" will soon be little more than a cartographer's memory. The European Community of the Six did much to blur their remaining outlines. The Community of the Nine will obliterate them entirely. In their place will stand the opportunity for many developing countries to enter into association agreements based on past relationships and future development needs.

The role of the six-member Common Market vis-à-vis the Third World was assessed by Commission President Sicco L. Mansholt at the third United Nations Conference on Trade and Development (UNCTAD III) in April 1972: "It is an indisputable fact that the Community did act as a responsible trade partner: its balance of payments toward developing countries is in constant and ever growing deficit; it is the principal importer of raw materials and of goods at large from the developing countries; it was the first to have proposed and to have applied the system of generalized preferences for semimanufactured and manufactured products from developing countries."

### EC Aids African Associates

The major instrument binding the Six and the developing nations has been the Yaoundé Convention signed in 1963, renewed in January 1970, and due for a second renewal in January 1975. By it, 18 independent developing nations (17 in Africa, plus Madagascar) entered with the Community into an association agreement providing for technical and financial add and liberalized trade between each of them and the Six.

The greater portion of Community aid to the "Eighteen" has been channeled through the specially created European Development Fund (EDF). Since the EDF's establishment in 1958, the Community has allocated more than $1.2 billion for development grants and about $110 million in loans. The EDF's resources have been increased by $1.09 billion under the second Convention. Other assistance to the Eighteen has been given through the European Investment Bank.

The aid program to the associated states gives ample evidence of the outward-looking posture of the six-member Community. In 1968, the Eighteen received $594.6 million in aid, of which the Six accounted for $388.9 million bilaterally and $110 million mutilaterally. Annual aid per person in the association has grown to double the world average during the second Convention.

All of the Eighteen are former colonies of the Six, and the Community has been criticized for thus limiting its scope in the developing world. At the outset of the first Convention, however, the Six made it clear that they would welcome association or other ties with additional Third World countries whose economic structures and problems were similar to those of the Yaoundé associates.

Nigeria was the first nation to take up the offer, but its association agreement with the Community expired without ratification in 1966. More important was the Arusha Convention of 1968 by which three East African nations—Kenya, Uganda, and Tanzania, which are already linked in a common market and common services organization of their own—became associated with the Community in a trade partnership.

The Six have strengthened their commitment to the Third World through the food aid program of the General Agreement on

*A familiar scene in Casamance, Senegal. The Community Yaoundé Association is open to any African country at a similar stage of economic development to the original 18 associates. PHOTO: © Maya Bracher, Dakar.*

Tariffs and Trade (GATT) begun in 1967. Under this program, the Community assumed 23 per cent of projected food aid to developing nations, a share amounting to 1,035,000 metric tons of grain a year over three years and valued at some $71.8 million.

A final point of focus for the six-member Community has been the Mediterranean, where trade agreements have been concluded with eight nations, four of which may be considered "developing."

### Options for the Commonwealth

The accession to the Common Market of Britain, Ireland, and Denmark will mean reinforcement of the relationship embodied in the Yaoundé Convention. It will also make possible the extension of association ties beyond Africa, Madagascar, and the Mediterranean to the Pacific and Indian Oceans and the Caribbean. The result should be a multiplication of Community ties with the Third World.

The mechanism for this multiplication is provided in the Accession Treaty. When Yaoundé Convention renegotiations begin in 1973, 19 independent Commonwealth countries (12 in Africa, three in the Pacific, and four in the Caribbean) will be offered the option of association. Although they may choose a looser form of association or a simple trade agreement, many of them will probably opt to join Yaoundé since it will constitute the handiest substitute for increasingly eroded Commonwealth preferences. (The Commonwealth island-nation Mauritius has already become an associate.)

The new links will represent a delayed inheritance on both the European and Third World sides. Until the second Yaoundé Convention expires on January 31, 1975, the current association members will, except in the agricultural sector, maintain their former ties with Britain, Ireland, and Denmark, while the former Six and the 19 "associables" will continue existing trading arrangements.

A few major developments are foreseeable for the hypothetical "enlarged Yaoundé Convention." The diversification of association exports away from former mother countries, begun under the Community of Six, is bound to continue under the Nine. The same may be said of the trend towards regional groupings: the addition of the Commonwealth states should encourage cooperation among neighbor states of comparable economic structure, as opposed to the arbitrary groupings inherited from the colonial era. In addition, joining the Africas of Yaoundé and the Commonwealth should serve the cause of continental unity. Some statesmen anticipate a still vaster union. President Leopold Senghor of Senegal and President Habib Bourguiba of Tunisia have both called for a strong and prosperous "Eurafrica."

Also foreseeable is an intensification of development aid. European Commissioner Jean-François Deniau has said that the capital of the European Development Fund would have to be trebled to $3.3 billion to enable the Nine to grant financial aid on the present scale to all associate and eligible countries. "This figure," he added, "shows that some guarantees can be made to the associate countries and that the objectives of the European Development Fund might have to be redefined for EC aid to remain equitably distributed, bearing in mind the unequal situations and development opportunities in African countries." The Commission itself, in a memorandum dated February 1972, has recommended measures designed to augment and "untie" aid and harmonize member state aid policies.

*Village in Bassari country, eastern Senegal. Through the Yaoundé Convention, the Community provides its associates with both economic aid to development and the growth stimulating advantages of preferential access to the Community market.* PHOTO: ©Maya Bracher, Dakar

Despite the anticipated trade increases in the large preference area to be defined by the next Yaoundé Convention, a few commodities will receive special treatment. For example, the Community has pledged to safeguard the interests of the developing sugar-producing countries of the association and the Commonwealth, many of whose economies depend heavily or entirely on sugar exports.

### A Worldwide Vocation?

The Rome Treaty creating the Common Market had made provision for ties between the Six and their former colonies and dependencies, but nothing in the founding charter foresaw relations of the breadth now envisaged. The Accession Treaty, by framing a program of Community commitments marks a broadening of the Common Market vocation, born of the confidence engendered by 14 years of success. Further indication of this enlarged mission came on July 1, 1971, when the Community extended generalized tariff preferences to 91 developing countries. As stated by the Commission, "this decision is the most important initiative through which the Community has chosen to show that it is ready to shoulder its responsibilities on a world scale."

The Common Market, nonetheless, remains cautious about overextending itself in the Third World. The Commission's July 1971 memorandun states the case: "The policy of preferential access which the Community pursues in its relations with some developing countries [the associated states ] corresponds to special obligations and interests, created not only by history and geography but also by the clearly complementary nature of their economies and by a host of traditional links which are not exclusively commercial. Cooperation of this type, however, is feasible only if it covers a relatively small proportion of world trade and if it is confined to countries in relatively homogenous geographical areas. Taken beyond this point, the policy of association would tend to become diluted and would cease to be complementary to international cooperation. . . . In present circumstances the Community clearly cannot be expected to embark on a world cooperation policy, involving considerable resources, from which any country, so long as it is developing, would be entitled to benefit."

# Publications Available

*Publications listed may be obtained from the European Community Information Service, Suite 707, 2100 M Street, NW, Washington, DC 20037. Persons in the New York area can order copies from the New York branch, 277 Park Avenue, New York City 10017.*

**THE EMPLOYMENT OF WOMEN AND THE PROBLEMS IT RAISES IN THE MEMBER STATES OF THE EUROPEAN COMMUNITY.** Commission of the European Communities, Brussels, 1971, 50 pages ........................ free

*Summarizes a report prepared for the Commission by Evelyne Sullerot. Describes the types of positions held by women and outlines the legislation affecting women, their skills, education, and wages.*

**PUBLIC FINANCING OF RESEARCH AND DEVELOPMENT IN THE COMMUNITY COUNTRIES 1967-1971.** *Research and Development Series* No. 3, Commission of the European Communities, Medium-Term Economic Policy Committee, Luxembourg, May 1972, 120 pages $2.00

*Follows an earlier publication covering 1967-70. Analyzes the research and development appropriations by countries and by listed objectives. Describes national, bilateral, and multilateral projects. Also referred to as EUR 4795.*

**THE RELATIONS BETWEEN THE COMMUNITY AND THE MEDITERRANEAN COUNTRIES.** *Information Memo No. 48/72, Commission of the European Communities, Brussels, October 1972, 17 pages* .......................... *free*

*Summary of the Commission's report to the Council on the readjustment of the European Communities' relations with the Mediterranean countries. It discusses possible contents of new agreements, future technical and financial cooperation, future timetables, and compatibility with the General Agreement on Tariffs and Trade (GATT). Includes a statistical annex.*

**EVOLVING ECONOMIC RELATIONS BETWEEN THE UNITED STATES AND THE ENLARGED COMMUNITY.** European Community Information Service, Washington, D. C., November 1972, 22 pages .......................... free

*Address by Pierre Malvé, Counselor for Economic and Trade Affairs, Delegation of the Commission of the European Communities in the United States, before the Conference for Corporation Executives, November 28, 1972, Washington, D.C.*

**OFFICIAL JOURNAL OF THE EUROPEAN COMMUNITIES SPECIAL EDITION 1952-1958.** 85 pages ........................................ $1.50
SPECIAL EDITION 1959-1962
297 pages ........................................ $5.00
SPECIAL EDITION 1963-1964
242 pages ........................................ $4.00
Office for the Official Publications of the European Communities, Luxembourg, 1972.

*As envisaged in the Treaty of Accession for the United Kingdom, Denmark, and Ireland, the "Secondary Legislation" comprising regulations, decisions, and other acts of the European Communities which have remained in force since their publication in the Journal Officiel is being published in English in the form of "special editions." The 1965-72 period will be published in additional volumes in the future.*

**PROSPECTIVE BENEFITS FROM THE CREATION OF AN EUROPEAN METEOROLOGICAL COMPUTING CENTRE (ECMW).** *Research and Development Series* No. 4, European Cooperation and Coordination in the Field of Scientific and Technical Research, (EUROCOP-COST), Luxembourg, May 1972, 82 pages ... $2.00

*Describes a study to evaluate the economic and social benefits of a European Center which would make routine four- to 10-day forecasts. Also referred to as EUR 4850.*

**BIBLIOGRAPHY ON URANIUM ISOTOPE SEPARATION.** *EUR* 4796, Commission of the European Communities, Luxembourg, November 1972, 254 pages ..................... $6.40

*A compilation of 1096 abstracts on uranium isotope separation. The bibliography is subdivided according to the different separation methods. It includes economic aspects, other bibliographies, and author and report number indexes.*

**REPORT ON THE LONG AND MEDIUM TERM DEVELOPMENT OF THE SHIPBUILDING MARKET.** Commission of the European Communities, Brussels, 166 pages .............. $4.00

*The authors decided to publish this report based on 1967 data although the acceleration in the growth of seaborne trade from 1968-1970 would lead them to revise some of their forecasts. The report estimates the development of the volume of international seaborne trade and world shipping tonnage to 1980, in addition to the world shipbuilding capacity. In its conclusion it discusses the economic prospects of shipbuilding in the Community and the recent rise of the Japanese industry.*

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