

# European Community

OCTOBER 1973 NO. 169





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# Community News

## EC Commission Has Negotiating Stance for GATT Talks

For the General Agreement on Tariffs and Trade (GATT) talks, which opened September 12 in Tokyo, the nine EC member countries have a common negotiating stance. The common position, in the form of an overall approach, was agreed upon by the EC Council of Ministers, meeting in Luxembourg on June 25-26.

The negotiations, already unofficially dubbed the "Nixon Round," are the third round of multilateral GATT talks since the Community began operating in 1958. The first test of the Community's cohesion and of its liberal trade orientation was established in the "Dillon Round" of 1960-61 and confirmed in the "Kennedy Round" of 1964-67, which resulted in an average industrial tariff reduction of 35-40 per cent, the biggest cuts in history. In the new round of negotiations, the Community will be negotiating for nine member countries, instead of six, as previously, since the admission last January of the United Kingdom, Ireland, and Denmark.

In its guidelines for the upcoming negotiations, the Council stated:

"(1) At the Summit Conference held in October 1972, the Heads of State or of Government of the nine Member States accompanied their program for strengthening the Community with precise declarations concerning the latter's responsibilities and tasks in the field of external relations . . . [including] the Community's resolve to promote the development of international trade. . . . This declaration confirmed the political resolve demonstrated by the Community before enlargement to undertake wide-ranging trade negotiations with its partners. . . .

"(2) The Community is aware that, by the very fact of its institution and development, it has promoted the balanced expansion of international trade. The GATT system, which was a fundamental

improvement as compared with the confrontation of purely national policies, had its means of action limited by the contrast between the de jure equality and the de facto inequality of partners, many of which found themselves confronted by a much stronger trading power. The introduction of customs unions and free trade areas, laid down by the General Agreement itself, tends to offset this imbalance. Thus the Community, through the elimination of barriers to trade between the Member States, the constitution of a unified market, and the resulting economic expansion, has had the effect of creating trade in a way which has been beneficial at international level. It is convinced that its enlargement and the agreements it has concluded with neighboring West European States and other States linked to it by geographical and historical factors will have similar effects. It is this same desire for the balanced expansion of international trade which led it to introduce a system of generalized preferences for developing countries in 1971 and which inspires its trade policy in relations with all third countries.

"(3) With regard to multilateral negotiations, the Community has taken an active part in these since its creation and its contribution has been a decisive factor in their success. Within modest limits in the Dillon Round, but on an unprecedented scale after the United States Congress passed the Trade Expansion Act (Kennedy Round), the chief trading partners agreed to mutual reductions in trade barriers. At the end of these negotiations, the Community had the lowest customs tariff of any of the major trading powers—approximately half the average of the original tariffs of the Member States—and it also had the most uniform profile.

"(4) These vast movements of liberalization, going hand-in-hand with almost uninterrupted economic expansion within the Community and with the progressive strengthening of its cohesion and internal solidarity, have made possible an unprecedented expansion of its



Kennedy Round, May 1967. Seated center, facing camera, Ambassador William M. Roth, US Special Representative for Trade Negotiations; seated second to his left, EEC Commission Vice President Jean Rey, chief negotiator for the Community.

international trade. This development has provided a basis for a constant rise in the standard of living and a high and stable level of employment. The Community is therefore convinced that international trade is a vital and increasingly important factor in its development. It hopes that the policy of liberalizing trade will be continued and it intends to assume its responsibilities at international level towards both industrialized and developing countries. Moreover, at a time when it is preparing to take part in new negotiations which aim to ensure the increased expansion of international trade, the Community is aware of having made a very substantial contribution to the development of world trade. It therefore expects its partners to approach the negotiations in the liberal spirit of which the Community has already given ample proof and with the same desire to establish stable and balanced economic relations.

"(5) Quite obviously, the policy of liberalizing world trade cannot be carried out successfully unless parallel efforts are made to set up a monetary system which shields the world economy from the shocks and imbalances which have recently occurred. The trade negotiations, therefore imply that prospects exist for the establishment of a fair and durable monetary system. . . . The Community,

for its part, will assess the progress of these negotiations in the light of the progress made in the monetary field. It will take such progress into account when taking a decision on the results of negotiations. Furthermore, the trade negotiations cannot be taken as an appropriate way of correcting discrepancies in the balance of payments of any of the Parties.

"(6) Faithful to the guidelines laid down for its own development and aware of its own special responsibilities, the Community, while respecting its heritage, is therefore resolved that, in order to ensure the harmonious development of world trade, it will take part in the forthcoming negotiations with an open mind. It must, however, be understood from the outset that neither those elements basic to its unity nor the fundamental objectives of its future development may be called into question. These basic elements include the customs union, the common agricultural policy, and the common commercial policy. Among the fundamental objectives, mention should be made inter alia of the establishment of economic and monetary union, which is the guarantee of stability and growth, the foundation for solidarity among the Member States and the essential basis for social progress, and of the rectification of regional imbalances."



## Soybean Curb "Shocks" Community

The US Administration's decision to curb soybean exports to the European Community had been a "big shock," EC Commissioner Petrus J. Lardinois told a Washington news conference on July 21.

Lardinois, the Commission member responsible for the Community's agricultural policy, came to Washington on July 19 for talks with over 20 senior US officials. Accompanying Lardinois was his chief aide, Petrus J. A. Wijnmalen, and Louis Georges Rabot, the Director General for Agriculture.

The European Community is the world's largest importer of the protein-rich soybeans and soya products. Last year EC Member States spent over \$1 billion buying 50 per cent of US soybean exports, used principally for livestock feed. These US exports enter the Community duty-free. "We depended totally on the United States production," Lardinois said.

Europe, Lardinois said, had felt that it was a customer equal to the US farmer. Now, however, Washington treated Europe like "a second-class customer," Lardinois said. He suggested that the United States should now share shortages as it had once shared abundance.

Although the United States

seems committed to free trade in agriculture, Lardinois said, "a system where contracts are not reliable anymore is a system that could be a heavy blow to free trade in coming years." As of June 13, unfilled contracts on soybeans were cut by 50 per cent. He said Europe had "no short-term alternative" for protein supplies but in the long-run "could fall back on more old-fashioned systems."

Lardinois said he made a "strong statement" to the Administration, "which, I think, was accepted." He had met with Secretary of Agriculture Earl L. Butz, Under Secretary of State for Economic Affairs William J. Casey, Special Representative for Trade Negotiations William D. Eberle, Executive Director of the Council on International Economic Policy Peter M. Flanigan, and Chairman of the Council of Economic Advisors Herbert Stein, among others.

Normal soybean trade was expected to resume in September, and the US Government announced late in July that soybean contracts placed before June 13 would now be honored 100 per cent. A spokesman for the Commission noted this announcement "with satisfaction."

## Common EC Monetary Stance

For the July 30-31 Washington meeting of the "Group of Twenty" of the International Monetary Fund (IMF), German Finance Minister Helmut Schmidt presented the EC Member States' joint position. Representing the EC Commission at the meeting was Wilhelm Haferkamp, Commission Vice President responsible for economic and financial affairs.

At the two previous Group of Twenty meetings this year, in Paris and in Washington, the EC countries also spoke with a single voice. A full meeting of the IMF was scheduled for September 24-28 in Nairobi.

## Notice

In accordance with the US Securities and Exchange Commission regulations, the European Coal and Steel Community published its Balance Sheet as of December 31, 1972, and its Statement of Revenues and Expenditures for the period January 1, 1972, to December 31, 1972.

This information is published in connection with European Coal and Steel Community bonds issued in the United States under applications:

A-16929	A-20452	A-24459
A-17648	A-23715	A-25274
A-19218	A-24049	

Copies of these documents have been deposited with the Chase Manhattan Bank, New York.

## Cheysson Says No Reverse Preferences

Claude Cheysson, the EC Commission member responsible for trade and aid with the developing world, told two audiences in Washington that the Community would definitely not be requesting reverse preferences in future "partnership" arrangements with developing countries in Africa, the Caribbean, and the Pacific.

"There should be no reciprocity which would cost the developing countries anything," the Commissioner said. Cheysson, speaking to an Overseas Development Council dinner discussion group on August 9 and to a news conference on August 10, was referring to negotiations to replace the second Yaoundé Convention on trade and aid in Africa, which expires January 31, 1975 (see page 5).

Cheysson, a Frenchman appointed to the Commission in April, welcomed the fact that the African countries had agreed on a common viewpoint and had spoken at the recent preparatory talks in Brussels through a single spokesman, Nigerian Trade Commissioner Wenike Briggs. Cheysson said he hoped this African unity would continue. If the African countries continue to negotiate as a bloc, "they will control the Association," said Cheysson, noting that Nigeria had been Africa's foremost critic of the terms of the Yaoundé Conventions. He regretted that the Maghreb countries (Morocco, Algeria, and Tunisia) had not decided to negotiate jointly with Europe. A unified approach was the best guarantee against bilateral European pressures or suspicions of pressure on developing countries, Cheysson said.

Answering US charges that Europe was building a trade preserve in Africa and the Mediterranean, Cheysson said there was no question of extending Association beyond the countries currently invited to the Brussels negotiations. With the rest of the world, Europe would have only conventional preferential agreements, he said.

The Community would make proposals this fall for a world food



Commissioner Claude Cheysson

aid program in which Europe would carry a heavier share of the burden than in the past, he announced.

Cheysson said he favored shifting some European industries to investment-hungry nations, such as those in North Africa, but noted that "for entrepreneurs to accept dependence on supplies from [such] countries there must of course be some guarantees [for uninterrupted supplies]." Asked about the Community's common agricultural policy (CAP), he said its purpose had been twofold: to protect European production and to rationalize the economic organization of agriculture. The first of these purposes should now be given less and less importance, he said.

During his August 7-10 Washington visit, Cheysson met with Assistant Secretary of Agriculture for International Affairs and Commodity Programs Carroll G. Brunt-haver, Under Secretary of State for Economic Affairs William J. Casey, Deputy Administrator of the Agency for International Development (AID) Maurice J. Williams, President of the International Bank for Reconstruction and Development (IBRD) Robert S. McNamara, Deputy Administrator of the Foreign Agricultural Service Richard J. Goodman, Special Representative for Trade Negotiations William D. Eberle, Deputy Director of the Council on International Economic Policy Deane R. Hinton, and Assistant Secretary of Treasury for International Affairs John M. Hennessy.



## EC Talks With Associates Begin

Ministerial-level negotiations on trade and aid links between the European Community and over 40 developing countries were scheduled to open in Brussels on October 17. The negotiations will determine the future of the Yaoundé Convention, which expires January 31, 1975.

At a preparatory conference in Brussels on July 25-26, the current President of the EC Council of Ministers Ivar Norgaard said, "The Community is willing to offer a contractual agreement covering

both the field of trade and that of financial and technical cooperation." Nigerian Trade Minister Wenike Briggs spoke for most of the developing countries in a declaration that favored a "global agreement covering economic, technical, and financial fields."

Out of a total of 43 developing countries invited to the conference (the 19 present Yaoundé Associates plus those eligible to join, in particular the so-called Commonwealth "associates"), 41 attended. In addition, Algeria, Morocco, Tunisia, and Egypt were present as observers at the request of the Organization of African Unity (OAU).

## Commission Urges Sweeter Sugar Policy

A "sweeter" Community sugar policy, both towards outside countries and within the Community, has been urged in an EC Commission memorandum and draft resolution. The Commission's July 16 proposals were discussed at the July 25-26 meeting of the Council of Ministers and sent to the Council's Special Agricultural Committee for thorough review.

The proposals contained three major planks:

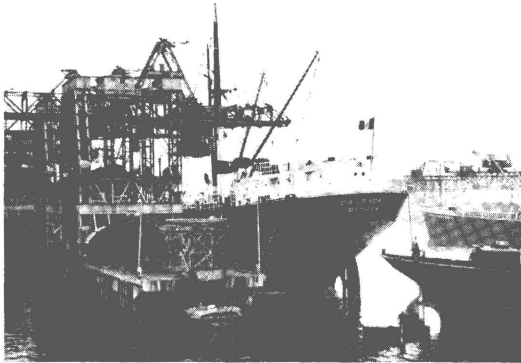
- International Sugar Agreement. The Commission recommended joining in the new international sugar agreement to be negotiated in Geneva this fall within the General Agreement on Tariffs and Trade (GATT). The Community would limit its sugar exports to 800,000 tons annually under normal conditions. In the event of world shortages, there would be no export ceiling.

- Developing and Associated Countries. Developing countries signatory to the Commonwealth Sugar Agreement would enjoy a guaranteed market for 1.3 million tons of sugar. Associated States would be assured Community imports of 55,000 tons. Both groups would benefit from guaranteed prices. If the negotiated price falls below the world price, the Community would pay the latter.

- Sugar Policy within the Community. Since the Community is self-sufficient in sugar (producing and consuming about 10 million tons a year), it should orient production to accommodate 1.4 million tons in imports and the 800,000-ton export ceiling.

The Commission also recommended continuance of the quota system. Quotas would be assigned to sugar firms instead of, as now, to member countries.

## Help For Europe's Ailing Shipyards



In a new Community-level approach, the EC Commission has set up a special task force to help revitalize the shipbuilding industry in the Member States. Under Ronald H. Grierson, Deputy Director General for Industrial Affairs, the task force will have intensive contacts not only with shipbuilding companies but with labor unions and the national governments. From this consultative approach, the Commission hopes to arrive at an action program for re-equipping and modernizing the shipbuilding industry throughout the Community.

In announcing the task force on July 16 in Brussels, Grierson pointed out that a "European dimension" is necessary for shipbuilding, since the industry's problems cannot be solved on a national level. He emphasized, however, that a Community-level program to harmonize and ration-

alize European shipbuilding would not run counter to EC competition policy, which, he said, "is one of the most powerful stimulants to industry." Rather, he said, the two—revitalizing the shipyards and free competition—would have to be reconciled. (At present, many countries throughout the world give state aids to their respective shipyards—itsself a distortion of competition.)

Grierson emphasized also that many shipyards are located in declining or less developed regions of the Community. An action program for the shipbuilding industry would thus go hand-in-hand with the Community's regional development policy.

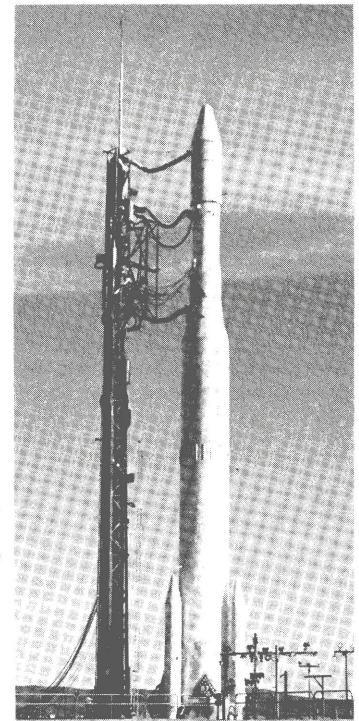
EC shipbuilders produced 27.7 per cent of the world output in 1970, compared with Japan's 46.5 per cent and the United States' 2 per cent.

## European Unity Reaches Into Space

Western Europe is to have its own NASA-style space agency. Called the European Space Agency, the new body was officially launched at a Brussels conference on July 31-August 1 and is expected to begin operations by April 1, 1974.

Eleven countries—Norway, Spain, Sweden, Switzerland, and all the EC Member States except Ireland and Luxembourg—participated in the conference. They decided to merge the existing European Launcher Development Organization (ELDO) and the European Space Research Organization (ESRO). Both ELDO and ESRO had encountered difficulties in developing joint space projects among the Western European nations.

The 11 nations also agreed to participate in the US post-Apollo space shuttle program, to develop the French L-3S rocket, and to launch a series of communications satellites.



A European Space Research Organization (ESRO) satellite on a National Aeronautics and Space Administration (NASA) rocket and launching pad, February 1972.



## Parliament Extends Invitation to Nixon

By coincidence, the European Parliament (EP) chose the Fourth of July to discuss EC-US relations. Focusing the debates in Strasbourg, France, was President Richard M. Nixon's planned trip to Europe in the autumn.

The Parliament agreed that Europe should speak with a single voice during Nixon's visit and that the US-European dialogue should be led on the European side by EC institutions, not individual Member States. Toward this end, the Parliament resolution said that President Nixon should be invited to address a plenary session of the Parliament with the Commission and Council of Ministers present.

Sir Christopher Soames, Commission Vice President responsible for the EC's external relations and present during the debate, said that some Member States view EC-US relations as an extension of their own relations with the United States. Although natural, this view should evolve into a common foreign policy, Soames emphasized, so that the United States receives a "European message." He called on the EP members and the Member States' governments to think in terms of a new unified European approach rather than of extending the pattern of old national relationships with the United States.

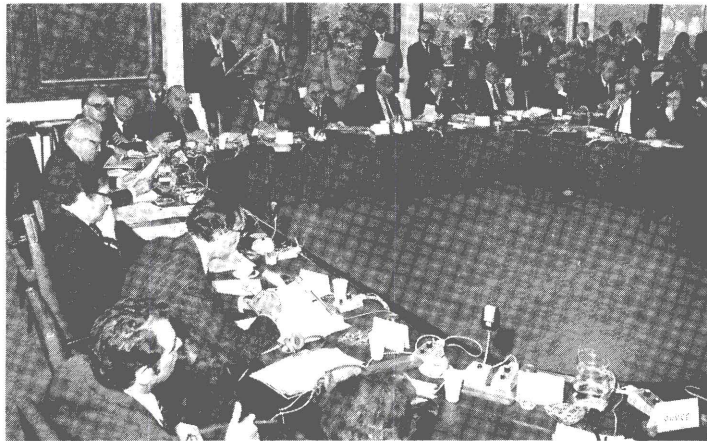
During the debate on the world trade talks, which were scheduled to open in Tokyo in September, Soames stressed both the liberalization of world trade and the improvement of the developing countries' trading position. With regard to safeguard measures, Soames was of the view that any revision of Article 19 of the General Agreement on Tariffs and Trade (GATT) would open a "Pandora's box." He assured the Parliament that the trade talks would not be used for "backdoor reforms" of the EC's common agricultural policy (CAP) yet emphasized that the CAP should and would become more flexible. The two-hour discussion

ended with a Parliament resolution approving the Commission's negotiating stance, already approved by the Council of Ministers (see page 3). The resolution expressed the hope that the GATT talks would take place in "a climate of cooperation and constructive dialogue." The resolution also said that trade and monetary questions, although "objectively interdependent," should "at the same time be settled according to the order fitting to their field."

High drama was added to the debates when Commissioner Petrus J. Lardinois was not on hand during the beginning of the session to answer questions on the Community's agricultural policy. EP Member Peter Kirk, head of the British Conservative delegation

and a champion of strengthening the EP's powers, raised the possibility of a censure motion. As events unfolded, it was all a misunderstanding. Commissioner Lardinois was in London attending the Royal Agricultural Show and then flew to Strasbourg to answer the EP members' questions later in the session.

For the first time, French Communists participated in a session of the European Parliament. They announced plans to join with Italian Communists, an Italian Independent Socialist, and a member of the Danish Left to form a grouping in the European Parliament, for a total of 13 EP members. Under EP rules, however, a grouping needs at least 14 members.



US-EC parliamentary exchange, Strasbourg, France, May 1973.

## EP Members to Visit the United States

A fourth "parliamentary exchange" between US Congressmen and European Parliament (EP) members was scheduled for October 29-31 in Washington.

"The common principles of representative government bind American and European parliamentarians together whatever the policies of their governments. This bond facilitates easy communication when we discuss transatlantic problems," according to Rep. Benjamin S. Rosenthal (D-NY), chairman of the Foreign Affairs Subcommittee on Europe, and

Rep. Donald M. Frazer (D-Minn.), chairman of the Foreign Affairs Subcommittee on International Organizations and Movements, who have played key roles in the exchanges.

The first EC-US parliamentary exchange took place in January 1972 when US Congressmen traveled to Luxembourg, site of the European Parliament's Secretariat. In May 1972, a European Parliament delegation traveled to Washington. In May 1973, US Congressmen went to Brussels for talks with Commission officials and to Stras-

## Months in Brief

### JULY 1973

**3** Conference on Security and Cooperation in Europe opens in Helsinki.

**3-5** Commission sponsors environmental symposium in Luxembourg on mercury and cadmium contamination.

**3-6** European Parliament meets in Strasbourg, France (see page 6).

**10-12** European Parliament Bureau, involving President, Vice Presidents, and party leaders, has its first meeting outside the original "Six," in London.

**19-20** Council of Ministers adopts Community environment policy (see page 22).

**19-21** Commissioner Petrus J. Lardinois visits the United States (see page 4).

**25-26** The Community and the Associates and "Associables" hold a preparatory conference in Brussels for negotiations to replace the Yaoundé Convention (see page 5).

**30-31** Commission Vice President Wilhelm Haferkamp visits Washington (see page 4).

**31-August 1** European Space Conference is held in Brussels (see page 5).

### AUGUST 1973

**7-10** Commissioner Claude Cheysson visits Washington (see page 4).

bourg, France, for a three-day plenary session of the European Parliament. There, the Congressmen and EP members discussed such topics as the world trade talks, international monetary reform, the respective agricultural policies of the United States and the Community, security issues, and "the role of political parties and parliaments in political control and decision-making."

Copies of a report of the discussions during the last exchange are available from the House Committee on Foreign Affairs.



# How Common Is Common?

A COMMON BEER MARKET, see page 8

A COMMON AUTO MARKET, see page 11

The usual journalistic synonym for the European Community is the Common Market, but is this term justified? The Community became a customs union, with no internal tariffs and a common external trade policy vis-à-vis the rest of the world, five years ago. It is still not, however, a single market in which people, goods, services, capital, and companies enjoy complete freedom of movement.

Such a market has been only partially achieved. Obstacles, for the most part inscribed in national legislation or tradition, remain. The gradual integration of the three new Member States, Britain, Denmark, and Ireland, pose an additional problem.

The immensely technical—and often thankless—job of unifying the market fell to Finn Olav Gundelach when the new Commission took office early this year. Says Commissioner Gundelach: “A common market is the indispensable basis for the Community’s economic, social, and political development. Above all, it is the *sine qua non* of a modern industrial policy in the Community. And how can economic and monetary union be achieved if not on the basis of an internal market with compatible structures and compatible behavior by transactors?”

The establishment and functioning of an internal market, for which Gundelach is the Commissioner responsible, depends on a great variety of extremely complex technical measures. Individually, these measures may not seem important and are far from spectacular. They inevitably dishearten the layman. However, their combined effect has considerable political implications, since it shapes the Community’s entire future development.

A first step involves the simplification of customs procedures and formalities. Their present complexity is partly because Community procedures tend to be superimposed on national procedures. Too, there is the complex nature of Community rules themselves, in particular those entailed by the common agricultural policy and the various EC agreements concluded with certain non-member countries.

The adoption of Community transit arrangements was a step in the right direction. Other measures can be expected shortly concerning customs clearance of goods, including declaration forms, and concerning the conditions for applying the trade arrangements with European Free Trade Area (EFTA) countries.

For reasons as diverse as consumer protection, public health, the environment, quality requirements, and just plain tradition, the Member States have different laws and rules which constitute technical barriers to trade. The Commission has proposed a concrete program for the removal within the next five years of all the technical trade barriers. The Commission’s usual tool is harmonization of national legislation.

The removal of technical barriers must not, however, result in harmonization at any price. The “approximation” of Member States’ legislation must be flexible so that the range of alternatives available in the Community, to consumers in particular, remains as extensive as possible. Flexibility is also necessary if

there is to be rapid adjustment to technical progress. Approximation involves more than the mere removal of barriers to trade. It must also take into consideration qualitative objectives such as public health or environmental protection. An obvious topical example is the pollution caused by fuel combustion in motor vehicles.

In the public sector, the Commission has attempted to prevent Member States from giving national firms preferential treatment or guaranteed public supply contracts. A proposed directive would coordinate procedures for the award of public supply contracts by public authorities. A special effort will have to be made to overcome historical and psychological obstacles to an effective liberalization of public contracts.

The Commission is also tackling legal and fiscal obstacles, for example, harmonizing company law and industrial property law. In so doing, the Commission will take into consideration the integration of workers into the economic and social system. They must be informed of how their firm operates and how they can participate in the decision-making process.

Harmonization of patents (a European Convention was scheduled to be signed in September) and of national laws on trade marks are other essential moves in achieving a true common market.

*Commissioner Finn Olav Gundelach, responsible for the functioning of the common market and customs union.*





# Cambrinus Reports

## The Story of Beer in the European Community

WILL J. RECKMAN, editor of the Dutch edition of European Community

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**Oh many a peer of England brews  
Livelier liquor than the Muse,  
And malt does more than Milton can  
To justify God's ways to man.  
Ale, man, ale's the stuff to drink  
For fellows whom it hurts to think.**

A. E. Housman

---

Ale—or more slowly fermented beer—is indeed the stuff to drink in the European Community. For with the entry of Britain, Denmark, and Ireland into the Community, it changed overnight from predominantly wine drinking to beer drinking. Too, the entry of the three northern European beer drinking—and producing—countries may lead to the creation of a truly common beer market (see page 7).

Even prior to EC enlargement, when wine drinkers were in the majority, the Community could boast plenty of beer drinkers. Belgians and Germans, with an annual consumption between 33 and 34 gallons per head, have claim to being the greatest beer drinkers in the world. The US per capita consumption, in 1972, was 19.4 gallons. In most of the original six EC member countries, beer consumption rose by approximately 25 per cent during the past decade. But this increased consumption of the “noble barley wine” has still not reached that of the late Middle Ages, when the average West European drank an estimated 106 gallons of beer each year.

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**The hoary Sage replied,  
Come, my lad, and drink some beer.**

Samuel Johnson

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Reflected in beer, first brewed more than 10,000 years ago, can be seen a history of Western civilization. The Sumerians, who lived in Mesopotamia 4,000 years ago, made the first recorded use of hops in brewing beer. The Babylonians and Syrians copied from the Sumerians not only hieroglyphics and agricultural methods but the art of brewing.

Thanks to a six-foot stone column which can be seen in Paris' Louvre Museum, we know that the Babylonians had severe laws concerning beer. Under these laws, handed down by King Hammurabi (circa 1728-1686 B.C.), what today appears to be small misdemeanors could be punished by the death sentence. A tavernkeeper who refused grain as payment for beer, for example, was simply thrown in water until drowned.

That these laws usually mentioned women as beer sellers indicates that trade in beer and probably also brewing of beer in those days was considered women's work. The feminine touch in what today is often thought a man's drink continued through the

Middle Ages and up to the Sixteenth Century. The first mention of men in the brewers' guilds is not found until the time of Charlemagne (742-814 A.D.).

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**Bacchus, ever fair and ever young.**

John Dryden

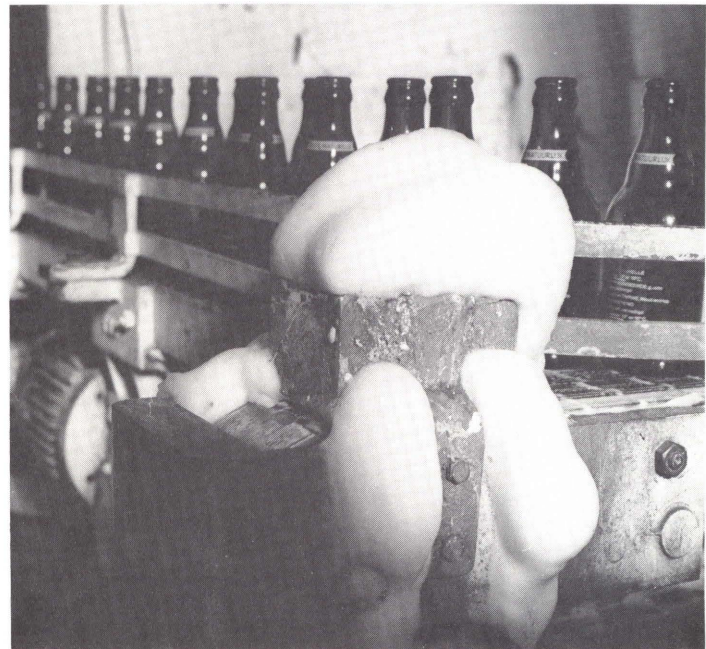
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Among many old cultures, beer was seen as a present from the gods. Beer was often used in religious ceremonies, and poets and priests sang its merits and qualities.

On the more practical side, beer was an indispensable part of the daily diet and, at the same time, a status symbol. Among the Sumerians and the Egyptians, authorities would regularly distribute beer among the people according to their place in society. The upper Sumerian classes had the right to a weekly ration of five portions of beer. The Egyptian queen received 10 loaves of bread and two portions of beer per day. An officer of the Egyptian palace guard received 20 loaves but the same quantity of beer.

In those days, food and drink were usually given to the dead for the journey from the grave to the hereafter. Egyptian dead received, among other things, four different types of beer. The link between beer drinking, religion, and death was seen too by the Germanic tribes to the north. To them, heaven was hunting in the eternal hunting grounds and drinking beer from the skulls of their slain enemies.

Modern brewing: bottles on the assembly line.





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***In a jolly field of barley good King Cambrinus slept,  
And dreaming of his thirsty realm the merry monarch wept,  
In all my land of Netherland there grows no mead or wine,  
And water I could never coax adown this throat of mine.***

Anon.

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The gods were venerated as the inventors and protectors of beer. Among the Greeks, it was Demeter, who was worshiped as the goddess of agriculture and fertility and who stood in close relationship with Dionysus, the god of wine and revelry. The Romans substituted Ceres for Demeter and Bacchus for Dionysus. Through the Middle Ages, Bacchus, although originally the god of wine, was also venerated as the god of beer.

Suddenly, in the Renaissance, the name of Cambrinus (also spelled Gambrinus) appears as the inventor of beer. This Cambrinus, it is said, was the king of Flanders and Brabant (now in Belgium) around the Eighth Century. Many tales in Germany, the Netherlands, and Britain celebrated Cambrinus. The first known mention of his name appears in an anonymous German rhyme written in the early 1500's:

***Gambrinus im Leben ward ich genannt,  
Ein König in Flandern und Brabant  
Aus Gersten hab ich Malz gemacht,  
Und das Bierbrauwen daraus erdacht.***

***(They called me Cambrinus in my living years  
Ruler over the Flanders and Brabant peers,  
Who malt out of barley devised  
And the art of beer brewing supervised.)***

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In the Fourteenth Century, beer brewing became an industry. Until then, housewives had mainly been responsible for the manufacture of the daily beer and daily bread. The new industry thrived, for beer was the cheapest and best way to quench the thirst fostered by the one-sided diet of meat and fish. Pure drinking water was scarce, as today, especially in densely populated areas where the rivers and canals served as washtubs and sewers. Tea, coffee, and distilled alcohols did not exist. Wine was often too expensive. Milk was only for babies.

As the industry prospered, beer itself underwent changes. Hops gradually replaced *gruit* (a mixture of herbs, spices, and honey) as the main ingredient in brewing beer. Hops kept the beer fresh longer. The public bakeries or brewery houses, where originally women had gone to make their own beer for home consumption, grew into independent breweries. In addition, breweries in cloisters and monasteries sprang up, contributing enormously to improved brewing techniques. Many towns link their

fame and prosperity to beer, either because of their breweries—Munich, Burton-on-Trent, Pilsen, for example—or because of their trade in beer—Amsterdam, for instance, imported beer from Germany and exported it to Flanders and Britain.

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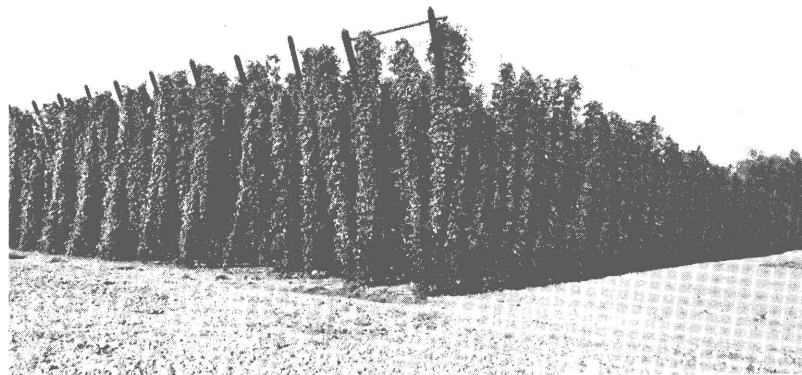
***Oh, I have been to Ludlow fair  
And left my necktie God knows where,  
And carried half way home, or near,  
Pints and quarts of Ludlow beer.***

A. E. Housman

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For governments, whether municipal, provincial, or national, beer has proved a reliable source of revenue. In feudal times, peasants paid a type of beer tax when they rented mills or barrels in order to brew their own beer. Later, in the cities, the so-called *gruit* duty was imposed. Since *gruit* could only be sold in the so-called *gruithaus* (the house where beer was brewed), the tax collector was always conveniently on hand whenever a sale of *gruit* was concluded.

For many towns, the taxes on beer supplied the most important source of revenue. Originally, the taxes were imposed only on beer brewed in the town itself. Beer imported from outside the town walls could enter duty free. This situation quickly ended as towns not only lost revenue but imperiled their own local beer industry. The towns began to tax imported beer at higher rates than the local brew and even imposed certain import restrictions. Later, some towns simply banned the importation of beer altogether.



Hop fields near Brussels.

The meddling authorities often took consumer interests to heart. Everywhere in Europe strict quality controls were imposed on beer brewing. The authorities also enforced quantity controls to ensure that the customer got the full amount of beer for which



he paid. Too, the closing times for taverns and inns were strictly controlled.

In England, a brewer whose beer did not meet standards was fined four shillings and dunked three times in his own brew. A quality test still practiced sometimes in Bavaria consisted of inspectors pouring beer on a wooden bench and then sitting on it. The beer was said to be fit for consumption if, after exactly thirty minutes, the inspectors' leather breeches would stick to the bench. The longer the inspectors' trousers stuck to the bench, the better the beer. But a brewer's actual methods for making beer were never tested, only his final product. For brewing was an art, not a skill.

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***Here sleeps in peace a Hampshire Grenadier,  
Who caught his death by drinking cold small beer;  
Soldiers, take heed from his untimely fall,  
And when you're hot, drink strong, or not at all.***  
1764 Epitaph, Winchester Churchyard

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After 1700, beer consumption decreased everywhere in Europe. Other drinks like wine, tea, coffee, milk, hard liquors, and fruit juices pushed beer out of its monopoly. The beer brewing industry declined rapidly.

Since the Nineteenth Century, especially in the last 25 years, beer consumption has again been on the rise. Correspondingly, increasingly efficient production methods have been developed, including mergers among breweries. Thus, while total beer production increases yearly, the number of breweries drops. The only exceptions among the EC member countries are Germany, and Italy, where the number of breweries has remained almost constant, where the number of breweries has increased to meet the relatively new demand among a traditionally wine drinking people.

Despite their long independent histories, beer breweries, like most other industries in the European Community, have caught merger fever (see page 00). The Community's brewing industry is becoming increasingly concentrated and more international. From about 3,400 independent breweries around the turn of the century in Belgium, for example, only 250 exist today. British brewers—principally Bass, Whatney's, and Whitbread—now account for about 20 per cent of the total Belgian beer production. Watney's, the first on the Belgian market, has roughly 2,000 pubs in Belgium and northern France and exports beer to the Netherlands and Germany. Whitbread, which has its Continental headquarters in Brussels, owns about 50 pubs in Europe, mainly in France. Belgium's biggest brewery, Stella Artois, sells beer to Whitbread pubs in Britain. Whitbread brews Heineken light ale for the British market, while the Dutch brewer Heineken is the agent for Whitbread beer in the Netherlands.

In the Netherlands, Heineken and Amstel, which merged in

1968, control 55 per cent of the national market. In Denmark, Carlsberg and Tuborg, which merged in 1970, control 85 per cent of the Danish market and constitute the largest exporter of lager beer in the world. In France, the BSN-SEB-Kronenberg group controls roughly 45 per cent of the national market. The Alsatian family brewery of Kronenberg and SEB (Société Européenne de Brasseries), once each other's strongest competitor, were both bought by France's largest bottle manufacturer and Europe's largest glass maker, BSN (Boussois-Souchon-Neuvesel).

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***As he brews, so shall he drink.***

Ben Jonson

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A long brewing tradition and accompanying high quality standards have, to date, kept Germany immune to the current merger fever. At the same time, however, they have thwarted the establishment of a truly common beer market among the EC countries.

The so-called *Reinheitsgebote* ("cleanliness laws"), dating from the Sixteenth Century, prohibit the use of brewing ingredients other than barley, water, and hops. Most beers brewed outside Germany contain wheat, corn, rice, caramel, glucose, and other chemicals to preserve color, freshness, and a stiff head of foam. Most foreign breweries thus find it difficult to get even a foothold in the German market.

But, while preventing the Common Market from functioning as a true common market, the *Reinheitsgebote* have also enabled many small, independent breweries to survive the seemingly insatiable thirst of their giant international competitors. Independent breweries in Germany number about 1,800, of which 1,000 are in Bavaria alone. Most of these breweries are geared for purely local and regional consumption. Only 2 per cent of the total German beer production is exported to foreign markets.

Germany's fellow EC member countries have long complained that the *Reinheitsgebote* have unfairly discriminated against their beer exports. In 1970, the EC Commission proposed a compromise solution, in which a harmonized beer standard would allow brewers to use up to 30 per cent of grains other than barley. Five EC countries accepted the proposal. Germany rejected it.

With the EC's enlargement last January, the pressure on Germany to amend the *Reinheitsgebote* will no doubt increase. For two of the new EC members, Britain and Denmark, are among the world's largest beer exporters and will likely push to remove this technical trade barrier to the German market. In any case, A. E. Housman might have advised:

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***The troubles of our proud and angry dust  
Are from eternity, and shall not fail.  
Bear them we can, if we can we must.  
Shoulder the sky, my lad, and drink your ale.***

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# Common Auto Market

## Commission Develops European Safety Car

In a world of gadgets, the automobile has become Everyman's ultimate gadget. This "unnecessary necessity," for both work and play, transports him around town, country, and continent with speed and convenience. He has changed his lifestyle to accommodate it. As with all gadgets, he can tinker with it to his heart's content. It is, some psychologists even say, an extension of his personality, a symbol of prestige and power.

The automobile is also lethal. It strangles our cities, consumes our earnings, poisons our air, devours our natural resources, carves highways out of our landscapes, and kills more than 250,000 of us each year. Of these deaths, according to 1971 United Nations statistics, about 45 percent occurred in Europe and 28 per cent in North America. In France, about half of the handicapped suffered their disabilities in car accidents.

But tomorrow's auto problems will make today's seem like pleasant memories. Right now every car in the Community has about 150 feet of roadway to call its own. By the end of the century, that figure will have shrunk to just over 30 feet.

To meet the present dangers and head off future catastrophe is an alphabet soup of various official and quasi-official organizations, including the United Nations (UN), the Organization for Economic Cooperation and Development (OECD), and the North Atlantic Treaty Organization (NATO) through its Committee on the Challenges of Modern Society (CCMS). Too, there are such public-interest, private groups as "Nader's Raiders" in the United States. Most national governments have departments which cover such fields as highway safety. The auto industry itself is developing prototype safety vehicles. And then there is the Commission of the European Communities.

### CONSUMERS BENEFIT

The EC Commission is perhaps unique in that its contribution toward the development of a cleaner and safer car have ostensibly nothing to do with highway safety or environmental protection. The official reason for the Commission's active role in developing a European safety and antipollutant car: to eliminate technical barriers to intra-Community trade, to create a truly common auto market (see page 7). For although internal tariffs were abolished in 1968, various nontariff barriers remained, including different national auto standards and regulations. With no common standards, to use but one example, a German auto manufacturer would have to tailor his production methods one way for Italian safety standards and another way for French standards, thus increasing production costs. The Italian or French consumer would pay the difference.

The Commission's task, then, is to harmonize the various national laws regulating the manufacture and characteristics of automobiles. That in itself, regardless of the safety and environmental spinoff, would be a significant achievement. The motor industry is the world's second largest, following an industry it keeps in first place—oil. And the Community has now surpassed

the United States as the world's leading auto maker. (In 1971, according to the US Commerce Department, the "Six" produced 9,067,249 passenger cars and the United States, 8,580,311. When trucks and buses are included, the EC's total vehicle production amounted to 9,883,955 units, compared to the United States' 10,664,452 units. In the same year, Denmark, Ireland, and the United Kingdom—now EC members—produced 2,280,223 cars, buses, and trucks.)

Harmonizing legislation—and thus unifying the market—is not an end in itself. Ultimately, the consumer benefits. Community-wide auto standards reduce production costs, thus help hold down prices, widen product selection, and make spare parts more obtainable. The highest common denominator for emission control standards help the fight against pollution. Finally and most importantly, Community safety standards spell fewer accidents—and deaths.

### CARS GET "E"

The Commission's program to harmonize Member State laws in the auto sector, now more than eight years old, will eventually compromise at least 60 individual proposals in three broad categories:

- environmental protection
- driver and passenger safety
- miscellaneous but necessary to the harmonization program, such as a common regulation for the placement of license plates.

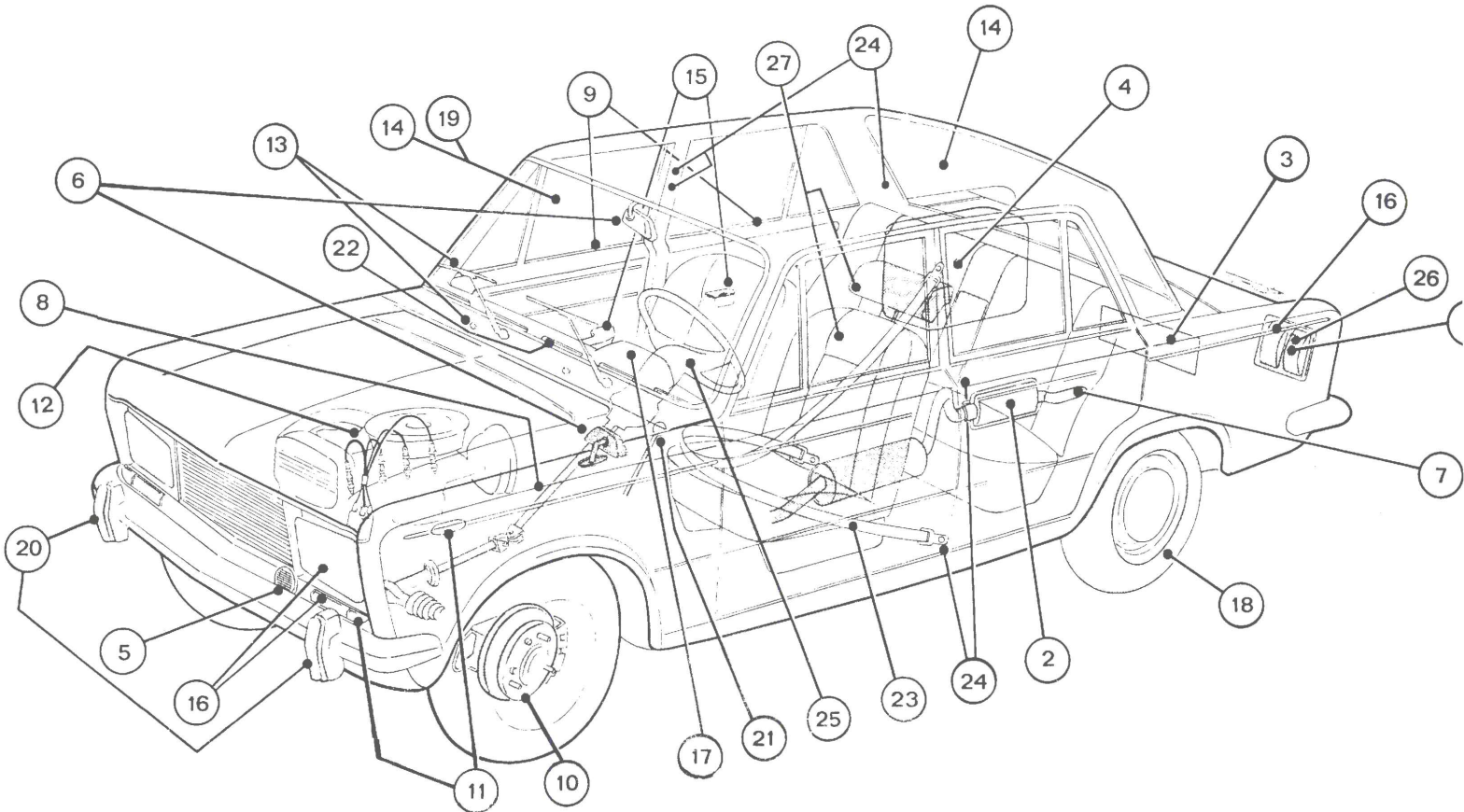
To date, the Commission has submitted 21 proposals to the Council of Ministers. Twelve have been adopted. (See accompanying diagram for comprehensive list.) The first to be adopted was also perhaps the most important, for it set minimum standards for vehicle inspection throughout the Community. It is, in EC parlance, a "global" or "framework" directive. That is, it outlines the structure in which other, more specific directives and regulations will be fit. As such, it will come into full force only when all the specific car standards are adopted.

This so-called "EC Type Approval" Directive, adopted February 6, 1970, prescribes the technical characteristics and standards that a car must possess and the tests it must undergo before it can be put on the market. A small plaque marked "E" is then placed under the car's hood. This mark indicates that the car conforms to the approved "EC Type." A car with this mark can be sold—and can not be prohibited from sale for safety reasons—anywhere in the Community, including the three new member countries. Britain, Denmark, and Ireland began to apply the directive on July 1.

### COMMISSION FIGHTS POLLUTION

Also adopted by the Council on February 6, 1970, were measures aimed at a common policy to combat auto-caused pollution. The regulations set not only maximum noise levels but a common





"European safety car": proposals adopted by the Council (A), proposals under consideration by the Council (B), and proposals in preparation by the Commission (C).

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|--|--|
| <ol style="list-style-type: none"> <li>1. Vehicle acceptance tests and inspections (A)</li> <li>2. Noise and exhaust levels (A)</li> <li>3. Positioning and mounting of license plates (A)</li> <li>4. Liquid fuel tanks and rear protection devices (A)</li> <li>5. Audible warning signals (A)</li> <li>6. Rearview mirrors (A)</li> <li>7. Antipollutant measures for gasoline engines (A). (A similar directive applies to diesel engines.)</li> <li>8. Steering systems (A)</li> <li>9. Doors (A)</li> <li>10. Braking systems (A)</li> <li>11. Turn signals (B)</li> <li>12. Radio-electrical interference (A)</li> <li>13. Windshield wipers and washers (B)</li> </ol> | <ol style="list-style-type: none"> <li>14. Field vision (B)</li> <li>15. Interior fittings (B)</li> <li>16. Lights (C)</li> <li>17. Speedometers (C)</li> <li>18. Tires (C)</li> <li>19. Safety windows (B)</li> <li>20. Exterior fittings (C)</li> <li>21. Reverse gear (C)</li> <li>22. Defrosting systems (C)</li> <li>23. Seat belts and other protective devices (B)</li> <li>24. Seat belt mountings (B)</li> <li>25. Protective devices against unauthorized use of vehicles (B)</li> <li>26. Emergency signals (C)</li> <li>27. Seats and mountings (B)</li> </ol> |
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method for measuring these levels. Other regulations harmonized exhaust control systems, but an overall policy on auto-produced air pollution was still lacking.

As the public became increasingly conscious of the environment, the EC institutions had to act quickly. To forestall the threatened enactment of disparate national laws, the Council on March 20, 1970, adopted a common policy to fight air pollution caused by internal combustion engines. The directives set maximum levels and standard tests for: toxic gas exhaust in a congested area immediately after starting the engine; carbon monoxide exhaust when the engine is idling; crank-case gas emissions.

To measure these levels, the Council adopted European rather

than American tests, since the power/weight ratio of European vehicles is lower than that for American-made vehicles. Whereas American pollution tests apply primarily to unburned hydrocarbons, Europeans emphasize cutting down carbon monoxide exhaust.

From the point of view of both safety and marketing, uniform specifications (adopted by the Council on March 20, 1970) exist for rear bumpers, fuel tanks, and rear license plates. Other directives, adopted July 27, 1970, set specifications for manufacturing and mounting autohorns and for assembling doors, locks, hinges and running boards. Still another directive, adopted March 1, 1971, requires conformity in the manufacture and mounting of rear view mirrors. Both inside and outside rear view mirrors will



be mandatory. On July 26, 1971, the Council adopted a directive requiring dual brakes on all new vehicles after October 1, 1974. The braking systems, operating on both front and rear wheels, employ a backup hydraulic line to assure safe stops in the event of failure in the main line.

Besides the obvious safety considerations, these directives will help the consumer in his typically vexing search to locate and buy spare parts. Now, spare parts, bearing the Community stamp of approval, will be easily obtainable by consumers in any EC country for any automobile.

In the works is a requirement that all cars sold in the Community have laminated safety glass. Currently, the laws in most EC countries leave the choice to the car-owner whether he prefers laminated safety glass or cheaper, albeit toughened, windscreen glass. Submitted to the Council in October 1972, the proposal would, if adopted, take effect in October 1974 for all cars capable of speeds over 75 miles per hour. Also in the works is the mandatory installation of steering columns that cannot be displaced more than five inches during a frontal impact of 30 miles per hour. The latest Commission proposal sent to the Council, in July, calls for common safety standards for car seats.

### SAFETY TRIANGLE

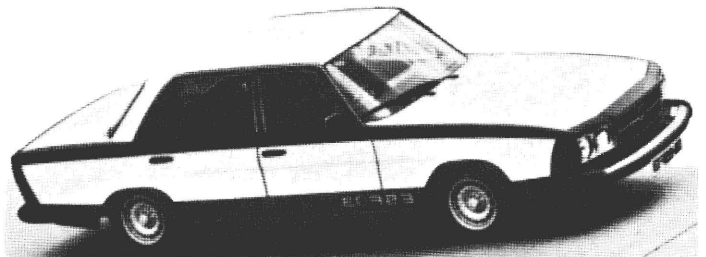
The Commission's "European safety car" program is far from finished. Rather, it is a continuing program, worked out in cooperation not only with the national governments but with the auto industry and the safety and consumer organizations in the Member States. Too, the Commission seeks recommendations from outside the Community. The United Nations Economic Commission for Europe, based in Geneva, often advises the Commission on the "wider than EC" impact of its proposals.

It is a continuing program, too, in that, as technological progress and economic feasibility change automobile capabilities, existing regulations and directives can be amended. A committee of national government motor safety experts and Commission representatives exists for this purpose. Moreover, the program seeks in no way to limit what future cars may be—their dimensions, weight, or whatever creative designers can imagine—but only to define common specifications. A proposal concerning driver visibility, for example, does not define window dimensions but only the field of vision the driver must have.

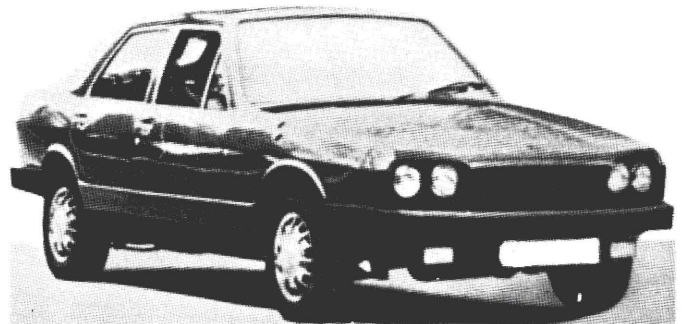
The European safety car program can not be viewed in isolation. For, in the words of Pierre Schloesser, a Commission official in the Industrial, Scientific, and Technological Affairs Division, automobile safety rests on a three-sided foundation of vehicle, driver, and road. The safest vehicle becomes a lethal weapon in the hands of a bad or irresponsible driver, and the best driver is often fatally handicapped on a dilapidated and inadequately marked road. The Commission has so far directed most of its attention to the vehicle safety side of the triangle. Still needed are common policies and standards for drivers and roads.



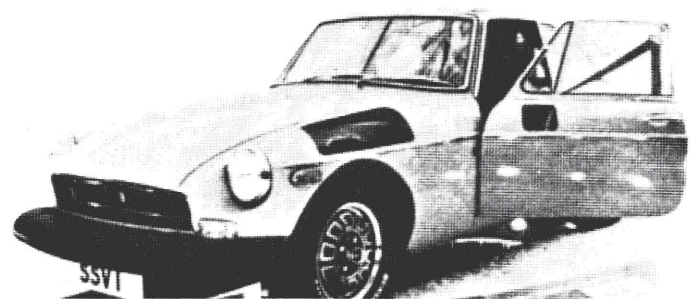
*Fiat (Italy) experimental safety car*



*Mercedes (Germany) experimental safety car*



*Volkswagen (Germany) experimental safety car*



*MG (United Kingdom) experimental safety car*



*Triumph (United Kingdom) experimental safety car*



# Competition Crackdown

## Commission Proposes Merger Control

ROBERT PRINSKY, *Brussels correspondent for AP-Dow Jones News Services*

The time: late 1971. The place: a cement works in Heidelberg, Germany. In a dimly-lit room, a group of men intently watch figures projected on a screen. Suddenly, there's a raid. Film is seized. An illegal act will be prosecuted.

A police raid on a secret showing of pornographic movies? No. Antitrust authorities from Germany's *Bundeskartellamt* (federal cartel office) were raiding a meeting of representatives from eight German cement companies. For on a single photographic slide, which was to be burned later, were the size of the companies' combined sales and the share each firm would have in the cement market. Each company representative copied down only his own company's allocation, so there would be no written proof how the figures had been reached.

Market-sharing agreements like this one among cement companies distort free competition. They prevent surpluses that could give consumers reduced prices and the companies reduced profits. Under German antitrust rules, such agreements violate the law.

With the evidence seized at the secret screening, the *Bundeskartellamt* was able to fine the eight cement manufacturers. Although unusual for its spy-novel drama, this episode typifies the toughened antitrust attitude throughout the European Community.

### SHAPED ON AMERICAN MODEL

Competition policy, by ensuring that all companies have an equal chance of selling their product, gives consumers quality goods at the lowest possible prices. Market-sharing and other restrictive agreements constitute one major way of reducing competition. The other potential way involves mergers between firms, a rapidly spreading phenomenon causing concern both at the Community and national levels. While restrictive practices law is well developed, merger law is not. But nowhere has the toughening trend been more evident than in controlling mergers. The trend is to shape EC antitrust law on the American model.

On July 18, just before the summer holidays, the Commission sent the Council of Ministers a proposal for wide-ranging EC powers to control multinational mergers. At about the same time, Germany was adopting a merger control statute of its own, and Britain was beginning to strengthen its monopolies law.

In presenting its proposal, the Commission found the trend toward concentration "alarming." In some industries, it found, there are fewer than five suppliers in the whole Community. The number of mergers overall had more than tripled between 1962 and 1970. By the end of the Sixties, the 100 largest firms in Germany and Britain (the EC member states in which concentration has gone the farthest) accounted for half the total turnover of all industries in their respective countries.

Such industrial concentration reduces the chances for the kind of free competition that leads to the lowest possible prices. As Albert Borschette, the Commission member responsible for com-

petition, puts it: "The consumer—or in other words every citizen of the Community—must know that his right to the best product at the lowest price is a right which is upheld by the Community and which the Community will enforce." Its potential effect on prices makes competition policy a tool in the fight against inflation, a point the Commission has been making with increasing frequency. In addition, it is the kind of policy that enables the Community to put on a "human face," by showing, as Borschette says, "we are not a community of merchants but of men." Significantly, first reactions to the merger control proposal from trades unions were favorable, but businessmen were unhappy.

Competition has an important political element for the Community. It is one of the very few fields in which the Commission can act on its own, without requiring approval for its ruling from the Council of Ministers. When, for example, the Commission fined the Community's major sugar refiners a total of 9 million units of account (one UA equals one 1970 dollar) last year, it needed approval from no one. Its competition decisions can be overturned only by the European Court of Justice in Luxembourg, to which, in fact, the sugar companies have appealed.

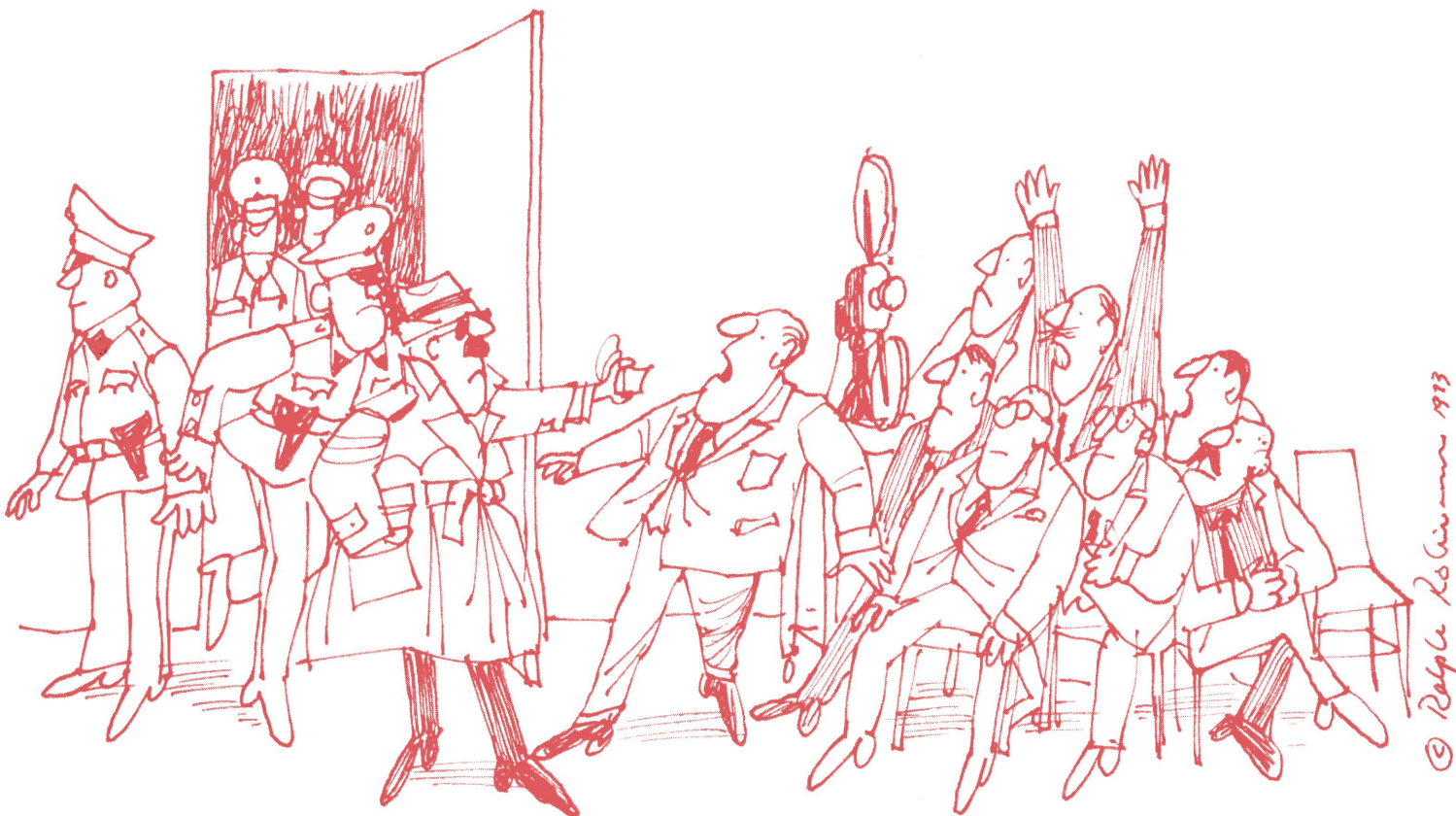
Last year's "Summit" meeting of the "Nine" in Paris endorsed the Commission's increasing competition activity and called specifically for a merger regulation. The Commission's active policy dates only from 1970, when new men took over the two top jobs in the field. Borschette, a 53-year-old former Luxemburger diplomat, became the Commission member in charge of competition and thus the chief policymaker. Willy Schliedier, 46, brought experience in competition jobs dating from the European Economic Community's (EEC) foundation in 1958 to the post of director-general, where he oversees day-to-day operations.

Now that the EC member states have become nine, the competition policy that Borschette and Schliedier have been forging takes on a new dimension. Besides bringing Britain, Ireland, and Denmark into EC membership, enlargement provided an opportunity to extend EC competition policy into Austria, Finland, Iceland, Norway, Portugal, Sweden, and Switzerland as well. For these members of the European Free Trade Association (EFTA) have, in free trade agreements with the EC, agreed to maintain free competition. It is left up to each individual EFTA nation to enforce competition rules, but the Commission can take to a special joint committee cases in which it thinks EC law has been broken. The scope of Community competition law thus extends to most of industrialized Europe.

### COURT UPHOLDS COMMISSION

The Community's competition policy actions reached a crescendo with a spate of important Commission decisions late last year and with the landmark Continental Can case early this year. Merger control had been a gray area in EC jurisdiction until the Court of Justice, in its Continental Can decision on February 21, supported the Commission's contention that it had the power to





© Ralph Kistner 1973

A police raid on a secret showing of pornographic movies? No. An antitrust raid.

regulate cross-border mergers. While Article 85 of the EEC Treaty clearly bans most restrictive agreements, the word “merger” nowhere is mentioned. However, the Commission contended that Article 86, which bans abuses of dominant positions, could be interpreted to cover mergers, and the Court agreed.

Continental Can, one of America’s biggest companies, had acquired a German packaging company and then a Dutch one. The Commission ruled that the German firm had a dominant position in its market and, by acquiring a potential competitor in the form of the Dutch company, Continental Can was guilty of abusing a dominant position, as forbidden by Article 86 of the Treaty of Rome. Continental Can appealed the Commission’s decision to the Court of Justice.

Until its Continental Can decision, the Court of Justice had never overruled the Commission in a major competition case. Even here the Court disagreed only in part.

Continental Can argued before the Court that (a) the Commission did not have the power to regulate mergers, because it was not clear that merging was an abuse of a dominant position, and (b) in any case, the company did not have a dominant position. In a Solomonian decision, the Court sided with the Commission on (a) and with the company on (b). In doing so, the Court laid the foundation for the Commission’s proposed merger control regulation. Companies should not be able to accomplish through merging, the Court said, what they were forbidden from doing through restrictive agreements, that is, substantially reduce competition.

In the so-called dyestuffs case, the Court, in July 1972, backed two other principles the Commission had asserted. First, com-

panies located outside the Community are liable to EC law if they sell in the Community. Second, companies do not need to have formal agreements among themselves to fall under Article 85 on restrictive agreements; if their concerted practices make it look as if they have an agreement, that is enough. The Court then ruled that nine major European chemical firms, including three outside the Community, had operated a price-fixing cartel.

The Court is being called to rule in the Commission’s biggest antitrust case yet: the UA 9 million in Commission-imposed fines against sugar companies in Germany, France, Italy, Belgium, and the Netherlands, for allegedly operating a market-sharing agreement and, in some cases, abusing a dominant position.

Two other recent Commission decisions have sought to equalize prices charged for the same goods in different Member States and to combat a new twist to the abuse-of-a-dominant-position rule. In the prices case, the Commission, on December 22, 1972, fined a French maker of pop records (WEA-Filipacchi Music S.A.) because the company’s affiliate in Germany was charging up to 50 per cent more for the same records than in France, and WEA-Filipacchi was maintaining this difference by forbidding its French customers from exporting to Germany. The company paid the fine.

The other case concerned a small Italian manufacturer of pharmaceuticals called Laboratorio Farmaceutico Giorgio Zoja S.p.A. Zoja had been buying the raw material for a commonly used anti-tuberculosis drug from the American Commercial Solvents group. After an unsuccessful effort by Commercial Solvents to buy the Italian firm, Zoja found itself unable to buy the raw material. The Commission, in its ruling on December 14, 1972, de-





Commissioner Albert Borschette



Director General Willy Schlieder

terminated that Commercial Solvents had a virtual world monopoly in the raw material and had abused this dominant position by refusing to sell it to Zoja. The American company has resumed supplying Zoja and appealed its fine to the Court of Justice.

The Commission, having the power to exempt desirable forms of cooperation from competition rules, does not always strike down restrictive agreements. Specialization agreements among smaller firms, for example, are generally tolerated. By agreeing to limit themselves to complementary lines of products, the smaller companies can obtain the economies of scale that enable them to compete with bigger manufacturers and—not incidentally—charge lower prices than otherwise.

#### PRIOR NOTIFICATION

Although the Court's precedent-setting Continental Can decision covers mergers in which one of the companies already has a dominant position, the Commission believes that *all* mergers should be subject to control. The new regulation proposed by the Commission would fill this legal gap and provide for the prior notification of major concentrations. Rather than seeking to rule on every merger in the Community (as it does under special rules in the coal and steel sector), the Commission wants only to be informed of major mergers in time to prevent them if necessary. The proposed regulation would give the Commission the power to prevent mergers which "hinder effective competition" in the Community. Notification of major concentrations would be three months in advance. The Commission's formal investigation of a projected merger would have to be completed within nine months.

This merger policy proposal was a long time coming, partly because not all the Member States were wildly enthusiastic about the idea. Beside the usual worries about surrendering national sovereignty, the national laws vary so enormously that setting a uniform code is difficult. Germany, for instance, has tougher merger laws than the Commission is proposing; Italy, by contrast, has virtually no competition laws at all.

A particular problem, most acute in Italy, is what to do about state-owned companies. Should they follow the same rules as private firms? (The Commission believes they should.) How can the Community ensure that the national governments do not give their state-owned companies special treatment?

The Council of Ministers is likely to take at least a year to debate the proposal. The European Parliament has promised to give its opinion on the proposal unusually quickly—by November. After initial contacts with member governments, Borschette is optimistic enough to hope the merger control regulation will be in effect by January 1, 1975. But no one in the Commission is optimistic enough to believe the proposal will not be changed con-

siderably before it is finally adopted.

From the companies' point of view, the most controversial aspect of the proposed regulation is the prior notification rule. Firms argue that their operating freedom would be hampered and that secret plans could become public if they had to be reported to the Commission. But Borschette swears secrets will be kept and says it is easier for the companies to wait a few months before consummating a merger than to have to undo it in case of an adverse Commission decision.

The prior notification rule would apply to mergers between companies whose combined annual sales (including parents and subsidiaries, if any) exceed UA 1 billion. In the case of smaller mergers, the parties could notify the Commission if they wished. They would then have the benefit of a Commission decision within a few months instead of not knowing when, if ever, the authorities might decide to make a challenge.

Mergers would be judged on whether suppliers and customers have a freedom of choice, the extent of financial and economic power of the participants (a reference to conglomerate acquisitions), and the structure and supply-demand trends of the markets involved. Only one of the merging firms need be in the Community, a provision designed to encompass the buying up of EC firms by foreign enterprises.

Exempted from the merger control would be small firms, whose combined sales do not exceed UA 200 million and whose share of any Member State's market does not exceed 25 per cent. Also, mergers could be exempted if the Commission determined they were "indispensable to the attainment of an objective given priority treatment in the common interest of the Community." This provision takes into consideration such factors as the need to develop advanced technology industries and the policy to reduce regional economic disparities.

Competition policy does conflict from time to time with other EC policies, notably in the industrial and commercial fields. For example, makers of artificial fibers used in the textile industry, faced with disastrously plunging profits due to a vast overcapacity, sought to agree among themselves on limiting new investments. EC industrial policy officials recognized the industry was in trouble and something had to be done, but competition experts vetoed the plan. A compromise might consist of the companies notifying the Commission of their investment plans, rather than each other.

In the commercial field, EC trade officials were disposed to cast a blind eye on self-limiting agreements by Japanese companies to curb their exports to the Community. But competition officials argued that an important competitive pressure on EC goods from cheap imports would be removed. In the end, it was agreed to put these self-limiting pacts under surveillance, but, for the time being, do nothing more.

Although these conflicts exist, Community competition policy will continue to be pushed.



# Dialogue Not Dispute

## GATT Talks Focus US - EC Relations

**PIERRE URI**, research director of the Atlantic Institute

*The General Agreement on Tariffs and Trade (GATT) negotiations, with the European Community and the United States as two of the most important participants, opened September 12 in Tokyo. Here, Pierre Uri, in an article written earlier this year, provides a setting for these negotiations. The Paris-based Atlantic Institute, of which he is research director, was founded in 1961 to promote cooperation among the Atlantic countries in economic, political, and cultural affairs.*

According to President Richard M. Nixon and then Presidential Assistant Henry A. Kissinger, 1973 was to be the "Year of Europe." In a sense, this appellation is beyond dispute, especially if Eastern Europe is included. This year has seen the new stage of Strategic Arms Limitation Talks (SALT II), the beginnings of talks on Mutual Balanced Force Reductions in Europe (MBFR), a Conference on Security and Cooperation in Europe (CSCE), monetary talks within the framework of the International Monetary Fund (IMF), and preparations for the world trade negotiations within GATT.

Toward Western Europe alone, however, the phrase "Year of Europe" sounds both obscure and faintly menacing. Can the European Community be convinced that the shock tactics of former Treasury Secretary John B. Connally, who in August 1971 suddenly suspended dollar convertibility and imposed a surtax on American imports, have really been abandoned? Can America, watching the European Community make its free trade or preferential arrangements with the European neutrals, Africa, and the Mediterranean countries, avoid the impression that Europe is hospitable to everyone except the United States? Contact, at least, is maintained when the President meets the EC Member States' national leaders. Would it be possible to arrange a meeting between him and them, and the Community's executive, all together in Europe? (This possibility was put forth by the European Parliament this summer; see page 6.) Everyone keeps insisting that technical obstacles must be overcome by an effort of political will.

On every side there are risks. In default of agreement on defense, will Congress not follow Senator Mike Mansfield's call for a withdrawal of US troops from Europe? In default of successful trade negotiations, will the United States not be led into protectionism? In default of monetary reform, will Europe not thwart trade liberalization? Kissinger says that the President will not unilaterally reduce US forces in Europe, but the precondition is a fair sharing of the burdens. He points out that all these subjects—security, trade, monetary policy, and even energy policy—are interlinked. So what Europe fears is a kind of global blackmail, with Europe forced to make trade concessions in order to maintain her security.

Both British Prime Minister Edward Heath and German Chan-

cellor Willy Brandt, during their visits to Washington, tried to keep these subjects in their separate compartments and to ensure that they be treated on their respective merits. Yet there is inevitably a link between trade and monetary policy. The United States seems to feel that countries in balance of payments surplus should lower their tariffs. Europe points out that the depreciation of the dollar has in effect nullified American tariff cuts and undermined existing European tariffs. The trouble is that here the attitudes in question are diametrically opposed. The United States claims that it cannot accept a new international monetary system until its balance of payments is righted. Europe argues that monetary matters cannot be left to drift, with all the danger of crisis that this implies, during trade negotiations that could take several years.

The difficulty is not one of principle. The European "Summit" communiqué in October 1972 and the joint US-European declaration in February 1972 called for trade liberalization and expansion. Europe has in no way suffered from the unprecedented tariff cuts resulting from the "Kennedy Round." If progress is needed to prevent a sudden wave of protectionism in America, such progress would benefit Europe. What, then, is the real situation?

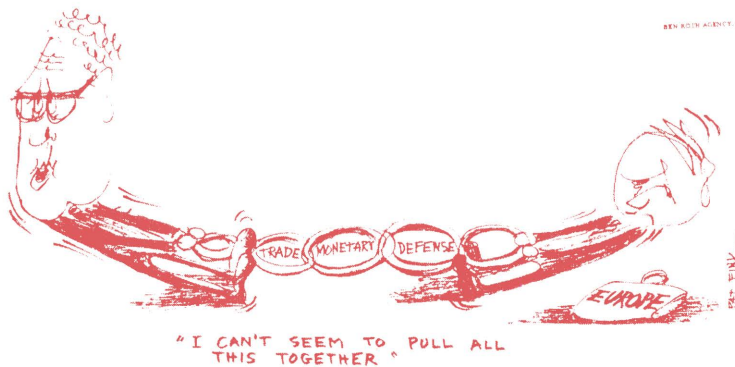
### MATHEMATICALLY FORMIDABLE PROBLEMS

The United States seems to hold other countries responsible for its balance of payments problems—either because of the cost of keeping troops in Europe or because of trade barriers. But the burden-sharing for which Americans call is hard to translate into figures. There has been no serious attempt to calculate military expenditure on a comparable basis. If the United States has now reduced their military expenditure to 7 per cent of gross national product (GNP), should other countries devote the same percentage to it, or should there be a sliding scale based on wealth? Even if Europe could lighten the currency burden that America assumes, Europe could well argue that it lends far more than America spends, and that its losses through the accumulation of dollars are really a kind of permanent repayment.

More direct opposition is aroused by the American claim that trade negotiations should ease the US balance of payments. After all, it's argued, concessions must balance each other, and in any ordinary negotiation one would expect American imports to increase on the same scale as American exports. Here, however, caution is needed. In the past, "balance" of this sort was based on the volume of previous imports. But it would be much more meaningful to try to work out the potential increase of mutual sales that any given set of tariff cuts would make possible. Europeans doubt, with some justice, whether a country that makes \$8 billion a year from its overseas investments ought really to seek a trade surplus as well. Perhaps too much incentive is given to US investment overseas, and not enough to overseas investment in the United States.

Nor are matters made easier by the scope of the trade negotia-





tions themselves. The Kennedy Round essentially dealt with industrial tariffs and left agriculture aside. This time, there are no clearly established principles regarding the basis of the tariff cuts to be made. Nontariff barriers—quotas, public tenders, state enterprises, subsidies, tax concessions, for example—are growing in importance, especially as tariffs fall. GATT has recently listed 800 types of nontariff obstacles to trade. It has also been suggested that high tariffs should be cut more than low ones, in order to reduce effective protection rather than nominal duties. Indeed, an industry may be more protected in effect if there is less protection on its imports of raw or semi-finished materials, since the value added will be that much greater than it would be at world prices. Tariff structure is thus as important as the nontariff barriers themselves. But, here again, the mathematical problems are formidable.

The atmosphere is further worsened by the ambiguous nature of the powers the President is seeking from Congress: to raise tariffs as well as to lower them. Too, the United States so long the apostle of nondiscrimination, is now seeking the power to retaliate selectively in those cases where, in American eyes, other countries are not sufficiently open to American exports. Such a clause may be aimed at Japan, but it's no secret that Europe may also be threatened if it fails to give satisfaction on agriculture or on reciprocal preference arrangements with its neighbors and Associates—two areas in which passions run the highest and political considerations carry the most weight.

## DO UNTO OTHERS

Agriculture is the field in which the United States can most justly claim that restrictions imposed by others are partly responsible for the US deficit. With production costs lower than its competitors, as far as large-scale crops are concerned, the United States could well earn several billion dollars more.

True, America too has shown protectionist tendencies. And if Midwest farmers and Texas oil magnates have long been regarded as an important political element in Washington, it should be easy enough to establish that peasants from Corrèze, the Eiffel, or the Italian South are a powerful lobby in Brussels.

Nevertheless, the GATT negotiations should give the European Community a chance to ponder. It is not a case of trying to please America or to yield to American pressure. Europe has other reasons to wonder whether the present agricultural policy is best

for its least favored farmers, for its poorer consumers, for success in the battle against inflation. In the present situation, it would actually be to the Community's advantage if it spent less on supporting grain prices and thereby made meat production more attractive. But Europe must also look to its world responsibilities. Drought is once again ravaging large stretches of the "Third World." Worldwide protein demand is outpacing supply. Food prices are rising everywhere. The US curb on soybean exports this summer sent shock waves across the Atlantic (see page 4).

Concerning Europe's relations with Africa and the Mediterranean countries, the United States objects not so much to the preferences that Europe grants as to those that are granted to Europe. Does anyone really believe that these "reverse preferences" are needed to safeguard the self-respect of the Associates? The fact is that reverse preferences reduce the range of choice open to purchasers in the associated countries and thereby take back a part of what has been offered. Now at last the United States is thinking of granting generalized preferences to the Third World. Here, Europe pointed the way. But the United States is in danger of excluding from the system those very products which are most important to the poorer countries. But, even worse, America plans to exclude from it altogether those countries that grant preferences to the developed countries. Once again, this threat should not be the decisive factor for Europe. For Europeans are already reflecting on the wisdom of some aspects of their policy and have indicated that in the future there will be no reverse preferences (see page 4).

This is not the time for slogans. Kissinger hit the European headlines with his proposal last April for a "new Atlantic Charter," but German Chancellor Brandt observed with some irony that if it took three days to write the communiqué about a political meeting, it would take more than three months to draw up such a Charter. Nor is it necessary. The North Atlantic Treaty is very flexible. A new Atlantic Charter would, among other things apparently contrast with the *Ostpolitik* that both America and Europe are pursuing.

Nor should Europeans be up in arms because Kissinger accused Europe of concentrating on regional interests. In fact, he reminded Europeans that the United States would like Europe to recognize its world responsibilities. If Europe were to equip itself to have a foreign policy, this would be a far better response than pained or angry rhetoric.

The time has come for Europe calmly to recover the inspiration that prompted its first efforts at unity. At that time, no country was asked to renounce anything essential: all they were asked to recognize was that they must do unto others as they would be done unto. The Community now has a new opportunity to apply the same logic. Rather than retorts or threats, it is this logic that should guide and arm the Community in its future negotiations with the world's greatest power.



# Pollution in Europe

## The Community Acts

1966: Accidental oil spillage in Medway River, England, 8000 birds die.

1967: Torrey Canyon wrecked, severe oil pollution on the British coasts of Cornwall and Brittany, 30,000 seabirds die.

1969: Rhine waters polluted by accidental pesticide discharge at Mainz, Germany, 4 million fish die.

1969: Seventeen thousand seabirds found dead in Irish Sea, total death toll estimated at 100,000, cause uncertain, perhaps an industrial chemical.

1971: High pollution levels in Rhine River lead to water rationing in Rotterdam, the Netherlands.

1972: Eighty drums of dangerous chemicals washed ashore in southwestern England after shipwreck.

Europe is an old continent, long settled and long exploited. Its raw natural resources have been depleted or reduced to negligible quantities. The spread of agriculture has caused the disappearance of formerly continuous broadleaved forests, the drainage of wetlands, and the reclamation of northern Europe's moors and heaths. Rapid population growth and industrial development have made Europe increasingly dependent on overseas supplies of raw materials and energy.

An increasing majority of Europeans are town-dwellers. Manufacturing industries and markets, concentrated in restricted areas, exert unrelenting pressures upon the environment by the combined demands and wastes of factory and consumer. In these centers, huge quantities of water are needed for domestic and industrial consumption and for sewage and effluent removal. The air above and within the cities is used as a dumping space for the waste products of chimneys and exhaust systems. The movement of goods and people, without which the cities would atrophy, necessitates the use of cars and trucks, themselves major causes of noise and air pollution. The visual landscape often has little aesthetic appeal.

In rural areas, modern farming practices increasingly endanger the precarious balance in man's use of the land. The construction of motorways and of tourist amenities reinforces the human impact upon the countryside.

The economies of Europe are committed to future growth. The citizens are equally committed to growth as a guarantee that living standards will continue to improve. But increases in present styles of production and consumption will inevitably lead to greater waste. The improper disposal of waste causes pollution.

Viewing pollution as a local problem affecting only an immediate environment is a restricted perception. The aggregated evidence drawn from other localities reveals a more extensive danger. The complexities of interrelationships within ecosystems confound most attempts to identify simple cause-and-effect mechanisms and make the isolation of an individual factor and its influence extremely difficult. Pollution must be tackled not only locally and nationally but on a European and global level.

**AIR POLLUTION:** Physical and chemical atmospheric changes through the introduction of dust, smoke, carbon monoxide, carbon dioxide, oxides of sulphur and nitrogen, hydrocarbons, metallic and radioactive substances, and overheating in urban areas. **Causes:** Industry, transport, domestic heating emissions, and nuclear experiments. **Effects:** Sunlight reduction, increased acidity of rain and oil, malformation and prevention of plant growth, lung diseases and blood contamination, building corrosion, water poisoning.

Locally, the need for reducing air pollution levels in towns has long been recognized. The Dutch town of Haarlem had a bylaw in 1608 prohibiting the use of coal in breweries. The British Clean Air Acts of 1956 and 1968 have rid many industrial centers of the heavy yellow pall of smoke. London's winter sunshine has doubled. But the existence of an Alkali Inspectorate to enforce standards in British factories did not preclude the crisis at Avonmouth in December 1971 when the detection of dangerous quantities of lead in the air and near the smelter forced it to close. For some years the fallout of sulphur dioxide emitted from power stations in northern England has been monitored in Sweden, where it adversely affects tree growth.

Human health is also a casualty. A study in Germany reveals that the sickness rate in large towns is 57 per cent higher than the average rate for the population as a whole and that the life expectancy for a child born in a city is two or three years less than for one born in a village. Dust and toxic compounds in the air are not the only cause. Prolonged exposure to traffic and industrial noise—the danger threshold is about 85 decibels—leads to deterioration, and even permanent loss, of hearing, nervous disorders, accidents, and inefficiency.

The situation in urban areas is acutely aggravated by the increasing number of cars. The affront to the senses of traffic noise and smell is blatant but the full effects of the toxic substances in exhaust gases are still uncertain. Investigation has shown that lead concentrations in the air in Zurich from 1963 to 1970 increased by 41 per cent. In the summer of 1971, photochemical smog, usually associated with Los Angeles, was recorded in the countryside of southeastern England.

Any measures which significantly reduce pollution directly affect production costs and will be borne by the consumer. The Fiat motor company of Italy predicts that antipollution devices would increase production costs by 6 per cent. Many factories would require prohibitively expensive equipment to eliminate all pollutants from chimneys. The increased costs would put many manufacturers in an uncompetitive position with foreign rivals, part of the reason the European Community has adopted com-



mon exhaust control standards (See page 11).

International variations on permitted levels of exhaust emission from cars cause difficulties in engine design. Man's ignorance of the effects on climate and health of the gradual accumulation of pollutants such as dust and carbon dioxide in the atmosphere is an argument used to discourage widespread control. Until experts agree, such control is impossible on a global scale.

**WATER POLLUTION:** *Deoxygenation and cessation of natural autopurification through the introduction of heat, toxic, chemical, and organic substances. Causes: Effluents, such as pesticides, fertilizers, detergents, and sewage, from industry, households, and farms. Effects: Death of plants, fish, birds, fouling of drinking water, general health hazard through increased germ content, expensive purification becomes necessary.*

Rivers have historically been an economically cheap conveyor belt for the removal of unwanted materials. Untreated sewage, metallic residues, and chemicals are poured in at rates which the rivers cannot accommodate, so that the natural cleaning processes cease to function. Untreated sewage from towns and farms causes deoxygenation of the water and brings a health hazard. Above Paris, the Seine contains about 15 germs per cubic centimeter (c.c.); downstream the figure is 1.5 million c.c. Postwar industrial development and the expansion of ports accentuate the severe pollution of the rivers' tidal regions.

Biochemical changes have rendered the Lake of Zurich (Switzerland) "lifeless." Lakes Geneva (Switzerland and France), Constance (Switzerland, Germany, and Austria), and Maggiore (Italy and Switzerland) are being progressively poisoned, as are many in Eastern Europe. In 1970, a total of 40,000 tons of phosphorus, salts, and nitrogen were discharged into Lake Constance in spite of the existence of an international commission for its protection.

Population growth, industrial expansion, and farm modernization make heavy demands on water supplies. Per capita consumption is already wastefully high (American experiments in metering domestic supplies brought a 50 per cent reduction in use). The aggregate demand in Europe can be met only by expensive storage systems, while the purification of supplies needlessly contaminated increases operating costs.

National policies for improving water quality vary greatly in effectiveness. In some countries, notably Italy, the situation worsens. In Britain, where appropriate legislation was first passed in 1848, the campaign initiated by the Rivers (Prevention of Pollution) Acts in 1951-1961 has brought improvements. In December 1971, a Government report described 4.3 per cent of non-tidal rivers as grossly polluted, compared with 6.4 per cent in

1938. The lower Thames, formerly "dead," now contains several species of fish. Plant capacity for sewage treatment has been greatly enlarged. The effective reduction of the effects of chemical applications in agriculture, given the present commitment to high crop yields, will be more difficult to achieve.

Over 80 per cent of Europe's lakes and rivers are shared by two or more states. International cooperation is therefore essential. In this context, the Rhine is an important example.

The Rhine has often been described as a gigantic open sewer. Over 6,000 poisonous substances have been identified in its waters, and at its mouth the germ content is 2 million per c.c. French potash mines and German coal and chemical industries drop huge quantities of salts and metallic compounds, while shipping puts 12,000 tons of oil, into the river each year. Yet this sewer is a major source of water for drinking, irrigation, and manufacturing in the Netherlands. Population growth and saline contamination of ground-water supplies force the Dutch to rely increasingly upon the Rhine.

Since 1950, the Rhine has been the subject of the International Commission for Protection of the Rhine from Pollution, legalized by treaty in 1965 and involving five countries. But the inadequacy of this organization is confirmed by the March 1972 proposal to set up a new agency with strong powers of decision.

**MARINE POLLUTION:** *Physical and chemical changes in the seas from organic, radioactive, chemical, and mine-waste contamination. Causes: Cumulative effects of air, river, and soil pollution, deliberate and accidental discharges by shipping, dumping of poisons. Effects: Death or decline of marine life, including sea birds, health hazards, oil slicks on coasts.*

"There is only one pollution, because all toxic substances end in the ocean," in the words of French Naval Commander and ocean explorer Jacques-Yves Cousteau, speaking in 1970 to the Consultative Assembly of the Council of Europe. In the seas accumulate the non-biodegradable agricultural chemicals, halogenated hydrocarbons, heavy metals (such as mercury, cadmium, zinc, and lead), and the deliberately dumped containers of obsolete poisons and radioactive materials. Accidental discharges of oil and chemicals often have an immediately alarming impact, but the insidious buildup of contamination causes the most extensive damage. According to Cousteau, the intensity of sealife has diminished by 30 per cent to 50 per cent in the last 20 years throughout the world, while the situation is even more serious in the Mediterranean, the Baltic, and the North Sea. Along the littorals of these seas, resorts have proliferated, ruining the landscape and, with their untreated effluents, destroying their main attraction—the water.

In the North Sea, a major source of protein for Europe, there



exist additional risks. The most congested shipping lanes in the world and the exploitation of oil and gas fields endanger fishing resources already hurt by heavy pollution. There are many local examples of fatal contamination. In northeastern England research has revealed abrupt contrasts in marine life between clean shores and those affected by coal waste. Numerous mortalities among terns in the Danish Waddenzee were traced to a pesticide.

The general alarm over the deteriorating situation prompted a series of international meetings, culminating in the "Oslo Agreement" between 12 West European countries in February 1972 to prevent the chemical dumping of waste in the North Sea and adjacent Atlantic areas.

For the Baltic and Mediterranean, both virtually enclosed and fed by polluted rivers, the situation has immediate human impact. Outbreaks of illness have been traced to bathing and eating contaminated fish. Drastic protective measures are urgently needed.

**SOIL POLLUTION:** *Man-induced deterioration of fertility and accelerated erosion. Causes: Air pollution fallout, household debris, non-biodegradable materials, such as plastics, and toxic substances, such as cyanide. Effects: Disappearance of plant species, decline of micro-organisms in soil, loss of top soil, heavy fertilizer applications with diminishing returns.*

The complex associations of organic and inorganic constituents which form the living soil have been modified and nurtured over the farmlands of Europe by centuries of husbandry. Serious mistakes have occurred, as seen in the bare hill slopes of southern Europe, but in many regions an apparently stable and high level of fertility has been achieved.

World War II and subsequent farm support programs have brought an intensification of farming. Technological improvements include the use of pesticides and weedkillers. The increased application of inorganic fertilizers, often as a substitute for animal manure, is illustrated by the average amounts used in Belgium per hectare (2.471 acres) of cultivated land: in 1910, 13.9 kilograms (one kg. equals 2.2046 pounds) of nitrogen, 19.8 kg. of phosphates, and 4.1 kg. of potash; in 1967, 94.8 kg. of nitrogen, 90 kg. of phosphates, and 107.7 kg. of potash.

One-crop farming and the substitution of pesticides for natural predators have reinforced the dependence on chemicals. Live-stock breeding on factory principles has brought problems of disease control and waste disposal. The aim is quantity of output through increased capital investment per worker. The result is increasingly unnatural methods of food production.

The social costs of changes in farming methods, though not readily measured, must be set against this higher productivity. The disappearance of wildflowers and hedgerows, the high

mortalities among seed-eating birds and their predators, the destruction of wildlife habitats, and the long term effects of chemicals upon water resources and human health must all be considered. The soil itself suffers. In the clay soils of the English Midlands, for example, the very structure is breaking down.

Farmers recognize these threats to their livelihood. But farmers are also subject to economic pressures which necessitate the use of techniques inconsistent with principles of conservation.

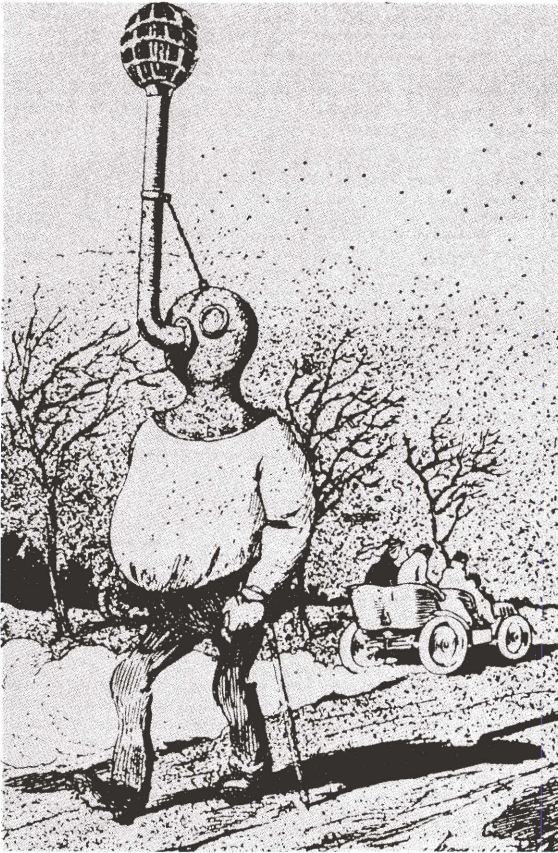
*The aim of a Community environmental policy is to improve the setting and quality of life, and the surroundings and living conditions of the Community population. It must help to harness expansion to the service of man by procuring for him an environment providing the best living conditions, and to reconcile this expansion with the increasingly imperative need to preserve the natural environment.*

**EC Council of Ministers, July 19-20, 1973.**

In the fight against pollution in Europe, four types of groups can be distinguished:

- Numerous voluntary bodies, of varying stature, representative breadth, and effective influence, including such groups as the Noise Society, the Friends of the Earth, the Conservation Society, and the Club of Rome. These groups seek to awaken public opinion and spark government action.
- National governments, which act unilaterally and sometimes in cooperation with other governments. In France and in Britain, Ministries for the Environment have been set up and limited programs defined. Also in Britain, a permanent Royal Commission works on recommendations for pollution control. Rumania has a commission for combating pollution, while Hungary has a committee for the protection of air purity. But in only one European country, Germany, has a comprehensive and long term program been introduced, and the necessary laws are now being passed.
- International organizations, such as the United Nations (UN), the Organization for Economic Cooperation and Development (OECD), the Council of Europe, and the North Atlantic Treaty Organization (NATO). Each has initiated and is sponsoring major research programs, a necessary prelude to legislation. But in the past these projects have rarely been coordinated, nor has financial and political support been commensurate with the gravity of the dangers. Where the problems are known and international organizations make recommendations, they are not unanimously adopted by member governments. This failure is shown by the history of the Rhine Commission.
- The European Community.  
Over the years, the Community has taken many actions in the





*In the earliest days of the automobile, a farsighted cartoonist predicted future air pollution.*

antipollution field, usually by harmonizing Member States' legislation to protect both the consumer and the environment. For example, much has been done in the auto sector (See page 00). For another example, Council of Ministers' directives set the required rate of the biodegradability of detergents at an average 90 per cent throughout the Community. These biodegradability levels are higher than the Member States' respective national requirements and higher than any previous international rulings on the biodegradability of detergents. But until July 19-20 all of the many EC antipollution actions were taken in isolation without the benefit of any grand environmental design.

On that date, the EC Council of Ministers adopted the Community's first comprehensive environment policy. Prepared by the EC Commission, the two-year program calls both for Community level action and for measures by the nine Member States acting individually. The Council will coordinate the latter with the Community program. For joint action, the Council agreed to act within nine months of its receiving specific proposals from the Commission.

The EC environment policy will seek "to improve the setting and quality of life, and the surroundings and living conditions of the Community population." In particular, the Community objectives are to:

- prevent, reduce and, where possible, eliminate pollution
- maintain a satisfactory ecological balance and ensure protection of the biosphere
- exploit resources without appreciably damaging ecological balance
- improve working and living conditions
- take greater account of environmental aspects in planning services and regional policy

- cooperate with non-member countries and international organizations.

The EC environment policy will conform to the following principles:

- prevent pollution before it occurs, rather than try to counteract its effects
- improve scientific knowledge about fighting pollution and enhance environmental research
- let polluters themselves pay for antipollution measures
- avoid harming developing countries' interests
- heighten public awareness of the importance of environmental protection
- promote local, regional, national, Community, and worldwide action, according to the pollution problem and the area concerned.

The Community environment program includes three types of action: reduction and prevention of pollution; improvement of the environment; Community action or joint action by Member States in appropriate international bodies. In countering pollution, the Community will seek to:

- assess the risks of pollution to the environment and to health
- establish common antipollution standards for the most dangerous pollutants
- encourage Member States' monitoring and testing bodies to exchange information
- introduce measures to curb pollution caused by certain highly polluting industries such as paper/pulp and iron/steel
- take part in all international activities of common interest to the Member States, such as the fight against marine pollution and the protection of the Rhine Basin.

The EC environment policy will also try to improve the quality of life through social, agricultural, regional, and transportation policies. The Council of Ministers agreed that the Community should focus on:

- conservation of surroundings, especially by maintaining agriculture in certain regions
- improved working conditions
- urban and regional planning, especially transportation problems.

The Community will cooperate with non-member countries within the framework of international organizations such as the UN and the OECD. International cooperation is held to be necessary since many environmental problems cannot be tackled by the Community alone. EC participation was scheduled for an international conference in Paris in September on reducing the pollution in the North Sea and the North Atlantic and for a conference in Bonn in October, organized by the Rhine Commission. At that conference, countries bordering the Rhine hoped to agree, after years of disagreement, on steps to reduce chemical and thermal pollution of the river—one of the world's most polluted waterways.



## Recent Books

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

**Towards a European Model of Development.** Reports from the Conference on Industry and Society in the European Community. The European Bookshop, Ltd., Brussels, 1973. 819 pages.

A selection of 28 reports given by trade union, industrial, and independent experts, and the addresses of former EC Commission President Sicco L. Mansholt and others to the Conference on Industry and Society in the European Communities, held in Venice, Italy, April 20-22, 1972.

The conference, organized and promoted by the EC Commission, was held to formulate "industrial development objectives which will be conducive to the creation of a society measuring up to the profound aspirations of mankind." In organizing the conference, the Commission sought, through reports and discussion sessions on each topic covered by reports, to form a clear picture of the major needs and social forces in Europe. The three major areas covered by the conference were: Industrial Development and the Reduction of Social and Regional Disparities; Industrial Development, Collective Needs, and Equality of Life, and the Community and the World.

### The EEC Rules of Competition.

By Willy Alexander. Kluwer Harrap Handboks, London, 1973. 187 pages with appendices and index.

A survey of European Economic Community competition law, designed as a guide for lawyers who counsel industry on the legality of trade practices and agreements in the Community.

The book is divided into two sections: the general aspects and the particular agreements (including clauses and practices) in the Community. The first section discusses the purposes of Articles 85 and 86 of the EEC Treaty, which forbid, respectively, most restric-

tive agreements and abuses of dominant positions. The Articles' operation, scope, and implementation and their implications on the new EC members Britain, Ireland, and Denmark are also discussed. The book also covers the Articles' enforcement by the EC Commission as well as the provisions and forms for notification to the Commission of agreements which may fall under the Articles. Private suits and rulings by the Court of Justice are also discussed. The second section covers price fixing, territorial and quantitative restrictions, market sharing, exclusive agency contracts, the exercise and licensing of industrial property rights, joint research and development, specialization, joint selling and purchasing, and various other forms of industrial cooperation and mergers. The appendices give in full the specific EEC Treaty provisions, regulations, draft regulations, and announcements, as well as the relevant decisions of the Court of Justice and the Commission. The author is a member of the Hague Bar.

**An Expansion of the Common Market.** Volume 37, No. 2, of *Law and Contemporary Problems*, quarterly publication of Duke University School of Law, Spring 1972.

A symposium of papers drawn primarily from a conference held at the Duke University Law School on April 14-15, 1972, to evaluate the legal ramifications of an enlarged European Community.

Giving considerable attention to British entry, the papers touch on the maturation of the Community of the "Six" and forecast, in a preliminary fashion, the operational impact of the enlarged Community. The symposium includes businessmen's analyses of the practical problems of expansion as well as thoughts of academic and public authorities on more general matters. Expressing considerable optimism about the future of the Community and about EC-US relations as well, the papers find that, among other developments, EC enlargement will improve efficiency of American business operations in Europe.

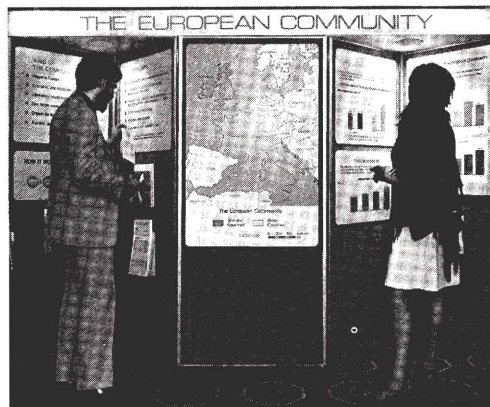
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## Growing Pains for the European Community

**The Rocky Road to European Unity:** A Screen News Digest Film Production of Hearst Metrotone News

Duration: 15 minutes

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# Publications Available

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**SECOND REPORT ON COMPETITION POLICY.** Commission of the European Communities, Brussels, April 1973, 191 pages . . . . . \$2.00  
Reviews the developments in the Community's antitrust, state aid, public enterprise, and consumer policies during 1972. Also discusses the development of concentration between industries and reproduces the texts of regulations and regulatory decisions made in 1972 concerning the application of Articles 85 and 86 of the EEC Treaty and Articles 60 and 65 of the ECSC Treaty.

**COMPETITION LAW IN THE EUROPEAN ECONOMIC COMMUNITY AND IN THE EUROPEAN COAL AND STEEL COMMUNITY.** Commission of the European Communities, Brussels, 1972, 124 pages . . . . . \$1.00  
Reproduces the articles of the EEC Treaty and the ECSC Treaty. Also reproduces all Council regulations, statutory decisions, and notices from the Commission and the High Authority relating to the application of these articles. Includes all texts issued as of December 31, 1971.

**EUROPEAN COMMUNITY COMPLETES MANDATE FOR GATT NEGOTIATIONS.** Background Information No. 17/1973, European Community Information Service, Washington, D.C., July 19, 1973, 25 pages . . . . . free

Summary text of the global approach of the Community for the forthcoming negotiations within the General Agreement on Tariffs and Trade (GATT), decided by the EC Council of Ministers on June 25-26, 1973.

**EUROPEAN INVESTMENT BANK ANNUAL REPORT 1972.** European Investment Bank, Luxembourg, April 1973, 72 pages . . . . . free

Describes the loans, guarantees, and equity of the Bank in 1972. Includes the balance sheet and profit and loss account. Initially confined to the territory of the member countries of the European Community, the Bank's activities have gradually been extended to the Association Agreements of Greece, Turkey, the African and Malagasy States, and certain overseas countries and territories.

**REGIONAL STATISTICS 1972.** Statistical Office of the European Communities, Luxembourg, 1972, 209 pages . . . . . \$4.00

English/French text. Regional data on territorial units of the EC Member States. Provides statistics on population, employment, economic

accounts, agricultural land use and production, industry production, investment and costs of manpower, services, and standards of living. Also gives a general view of the financial participation in investment in regions by the Community's institutions. Contains a map of the Community's territorial units.

**STUDY OF PROCEDURES FOR THE ADMINISTRATION OF RESEARCH CREDITS.** EUR 4876 e. Research and Development No. 5. Commission of the European Communities, Luxembourg, September 1972, 50 pages . . . . \$1.40

Summary report of a study on the experience of decentralized public and semi-public organizations in the field of research management. Covers the initiation of programs, their budgetary procedures, and relationship between internal structures and project execution.

**COMPARATIVE TABLES OF THE SOCIAL SECURITY SYSTEMS IN THE MEMBER STATES OF THE EUROPEAN COMMUNITIES: GENERAL SYSTEM.** Commission of the European Communities, Luxembourg, 1973, 84 pages . . . . \$0.60

Seventh edition, covering the social security situation in the six member states as of July 1, 1972. Contains synoptic tables comparing the social security regulations in force. Includes explanatory notes on each branch of social

security and describes the legislation governing benefits, conditions under which benefits are granted, and current rates.

**THE EUROPEAN DEVELOPMENT FUND.** Commission of the European Communities, Brussels, 1973, 25 pages . . . . . free

Revised edition. Describes the European Development Fund from its introduction as an aid project to its completion. The Fund is the main instrument of financial and technical cooperation between the Community and 32 associated countries, territories, and departments.

**INDUSTRIAL FREE TRADE AGREEMENT BETWEEN NORWAY AND THE EUROPEAN COMMUNITIES.** Information Memo No. P-24, Commission of the European Communities, Brussels, May 1973, 2 pages plus statistical annex . . free

**COLLOQUE SUR LES METHODES D'ELABORATION DES BUDGETS ECONOMIQUES A L'INTERIEUR DE LA COMMUNAUTE.** Commission of the European Communities, Brussels, 1971, 263 pages . . . . . \$4.00

Papers and conclusions of a 1966 colloquium held in Rome on the methods and procedures used to prepare short-term economic forecasts in the original six members of the Community.

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