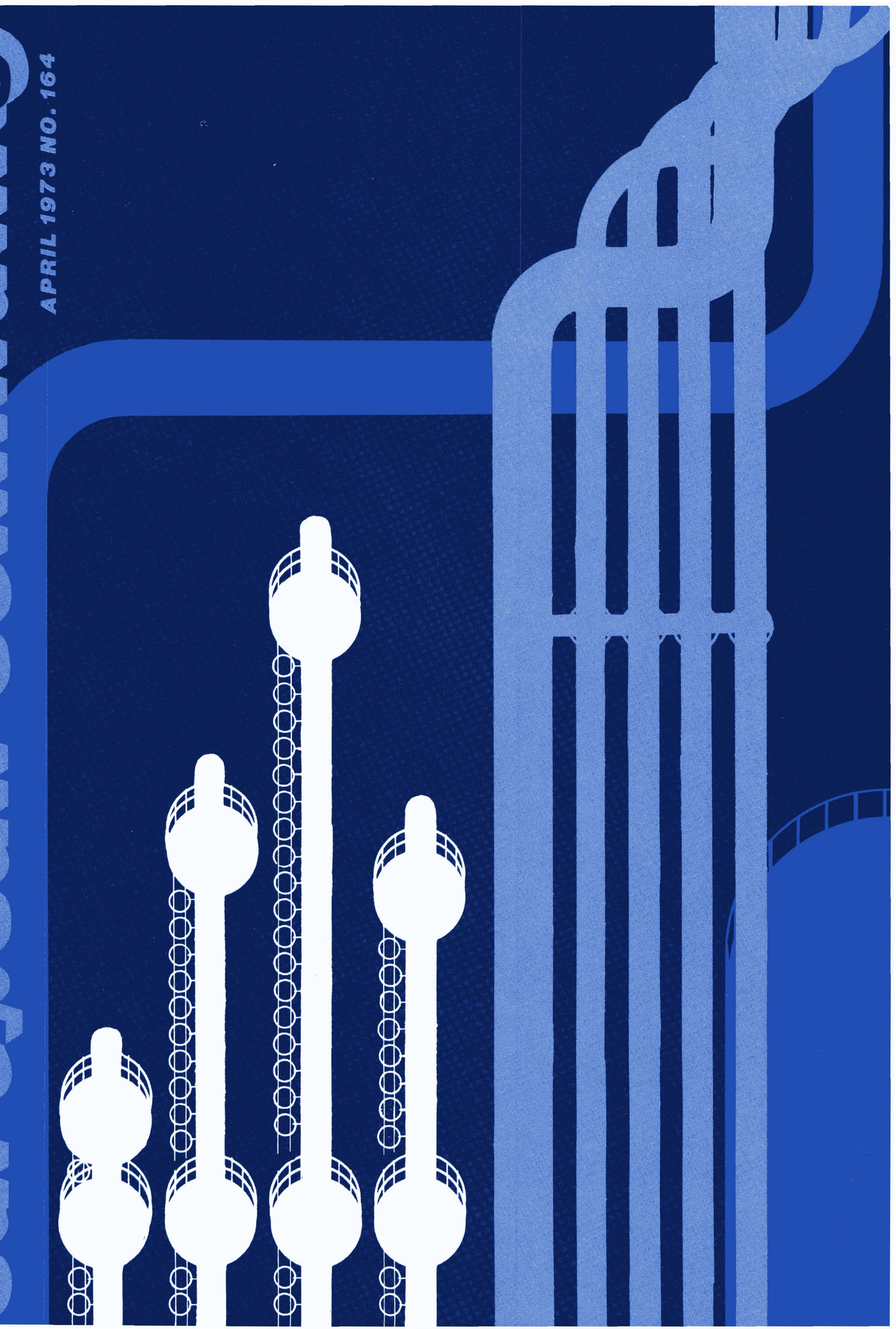
european community

APRIL 1973 NO. 164



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Cover: *With oil supplying 60 per cent of the Community's energy needs, Europe's oil refineries are doing a booming business. Europe's approach to the energy crisis includes diversifying energy supplies and development of new energy sources.* *See page 8.*

European Community is published in English, French, Italian, German, Dutch, Greek, Spanish, and Turkish by the offices of the European Community Information Service. Subscriptions can be obtained from the European Community Information Service.

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The member countries of the European Community are Belgium, Denmark, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, and the United Kingdom.

Community News

Snake Recuperating: Tunnel Closed for Repairs

The monetary storm of February and March struck a near-death blow to the "snake" and brought the walls of the "tunnel" crashing down.

The tunnel was the 4.5 per cent variation on a currency's value (2.25 per cent above or below its official rate) permitted by the December 1971 Smithsonian Agreement. The snake was the narrow-band currency spread of 2.25 per cent by which Common Market currencies (except the British and Irish pounds) diverged from one another.

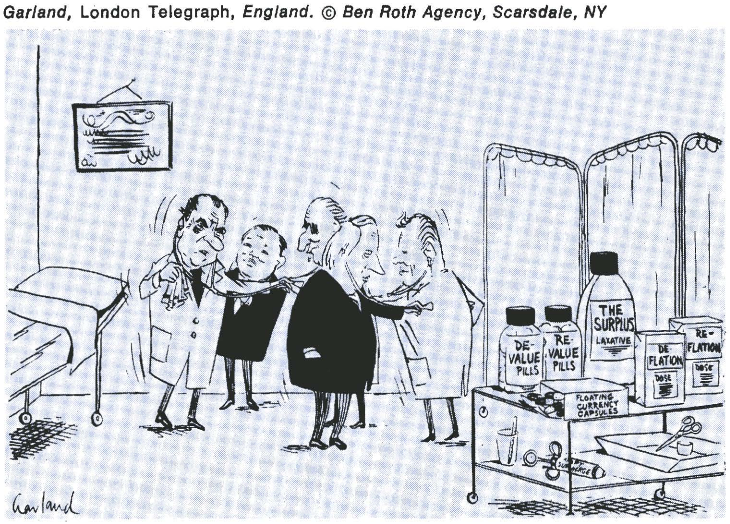
The storm began in early February when money managers flooded Germany and Japan with unwanted dollars as a hedge against what they considered to be a weakening dollar. When the dollar's February 22 devaluation of 10 per cent proved to be only a temporary sedative, European money markets closed to allow national monetary experts time to devise ways to stem the massive movements of speculative money. During the week of March 5, the currencies of the major industrial nations floated, allowing market supply and demand to determine their value and depriving speculators of a fixed-rate target at which they could aim their fire.

The EC nations met throughout the week in an effort to repeg their currencies in relation to one another. The Common Market is a unified market based on free exchange of goods between borders and set internal prices for agriculture. Both imperatives could be jeopardized if member countries' exchange rates fluctuate in relation to one another on a daily basis. The situation would be similar to one in the United States if the dollar in Massachusetts suddenly became worth more than the dollar in New York, or, in other words, the dollar's worth depended on the state in which it was spent.

What finally emerged from urgently-called meetings in Europe was a diverse system of floating currencies. On March 11, six Common Market nations decided to repeg and float jointly their currencies against the dollar, keeping them closely aligned with one another. The six are Germany, France, Belgium, the Netherlands, Luxembourg, and Denmark. Germany revalued the mark upward by 3 per cent against the other five in the group. The United Kingdom and Ireland also will float together but separately from the others, while Italy will float alone. The six who are floating together intend to keep their currencies from straying by more than 2.25 per cent, a new version of snake "sans" tunnel. Britain, Ireland, and Italy feared that fixing a rate at this time would spur a speculative run on their currencies and decided against joining the snake.

The Community hopes to bring Italy, Britain, and Ireland into the joint float as soon as possible to consolidate EC plans for full economic and monetary union, including the creation of a single European currency by 1980.

Garland, London Telegraph, *England*. *© Ben Roth Agency, Scarsdale, NY*



EC-US Relations: Disputes Inevitable in Healthy Relationship

"The fundamental and essential joint interests which are the basis of EC-US relations eclipse the inevitable points of dispute in any healthy relationship," according to the President of the Commission of the European Communities.

President François-Xavier Ortoli's remark came in his February 13 presentation of the Commission's 1972 annual report to the European Parliament. The annual report, as specified in Article 143 of the Common Market Treaty, describes the Community's activities during the past year and outlines the Commission's program of action for the coming year.

The outstanding event of the year in EC-US trade and monetary relations was the conclusion, on February 11, 1972, of the commercial counterpart of the monetary "Smithsonian Agreement" of December 18, 1971, according to the annual report. At that time, the United States and the Community agreed to extensive multilateral negotiations in 1973 within the context of the General Agreement on Tariffs and Trade (GATT) and exchanged letters on reciprocal commercial commitments. (See *European Community* No. 154, page 3.)

"The February 1972 agreement relieved strains which had begun in 1971 in EC-US relations, although it did not settle every problem," the report said. "The wide divergence of EC-US objectives still demands comprehension and compromise on both sides, which will involve difficult negotiations. Nevertheless, the agreement has loosened the dogmatic rigidity in which the EC-US dialogue had become frozen."

OPEN DIALOGUE RENEWED

The continued will to achieve détente in trade relations was confirmed by the spirit in which the debates on monetary problems were held at the September 1972 meeting of the "Group of Twenty" within the International Monetary Fund (IMF), according to the report.

The political leaders of the Nine at the October 1972 Summit stressed the importance of maintaining a constructive dialogue with the United States. Replying to the Paris declaration, President Richard M. Nixon welcomed the EC "commitment to progressive liberalization of tariff and nontariff barriers to trade" and renewed the US Government's support for European unity as a cornerstone of US foreign policy, the report said. (See *European Community* No. 161, pages 8-11.)

The report concluded: "The

major general policy options must be kept in sight when reviewing day-to-day disputes between the Community and the United States. Here, the points of friction and strain, already numerous, are increasing with the Community's growth. This trend has been accentuated by the US announced intention of dissociating its political support for European unity from the defense of its economic interests. Never before has the US Administration scrutinized and evaluated so systematically every detail of European policies, their scope, and their possible effects.

"During 1972, US reproaches, interventions, and protests about certain Community policies have multiplied and have been formulated with growing insistence and vigor. The major issues are the common agricultural policy and the Community's association and trade agreements establishing free trade areas and customs unions. In the latter field, the Community's policy toward Mediterranean countries has become the main bone of contention.

"The Community also has grounds for complaint. Protectionist pressures in the United States still exert a powerful political and electoral impact, reflected in 1972 by a series of measures of varying importance tending to curtail imports. Here, mention should be made of the US 'voluntary restraints' on EC steel exports, the strengthening of arrangements giving American goods a privileged position in government procurements, and the increased recourse to antidumping duties. Perhaps partially because of the deterioration of the US external financial position, the US Administration has also encouraged exports artificially by exempting some export income from direct taxation [through the Domestic International Sales Corporation statute] which the Community considers in conflict with the GATT rules.

COMMON INTERESTS STRESSED

"The Commission of the European Communities still believes that the reality and importance of the problems underlying this climate of strain and misunderstanding between the Community and the United States do not deserve the political, tactical, or psychological emphasis sometimes put on them. The Commission would like to stress that the fundamental and essential joint interests which are the basis of EC-US relations eclipse the inevitable points of dispute in any healthy relationship, whether between individuals or states.

"It is the Commission's intention to watch firmly that the Community does not enter into an absurd mutual overtrumpting of recriminations with the United States. The two partners should approach the coming global trade talks, not as if they were an exercise in confrontation, but with a spirit and will to negotiate in the real sense of the term. The Commission will make every effort in this direction, since there is everything to be gained for the Community, for the United States, and for the world by showing that the forces of understanding and conciliation, based on the points that really matter, should triumph over those of confrontation motivated by narrow and marginal interests."

Hillery Reports on Social Fund, Repeats EC's Social Aims

The Social Fund of the European Community has helped 1.5 million workers since 1958, Patrick J. Hillery, the new Commission member in charge of social affairs, reported to the European Parliament at its February session in Luxembourg. Hillery also reported that 364 million units of account (1970 dollars) were allocated to the social fund for the next three years, 160 million of which will be spent in 1973.

So far, the Community has granted 166 million units of account for the retraining of almost 500,000 miners and steelworkers, Hillery said. An additional 280 million was granted for the creation of new jobs in the coal and iron industries, while 300 million was granted to construct 121,000 homes for coal and steel workers.

The Commission should continue its actions in the social sphere by further harmonizing national employment policies with Community objectives, Hillery said. He urged that the Commission especially consider problems of unemployment and underemployment among women, migrant workers, the aged, and high school dropouts. Hillery ended his report to Parliament by quoting the Paris Summit communiqué:

"Economic expansion is not an end in itself. Its first aim should be to enable disparities in living conditions to be reduced. It must take place with the participation of all social partners. It should result in an improvement in the quality of life as well as the standard of living. As befits the genius of Europe, particular attention will be given to intangible values and to protecting the environment, so that progress may really be put at the service of mankind."

Study Programs in Europe Announced

The Council for European Studies and the Inter-University Consortium for Political Research have announced two programs for graduate students in the social sciences to be held in Europe this summer.

The European Consortium for Political Research is sponsoring the Sixth Essex Summer School in Social Science Data Analysis from July 9 through August 19 at the University of Essex, England. Selected topics of study include elements of data analysis and computer programming, scaling and data theory, time series analysis, and problems of cross national aggregate analysis. For more information contact: The Organizing Secretary, Sixth Essex Summer School, Department of Government, University of Essex, Colchester C04 3SQ, England.

The International Social Science Council is sponsoring the 1973 European Summer School Training in Comparative Research at the University of Strathclyde, Glasgow, Scotland, from July 18 through August 17. Formal lectures and study groups will consider such topics as regional variations in public expenditure, ecological influences upon social behavior, government coalitions, and generational differences in social behavior. For more information contact: Professor Richard Rose, Politics Department, University of Strathclyde, Richmond Street, Glasgow, C1 1XQ, Scotland.

The Council for European Studies is offering several grants of $100 each. For details about the two summer school programs or the grants contact: Richard I. Hofferbert, Executive Director, Inter-University Consortium for Political Research, P.O. Box 1248, Ann Arbor, Michigan 48106; or Stephen Blank, Executive Director, Council for European Studies, 156 Mervis Hall, University of Pittsburgh, Pittsburgh, Pennsylvania 15213.

EC Begins Aligning Tobacco Tax Structures in July

Smokers in EC nations are likely to find that the size, quality, and cost of cigarettes and cigars will change considerably over the next few years.

The first stage of the drive toward a common tobacco market will begin on July 1 when a Council of Ministers directive on harmonization of taxes, other than the value added tax, on manufactured tobacco comes into effect. Member nations will have two years from that date to remold the structures, but not rates, of their taxes on tobacco consumption to fit a common pattern, according to the December 19 Council directive.

Tobacco products will be subjected to the value added tax, a tax levied on goods at each stage of production and distribution, and an excise duty. For cigarettes, the excise tax will consist of a "proportional" element based on maximum retail price as set by the makers and importers (and including customs duties), and a "specific" element levied on each cigarette, irrespective of size, quality, or origin.

In each country the rate of the "proportional" element and the amount of the "specific" element must be the same for all types of cigarette, and all Community countries will adopt a common ratio of one element to the other.

The United Kingdom and Ireland face changes so considerable that they have been granted a five-year grace period, until January 1, 1978, to prepare for the alignment process. Britain and Ireland currently base their tobacco consumption taxes only on weight.

These Dutch workers may gradually change smoking habits as the EC's common tobacco policy comes into effect.

Jonathan Livingston Concorde Still Flies

The magazine *Paris-Match*'s image of Concorde on its back, bleeding to death from an American arrow, was premature. Declared outcast, like Jonathan Livingston Seagull, for being ahead of its time, it is back on the Flock Council Beach refuting its hasty condemnation.

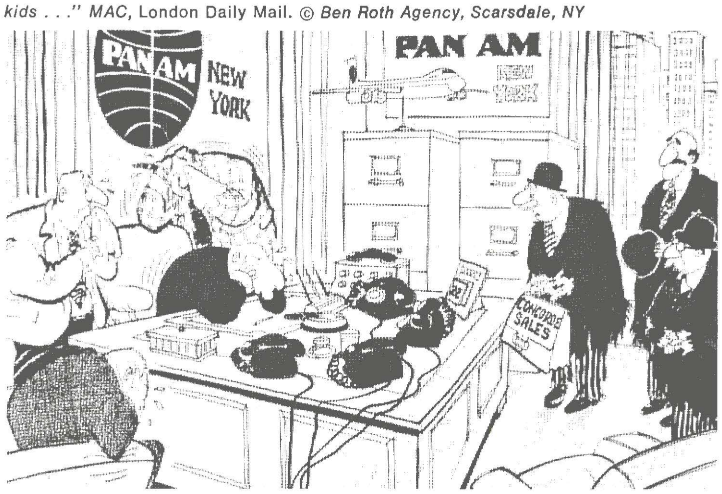
Concorde 02, the fourth model and second pre-production unit, has just completed initial tests which show a remarkable advance on its three wingmen; "02" flies 6,000 kilometers (3,279 statute miles) with a 28,000 pound payload, and a 33,000 pound fuel reserve at decision point, in 3.27 hours "block to block." In plain English, that means it flies the airways distance (longer than direct flight) from Paris to New York or from Washington to London, with 125 passengers and luggage, and more fuel in hand for a weather change of destination than the Federal Aviation Administration (FAA) requires. "Block to block" time is from engine start to shutdown. Flight time would be about three hours.

The improved payload over the 98-108 passenger "01" and the prototypes (which the Anglo-French builders admit would not have turned a profit for operators) means that, at first class fares (12 cents a mile), breakeven point would be reached at only 37 passengers.

British Overseas Airways Corporation (BOAC) and Air France anticipate, however, that US lines will now ask the International Air Transport Association to fix higher fares for supersonic transports (SST), even if the first two operators no longer want them. Concorde is scheduled to enter service with Air France and BOAC in 1975, when Aeroflot gets Russia's almost identical Tupolev-144. Mainland China's airline and Iran Air are next in line for Concorde.

The Richard M. Nixon Administration is expected to try again this year to relaunch the US supersonic project. If Congress remains refractory to subsidizing production research, American firms, headed by North American Rockwell, may propose straightforward commercial collaboration in Concorde production, making the airplane Anglo-Franco-American. The two government-subsidized European companies would put a price on sharing their "technological achievement"; informed sources say they would want a share in America's space shuttle program.

". . . and Phase 3 is going to be even tougher, Ted says—and then there's the wife and kids . . ." MAC, London Daily Mail. © *Ben Roth Agency, Scarsdale, NY*



Commission Proposes Aid for Hill Farmers

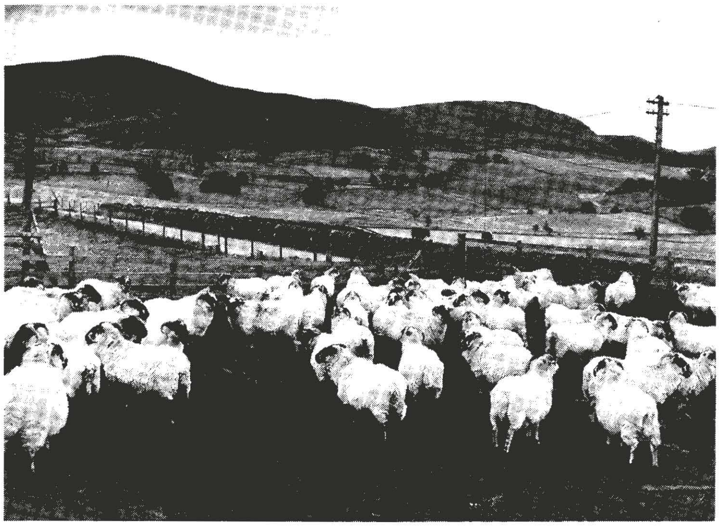
A Community-wide system of aids to hill farmers should replace national support programs if the Council adopts a Commission proposal announced February 22.

The proposed measures would also cover other depopulated farming regions, as well as areas being set aside for tourism and national parks. The Commission considers the aids necessary to assure the continuing productive use of such land. Payments of between 20 and 50 units of account (1970 dollars) would be made for every 2.5 acres or each head of cattle. As one of the program's purposes is to encourage beef production, dairy cows would be excluded. Neither will land devoted to the cultivation of wheat, apples, pears, and peaches qualify for payments.

Young farmers starting to farm in hill areas would be given allowances of between 3,000 and 5,000 units of account spread over three years, and grants would be available for farm modernization. Fifty per cent of the direct grants would be paid by member governments and the other half by the EC farm fund. Payments for farm modernization would continue to be financed as in the past; the farm fund would contribute 25 per cent, the member states 75 per cent.

The United Kingdom, France, and Italy are expected to qualify for approximately 25 per cent each of the funds available. Ireland should receive about 10 per cent, with the remaining 15 per cent divided between Germany, the Benelux countries, and Denmark.

Hill farmers often raise sheep to supplement the income they receive from working their marginally productive land. Sheep at Glen Shee, Scotland. PHOTO: British Information Service, London.



Commission Put on British-Style "Chopping Block"

The European Parliament introduced a British-style question time at its February 12-16 session. Six EC Commissioners traveled from Brussels to Luxembourg to answer questions posed by their Parliamentary colleagues.

Responding to a question on the EC common commercial policy, Sir Christopher Soames, Commission Vice President responsible for external relations, told the Parliament that possibilities exist for developing relations with China. He said that the common commercial policy applies to all third countries, including China.

George Thomson, Commission member in charge of regional policy, said the Community needed a regional policy flexible enough to deal with varied situations within EC member nations. He said EC regional aid should supplement rather than replace national aid.

Sir Christopher Soames

Most EP members were pleased with Parliament's first attempt to oblige the Commission to defend its policies orally but not all members were totally satisfied with the Commissioners' answers. Sir Derek Walker-Smith, British Conservative member of the European Parliament, complained: "Commissioners have to learn to give concise and factual answers rather than read out long essays on the work of their departments—that is essential to the tempo and the cut and thrust of question time."

EIB Concentrates In Italy's Poor Regions

Italy was again in 1972 the main Community beneficiary of European Investment Bank (EIB) financial assistance. Italy received 216 million units of account (1970 dollars) of the 526.8 million units of account total made available in 1972.

The 1958 Common Market Treaty created the EIB to promote economic development in the Community and its associated countries. Italy is expected to remain the EIB's principal borrower in the future due to economic disparities between southern Italy and the developed regions of the Community, according to an EIB January 15 report.

Eighty per cent of the EIB financing activities came under the heading of EC regional development. Projects in the communications sector, particularly highways, aviation, and telephone installations, and other infrastructure development received 67 per cent of the Bank's financial assistance. The associated African states received approximately 21 million units of account in financing for development projects.

EC Buying Power Increases; Rate Outstrips US

The purchasing power of consumers in the original six members of the Community increased about 74 per cent between 1958 and 1971 compared with 39 per cent in the United States and 34 per cent in the United Kingdom, according to the Commission's general report on EC activities in 1972.

Increasing prosperity in the Community was reflected by an increase in consumer expenditure on health, transport, and leisure and a relative decline in the demand for food and clothing, the report said.

In the six original Community members, trade in cameras increased by 2,270 per cent in the 1958-71 period. Trade in private cars rose by 1,233 per cent over the same period and in refrigerators by 385 per cent in the 1960-71 period. The figure for radios was 72 per cent from 1958.

Prices of consumer goods still varied widely between the different member countries, despite rapid trade growth inside the Community, the report said.

Distributors still tend to import through national agents. Traders only rarely take advantage of the Community's rules of competition by importing directly. Technical and administrative barriers to trade also hinder intra-Community commerce, the report said.

Aid Proposed for Hungry in Southeast Asia, Africa

The European Community should send food aid to the nations of Southeast Asia, the Commission urged in a March 6 proposal to the Council of Ministers.

The Commission recommended sending 30,000 tons of husked rice, 1,500 tons of powdered milk, and 600 tons of sugar to North Vietnam, South Vietnam, Laos, and Cambodia. Distribution would be handled by the International Red Cross, and transport costs would be covered by the Community.

The European Parliament had recommended at its February meeting that the Community undertake international action to assist the reconstruction and development of these nations to help ensure a continued peace.

The Commission also took emergency action to aid African countries hit by one of the worst droughts in years. Following the Commission's March 5 action, the European Development Fund will allocate 19 billion units of account (1970 dollars) for food aid to these countries.

The countries, all associates of the Community under the Yaoundé Convention, are Chad, Mali, Mauritania, Niger, Senegal, and the Voltaic Republic. The drought, occurring during the Southern Hemisphere winter last year, severely damaged crops and livestock. Almost 96,000 tons of food aid have already been sent, both on the Community level and by individual member states.

Convention on Civil and Commercial Judgment Enforcement Comes Into Effect

A new convention making civil and commercial judgments enforceable throughout the original six Community members came into force on February 1.

The Convention on Jurisdiction and the Enforcement of Civil and Commercial Judgments requires that a judgment rendered in one of the Six shall be recognized in the other five without special procedure being required. The Convention is intended to speed up enforcement of judgments in a community of nations trying to create domestic market conditions throughout its whole territory. The Convention, signed on September 27, 1968, will allow a judgment given in one Community country to be enforced in another without a judge in the second country having to reassess the jurisdiction of the court that first gave the ruling.

The Convention applies in principle to all the decisions rendered in civil or commercial cases by the courts of the Six. It does not apply, however, to cases concerning the legal status of individuals, marital disputes, wills and inheritances, bankruptcy, social security, or arbitration. Suits must be initiated in the defendant's nation of residence.

The three new EC members, the United Kingdom, Denmark, and Ireland, have begun negotiations leading to accession to the Convention.

Steelworkers May Benefit in Britain

The UK Government will ask the Community to help retrain 50,000 steelworkers who are due to lose their jobs over the next 10 years because of the British Steel Corporation's "rationalization".

The men will be paid 90 per cent of their wages for two years after their jobs finish to cut their hardship to a minimum. The cash will be paid during periods of "retraining and resettlement."

The assistance, outlined in a UK Government White Paper released in January, will be in the form of "tide-over" payments resulting from the Corporation's reorganization plan.

Under the European Coal and Steel Community's rules, the Commission provides non-repayable aid where large-scale job cuts are made.

Special assistance will be given to men relocated within the Corporation and those who are declared redundant or retire early. The payments will assist unemployed steelworkers and those who get new jobs at lower pay. Those undergoing training for new skills will get allowances. Workers in several regions will be affected by the reorganization; Wales (17,500 jobs); East Midlands (8,500); Scotland (6,500); Consett and Cleveland (6,000); Yorkshire, Lincolnshire, and West Midlands (4,000); and North West (3,500).

Month in Brief

FEBRUARY 1973

1 A convention making civil and commercial judgments enforceable throughout the original six Community members comes into force (see page 7).

6 The Council of Ministers agrees on a multiannual research program for the European Atomic Energy Community (see *European Community* No. 163, page 7).

12 US devalues dollar by 10 per cent (see page 3).

12-16 The European Parliament, meeting in Luxembourg, introduces British-style question time attended by Commission members (see page 6).

16 Sir Christopher Soames, Commission Vice President responsible for external relations, meets with President Richard M. Nixon (see *European Community* No. 163, page 15-16).

21 The Court of Justice of the European Communities overturns on technical grounds the Commission's antitrust case against a US company, Continental Can (see page 18).

22 The Commission proposes a Community-wide system of aids to hill farmers (see page 6).

Power: Society's Most Consumed Product

Why Joint Action on Energy is Needed in Europe

JOHN NIELSEN, *an American journalist working in Brussels*

Electric lights would not light, cars could not be driven, and a hot cup of coffee would be hard to come by without energy. Energy in one form or another lights streets, heats homes, and constructs planes, factories, and footballs. It is the consumer society's most consumed commodity.

In 1970, the nine EC members needed the equivalent of 1.2 billion tons of coal to supply energy for homes, cars, and industries. They had little trouble providing it. In the past, energy was among the least of Europe's worries. The original six members of the Community had their own coal supply in the mines of Germany, France, Belgium, and the Netherlands; natural gas was relatively abundant within Community borders; and, above all, there was a seemingly limitless flow of oil from the Middle East's enormous reserves.

The worldwide economics of energy tended to keep that situation stable. Traditionally self-sufficient in oil, the United States maintained a system of import quotas that, in effect, turned the world's oil toward Europe where no such restrictions existed. Today, it seems, everyone worries about energy supplies. The United States, no longer self-sufficient, currently imports fully 20 per cent of its oil requirements, and some estimates put its imports in 1980 at about the same level as Europe's total current consumption. Japan, too, has become a major importer of oil.

World demand has risen alarmingly in recent years and so have oil prices. The oil-producing nations have in the past two years demonstrated a new ability to bargain effectively for higher prices. Moreover, the chronically unstable Middle East, which holds more than half the world's known reserves, could for political reasons shut off oil supplies at any time—a fact demonstrated to the Community during the 1956 Suez Canal crisis.

Energy has become a seller's market, and the Community cannot afford to depend upon one main source for its oil supplies. Meanwhile, demand continues to grow, and the Community must take steps to guarantee that it will find supplies to meet it. Against this international backdrop, the Community leaders at the Paris Summit last October charged the Community institutions with drawing up a common energy policy "as soon as possible."

EC's ENERGY MARKET FRAGMENTED IN EARLY DAYS

The Summit, however, was hardly the beginning. The "Six" had been groping toward a common energy policy for years but were hampered by several factors. First, none of the Community Treaties provides for a common energy policy. In fact, their very nature militates against centralization and coordination by dividing responsibility for the different energy sectors. Coal is the province of the European Coal and Steel Community (ECSC), established in 1952. Atomic energy rests with the European Atomic Energy Commission (Euratom), established in 1958. Everything else, including oil, natural gas, electricity, and hydroelectric power, comes under the 1958 European Economic Community (EEC) Treaty.

The situation reflects the times in which the Treaties were drafted. Coal, an indigenous resource, was Europe's dominant energy source, accounting for 75 per cent of total consumption in 1950 compared to 10 per cent for oil. During the early Sixties, however, the Community's coal industry declined rapidly in the face of competition from low-priced foreign imports, primarily from the United States. By 1966, coal accounted for only 38 per cent of the Community's energy consumption, while oil provided 45 per cent. Despite a growing demand for energy, coal production actually fell. National authorities then established a variety of national support systems which fragmented the Community's energy market.

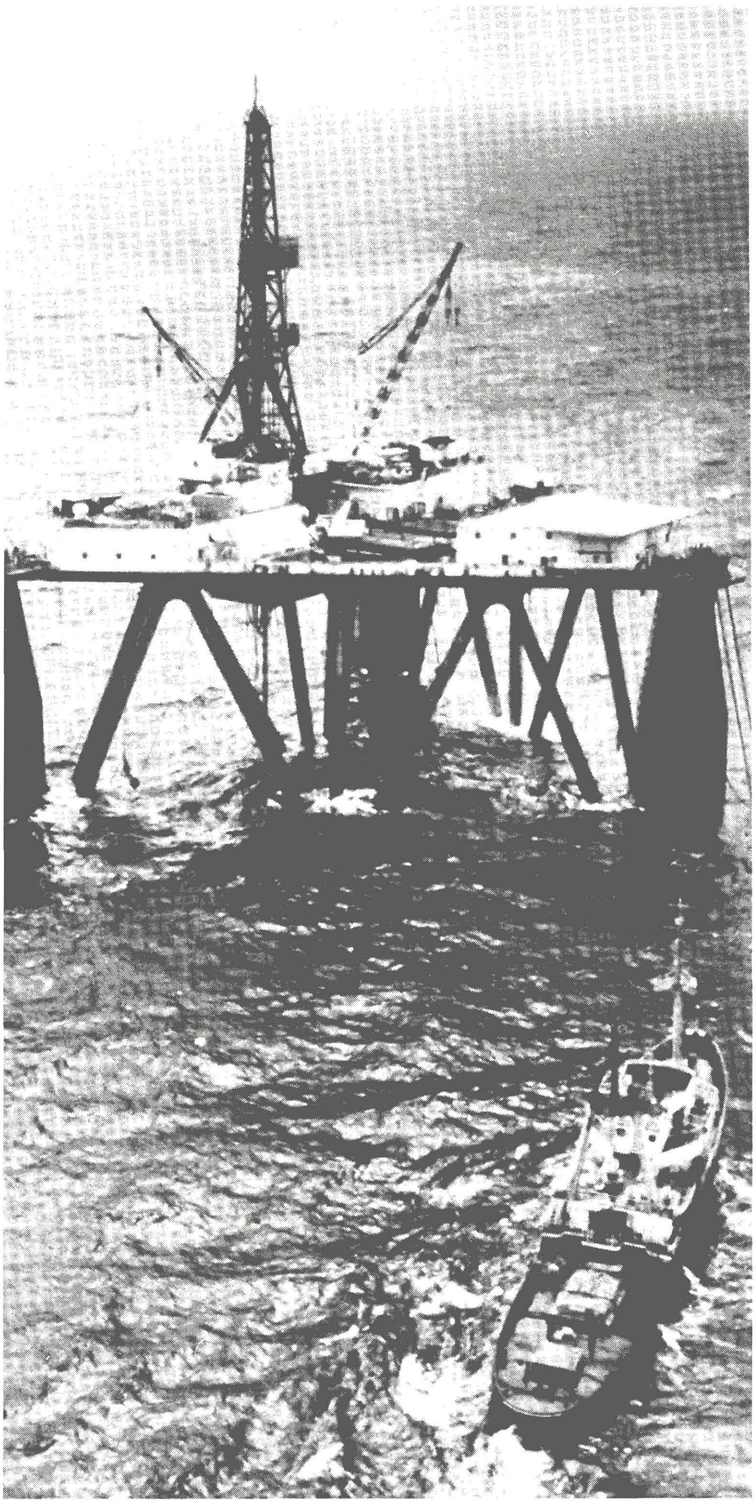
The Paris Treaty, founding document of the ECSC, bans coal subsidies but does not provide for a common external tariff on coal. The member states were free either to protect their own industries by raising external tariffs or to import at world prices. The different degrees to which they did one or the other led to varying energy costs within the Six, with the advantage going to those countries with small or no coal industries and easy access to low-priced imports.

Uneven competition in energy led to distortion in other sectors because energy makes up a significant portion of the total cost of most industrial goods—26 per cent in steel, 16 per cent in chemicals, 15 per cent in nonferrous metals, for example.

The first step toward solving these problems, and thus toward a common energy policy, came in 1964 when the Council of Ministers adopted an ECSC proposed protocol of agreement calling for cheap and secure energy supplies, fair competition among the various sources of energy, and freedom of choice for the consumer. Because coal's decline posed potentially severe regional problems, the protocol also called for coordination of state subsidies to that industry. Coal thus became an exception to the Paris Treaty, which bans subsidies under normal conditions, and the Community set a course toward a low-price energy policy.

The next initiative came in 1968 when the Commission published a memorandum to the Council entitled "First Guidelines for a Common Energy Policy." A detailed and comprehensive document, it addressed itself to the entire energy spectrum. Among its major recommendations were

- a coordinated coal import system (with implied restrictions) designed to maintain adequate domestic production (which should be confined to the most efficient mines)
- Community-level support for the coal industry. The protocol and subsequent rulings provided for Community-level coordination of subsidies, but the actual funds came from national treasuries.
- a common oil supply program aimed at diversified import sources
- periodic forecasting of demand for each energy source. This



The world's largest undersea gas field currently in production is off eastern England, and a major oil province is now known to exist between Scotland, Norway, and Denmark. An oil rig in the North Sea. PHOTO: Shell Photo Service, New York City.

is especially important for oil, which requires large investments if supply is to keep pace with demand

- the stockpiling of 65 days' supply of oil as a buffer in the event of crisis
- application of the Rome Treaty's rules of competition, including prior notification of mergers, in the energy sector
- achievement of a common market for energy, primarily by removing nontariff barriers and harmonizing taxation on energy products.

The Rome Treaty makes no mention of a common energy policy, but the underlying philosophy of the "First Guidelines" was to apply the Treaty's principles in the energy sector. The Council approved the memorandum in principle in 1969, and most of the Commission's subsequent proposals have followed its approach though differing occasionally in detail. In 1972, for instance, the Commission submitted three proposals: one on increasing oil stocks to 90 days' supply; one on Community aids to hydrocarbon industries; and a third on loans for financing nuclear power installations.

The Commission took a second major initiative in October 1972, when it submitted a series of documents for review and approval by the Council. Included in the package were

- a long memorandum, "Problems and Means for Energy Policy During the Period 1975-1985," giving a general survey of the economic and political problems in the energy sector together with a broad outline of the means available for solving them
- a second memorandum, "Necessary Progress in the Community's Energy Policy," containing 46 proposals with supporting arguments for action across the whole energy spectrum
- three formal proposals for Council approval, covering a common system of hydrocarbon imports, oil pipelines across Community frontiers, and means to ease hydrocarbon supply difficulties.

The first two documents update the "First Guidelines" and take into account changes in the world energy market since 1970 and the increased importance now attached to environmental protection.

ENERGY DEMAND GROWING

Between now and 1985, world demand for energy will grow at an annual rate of about 6 per cent, and total yearly consumption will more than double. Although the Community's rate of demand growth will be below the average (at just over 5 per cent), the Nine will need the equivalent of 2.3 billion tons of coal by 1985, most of which will have to be imported. About 60 per cent of total oil consumed will have to be imported and unit prices for oil will rise considerably. As a result of the recent negotiations on oil prices, the levels for 1975 can be fairly accurately pegged at 55 per cent above their pre-1971 levels. After 1975, price rises could result from pressure from the oil-producing countries and the increasing use of oil yields with high production costs such as the North Sea deposits.

The need for enormous investments in exploration and equipment is an inevitable result of diversifying the Community's supply sources. Most of the easily reached, inexpensively exploited reserves in the world are already known, and new sources must be sought in such difficult or out-of-the-way places as seabeds or Alaska's North Shelf. The North Sea, made economically feasible by rising oil costs, is an important plus for the Community. Most of its resources will be consumed in Britain, but it will contribute significantly to reducing the Community's dependence on Middle East oil.

To ensure maximum exploitation of the North Sea, the Commission proposes a common information program on oil exploration and exploitation with emphasis on the continental shelf. To

The EC's coal industry cannot compete on a worldwide basis, but many mines are kept open for national security and social reasons. At La Houve, a mine in the Lorraine basin, a coal miner drills holes with an electric rotative perforator.

hedge against crisis, the Commission has also recommended the Community's oil stockpile be gradually increased to 120 days' supply.

NATURAL GAS AS AN ALTERNATIVE

Among the currently available alternatives to oil, natural gas would seem at first glance to offer the best short-term advantages. It is cheaper than oil, although its price is generally pegged to petroleum products and will rise during the coming decade. The Community has significant natural gas reserves within its own borders and territorial waters, primarily in the Netherlands and the North Sea. Moreover, natural gas is the cleanest of the hydrocarbon fuels, a decided advantage in a pollution-conscious, highly industrialized society.

Natural gas would be suitable for the supply of fully one-third of the Community's total energy demand if there were enough to go around. Domestic reserves, though sizeable, are limited and must be protected. Commission estimates of domestic production (240 billion cubic meters) and imports (25 billion cubic meters) for 1985 show that at best natural gas will account for about one-seventh of the Community's total energy supply. Despite its limitations, however, natural gas can lessen dependence on oil. The Commission has made several proposals designed to maximize natural gas potential including a common information system, harmonized security and transport regulations, and a system for encouraging explorations for new reserves.

Coal is a theoretically viable alternative to oil in many applications, but the level of foreign coal imports is governed more by economic and social considerations than by demand for energy. The domestic coal industry's production costs are too high to allow it to compete on a worldwide basis. Nonetheless, the mines must be kept open because they are an ultimate safety valve in the event of a serious energy crisis and because closing them would cause serious unemployment and regional problems. At present, Community mines are the principal source of coking coal for the Community's iron industry.

Even though subsidies to the coal industry may increase on a unit basis, coal production within the Community will continue to fall. Extraction is currently running at a rate of some 147 million tons but will decrease by about 30 per cent during the next 12 years. The Commission estimates that imports in 1985 will be 40 million tons. The Community has recommended a common policy for coal imports and the elimination of national restrictions, but concedes only a minor role for coal as an energy source.

NUCLEAR ENERGY HOLDS THE KEY

The brightest hope for the future lies with the atom. Its use as an energy source would have an advantageous impact on the entire energy market because it

- would ease the problem of secure supplies, since relatively small amounts of uranium are needed
- could exert downward pressure on oil prices. Contrary to popular belief, it is the cheapest way to produce electricity
- is an important element in any program to diversify primary energy sources and geographic origins of imports
- in the long run, it is the only currently known alternative to fossil fuels, which should be almost depleted at about the time nuclear energy comes into general use
- presents under normal conditions a relatively minor threat to the environment. Ecological damage from nuclear power plants is largely limited to that caused by high-temperature reactor cooling water reentering lakes and rivers.

The Community, however, must wait years before nuclear industry will be economically viable on a large scale. Nuclear activity in the Community is dispersed among too many marginally profitable, essentially isolated firms. Moreover, investment costs in the early stages of conversion are still prohibitive, even though nuclear energy itself is cheap. Investment costs can be lowered in the long run, only by a high level of equipment standardization and volume production not yet achieved in Europe.

Still, the nuclear industry looks forward to significant growth in the next 12 years. Reactors currently in use or under construction in the Nine are rated at about 35,000 megawatts, and the Commission believes a capacity of 130,000 megawatts is realistically possible by 1985. To help member states reach that goal, the Commission has recommended the use of funds from the European Investment Bank to help finance equipment investment and develop an export market for Community-built reactors and auxiliary equipment.

In addition, the Commission has proposed harmonization of work, security, and public health standards for nuclear energy; a system of measures comparable to those for hydrocarbons to ensure secure supplies of natural and enriched uranium; the establishment of a uranium-enriching capacity in the Community; and stockpiling of both natural and enriched uranium.

Electricity is not strictly speaking a primary energy source, but its importance to the Community's total economy gives it a special place in any common energy policy. The Commission hopes to consolidate and harmonize the Community's electricity markets to allow creation of larger central power stations. Ideally, the Community will someday be supplied by a rationally designed network of stations providing for the most economical distribution of electricity, without regard to national boundaries. The Commission has called for harmonization of the Community's technical and administrative procedures and a centralized policy of supply.

ENERGY PLUS ENVIRONMENTAL PROTECTION

The Commission has recommended the integration of joint action in the energy sector and common measures on environmental protection are currently under Council consideration. Commission proposals include Community-level work on such specific problems as exhaust from internal combustion engines, accident security in nuclear reactors, and standards for storage of radioactive materials.

An effective program of rational energy use could reduce supply and environment problems, in the Commission's view. The Commission has proposed joint research in a variety of specific programs most of which aim to decrease energy losses in such processes as automobile carburation and electricity generation.

In the long run, the best guarantee of adequate, efficiently produced energy supplies is an effective program of research and development. Research of better methods of production, transportation, and utilization of energy sources already in use must be coordinated. The Commission also proposes a long-term search for new energy sources and new uses for existing sources such as, electric cars or the development of hydrogen as an energy source. Finally, the Commission proposes an inventory of the energy research program currently under way in the Community to find areas of potential cooperation with other countries.

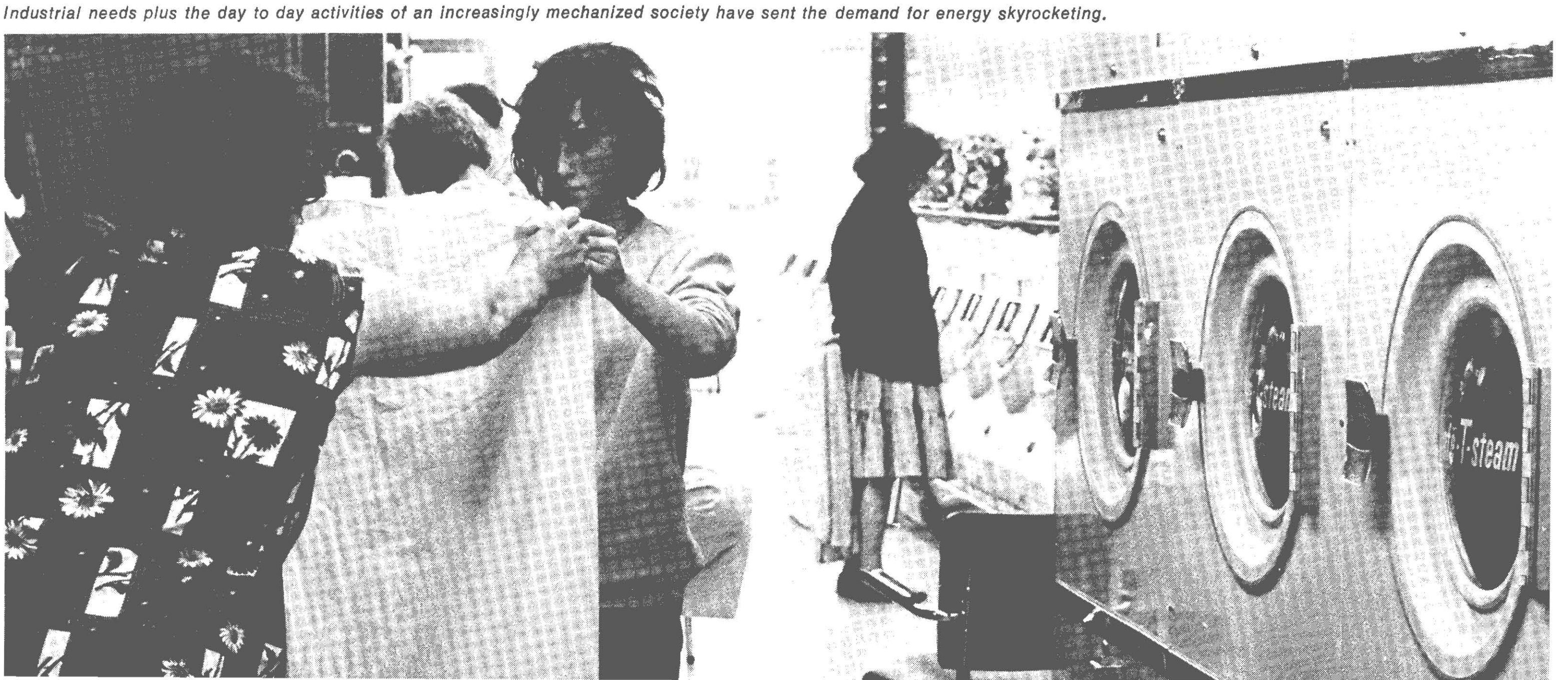
GLOBAL COOPERATION TO MEET THE CRISIS

The energy crisis is not confined to any single country and therefore must be attacked through concerted action on an international scale.

In its relations with oil-producing countries, the Community should seek cooperation based on a recognition of economic interdependence. The oil-producing nations tend to have single-product economies which they would like to diversify. Since virtually all the important producers are located near Europe, the Community has an excellent opportunity to promote the mutually beneficial exchange of needed commodities, for example, oil for North Africa and the Middle East for the commerce, economic cooperation, expertise, and capital markets of Europe. To this end, the Commission has recommended regular contacts with the oil producers and the negotiation of cooperation agreements.

The Commission also seeks the establishment of regular contacts with energy-importing countries, especially the United States and Japan, to reinforce mutually one another's energy policies. The Organization for Economic Cooperation and Development provides an excellent forum for increased exchange of information, in the Commission's view. The world's rising demand for energy is being met by ever decreasing supplies. Without international cooperation, the supply search could develop into an all-out economic war among the energy-importing nations.

Industrial needs plus the day to day activities of an increasingly mechanized society have sent the demand for energy skyrocketing.



A Perilous Time for EC-US Relations

Reflections on a Visit to Washington, DC

H. PETER DREYER, *European Economic Correspondent*, The Journal of Commerce

The new dollar devaluation and the turbulence in international money markets before and afterward have once again focused European interest on America's balance-of-payments and trade difficulties and on the less than satisfactory state of EC-US relations.

Several other concurrent events have underscored the increased intensity of EC-US dialogue.

- Ambassador William D. Eberle, President Nixon's Special Representative for Trade Negotiations, delivered a programmatic speech at the European Management Symposium in Davos, Switzerland, in early February urging the total removal of all trade barriers.
- Just after the dollar's devaluation, EC Commission Vice President Christopher Soames, who is responsible for external relations, visited Washington, DC, for the first time in this capacity and was received by President Richard M. Nixon.
- About the same time, former Commerce Secretary Peter G. Peterson made his tour of key European capitals.

It is noteworthy, if not surprising, that awareness of the issues involved is more marked in Washington than in Europe. A lively discussion, comprising all government agencies directly or indirectly affected and countless political and economic groups and lobbies, has gone on for many months. It has centered around the question whether, when, and in what manner the Administration would submit to Congress a trade bill authorizing the United States to participate in and make meaningful contributions to a new global round of trade talks, targeted for 1973.

An American based in Europe and returning home for a brief spell may be expected to know all this. He may also realize that the Washington debate is taking place while entrenched protectionist forces continue to amass further strength. Neither should he be ignorant of the multiple tensions which have developed in recent months and years between the European Community and the United States.

Nevertheless, he will find himself severely shocked by, first, the palpable deterioration of the relationship between the world's two foremost trading units and, second, the extent to which protectionist sentiment is fueled by disappointment in European (and, in a related context, Japanese) attitudes. The chorus of Community critics appears to have swelled rapidly, joined by many who not long ago were well disposed toward Brussels. Where the disenchantment can be traced to specific issues rather than disappointment over the Community's failure so far to reach political unity, the complaints are not necessarily new. The charge that the Community's common agricultural policy curtails US produce sales has been heard for years. This question, however, takes on fresh significance at a moment when the American trade balance is in dire straits. Indeed, 1972 was the first year in which the United States bought more from the Community than it exported to it, according to US statistics.

Similarly, American unhappiness over Community preferences for the African associates and, even more, those for the Mediterranean countries is as topical as ever. US discontent is bolstered by fears that the proposed global Mediterranean policy of the Community will fashion an enormous trade bloc which would increasingly discriminate against American exports. "How would the Europeans react if we cut them off from their Latin American markets in this manner?" a senior State Department official inquired rhetorically.

The sharpest and most consistently heard criticism is leveled against the EC attitude in the so-called "compensatory" talks under the General Agreement on Tariffs and Trade (GATT) Article XXIV (5) and XXIV (6). The EC position is widely described as negative and sterile. The negotiations' purpose is to compensate third countries for whatever tariff and related losses the Community's enlargement may cause them. Brussels has stated flatly that it "owes" nothing. Disadvantages which might arise for outsiders would be more than offset by benefits, according to the EC viewpoint. For instance, the UK tariff rates go down to the lower level of the EC common external tariff, the Community points out. Washington considers this argument irrelevant and insists that it will suffer losses on its exports of cereals, tobacco, and citrus fruit, mainly in the UK market.

These difficulties cut more deeply than would seem at first glance. If the Europeans cling to their rigid position, they will unwittingly furnish arguments to Congressional opponents of moderately liberal trade legislation. Even assuming that the US Government sincerely wants a liberal trade bill rather than one with protectionist features to take the wind out of the protectionists' sails, it must count on many of its recommendations being watered down in Congress. Hence, Administration spokesmen believe their position would be strengthened if the Community would make some concessions in the compensatory talks.

Just as there are doubts in Europe as to whether the United States can and will adopt a reasonably effective trade bill, many US observers are uncertain how anxious the Europeans are to sit down to a new GATT round of trade talks. Some US officials believe they detect a general lack of European interest, stemming from the enormous work schedule facing the Community in the next two years. Officials in Washington diagnose a triple suspicion across the Atlantic. Europeans suspect Washington of wishing to destroy the common agricultural policy and abolish the common external tariff, and they continue to have fears about possible secret economic deals between the United States and the Soviet Union, US officials believe.

For the moment, all options are still open and are likely to remain so for many months. Nonetheless, this could turn into a particularly dangerous period. More and more people in Washington and elsewhere in the United States are apparently shifting to the view that Europe depends more on the United States—not only in defense matters, but in trade too—than the other way around.

Bored With Borders

"Europe United Is More Natural Than Europe Divided"

LOUIS C. D. JOOS, *a French journalist*

When the United States entered World War II early in 1942, President Franklin D. Roosevelt is said to have called in one of his European experts. Pointing his pencil inquisitively at Hungary, Roosevelt asked an adviser, "Tell me, Joe, is Hungary a monarchy or a republic?" The adviser replied, "A kingdom, Mr. President."

The conversation continued with Roosevelt asking "Who is the king?"

"There is no king."

"What do you mean, no king?"

"There is a regent."

"What is his name?" Roosevelt asked.

"Admiral Horthy."

"Admiral? Then Hungary must have a large fleet?"

"Hungary has no fleet," the adviser said.

"How come?"

"Because Hungary has no access to the sea."

"That fits! Does this Hungary have military forces engaged in the war?"

"Yes, on the Russian front."

"I see, as usual the Europeans are fighting over their borders," Roosevelt remarked.

"Not at all, Hungary does not even share a border with Russia."

"Do the Hungarians have any allies besides the Germans?"

"Yes, the Romanians."

"I suppose they are their great buddies."

"Far from it, the two nations are traditional enemies."

At that, Roosevelt is said to have abruptly broken off the conversation, asked for two anti-migraine tablets, and sworn never again to try to understand the first thing about Europe.

Honoré Daumier. The European Equilibrium Le Charivari, December 1, 1866.

EPHEMERAL ETERNITY

Yet Europeans did not consider themselves incomprehensible. Their historians explain that after 1815 Europe discovered its true path—one which led Europe from feudal (or mock-feudal) chaos toward the stability of the nation-state system. Countless poets, statesmen, and philosophers deemed these nation-states sacred, eternal, sovereign, and equal before the law.

Some states, however, turned out to be more eternal than others. From 1815 to 1965, no less than 27 eternal and sovereign states were born in Europe. During the same period 23 eternal and sovereign states disappeared, some of them to be born and die a second time. These "births" and "deaths" exclude the many German princely states, such as the Duchy of Saxe-Coburg-Gotha, which existed in central Europe between 1815 and 1871; their sole purpose seems to have been to provide other monarchies with wives and princes (consorts or otherwise).

Over the past 150 years, a European state has been born or has died on average every three years. Yet, some people still argue that the tendency has been towards the creation of stable nation-states. They maintain that the states which have disappeared were "infranational" creations like Tuscany or "supranational" like the Hapsburg monarchy. But the "free city" of Fiume (now Rijeka), born in 1921, was hardly less infranational than Tuscany, and the Czechoslovakia of 1918 almost as supranational as Austria. On the other hand, the Baltic states that disappeared in 1940 were hardly less national than Belgium.

LINES DRAWN AND REDRAWN

A clear pattern in the birth and death of European states over those fateful 150 years is difficult to discern. Many of the states which survived this period changed their shape through border adjustments or "maladjustments." For example:

1839 Belgium obtains its final frontiers with the Netherlands and Luxembourg.

1856 Russia cedes part of Bessarabia.

1859 Austria cedes Lombardy to Piedmont-Sardinia.

1860 France acquires Savoy and the county of Nice.
1864 Denmark cedes Schleswig-Holstein to the German Confederation.
1866 Piedmont-Sardinia annexes Venetia.
1871 France loses Alsace to Germany.
1878 Serbia and Montenegro extend their frontiers. At Turkey's expense, Cyprus comes under British rule.
1880 Greece acquires Thessaly.
1885 Bulgaria administers Eastern Rumelia.
1890 England cedes Heligoland to Germany.
1909 Austria annexes Bosnia-Herzegovina.
1912 Bulgaria and Romania extend their frontiers.
1913 Bulgaria has to return territory to Romania.
1922 Poland annexes Wilno.
1923 Memel becomes part of Lithuania.
1945 The Briga-Tenda territories (Italy) are attached to France.

Adding these territorial changes to the 27 "births" and 23 "deaths" produces at least 67 changes in Europe's map since 1815, about one every 27 months. We call the nation-state stable, but its average period of political stability has barely attained the average life of a car battery. Readers may think that these calculations misleadingly spread out the changes to obtain an abstract average, when they occurred in waves followed by long stable intervals. In fact, however, the longest period between two births or deaths of states does not exceed 27 years—between the creation of Bulgaria in 1878 and Norwegian independence in 1905—and this is an exception.

WHERE BEATS THE NATION-STATE HEART?

Skeptics of this demonstration that sovereign nation-states are not synonymous with stability may say that meticulous border-tracing is less important than the perennial existence of robust central units which are not only legally sovereign but also culturally and spiritually autonomous. They may assert that that is where one finds a nation's heartbeat.

During the whole nation-state period, however, no great power restricted itself to organizing "the nation," as defined by strict theorists of linguistic or racial determinism. As soon as they reached the boundaries of their national people, most states have gone beyond in an attempt to create empires. Imperial Russia did not stop at the Ukraine but annexed Transcaucasia, tried to Russianize Poland and the Baltic states, violated the Finnish constitution, and swallowed up the Romanian regions.

Even before its official birth, Germany had swallowed up large parts of Poland and southern Denmark. Even if one accepts as reasonable the theory of linguistic determinism, under which the German Empire annexed Alsace and Lorraine, Germany violated that theory by including in the 1871 annexation regions which had not spoken German since the Strasbourg oaths in the ninth century.

Honoré Daumier. Horrified by the Heritage   Le Charivari, January 11, 1871.

If Germany had won World War I, the Baltic states would have become part of the Reich. A German king for Lithuania, the Duke of Urach, had already been taken out of storage, and German soldiers had been promised land in Latvia. Later, after Hitler had annexed all the German-speaking Austrian and Czech territories, it took him only a year to annex Bohemia-Moravia, as solidly Slav as Westphalia was German.

Italy filled the newspapers with plaintive cries about the "irredente" provinces, but each time she overstepped the limits of Italianness. Fiume, Zara, and then Albania, had no Italian tradition, and the ephemeral vassal kinglet, sent by Mussolini in 1941 into Croatia, was simply the son of the no less ephemeral Emperor-King Victor-Emmanuel III (or more correctly, Victor Emmanuel I, as there had been no predecessor on that phantom throne).

France's allies prevented her from annexing the Rhineland in 1918. The fate of the shortlived Rhenish Republic in 1923 showed what a hornet's nest it would have been for France if it had imperially extended its borders in that direction.

A CASE AGAINST NATURAL BORDERS

Powerful nation-states have never played by the rules of "natural borders" which they claimed to have set. Nobody can say how wide a sea must be to become a natural border. Are a few miles enough, such as between Cannes and the Iles de Lerins? The Bay of Cannes does not divide countries whereas the Corfu Canal, which is just as narrow, divides Greece from Albania. Must the distance be more than 30 miles? In that case, Corsica is naturally Italian and artificially French.

Perhaps mountains provide better examples of natural borders. But Romanian straddles the Carpathians; so does the USSR which annexed the sub-Carpathian Ukraine in 1945. Switzerland extends beyond the Alps into the Lombardy Plain.

Rivers, then? Look at the Rhine and the Lower Danube. The Rhine is a border for less than 120 miles of its 820-mile length, the Danube for about 540 of its 1,725 miles. This is not much; and artifice defeats nature in this comparison. The Valley of the Semois "follows" the Franco-Belgian frontier for more than 40 miles and is never further than seven miles from it, although the riverbed itself never forms the frontier. Europe does not conform to the theory that natural frontiers are established along ethnic group lines. The French ethnic group extends beyond the frontier towards Belgium, Switzerland, and Italy. The Basque, Catalan, and Flemish ethnic groups trespass on French soil. Germans live in Alto Adige, and the Slovenians go beyond the crest of the Karawankens into Carinthia. Natural borders created by the contact of different linguistic groups seem barely more stable than others.

AN ALTERNATIVE TO BORDERS

Europe united is as natural or more so than Europe divided. It certainly demands less powder and blood. The person still thinking in border terms will wonder where a united Europe ends. That is unimportant. It is important to find out where and when it began. Whatever its shortcomings, flaws, or errors, this Europe began in Paris in 1951 with the creation of the European Coal and Steel Community. Since border-consciousness came into being, the European Community (including the European Atomic Energy Community [Euratom] and the European Economic Community) is the first cautious attempt to go beyond borders and create common institutions to rid us of the aberrations of 150 years of nationalism. Border-nationalism has proven itself bankrupt after 50 million violent deaths and Europe's decline as a major world power. Natural or not, national borders are stained with blood and should be consigned to oblivion.

WHO DEFINES "NATURAL"?

To sum up the problem in one sentence, a "natural border" is unilaterally so described by the country trying to reach it or to defend it. The distinction between natural and artificial borders exists only in the mind of the person hoping to benefit from the distinction. Linear borders come into being in ministerial offices, on the green baize conference tables of diplomatic conferences, or in the offices of army staffs.

The sea links as much as it divides. Rivers are highways or, at worst, simply demarcation lines. Mountains are the front lines beloved of the military, particularly the artillery. Lines of contact between ethnic groups are historical phenomena, arbitrarily made to serve political ends.

Neither the nation-state nor the concept of natural borders lends peace and stability to the world.

EUROPEAN STATES WHICH HAVE "DIED" SINCE 1815

Massa-Carrara	1829	Czechoslovakia*	1939
Cracow	1846	Albania*	1939
Lucca	1847	Poland*	1939
Parma	1859	Danzig	1939
Tuscany	1860	Lithuania	1940
Naples-Sicily	1860	Latvia	1940
Vatican*	1870	Estonia	1940
Montenegro	1918	Croatia	1944
Ukraine	1920	Slovakia	1945
Fiume	1924	Trieste	1954
Austria*	1938	Saar	1957

* states "reborn"

EUROPEAN STATES "BORN" SINCE 1815

Serbia	1815	Estonia	1918
Greece*	1822	Czechoslovakia*	1918
Belgium*	1830	Latvia	1918
Romania	1859	Lithuania	1919
North German Confederation	1866	Danzig	1919
		Ireland	1921
Luxembourg	1867	Fiume*	1918
Bulgaria*	1878	Vatican*	1929
Montenegro	1878	Slovakia	1939
Norway	1906	Croatia	1941
Albania*	1912	Iceland	1944
Finland	1917	Saar	1947
Ukraine	1917	Cyprus	1959
Poland*	1918	Malta	1961

* states born more than once

Insurance—A Community Headache

PHILIP WALKER, *Secretary of the British Insurers' European Committee.*

To many industries, Community enlargement means expansion, a larger market to sell, and potentially higher profits. The Community has many obstacles to clear away before the same is true for the insurance industry.

Insurance is a "big" industry in financial terms. Premium income (the insurers' equivalent of turnover) for the original six Community members was an estimated $2.5 billion in 1969. The addition of the three new member countries almost doubles that figure. Insurance is vital to most other economic activities. Tourism, capital formation, labor mobility, and every sort of industry and commerce need insurance just as they need banking facilities or regular supplies of steel.

The Common Market Treaty states that companies located in any member state should have the right to establish themselves in any other member state and, at a later stage, to sell their services in other member states even without having an establishment in the country concerned. These two rights, commonly known as "freedom of establishment" and "freedom to offer services," have been introduced for other sectors. They should also have been introduced for insurance, but differing national insurance regulations developed over the decades have held up progress.

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STATE SUPERVISION RAISES OBSTACLES

Connected from the earliest days with trade across the seas, many insurers have handled foreign business. The bulk of their business, however, has developed within national borders. The nature of the business in which "security" is sold in the form of a promise to pay on some future eventuality in exchange for a cash premium paid in advance, makes it particularly open to abuse by unscrupulous, or merely inefficient or unlucky, operators.

The failure of a large insurance company would have such widespread repercussions on its policyholders and on third parties toward whom those policy holders had incurred liabilities that all European states have introduced laws and machinery for supervising insurance operations. The nature and extent of state supervision varies, but it is particularly extensive in France, Germany, and Italy.

In some of these countries the state not only checks the overall soundness or solvency of the individual insurance company but also makes rules about operating methods, controls, policy wordings, and premium rates, and sometimes inspects the daily work in insurance offices.

Insurance legislation has often developed piecemeal in response to particular needs and dangers. Each country tends to think its own system the best, and officials are naturally reluctant to abandon the experience and expertise gained in operating their national systems for a new European-wide system.

Government-imposed safety measures involve extra costs for the insurance companies as they do for motor manufacturers. Today the burden of such measures is heavier in some countries than in others, so that insurers from one country are often handicapped in competing for international business.

In some respects insurers anticipated the creation of the Common Market long ago. In running an insurance business efficiently, it is so important to have a large and balanced range of "risks" on the books and to spread the burden of the losses as widely as possible that the insurance industry has always been a leader in international cooperation, making use of such techniques as reinsurance and coinsurance.

PROGRESS SO FAR

Both freedom of establishment and freedom to offer services for reinsurance were introduced in 1964. Freedom of establishment for insurers other than life insurers also seems imminent. Other measures which will be necessary to unify the insurance market, however, still pose formidable problems. These problems extend beyond the direct supervision of insurers' solvency and involve such abstruse legal matters as the laws underlying insurance contracts and the degree of harmonization that may be needed to eliminate differences between these laws.

British insurers have developed their business under different conditions from those prevailing in most European countries. Above all, insurance in Britain is an export business; indeed, it is one of the most important invisible exports the country has. The United Kingdom currently earns $122 million net a year from insurance.

Many of the larger insurance companies, including Lloyds, do more business overseas than at home, most of it outside Europe. British insurers have benefited from liberal legislation and government supervision. The authorities have been content mainly to supervise the overall solvency of insurance companies, leaving such details as contract wording, premium rates, and investments to the judgment of the managers.

As British insurance has, on the whole, been a very successful industry—in many technical aspects it is a world leader—and as it is so important to the country's overseas balance of payments, British insurers hope that acceptance of an integrated Community system will not upset their operations in the rest of the world. The British market has traditionally been open to any foreign insurers who wish to compete for business in the United Kingdom, and British insurers look forward confidently to participating in a wider European market as national boundaries become less significant.

British insurers do not expect to "scoop the board" as soon as they are permitted to compete on equal terms throughout the Community. On the contrary, they recognize that most people will always prefer to buy insurance policies from locally established companies with which they are familiar and which speak their own language. What the British do believe is that the Community's continued development will increase demand for insurance. Higher values will be at stake and new types of coverage will be sought for continental-sized risks which cannot be said to belong to any one country.

INTERNATIONAL COOPERATION MUST CONTINUE

Insurers from different countries are already accustomed to doing business together. They are now discussing their general, legal, and "political" problems and working out common solutions to offer national and Community authorities.

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For nearly 20 years the Comité Européen des Assurances, with headquarters in Paris and an international secretariat, has provided a forum where its members, nearly all the Western European countries, have discussed ways to keep their horizons as wide as possible. For example, the insurers of 25 European countries supported the green card system, whereby insured motorists were provided green cards as proof of insurance. Within this Committee, the Nine will have to work together particularly closely in the interests of a healthy development of the Community's insurance industry.

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A Battle Lost, A War Won

Court Gives Commission Power to Control Mergers

A.H. HERMANN, *Editor of the Financial Times European Law Letter*

The European Court of Justice overturned, on technical grounds, the Commission's antitrust case against Continental Can but upheld the EC Commission's broad interpretation of the Common Market Treaty's Article 86 forbidding abuse of a dominant position. The February 21 ruling gave the Commission sweeping but ill defined power to control mergers and monopolies.

In a December 9, 1971, decision, the Commission had accused Continental Can and its European subsidiary Europemballage of having violated Article 86 by acquiring control of the leading Dutch metal container maker, Thomassen et Drijver-Verblifa NV. The Commission said that this merger eliminated competition in metal cans for fish and meat products and metal closures for glass jars in the Benelux and Germany and that Continental Can must terminate such abuse of its dominant position.

Reversing the Commission's decision, the Court found that the Commission did not prove that the merger eliminated competition to such a degree that remaining competitors no longer presented a sufficient counterweight. The Court said that the Commission had not taken into account the role of substitute products or the possibility that other producers might move into the three markets under consideration. Moreover, the Court said the Commission's case contained contradictions.

It is not clear why the Commission limited its case to meat cans, fish cans, and caps. The Continental Can group has a very strong position in a much more broadly defined container market, which might have provided the Commission with a stronger case. The Court judgment leaves Continental Can open to further attack, but the Commission has said it does not intend to reopen the case. No one knows, however, how the Commission would react if Continental Can proceeded with its original plan for a large European group, including Metal Box, which controls 80 per cent of the British market and has extensive dealings in Italy. The case concerned stagnant or increasingly outmoded types of containers and did not even touch upon the dynamic part of the market, beverage cans.

CONTINENTAL CAN VIEWED AS TEST CASE

The future of the container market, however, was not the Commission's main concern. The Commission considered the Continental Can case a test of its claim that Article 86 gives it power to control mergers. In this respect, the Court gave the Commission what it wanted. In fact, the Court has completely rewritten Article 86, making it illegal for large companies to expand in such a way that the market behavior of the remaining competitors is no longer independent of them.

The novelty of the Court's ruling is striking when compared with the text of Article 86, which contains a simple prohibition against an abuse of dominant position affecting trade between member states. The Article indicates that abuse means such behavior as arbitrary and discriminatory pricing policies, blacklisting of suppliers or consumers, or forcing competitors to accept a takeover or go out of business.

The Court read this article as meaning that a market-dominating enterprise can be prohibited from expanding, even if the enterprise does not intentionally abuse its dominant position. An enterprise must simply refrain from growing so big that the remaining competitors no longer form a sufficient counterweight. As dominance does not exist as long as there is sufficient counterweight, the Court, by implication, prohibited market dominance.

CONSEQUENCES FOR INDUSTRIAL POLICY

The Court left open the question whether an expansion prohibited by Article 86 is legally void, but the Court's reasoning seems to suggest that acquisitions and mergers cannot remain valid when cartels prohibited by Article 85 are void. Even without this strict interpretation, the establishment of European-scale enterprises, an important part of the Community's industrial policy, may become open to attack not only by the Commission but also by affected third parties.

Penetration of the European market by US and Japanese firms will be facilitated if the Court's ruling obstructs European industry's attempt to achieve the concentration necessary to compete worldwide in the high-technology field. Many of these companies are already beyond the "continental" scale and will remain so even if prevented from adding a few European factories to their empires.

A COURT OF LAW OR A LEGISLATURE?

The Court in essence brushed away the letter of the Treaty, thus assuming the powers of the Council of Ministers. Such enterprise on the part of the Court will reap praise if it succeeds in speeding up the development of the Community. Should the results be controversial, however, it will be criticized as undemocratic. In any case, such blurring of the line between judiciary and legislative power does not contribute to legal security and predictability of court decisions.

The Court's judgment gives the Commission a free hand to rule against monopolies and companies that strengthen their dominant position while leaving the definition of that position extremely vague. Because of this vagueness, any company with a dominant position will be well advised to obtain the Commission's opinion before it embarks on further expansion. The Court has, for all practical purposes, introduced preliminary merger control in the Common Market.

Nevertheless, the Commission intends to ask the Council of Ministers for a regulation to make the prior notification of all mergers obligatory. Authority for such a regulation would come under the Common Market Treaty's Article 235, which empowers the Council to take "any action necessary to achieve . . . the functioning of the Common Market."

Yaounde III: An African Strategy

ROBERT K.A. GARDINER, *Executive Secretary of the United Nations Economic Commission for Africa*

A new world trade and monetary system will emerge from the series of international economic negotiations now beginning. No nations will be more affected by these decisions than the so-called developing countries—especially Africa, the world's least developed region.

The crucial talks ahead include the multilateral General Agreement on Tariffs and Trade (GATT) negotiations, the intergovernmental United Nations Conference on Trade and Development (UNCTAD) consultations on commodities, and the negotiation for a reform of the international monetary system. Especially vital to Africa are the talks related to the enlargement of the European Community, including the "Yaoundé III" renegotiations of a number of association agreements.

Twenty-five African states are currently associated or have trade accords with the Community.* Nine African nations which are members of the Commonwealth but not yet associated with the Community** have the option of association or other special relations with the enlarged Community under Protocol 22 of the Accession Treaty by which Denmark, Ireland, and Britain joined the Community. In other words, 34 out of the 41 independent developing countries in Africa could have special relations with Europe by the end of the decade.

What is the economic framework within which African countries will approach the Yaoundé III negotiations? First, there is the problem of how much, or how little, developing countries have developed.

GROWTH RATE STILL MARGINAL

The annual economic growth rate in Africa increased only marginally—from about 4 per cent during the first half of the Sixties to about 4.5 per cent in the latter half. Preliminary data show little change during the first years of the Seventies, the "Second United Nations Development Decade." The current growth rate falls well short of the decade target of 6 per cent and is also below the rate achieved by other underdeveloped regions in the world.

Close to one-third of the resources available to African countries for their development requirements is derived from exports and other external resources. Official development assistance, foreign investment, and suppliers' credits contribute about one-fourth of the total. Europe's enlarged Community is the main market for the products of most African countries. Community member states are also, individually or collectively, Africa's largest source of external finance.

Robert K. A. Gardiner.
PHOTO: United Nations.

In spite of more than a doubling of Africa's export earnings during the Sixties, the first Development Decade, the broad commodity composition of exports has not altered significantly. Primary commodities, notorious for their price fluctuations, continue to constitute between 80 per cent and 90 per cent of exports. Calculations by the UN Economic Commission for Africa (ECA) Secretariat indicate, for instance, that African countries lost the equivalent of more than $6 billion because of changes in the terms of trade during the Sixties. The loss in 1970 alone was about $700 million. The converse of the predominance of primary commodities is obviously that manufactures are relatively much less important: Africa's industrial exports contribute only marginally to economic development.

EC HAS COMMITMENT TO AFRICA

Africans recognize that the Community and its policies were established first and foremost to secure economic and political benefits for its members. Accordingly, past, present, and future EC policies reflect the interplay of political and economic forces within Europe. The Common Market Treaty and other Community documents, however, indicate concern for third countries in general and developing countries especially. In view of this Community commitment, African countries should emphasize those types of Afro-European relationships which can best assure the region's economic, political, and cultural independence.

So far, the economic and trade links established by some African countries with the Community have been a mixed bless-

* The current Yaoundé associates are: Burundi, Cameron, Centralafrican Republic, Chad, Republic of the Congo, Dahomey, Gabon, Ivory Coast, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, Senegal, Somalia, Togo, Upper Volta, and Zaire. Kenya, Tanzania, and Uganda are associated through the Arusha Convention. Morocco and Tunisia have separate association agreements. Egypt recently signed a trade accord with the Community.

** Botswana, Gambia, Ghana, Lesotho, Malawi, Nigeria, Sierra Leone, Swaziland, and Zambia.

ing to Africa. Though contributing to economic development, they have hindered African economic cooperation ventures, especially between Community associates and non-associated countries. The new relationships between Africa and Europe should permit and promote intra-African economic cooperation. They should expressly favor the maintenance or establishment of customs unions, free trade areas, or economic communities among African countries, whether associated with the Community or not.

Under the present association agreements, an associate state can extend to a non-associated African country the same concessions that it extends to Community members, but it cannot give more preferential treatment than that granted to the Community. An African economic grouping will be meaningless if it is virtually forbidden to compete with Community activities and interests.

Dependence on international trade in primary commodities and on the narrow range of exports of most African countries helps create conditions of extreme economic insecurity. EC member states, in the next Yaoundé round, want a reorganization of the entire system of international commodity trade, parallel to what has already been accomplished at the national level in many countries.

The record of negotiated international commodity arrangements is not encouraging. Commodity trade reorganization should have two basic aims: to ensure stable, remunerative, equi-

Higher education is an important element in EC aid to Africa. Dakar University students discuss exam papers. PHOTO: Maya Bracher, Dakar, Senegal.

A Dakar street scene illustrates the problem of balanced development. PHOTO: Maya Bracher, Dakar, Senegal.

table prices for agreed quantities of the most important export commodities of African countries and to ensure that a growing proportion of the region's commodities, especially agricultural ones, can be exported in processed form. Commodity agreements should stabilize markets without discouraging industrialization and export diversification.

African governments must set their development sights as high as possible for political and social reasons. Unfortunately, most of the material and technological resources needed to implement development programs must be imported from other regions. Past experience, current situations, and future forecasts indicate that very few African countries can hope to finance development with the foreign exchange earned from exports. External assistance has thus become a necessary ingredient of national development.

African countries are making increasingly clearer assessments of their technical assistance needs as well as improving their capacity to employ assistance effectively. Official assistance to developing countries, however, has decreased in recent years. The amount of assistance at constant prices received by African countries at the end of the Sixties was probably not more than about four-fifths of what it was when the decade began.

Some years ago, the developed countries, including all members of the enlarged Community, accepted 1 per cent of gross national product (GNP) as their target for net aid flows from official and private sources to developing countries. A number of developed countries, including Belgium, the Netherlands, Denmark, and Germany, also pledged to try to increase official development assistance to 0.7 per cent of GNP. If all the EC countries had met this target in 1970, their official development assistance would have been nearly $2 billion more than it was.

During the forthcoming Yaoundé negotiations, African countries should persuade the enlarged Community to accept the 0.7 per cent target and to increase Africa's share of EC assistance. A growing portion of Community assistance should be directed towards multinational African projects to mobilize and exploit more efficiently the region's human and natural resources.

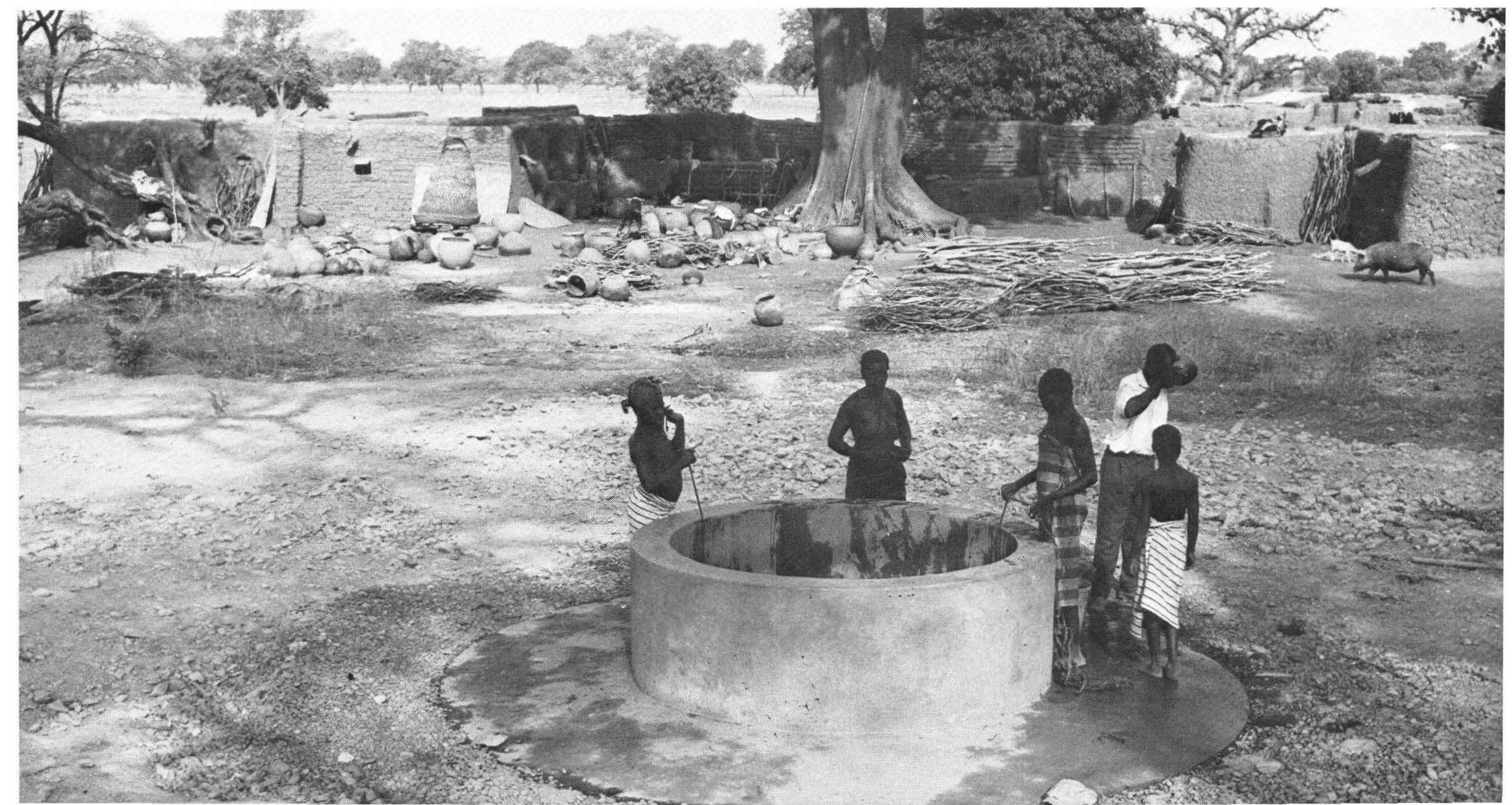
It is obviously up to individual African countries to draw up national negotiating positions within the context of their specific economic, social, and institutional situations. Nonetheless, the Organization of African Unity's Charter requires them to coordinate and harmonize their political, diplomatic, and economic policies. The establishment of a common African negotiating framework within which African countries could act, individually or in groups, will be a first step toward coordination. Although the details are still unknown, the general framework should call for African-European relations which will

- be an instrument for more rapid continent-wide economic development
- not be a divisive element in Africa
- not leave any African country worse off than it was under previous relationships.

When the common African negotiations framework is established, it is my hope that all African countries will participate in the negotiations to ensure that the interests of the region are fully considered. A divided approach would be tragic for the continent.

It has been said that the negotiations ahead of us, in the trade, monetary, and financial spheres, will reappraise not only the mechanism of the world trade and payments system, but policy objectives themselves. The simultaneous conduct of these negotiations provides Africa with a new and unique opportunity to define a unified strategy regarding specific objectives and to work out a common approach.

The construction of 90 wells is one European Development Fund project in the Voltaic Republic.



Multinational Labor

European Workers Unite

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

European labor has gone multinational. A new European labor union organization representing 28 million Socialist-oriented workers from 14 European countries was created in Brussels on February 9. The founding congress took place, appropriately enough, in Brussels' "Maison des Huit Heures," which commemorates workers' struggle for the eight-hour day.

Britain captured the limelight when Victor Feather, Secretary General of the British Trades Union Congress (TUC), was elected president of the new European Confederation of Syndicates (CES). Delegates, however, mixed compliments with criticism as they expressed misgivings about the TUC's opposition to UK entry terms and its reluctance to participate fully in such Community bodies as the Economic and Social Committee.

Heinz Oskar Vetter, President of the 6.8 million member German trade union federation, Deutsche Gewerkschaftsbund (DGB), said the British unions could greatly strengthen democracy in Community bodies. "British colleagues, we don't need you at a distance, we want the wholehearted participation of your political and union strength," he said. Jack Jones, leader of the British Transport and General Workers' Union, explained that British unions mistrust the Community. They believe it favors big business, especially multinational companies' operations, to the detriment of workers' interests, he said.

The new CES replaces the European Confederation of Free Trade Unions (ECFTU), which groups seven national federations with 12 million members in the original six Community countries and the Trade Union Committee for the European Free Trade Association (EFTA) countries which comprises seven federations with more than 16 million members in the United Kingdom, Denmark, Norway, Sweden, Austria, and Switzerland. The new Confederation also includes a Finnish federation, the Icelandic Federation, and the Union General de Trabajadores (UGT), the most powerful clandestine trade union organization in Spain. The 17 organizations are all members of the (Social Democrat) International Confederation of Free Trade Unions (ICFTU), with which the CES will maintain practical links.

Coming after a gestation period of 18 months, the birth of the new Confederation was not without complications and delays. Nonetheless, it could hardly be expected that a regrouping of 17 national trade union organizations, each of which enjoys national power and prestige, would pass off as smoothly as a company merger. The union delegates faced three major problems:

- Should the new Confederation be confined to the labor unions of the enlarged European Community?
- Should it be open to ICFTC member organizations only, thus excluding the Christian Democrat and Communist unions?
- What influence should the committees which group unions in the same industry have in the Confederation's executive bodies?

The questions were finally resolved by defining the Confederation's tasks. According to the constitution adopted at the founding congress, the CES will represent workers' interests at the European level in all European institutions, including those of th Community and EFTA. The union federations of the respective economic groupings (EC or EFTA) will vote only on issues that affect their groupings.

The Confederation will also represent workers vis-à-vis European employers' associations. It will coordinate unions' responses to multinational companies in Europe and work out joi views on such subjects as manpower planning, social and economic policies, and worker participation.

The insistence on extending the Confederation's scope beyon the confines of the European Community, although contested b some, was based on the majority's desire to strengthen the effec tiveness and cohesion of workers' representation in the economic and political struggles ahead. Most union organizations, whether inside the Community or not, want to participate in preparing union strategy for Europe.

The CES constitution states that the founder organizations ar all affiliated with the ICFTU and consequently adhere unreservedly to the principles of free and democratic trade unionism Requests for membership by democratic trade union federation will be considered by the executive committee. The new body welcomes the European affiliates of the (formerly Christian) World Confederation of Labor. The same is presumably true for the Irish Congress of Trade Unions, which is not affiliated to any international organization. What kind of reception awaits the French Communist union, Confédération Général du Travail, and the Italian Communist union, Confederazione Generale Italiana del Lavoro, is unclear. The Congress did not want to debate this question at its first meeting.

What caused a stir more outside than inside the hall—chiefly in the German and Scandinavian press—was the Soviet and Wa saw Pact countries' trade unions' request for admission to the new Confederation. The request had been made verbally in Moscow 10 days before the Congress by Soviet Central Trade Union Council President Alexander Sheliepin to Vetter. Vetter reported this and it was noted by the Congress.

At this early stage, the new Confederation is apparently many things to many people. Some European trade union leaders, wh for years have experienced some progress and many frustration in furthering the workers' cause through Community institutions, hope the Confederation will give them more power. With Victor Feather in the President's chair, they hope that the TUC will soo add its weight in such Community bodies as the Economic and Social Committee and the Standing Committee on Employment.

Other unionists expect the Confederation to help create a Europe that is geared not merely to opening up markets but also to meeting the needs of Europe's workers. They see the new body, as ICFTU Secretary General Otto Kersten said, as an international counterforce of free and democratic trade unions against the worldwide concentration of capital and its influence on European economic integration.

Recent Books

European Community periodically lists books dealing with Community and Atlantic topics. Prices are also given, whenever known. This presentation does not indicate approval or recommendation of these publications which can be purchased or ordered from most booksellers.

Labor Movements in the Common Market Countries: The Growth of a European Pressure Group. By Marguerite Bouvard. Praeger Publishers, New York, 1972. 272 pages with tables and bibliography. $17.50.

A study of the European labor movement's emergence as a pressure group within the European Community.

The author describes the relationship between the labor movements in each of the original "Six" and the institutions created by the European Community to deal with these movements. She includes Britain in her analysis. Religious and ideological disparities within the national labor forces and nationalism and power politics within the national governments have prevented the establishment of a truly supranational labor movement. The author contends that labor acts more like a limited pressure group than a viable power on the European scene. Despite its shortcomings, however, labor has made gains within the Common Market, especially in worker mobility and housing, and in the fight against discrimination, the author concludes.

The Multinational Enterprise. Edited by John H. Dunning. Praeger Publishers, New York, 1972. 368 pages with index. $13.50.

A collection of essays on the impact of the multinational enterprise on the nation-state.

This book originated from a conference at the University of Reading on the multinational corporation's effect on the world economy. Discussion focuses on the countries across whose borders these firms transfer goods rather than on the operation of the firms themselves. Dunning emphasizes the rapid proliferation of the multinational enterprise and examines its different types. The essays, written by participants of the conference, fall into five categories: labor and the multinational enterprise, trade and the balance of payments, direct foreign investment and the developing countries, governments and the multinational enterprise, and the multinational corporation in Europe. Some of these essays are based on original research. Others speculate on the possible political repercussions of multinational corporations. A final section of the book summarizes the discussion and offers some general conclusions.

Reforming the Dollar: An International Monetary Policy for the United States. By C. Fred Bergsten. Council on Foreign Relations, New York, 1972. 95 pages. $1.50.

An appraisal of the international monetary system, with emphasis on the dollar's role and reform proposals.

After exploring some of the goals of international monetary organization—liquidity, confidence, and adjustment—Bergsten outlines his plan for achieving them. He assumes "a dramatic increase in international management" which nonetheless allows governments ample flexibility for the pursuit of national interests. The paper argues that the decline of US economic and political power vis-à-vis Western Europe and Japan has outdated the necessity for the United States to assume a dominant monetary role. He recommends that the United States reverse its historical role by becoming an initiator of devaluation and revaluation, that Special Drawing Rights (SDR's) be issued in sufficient quantity to raise world reserves by at least 5 per cent to 6 per cent each year, and that the margin within which exchange rates fluctuate be widened.

Les Milieux dirigeants belges et l'adhésion du Royaume Uni aux Communautés européennes. By Daniel Paulus. Editions de l'Institut de Sociologie, Université Libre de Bruxelles, Brussels, 1971. 331 pages. $12.00.

An identification and analysis of attitudes taken by major Belgian opinion-making groups toward the accession of the United Kingdom to the European Community.

The groups, each of which is the object of a separate study, are divided according to whether they are "socio-professional" (farm organizations, trade unions, and business community) or "political" (parties, government, and Parliament). In each case, it is shown that the traditional image of Belgium standing unanimously and constantly at Britain's side must yield to more complex and nuanced realities.

The period under study is July 1961 to December 1968.

The United States and the Industrial World. By William Diebold, Jr., Praeger Publishers, New York, 1972. 459 pages with index.

An examination of US economic problems as seen in the context of the industrialized world—North America, Western Europe, and Japan.

Mr. Diebold traces the origins of America's present difficulties to the unprecedented developments in the industrial world over the past two and a half decades: an integrated Europe, a gigantic Japan, and an expanding Canada.

The study concludes with an appraisal of the relative strength of bloc economics as opposed to the old national system and of America's capacity for leadership in the current decade.

Legal Environment for Foreign Direct Investment in the United States. Institute for International and Foreign Trade Law, Georgetown University, Washington, DC, 1972, 384 pages. $12.00.

A survey of US laws, regulations, and other governmental policies of importance to the foreign direct investor.

This introductory guide to the legal aspects of direct investment in the United States covers the US legal structure, restrictions on foreign participation in specific commercial activities, immigration, business forms, legal site selection, finance, taxation, antitrust, patents, products liability, as well as other non-legal factors.

The European Community in Perspective: The New Europe, the United States and the World. By Gerhard Mally. D. C. Health and Company, Lexington, Massachusetts, 1973. 349 pages, including tables, bibliography, index, and appendices. $12.50.

A potential textbook and an original contribution to literature in the field, Mally's work begins by exploring integration theory and methodology. He posits his own integration paradigm and then examines the internal development of the European Community and its place in the international system. More than a scholarly analysis, the book reaches behind today's headlines for an up-to-date look into European-American relations. The book also takes a well informed look into the future. Mally's work takes into account such recent events as the Paris Summit of the "Nine" and the latest available statistics. The book includes comprehensive appendices and well annotated footnotes.

Value Added Tax. By Alan A. Tait. McGraw-Hill Book Company (UK) Limited, London, 1972. 184 pages with bibliography and index. $12.50.

An introduction to the value added tax (VAT) and a comprehensive study of its applications in the Common Market countries.

The author describes the basic concepts of the value added tax, weighing its advantages and disadvantages over the retail sales tax. He examines the eight ways of calculating value added, emphasizing the one chosen by the Community. The German cascade tax, the British purchase tax, and the French tax inclusive variation of the VAT are compared with the Community's VAT. VAT is discussed in terms of its effect on fiscal policy, trade unions, exports and imports, and investments. The author describes VAT's application to medical care, art works, auctioned or second-hand goods, alcohol, and tobacco. He explains how the tax affects governments, businesses, and individuals. Five chapters of technical information illustrate variations of the VAT.

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 office, 277 Park Avenue, New York City 10017.

FIRST REPORT ON COMPETITION POLICY. Commission of the European Communities, Brussels, April 1972, 214 pages $2.00
Describes developments during the last 10 years in applying the Treaty of Rome articles dealing with antitrust, state aid, public enterprises, and national monopolies. The report also discusses the growth of concentration in the Community and matters of consumer interest.

TAX STATISTICS 1965-1971. Statistical Office of the European Communities, Luxembourg, 1972, 93 pages $3.00
Yearbook on the tax revenues of the member countries of the European Communities. Includes a breakdown of turnover taxes, import duties, excise duties, taxes on services, land, and buildings, and stamp and registration taxes.

JOINT RESEARCH CENTRE: ISPRA ESTABLISHMENT ITALY. *EUR 4842.* Commission of the European Communities, Luxembourg, October 1972, 388 pages $10.00
1971 Annual Report of the work of the Joint Research Center. Includes a bibliography of reports and contributions to conferences.

OBJECTIVES AND INSTRUMENTS OF A COMMON POLICY FOR SCIENTIFIC RESEARCH AND TECHNOLOGICAL DEVELOPMENT. *Bulletin of the European Communities Supplement* No. 6/72, Commission of the European Communities, Brussels, June 14, 1972, 58 pages .... $.40
A communication from the Commission to the Council describing the current state of research and development policies and the need for fostering a scientific research and technology program at Community level. Basic instruments for the conception, planning, and management of such a program are discussed. Reprints the proposed resolution for the gradual execution of the program and summarizes three documents appended to the communication on the future role of the Joint Research Center, Project "Environment," and Project "Materials."

ENERGY AND EUROPE. European Community Information Service, Brussels, November 1972, 13 pages .... free
Brochure on the energy situation and future developments in the Community. Also summarizes the status of the Community's energy policy.

INDUSTRIAL POLICY AND THE EUROPEAN COMMUNITY. European Community Information Service, Brussels, November 1972, 17 pages .... free
Brochure describing the development of an industrial policy in the Community. Reviews some of the proposals made since the Commission's March 1970 memorandum on a common industrial policy.

THE ECONOMIC SITUATION IN THE COMMUNITY AT THE BEGINNING OF 1973. Commission of the European Communities, Brussels, January 16, 1973, 9 pages ... free
Address by Wilhelm Haferkamp to the European Parliament, Strasbourg, France.

ADDRESS BY PRESIDENT ORTOLI TO THE EUROPEAN PARLIAMENT. Commission of the European Communities, Brussels, January 16, 1973, 7 pages ... free

ASSOCIATION AGREEMENT CONCERNING THE ACCESSION OF MAURITIUS TO THE YAOUNDE CONVENTION (1969). Commission of the European Communities, Brussels, May 1972, 19 pages, free
Text of the agreement between Mauritius and the Community signed at Port-Louis on May 12, 1972. Mauritius becomes the nineteenth associate of the Community under the Yaoundé Convention.

AGREEMENT ESTABLISHING AN ASSOCIATION BETWEEN THE EUROPEAN ECONOMIC COMMUNITY AND THE UNITED REPUBLIC OF TANZANIA, THE REPUBLIC OF UGANDA AND THE REPUBLIC OF KENYA AND ANNEXED DOCUMENTS. Council of the European Communities, Brussels, 1969, 70 pages .... free
Text of agreement between the East African States and the Community signed at Arusha on September 24, 1969.

EVOLUTION OF TRANSPORT POLICY IN THE EUROPEAN COMMUNITY. European Community Information Service, Washington, DC, May 1972, 46 pages ..... free
Report by Dr. Wolfgang Stabenow to the Conference on Canadian National Transportation Policy.

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