

European Community

MARCH 1974 NO. 174



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Cover (*Courtesy of the Freer Gallery of Art, Smithsonian Institution, Washington*): The arrival of a Portuguese trading ship at Nagasaki, Japan, depicted in a six-panel, Japanese screen painting. This Sixteenth Century screen is an example of *Nanban* art, which means works influenced by or connected with Europeans during this period. Literally, *Nanban* means "southern barbarian": Europeans arrived from the south, and all foreigners were considered barbarians. For a discussion of European-Japanese relations today, see page 8.

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Community News

Community Attends Energy Talks

The Council of Ministers of the European Community agreed that the Community should accept President Richard M. Nixon's invitation to participate in the International Energy Conference in Washington on February 11. Meeting in Brussels on January 15, the Council also decided that the Community would be represented at the meet-

ing by EC Commission President François-Xavier Ortoli and Walter Scheel, acting president of the Council and German Foreign Minister. Accepting the invitation on the understanding that all Member States would be invited to take part, the Council said it would adopt a joint EC position for the talks during its next meeting, February 4-5.

Plan for Stockpiling Power Station Fuels

European Community Member States will be required to create and maintain fuel stockpiles for steam generated electric power stations, if the Council of Ministers adopts a January 11 proposal from the EC Commission. The stocks, lasting a minimum of 50 days and to be built up by no later than January 1, 1976, would

be located on site, or in some cases, between two power stations. To ensure compliance, the Commission called for the setting up of a Member State monitoring system for larger stations. The regulation would not apply to power stations using primary energy sources such as water or natural gas.

System for Oil Price Checks Proposed

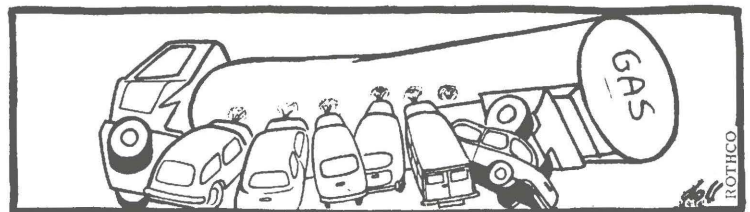
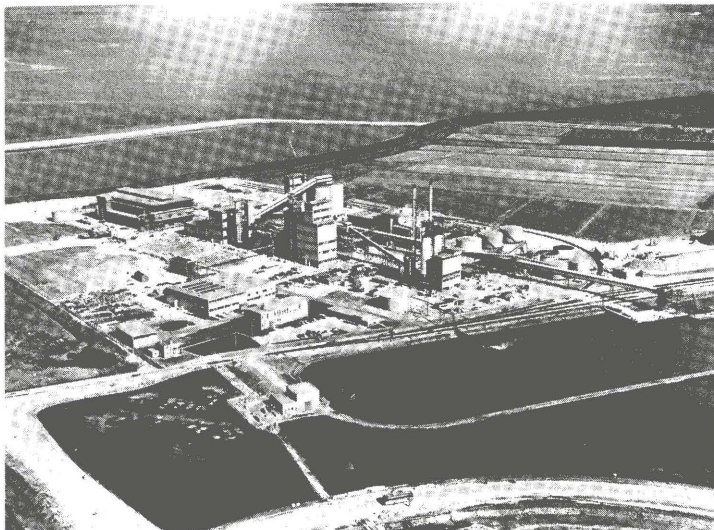
A system for monitoring prices of petroleum products sold in the European Community was proposed to the Council of Ministers by the EC Commission on January 18. According to the proposal, Member States would provide the Commission with confidential monthly reports on the average value (cost, freight, and insurance) of crude oil and petroleum products imported into the Community.

Additionally, EC oil refineries would be required to publish and transmit prices on their products to their respective Member States. On the Commission's recommendation, the Council would take

appropriate measures to deal with cases of exaggerated pricing or speculative action which endangers the Common Market's economic equilibrium.

The Council was also considering four Commission proposals which would: require Member States to provide the Commission with weekly reports on EC oil import and export traffic; empower the Commission to determine appropriate measures for reducing EC petroleum consumption; and encourage coordination of Member State recommendations for voluntary conservation of energy.

Refinery in Delfzijl, the Netherlands.



Doll, Irish Independent, Dublin.

Oil Independents' Problems Scrutinized

Extreme difficulties experienced by Europe's independent petroleum products distributors in obtaining enough oil to stay in business during the current oil crisis has prompted an EC Commission decision to launch an investigation into the supply operations of large oil companies. Announcing the in-

vestigation on December 21, the Commission said companies refusing to supply independent distributors on an equal basis with larger firms would be subjected to application of the Community's competition regulations, as defined in the Common Market Treaty.

Krag Assumes Post in Washington

Jens Otto Krag, former Prime Minister of Denmark, arrived in Washington, DC, on January 16 to head the Delegation of the Commission of the European Communities to the United States. Krag replaced Ambassador Aldo Maria Mazio, who was appointed the first head of the Delegation at the time of its establishment in October 1971. Mazio, a former Italian diplomat, has retired.

Krag, whose career in Danish

public service and politics spans 30 years, was born in Randers, Denmark in 1914. He served as Danish Prime Minister from 1962 to 1968 and from 1971 to 1972. He was awarded the Charlemagne Prize in 1966 and the Schuman Prize in 1973 for his dedication to the European cause.

He resigned the premiership in October 1972, after winning a popular referendum to approve Danish EC membership.

Experts Report on Development of Economic and Monetary Union

A report on the development of Economic and Monetary Union (EMU) in the European Community has been published by the Commission. The report, prepared by a group of experts, was requested by the Commission for consideration in the shaping of future EC policy.

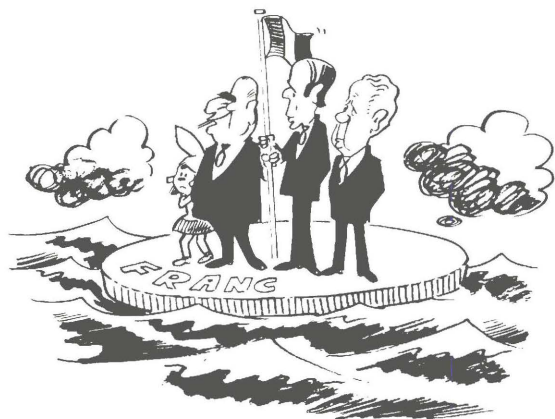
The group emphasized that the construction of EMU requires simultaneous advances in various fields such as domestic and external monetary affairs and in short-term economic, regional, social, industrial, and budgetary policies.

With regard to monetary policy, the group recommended a system of flexible intra-Community exchange rates combined with provisions for a joint float against non-EC currencies. Also proposed

was the creation of an additional European currency, defined as a "basket" of national currencies. Having a role similar to the Euro-dollar, it would act initially as an exchange currency and would eventually have broader functions. Global regulation of monetary affairs should be applied at an EC level, the report said. Regulatory procedures for budgetary policy, however, could continue to be carried out by each Member State.

Recognizing that the report's proposals would require financial resources far exceeding the limits of the EC budget, the group called for increasing the budget from a level of 0.5 per cent to 3 per cent of the Community's gross national product by 1980.

Commission Responds to Franc Float



"Good, we're floating. Now we can face anything we meet on these high seas." Padry, Le Herisson, Paris.

The French Government's decision to remove the franc from the EC joint currency system on January 21, allowing it to float freely for six months, intensifies the need for closer coordination of Member States' economic policies, according to the Commission of the European Communities. In a January 20 communiqué, the Com-

mission called France's action another in a series of economic difficulties that have provoked "a serious malaise" within the Community.

Besides France, the other EC members whose currencies are in a free float are Britain, Ireland, and Italy.

Plan to Thaw EC Gold Reserves

The Commission of the European Communities urged the Council of Ministers to reconsider its earlier proposal for a plan to unfreeze EC gold reserves in light of the current monetary situation in Europe. The plan is part of several proposals sent to the Council in a January 23 communiqué on the state of the Community.

Wilhelm Haferkamp, Commission member responsible for economic and financial affairs, presented the plan at a January 24 news conference in Brussels. Haferkamp explained that gold represents, on the average, 25 per cent of the reserves held by Member States' central banks. France and Italy hold an even higher percentage of gold. No bank is willing to liquidate part of its supply, he said, because under a global agreement, the banks must sell gold at the official price of \$42, three times less than the open market price.

Accordingly, the Commission has devised a system whereby these banks would transfer 10 per cent of their gold to the European Monetary Cooperation Fund (EMCF). In turn, they would re-

ceive a credit in units of account (UA), calculated on the basis of price "X" instead of \$42. (One UA equals one 1970 dollar.) The banks could then use the UA for currency interventions on the exchange markets. Although the gold deposits would remain unchanged in the EMCF, the contributing banks would be able to have sufficient reserves to handle current monetary problems. Price "X," according to the Commissioner, would serve as a provisional base which would be corrected whenever a new gold price was fixed by the world banks. The EMCF credits would then be recalculated. Haferkamp said price "X" could not be determined until the system had been agreed on by the Council.

Haferkamp said the Commission communiqué also called on the ministers to:

- pledge to avoid competitive devaluations and cutthroat trade
- hold closer consultation on exchange and interest rates, use of reserves, and recourse drawing on international financial markets
- set up Common Market credit facilities to support weak currencies.

European Science Policy Launched

The European Community launched a new European scientific policy when the Council of Ministers adopted the Commission's Scientific and Technological Policy Program on January 14. Under the program, a committee for scientific and technical research (CREST) was established to coordinate every aspect of national research policies not subject to military or industrial secrecy. CREST, made up of Commission and Member State representatives, will be chaired by the Commission and provided secretarial services

by the Council.

In the interest of promoting basic research, the program calls for establishing relations between the Community and the European Science Foundation. The Council also set up a procedure for rapid decision-making on future Commission proposals for research projects related to other EC policies and agreed to fund "Europe Plus 30," a study program to investigate the possibility of initiating Community action in the fields of technical assessment, forecasting, and methodology.

Europe Seeks Independent Computer Industry Capability

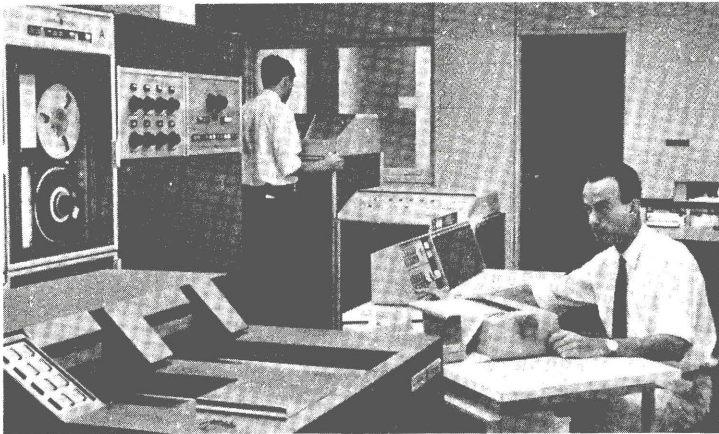
The European computer industry should become less dependent on the United States, according to a November 21 EC Commission communication to the Council of Ministers regarding a Community policy on data processing. More than 90 per cent of Europe's computers now rely on US technology. IBM alone controls 60 per cent of the world market.

The Commission estimated annual computer industry growth over the next decade at 15 per cent in the United States, 20 per cent in Europe, 30 per cent in Japan. In 1970, industry turnover was \$10.7 billion in America, \$3.9 billion in Europe. Projections for 1980 are \$36.6 billion and \$12.9 billion respectively.

In its proposals, the Commis-

sion noted that European firms are not big enough to compete with American firms without "government intervention." To gain access to "advanced markets" in the United States and Japan as well as Europe, the Commission calls for Community financing of major data processing projects with international applications, such as air navigation control and environmental surveillance, or which answer collective European needs, such as maintaining social security records.

The Commission also said there should be a Community program for the industrial development of data processing and for collaboration between Member States in purchasing policy, standards, and applications.



Industrial Policy Action Program

An action program on industrial policy was adopted December 18 by the Council of Ministers. The ministers agreed on a timetable for action on Commission proposals concerning the following areas: removal of technical barriers to trade; coordination of procedures for awarding public supply contracts; removal of fiscal and legal

barriers impeding cooperative business arrangements and mergers; EC-scale promotion of competitive advanced technology undertakings; multinational companies; insurance credits; and supply of raw materials. Individual deadlines have been set for each of these matters, the latest being January 1, 1978.

Toward a Common Policy Life Insurance

The European Community moved toward a common policy for life insurance with a directive proposed to the Council of Ministers by the Commission on December 12, 1973. The directive would coordinate Member State laws, regulations, and administrative provisions relating to the establishment and exercise of direct life insurance business. Applying uniform conditions of certification and rules for operation to head offices, branches, or agencies, the proposal is in many respects identical to the Council's directive on indemnity insurance, adopted July 24, 1973.

To protect life policyholders from losses as the result of the failure of an indemnity business, the measure would require legal

separation of life and indemnity insurance undertakings. Insurance firms formed after adoption of the directive would be required to specialize in one kind of insurance. Already existing businesses dealing in more than one kind of insurance would be able to continue, provided that they adopt strict rules on separate management and accounting. Insurers' assets would be divided into "life" and "indemnity" portions. They would also be required to show adequate technical and financial reserves to meet liabilities contracted.

Subsequent directives on the freedom of establishment and of providing life insurance services will be drawn up by the Commission in the near future.

Thomson Comments on Regional Fund

The Council of Ministers failed to reach a final agreement on the European Commission's proposal for setting up a Regional Development Fund during its January 14-15 meeting, postponing further discussion until January 30. Expressing disappointment at the postponement, George Thomson, EC Commission member responsible for regional matters, told the European Parliament that the Council's indecision not only delays launching the Community regional policy but also retards the second stage of Economic and Monetary Union and the EC energy policy.

He explained that the key unresolved issues concern the formula for assessing the Member States' contributions to the Fund and its size and duration. He also said that the Council needed extra time to review new information received from the Commission. Thomson pointed out that the EC Member



EC Commissioner George Thomson.

States with the severest regional imbalances concurred with the Commission's view that EC regional policy should service the entire Community instead of providing small scale relief to a limited number of depressed regions.

Thomson saw the Council's decision to meet earlier than originally planned (February 4) as indicative of the entire Council's desire to find an agreement which will get the Fund and EC regional policy underway.

EC, India Conclude Commercial Cooperation Agreement



Women workers sewing jute sacks in Calcutta.

The European Community concluded its first trade agreement with an Asian developing country, with the signing of the Commercial Cooperation Agreement with India, December 17. The agreement will provide a framework for expanding trade and for intensifying economic cooperation between the two parties. The accord's basic aims include agreement on both sides to: develop commercial exchanges; improve the balance of trade; grant each other most-favored-nation treatment in accordance with the General Agreement on Tariffs and Trade; liberalize the

flow of imports and exports, and promote the development and diversification of each other's imports.

Sectoral agreements on EC-Indian trade in jute and coir products were also signed on December 17. They provide for tariff suspensions by 40 per cent in 1974, which would be increased by up to 60 per cent during 1975. Jute and coir imports will continue to enter Britain and Denmark duty-free during 1974. The suspensions will be carried out in the framework of the Community's Generalized System of Preferences.

EC Sets 1974 Generalized Preferences

Preferential exports to the European Community from the developing countries will increase sharply with the introduction of the 1974 EC generalized preference system for developing countries, adopted by the Council of Ministers on December 18. This is the first year in which the three new Member States (Britain, Denmark, and Ireland) will participate in the Community system.

Under Community preference, the overall volume of preferential exports to the Community will

increase by approximately 40 per cent over the figure which would have resulted if the 1973 system for the "Six" had been applied to the "Nine" this year. The capacity set for developing country preferential exports to the Community amounts to about 2 billion units of account (UA) for industrial products, UA 500 million for textile products, and about UA 218 million for processed agricultural products. (One UA equals one 1970 dollar.)

Trade and Aid Talks with Developing Countries Continue

Negotiations for trade and aid links between the European Community and over 40 developing countries reopened in January in Brussels. The first stage of the negotiations opened October 17 and concluded December 14 in Brussels.

The second stage began on January 14 as expert working groups resumed their examination of financial and technical cooperation and trade. Plenipotentiary level

negotiations opened January 21, which EC Commission representatives joined on January 23.

The negotiations will determine the future of the Yaoundé Convention, which expires next January. Included in the negotiations are the 19 African Associates of the Yaoundé Convention and all developing countries eligible to be Associates, in particular the so-called Commonwealth "Associables."

Stronger Ties Between EC Commission and National Customs Groups

Representatives of European Community national customs organizations have agreed to work more clearly with the EC Commission to simplify customs formalities related to international trade. The group met with Finn Olav Gundelach, EC Commission member responsible for internal market and customs union affairs, on January 17 in Brussels.

Reviewing the state of customs administration in the Community, Gundelach restated the EC goal of removing every obstacle to intra-Community trade and achieving maximum simplification

and uniformity of customs procedures in trade with third countries. As examples of progress toward those objectives, Gundelach cited the introduction of a single EC form for trade with the European Free Trade Association, streamlining the Community transit system and proposed procedural simplification of the customs clearance of goods. He also said the Commission would soon propose new measures to limit the amount of customs information required for internal trade and to integrate import, export, and transit documents into a single system.

EC "Three" Approach Common Tariff

On January 1, the European Community's three new Member States (Britain, Denmark, and Ireland) brought their tariffs on third country imports 40 per cent closer to the Community's common external tariff (CET). At the same time, the new members began to apply the CET to imports covered by the European

Atomic Energy Community and the European Coal and Steel Community Treaties.

Intra-Community customs duties between the "Three" and the "Six," reduced by 20 per cent in 1973, underwent an additional automatic 20 per cent cut on January 1. These duties will be eliminated completely by the end of 1977.

EC Commission Proposes Business Cooperation Group

Creation of the European Cooperation Grouping, a new legal entity designed to encourage Community businesses of all sizes to coordinate some of their activities for mutual benefit, was proposed December 21 to the Council of Ministers by the Commission. The new grouping, designed to operate within the bounds of EC competition rules, would permit temporary combinations of businesses under flexible procedures which could be adapted to economic changes.

A grouping could be formed, for instance, to operate a joint purchasing office to secure lower prices for similar products from suppliers and/or a joint sales office. A joint trademark could be adopted which would be marketed and advertised by the grouping. Joint bidding for contracts whose scope exceeds the capacity of any one member to handle, joint administration of specialized services, and coordination of certain members' technical activities, such as research on a new product, would also be feasible.

Dollar Bond Issue

The European Investment Bank has concluded a contract for a \$30 million bond issue denominated in dollars, with an international syndicate of banks in the Community and Switzerland. The 15-year bonds will be offered to the public at 98.5 per cent and will yield 8.5 per cent annually and 8.68 per cent overall. Proceeds from the bonds, to be sold on the Luxembourg, Milan, and New York stock exchanges, will be used by the EIB to finance its regular lending operations.

First EIB Loans to Greenland

The European Investment Bank (EIB) granted its first loans for the development of Greenland in December. Two loan contracts, totaling 6.8 million units of account (UA) were concluded with the Danish Government to help finance a new thermal-electric power station at Godthaab, and improve South West Coast harbor facilities at Frederikshaab, Narsaq, and Julianehaab. (One UA equals one 1970 dollar.) The harbor improvement loan will go toward building and lengthening docks to enable handling of ocean-going vessels and provide more protected storage space. The projected electric power station will nearly double the supply of electricity to Godthaab's population of 8,000.

EC-Brazil Trade Agreement Signed

A non-preferential trade agreement between Brazil and the European Community was signed on December 19. The three-year agreement is the third such accord concluded between the Community and a Latin American country. Agreements already exist with Argentina and Uruguay.

General trade provisions of the agreement call for reciprocal granting of most-favored-nation treatment concerning customs duties, taxes and regulations on imported and exported products, and for liberalizing imports and exports without discrimination.

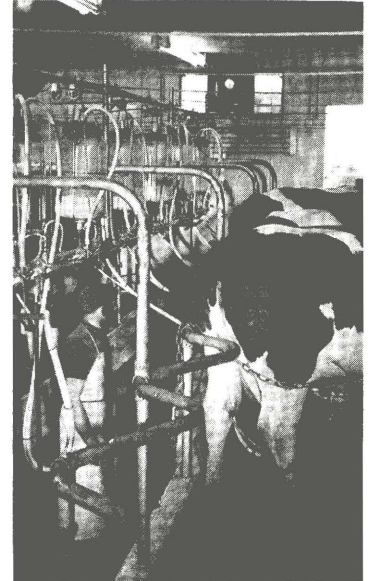
The agreement also includes provisions on such key Brazilian products as cocoa butter, instant coffee, beef, and cotton textiles, and sets rules for EC exports to and investment in Brazil, maritime transport, and agriculture.

Prices for EC Farm Produce Proposed

European Community farmers should be paid an average of 7 per cent more for their produce in the 1974-75 season, according to the proposed price guidelines sent to the Council of Ministers by the Commission on January 17.

A 10 per cent increase in the price of beef and a price-related import charge were proposed to stimulate EC beef production. The price of butter, on the other hand, would drop by 6.6 per cent to increase consumption and decrease the Community's butter surplus. Cut rate sales of butter to needy persons and non-profit institutions and subsidies for consumption would be continued while production taxes would be levied on dairy companies.

The Commission also proposed measures designed to balance the cereal market, stimulate hard wheat production, increase EC self-sufficiency in proteins, and streamline the operation of the Common Agricultural Policy. The



A milking machine at a French dairy.

Council held its initial discussion of the price proposals during its January 21-22 meeting and planned to take them up again at its February 11-12 meeting.

EC Commission Urges Acceptance of Animal Transport Convention

The European Community Member States should adhere to the European Convention on the Protection of Animals in International Transport, the Commission told the Council of Ministers on November 11. Besides ensuring the protection of animals, the Com-

mission pointed out that a primary objective in urging EC adherence to the Convention is to prevent differences in the Member States' animal protection laws from impeding intra-Community trade in meat on-the-hoof.

Month in Brief

JANUARY

7 The Council of Ministers meets in Brussels to discuss general affairs.

14-15 The Council of Ministers meets to discuss general affairs.

14-18 The European Parliament meets in Strasbourg, France (see page 11).

21-22 The Council of Ministers meets to discuss agriculture.

24 Commission Vice President Wilhelm Haferkamp presents a plan for thawing the Member States' gold reserves (see page 4).

EC-Japan Dialogue

Bridging the Communications Gap

MARY LOCKE and HANS BINNENDIJK, *American freelance writers studying in Tokyo on a Japan Foundation grant.*

Katsue Hino worries about Japanese-European communication because that is his job. A staff member of Radio Japan, which broadcasts in five languages to Western Europe, he shakes his head doubtfully when asked whether Japan's message reaches Europe loud and clear. "Reception of our broadcasts in Europe may be the worst in the world," he says. "Basically, it's a problem of distance, interference, and, of course, this year is very bad in terms of sunspots."

Sunspots or no sunspots, the only Japanese message to reach European ears in recent years has been an economic one. Europeans have replied with anguished cries of "unfair competition" and "economic animal." Japan's laser-like approach to foreign markets, its protection of its own economy from outside competition, and its apparently unstoppable economic growth rate have kept European-Japanese relations on a complaint department level. But things may be changing.

Both Europe and Japan have begun to recognize a need for relations that go beyond the technicalities of a one-sided trade quarrel. Recent world events underscore that need. Highly dependent on outside sources to fuel economic growth, Europe and Japan have shown themselves equally vulnerable to Arab oil cutbacks and price increases. Both have much to lose if the energy crisis leads to cutthroat consumer competition. The energy crunch, combined with US Secretary of State Henry A. Kissinger's maneuvers to redefine the major industrialized countries' relations on a triangular basis, have challenged diplomats, businessmen, and scholars to rethink European-Japanese ties.

European complaints have stemmed from what they see as a US-supported Japanese invasion of the European market. Since 1970, Europe has increasingly had to bear a Japanese export burden discarded by the United States. Voluntary controls, President Richard M. Nixon's August 1971 surcharge, and yen revaluation effectively diverted much of Japan's US-bound exports to other markets. According to the Japanese Ministry for International Trade and Industry (MITI) statistics, approximately \$600 million of exports were diverted to Western Europe from US and Asian markets in the last quarter of 1972 alone (see graph). The six original EC members plus the United Kingdom have run a trade deficit with Japan which has grown from \$308 million in 1970 to \$1.3 billion in 1972. In the first 11 months of 1973 these seven EC members ran a \$1.08 billion trade deficit with Japan. Japanese exports to the Six and Britain in 1972 grew by 44 per cent compared to an increase of 22 per cent in imports from those countries, according to Federation of Economic Organizations (a spokesman for the Japanese business community) statistics.

JAPANESE EXPORTS CAUSE CONCERN

Japan's claim to the total European market is still relatively small—only about 5 per cent of total 1970 imports into Western Europe excluding intra-European trade. What makes Japan's eco-

nomie presence in Europe so strongly felt is not so much total import volume as the concentration of certain types of imports. "If we leave them to their own devices, they could theoretically take over Europe industry by industry," a Eurocrat commented in Brussels last summer.

Indeed, Japanese inroads in certain markets—mainly steel, autos, office machines, and electronics—have brought clamors for mercy from hard hit domestic producers. European officials have responded by pressing Japan for voluntary export limitations in such areas as steel, textiles, and electronic equipment. Where voluntary measures are not taken, the Community acts in predictable self-defense. For example, last spring the Community endorsed Italy's decision to apply import quotas on tape recorders, a measure which theoretically applied to all third country imports, but which in practice affected only Japanese products.

Domestic pressures force European governments to cling stubbornly to a safeguard clause adequate to protect European markets from the perceived Japanese onslaught. An attempt to replace the bilateral trade agreements currently in effect between Japan and seven EC member countries with an EC-Japanese agreement ended in dismal failure in July 1971 over the safeguard question.

EASED ACCESS FOR EUROPEAN EXPORTS

Tokyo's recent trade and capital liberalization policies have somewhat eased Europe's access to Japanese consumers, mollifying European accusations of protectionism. Tariff reductions of 20 per cent on most industrial products, effective December 1972, brought Japan's tariffs roughly into line with those of the Community.

"Recent liberalizations have been effective, as you can see by Japan's imports last year," a Dutch diplomat in Tokyo said recently. Japan's total imports jumped 67 per cent during the first nine months of 1973. For the same period, the original EC Six and the United Kingdom still registered a trade deficit, but their exports to Japan rose 56 per cent compared to a 22 per cent increase in 1972, according to Federation of Economic Organizations statistics.

Japan's investment liberalization program has been a sore point in European-Japanese relations since it began in 1967. Japan would announce a new round of liberalization every year or so amid paroxysms of self-congratulation, and European officials would groan skeptically and wait for the inevitable complaints from their countrymen trying to do business in Japan. Since March 1973, however, many foreign investment projects in the "liberalized industries" have not met with the usual government delays and interference before receiving official approval, according to one foreign business consultant in Tokyo. "The Japanese are learning they do not need investment restrictions," he said. "The Japanese way of doing business alone is an effective

barrier to Western business.”

The energy crisis may temporarily reduce the most immediate irritant in European-Japanese relations. Oil shortages in Japan will at least in the short run relieve export pressure on Europe. Economists expect Japan's gross national product (GNP) to grow by less than 2.5 per cent this year compared to 12 per cent in 1972, and some observers predict a corresponding 10 per cent to 15 per cent decrease in export volume. Japan's top three exports to Europe—ships, automobiles, and steel—are expected to be especially hard hit by the oil shortage. After near public panic last November due to a toilet paper shortage, some Japanese planners fear the consequences of diverting the now precious resources into export industries rather than domestic consumption.

The reprieve may, however, be short. Staggering to its feet, Japan Inc. is tightening its belt for a fight against stagflation. Tax increases, public spending cuts, and promises by business to accept reduced or zero profits may hold inflation down to manageable levels. The government is considering restricting certain types of investment abroad in an effort to stem the rapid decrease in its foreign exchange reserves. Some Japanese economists already predict export drives later this year to regain losses caused by increased oil costs.

KISSINGER'S PROPOSAL

One of every three marriages in Japan is arranged. A go-between carefully checks the marriage aspirations, history, and compatibility of the intended partners before a first meeting is proposed.

Kissinger's research efforts must have looked skimpy to the Japanese go-between, but Kissinger was not proposing an ordinary marriage. His call last April for a new Atlantic Charter to declare one common trilateral position on all major issues confronting the United States, Europe, and Japan was born of power politics.

Europeans feared that a deft strategist like Kissinger could easily gain the upper hand in triangular negotiations. America's strong defense position could serve as a negotiating chip for what was at that time a weak trade position, while close US ties with Japan would further tip the balance in America's favor. Europeans saw Japan's inclusion in the "Atlantic dialogue" as an artificial manoeuvre to pry open still further European markets to Japanese trade.

The Japanese were as surprised as the Europeans to see Kissinger include them in a new Atlantic Charter. Though wary of military entanglements in Europe, they tentatively accepted Kissinger's offer of membership in the prestigious economic trio.

In an essentially face-saving move made necessary by Europe's icy reaction, President Nixon, during an October news conference, envisaged a separate, bilateral EC-US declaration, a US-North Atlantic Treaty Organization (NATO) declaration, and



"One of every three marriages in Japan is arranged." Ikebana, the traditional Japanese art of flower arranging, is customarily taught to young ladies before marriage, in order to cultivate personal grace.

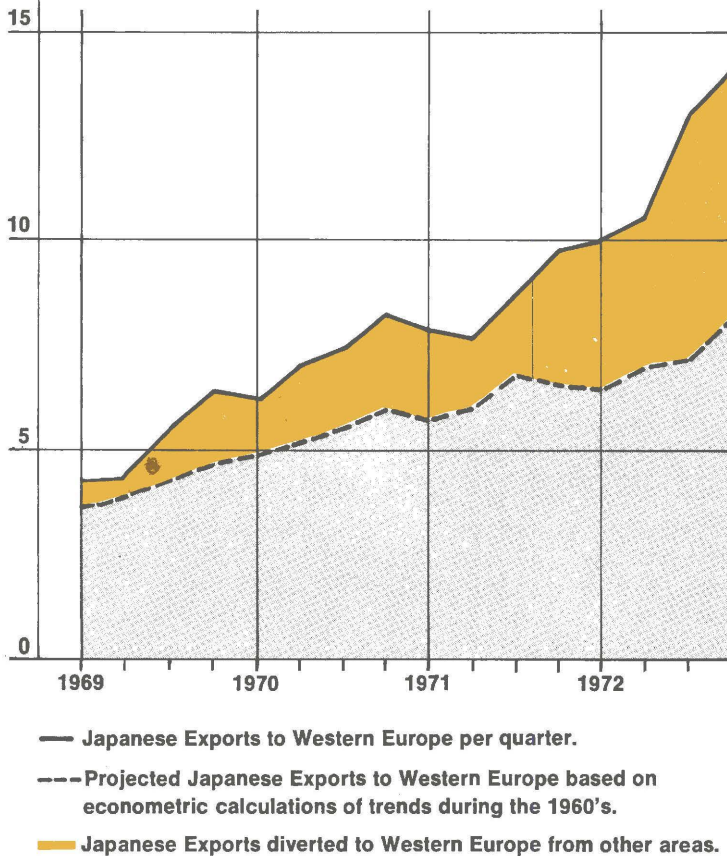
a third general declaration which would be signed by the EC, the United States, and Japan.

Japan, finding itself rebuffed by Europe as a result of a US initiative, began to lose enthusiasm. Publicly, some officials even showed some sympathy for Europe's position. "Europe did not reject Japan," a Foreign Ministry official said in a recent interview. "It rejected domination by the United States. Actually, we don't like the idea of negotiating with Europe through the United States either." Privately, however, some Japanese admit feelings of resentment and echo Kyoto Sangyo University professor Kei Wakaizumi's criticism that the EC position "lacks a long-range perspective" and is based "completely on regional interests."

Of course, the Yom Kippur War pushed the entire trilateral concept into the background as nations scrambled to pay the blackmail demanded in return for Arab oil. Both Europe and Japan outlined policies independent from one another and from the United States as the prospect of a long cold winter ahead became increasingly real. When the crunch came, European countries found it difficult to form a common front and individual countries played whatever national trump they possessed in unilateral efforts to turn the Arab taps back on. Called by Kissinger,

DIVERSION OF JAPANESE EXPORTS TO WESTERN EUROPE*

(100 million US dollars)



*Based on calculations by Japan's Ministry of International Trade and Industry.

the February 11 Washington conference on energy questions was expected to be a proving ground for the trilateral concept. So far, long-term benefits of cooperation seem increasingly obscure when, in the short term, national livelihood is at stake.

To many Japanese, the oil crisis emphasized a long-standing problem—the lack of communication between Japan and Europe. “With the oil crisis we should be able to get on the phone to 20 or 30 people in Europe and say informally, ‘Look. We are headed for trouble. Now how can we get out of this together?’” Tadashi Yamamoto, director of the Japan Center for International Exchange, said in a recent interview, “We can do this with the United States with people like [John D.] Rockefeller and [George W.] Ball but we can't do this with Europe.”

Europeans' pride in their own culture and their desire to introduce others to the benefits of the Western way of doing things have blinded many to the beauty and value of Japanese culture, some Japanese complain. “To Europe, Japan is nothing,” Yamamoto said. “There is no concept of Japan beyond Sony.” “Euro-

peans should open their minds to Japan,” complained Shiro Amano of Japan's Ministry of International Trade and Industry. “They know nothing about us. When I was in London recently, friends there asked me if we had elevators or ate beef in Japan.”

REMEDYING THE COMMUNICATIONS GAP

Last year a group of concerned private citizens took steps to remedy the potentially dangerous communication gaps among the three major economic powers by forming the Trilateral Commission. The 177 commissioners, whose list of names resembles an international Who's Who, met in Tokyo last October and resolved to “search for new political perspectives on major international issues.” Japanese participants hope that eventually the Commission will foster new intellectual and cultural ties with Europe.

In the past, even diplomatic channels of communication between Europe and Japan have been surprisingly awkward, considering the growing importance of trade between the two. The Japanese, of course, maintain close bilateral ties with the nine EC member countries through the various embassies, but no one speaks for Europe as a whole in Japan. The main daily contact with the Community now is through the Japanese Ambassador to Belgium.

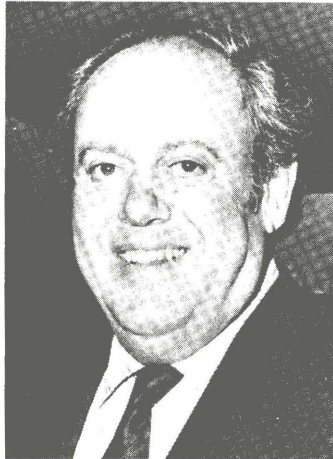
Recognizing that the communication problem is a real one, Japan has pushed in recent years for an EC liaison office in Tokyo similar to the one in Washington, DC. The Community was willing to establish a lower level information office but balked at the idea of a full-fledged EC delegation to Japan. Now, however, the EC Commission has apparently allayed some member countries' fears that national embassies would be upstaged, and negotiations between Japan and the Community on the establishment of a liaison office are in progress. The Japanese say they hope to see results by mid-year.

Contacts have not yet been institutionalized, but official visits between Tokyo and Brussels have proliferated in recent months. Since Japanese Foreign Minister Masayoshi Ohira visited Brussels last May, Japanese delegations from the Foreign Affairs Ministry have travelled twice to Brussels. After the opening of the General Agreement on Tariffs and Trade talks in Tokyo last September, the Community delegation remained behind for several days of meetings with their Japanese counterparts. A month later Prime Minister Kakuei Tanaka visited European capitals for talks on trade and energy cooperation. François-Xavier Ortoli, President of the EC Commission, was due in Tokyo this winter to discuss a wide range of issues affecting EC-Japanese relations. There is nothing yet comparable to the institutionalized bilateral talks between the United States and the Community or the frequent exchanges between members of the US Congress and the European Parliament, but there is little doubt that the European-Japanese dialogue has begun.

Speaking Out on US-EC Relations

To Be an Equal Partner, Europe Must Unite

CHRISTOPHER SOAMES, a Vice President of the Commission of the European Communities



On January 16, EC Commission Vice President Christopher Soames, responsible for the Community's external relations, addressed the European Parliament on the present state of EC-US relations. An abridged version of his speech follows.

Europe's relationship with the United States is and must and will remain a primordial one on both sides.

There were fears at the beginning of 1973 that economic differences between the United States and the Community might spill over and affect other aspects—including political and security aspects—of that vital transatlantic relationship. It was very clear by early summer, however, that the danger had, for the time at least, been averted. Late last year there were fears of the inverse process: that differences in view over political and security matters, deriving from events in the Middle East, might spill over and affect our economic relations. Certainly that is still a possibility of which we are acutely aware.

But US-EC relations do not only deal with the immediate, dramatic things that hit the front pages. There are strong ties of non-controversial cooperation, plans for further cooperation, and a constant dialogue at all levels and almost all walks of life, particularly in the realm of commerce and economics.

PSYCHOLOGICAL PROBLEM

What we do face at the moment is a psychological problem.

On both sides of the Atlantic last year a certain expectation built up that relations between Western Europe and the United States would somehow very consciously be redefined (see *European Community* No. 172, pages 8 and 11).

Perhaps a redefinition of relationship can have dramatic usefulness between old adversaries. But it is a much more delicate and complicated process when old friends are involved—and a process from which it would be misconceived to hope for dramatic results.

In any case, the events in the Middle East and the subsequent energy crisis have cut across that process of formal and somewhat abstract redefinition and confronted us with some very specific and immediate tasks.

A fundamental truth is thus brought home. It is not merely by drafting texts—however constructively, however cleverly—that

the satisfactory development of transatlantic relations will be secured. It is much more by the way we handle the often unforeseen events and problems we both face that this relationship will really be defined.

Perhaps the most urgent preoccupation both in the United States and even more so in Europe at the moment is the world supply of energy, its quantity and its prices. This is not simply the most urgent of the problems on the international agenda. It is also a test case of Europe's relations with the United States. It exemplifies the nature of that relationship: On the one hand Europe is, at least in the medium term, far more dependent than the United States on Mideast oil, and some EC Member States have different historical and political relationships with that area. So some divergence is bound to occur in the way we see the present situation. But, on the other hand, we share common concerns for the future, which must bring about a meeting of minds across the Atlantic.

None of us as energy-consuming countries wish to see competition among ourselves, driving up prices, in the face of a relatively cohesive front of exporters. None of us can afford to see a beggar-my-neighbor return to protectionism as each consuming country tries to cut down on non-energy imports in order to devote increasing proportions of its shrinking export revenues to pay for oil imports at higher prices. None of us want to see the economies and the societies of the "Third World" shaken, not to say destroyed, by the heavy impact which the vastly higher cost of their oil imports—such a very large share of imports for many developing countries—could trigger. None of us wish to see international monetary anarchy as tidal waves of unprecedentedly large, internationally mobile, liquid funds pour from one currency into another.

CRISIS PRESENTS CHALLENGE

The EC Commission takes the view that this looming crisis is a challenge: A challenge to our imagination, to our solidarity and generosity, indeed an opportunity that must be seized for closer, more far-reaching, and more forward-looking cooperation between the industrialized countries of Western Europe, North America, and the Pacific, with the threatened interests of the developing world and the legitimate interests of the oil-producing countries also very much present and represented.

"The United States," Secretary of State Henry A. Kissinger recently announced, "is prepared to make a very major financial and intellectual contribution to the objective of solving the energy problem on a common basis, and the US President has now proposed a meeting on February 11 as the first step in the consideration of the problem on an international plane."

I need hardly stress how warmly the Commission welcomes the January 15 decision of the EC Council that the Community would accept the invitation.

In the multilateral trade negotiations in the General Agree-

ment on Tariffs and Trade (GATT), it has always been obvious that there can be little substantive progress until our chief trading partners have obtained powers to negotiate and a mandate of negotiation. The Commission is therefore extremely glad to note that the US House of Representatives has now passed the trade reform bill and sent it on to the Senate. Once the Senate has passed it, the Commission hopes that the GATT partners can get on as soon as possible with the mutual reduction of tariff and nontariff barriers to trade in industrial products together with a significant increase in the mutual exchange of agricultural goods. The Commission thus looks forward to substantive negotiations beginning some time this year.

If a close relationship and a mutual understanding between Western Europe and North America were vital in the years of wartime danger and in the years of peacetime political tension, it is no less vital now when the world economy has to adjust itself to a very uncertain future. The GATT negotiations will no doubt be long and complicated—the more so since the world economic climate has changed a lot since the Tokyo Declaration (see *European Community* No. 170, page 15), and major problems have arisen which were not foreseen and could not have foreseen at that time.

EQUAL PARTNERSHIP

I earnestly believe that what we are seeking and groping for is a new level of equal partnership between the United States on the one hand and the European Community on the other. It will inevitably be a relationship of a totally different kind from what was the relationship between the United States and any one of

the individual EC member countries before the creation of the Community. To arrive at a situation of equal partnership is going to demand a high degree of understanding on both sides of the Atlantic.

First, let us consider it from the US point of view. The Americans, as I see it, must appreciate that the conception of a united Europe is not merely in order that the countries and the peoples of Europe should enrich themselves further. Rather, it is so that Europe, with all the long experience which goes so far back into the past, can bring that experience to bear on the major problems of the world, using that experience and offering it to the world in all the great problems which the world faces. This fact must be appreciated by the United States, which must understand that its relationship with Western Europe can no longer be the same as it was accustomed to between the United States and individual EC member countries.

Secondly, from the European point of view, I offer this thought. When we talk about a dialogue between equal partners, Europe had better put itself in the position where it can be an equal partner. If Europe does not, it is Europe's own fault and no one else's. It is no good blaming other people. This does not mean merely that Europe can talk with one voice about commerce or about negotiations within the GATT. That is all very important, but is by no means enough. It means that we have to superimpose, and have the will to do so, in our national interests the realization that it is in all our interests that Europe should succeed. This means realizing that what may look bad in the tactical, immediate future for an individual country may be the right solution for Europe.

At the moment, Commission proposals on whatever topic—I do not say whether any particular proposals are good or bad—at least come out as European proposals and are conceived as such. They are then discussed in the Council of Ministers and in the member countries as national problems and are thrown into the national arena. What has to happen, if we are to ensure that the European interest dominates, is that somewhere along the line such proposals return to being discussed in a European context. Europe owes this not only to itself but to its partners.

But, at present, it is difficult for our partners. The European-American partnership-relationship covers an enormous spectrum. Yet on a large range of that spectrum we cannot talk with a European voice. It is difficult for the United States when it does not know to whom it should speak—and when it does speak to the chairman in office of the EC Council of Ministers, all he can say is, "I take note of what you say and I will report it to the Council of Ministers."

We have progressed. But how we progress, how we manage it, and what sort of concept we have are secondary compared with the basic realization that we must progress not only in our own interest but also if we are to get into a position in which we can claim to be equal partners.



"Let's keep the pace! . . . One, two, trois, quatre. . . . uno, due, drei, vier . . . !"
Frank Jacome, Rothco Original.

The Politics of Energy

Crisis Affects EC Solidarity and US-EC Relations

MARTIN U. MAUTHNER, senior editor in the EC Commission's Directorate General for Information

A common policy on oil is 10 per cent oil and 90 per cent politics, Henri Simonet, Commission Vice President in charge of energy questions, once noted. Events since Arab oil producers decided to use their "black gold" as a political weapon have confirmed his observation. Having initially plunged Europe into disarray and political confusion, in the words of another Commission Vice President, Sir Christopher Soames, the Arab-Israeli war and the subsequent oil embargo and reduction in supplies have since impelled the nine European Community Member States to think hard about the Community's political nature. The Middle East crisis has also led them to take their most important step so far in political cooperation—seeking to "speak with a single voice" on major world issues. The reaction to the war and oil cuts could have profound longer term political repercussions on the Atlantic Alliance and, in consequence, on relations between the Community and the Communist countries.

The energy question will test the European Community's worth, German Chancellor Willy Brandt told the *Bundestag* on November 29. Brandt voiced many commentators' opinions and the thoughts of the majority of the public (judging from the results of a poll published by the Commission in December*). The Community means solidarity, aiding a fellow member in trouble, even if inconvenient. If Member States cannot pool their resources, as pledged in the Common Market Treaty, during emergencies such as the oil crisis, commentators asked, will they do so in less critical situations? When the European Parliament called for "full solidarity" in the energy crisis it was clearly urging partner states to be prepared to help the only Member State that has had to suffer an oil embargo, the Netherlands. Many observers saw the oil crisis as an acid test for the Community.

"SURRENDER TO BLACKMAIL?"

The oil crisis posed one of the biggest threats to the Community's solidarity by dividing the Nine. While Germany, Denmark, and the Benelux countries called for overt Community action, Britain and France urged the traditional path of bilateral diplomacy behind closed doors. There was no concertation on measures to curb the use of oil. Subject to a four-gallon weekly gasoline ration since January 21, Dutch drivers near the German and Belgian borders, for example, naturally crossed the frontier to fill up their tanks, perhaps depriving their neighbors.

The doctrine of Community solidarity was not openly challenged. Behind the scenes Member States may have applied it, if only negatively, by letting the international oil companies divert non-Arab oil to the Netherlands from its partners. They may have gone further and given the Netherlands secret assur-

ances. Some analysts concluded that that was what swung The Hague around to accepting the joint policy statement issued in November (see *European Community* No. 172, page 4).

The public was perplexed. After listening for years to innumerable declarations about the need for Community solidarity, in the crunch Community leaders seemed determined to evade the issue, even in the statements made after the December 1973 "Summit" meeting of the Heads of State or Government in Copenhagen. To many, it looked as if Community leaders were following Arab instructions and practicing the old beggar-my-neighbor tactics of pre-Community days.

A headline in *Le Monde*, "Judas l'Européen," illustrated public feelings, ranging from disappointment to disgust over what was widely portrayed as appeasement and an undignified series of attempted bargains between individual EC Member States and individual oil producers. Cartoonists and others hinted at "Munich" and appeasement. Serner critics portrayed Europe's behavior as betrayal and surrender to blackmail.

The low-keyed voice of Britain's business community, the *Financial Times*, summed up the moderates' criticism this way: "Faced with the prospect of domestic energy dislocations as a result of the energy crisis, many if not all of the Member States have pursued bargaining tactics designed to maximize short-term national interests, at the risk of jeopardizing the longer-term goal of Community solidarity on problems which are essentially common problems."

A shriller tone came from Bernard Levin, a regular columnist in *The Times* of London: "Nothing in the realms of cowardice, selfishness, cant and short-sighted folly is beyond the bounds of possibility in view of what has actually happened already. The first time—the very first time—that any external strain is put upon the EEC [European Economic Community] alliance, the ties that bind its members snap. No, they do not snap; the members themselves rush forward eagerly to snap them."

Some people attacked the Community for failing to solve an elementary problem of sharing resources within its own ranks while others maintained that in the absence of a common energy policy, the Member States have no such obligation.

French Premier Pierre Messmer claimed that the lack of a common policy allows France to continue to apply its 1928 law controlling oil movements. Thus, France need not choose between Europeans and Arabs, he said but also asked EC partner states not to force France to choose.

Critics of the EC's stance say the oil crisis provides the urgent circumstances in which an agreed stand on fuel resources could be hammered out. They recalled how Egypt's nationalization and subsequent blockade of the Suez Canal in 1956 acted as a catalyst in the formation of the European Atomic Energy Community (Euratom) and the EEC.

Despite the lack of a common energy policy, Member States' precautionary measures to control oil exports to partner states

* Some 13,000 people in the Nine, representative of Member States' total population, were asked, among other questions, whether partner countries should come to the assistance of a Member State in serious economic difficulties. Between 59 per cent (Britain) and 88 per cent (Italy) replied "yes."

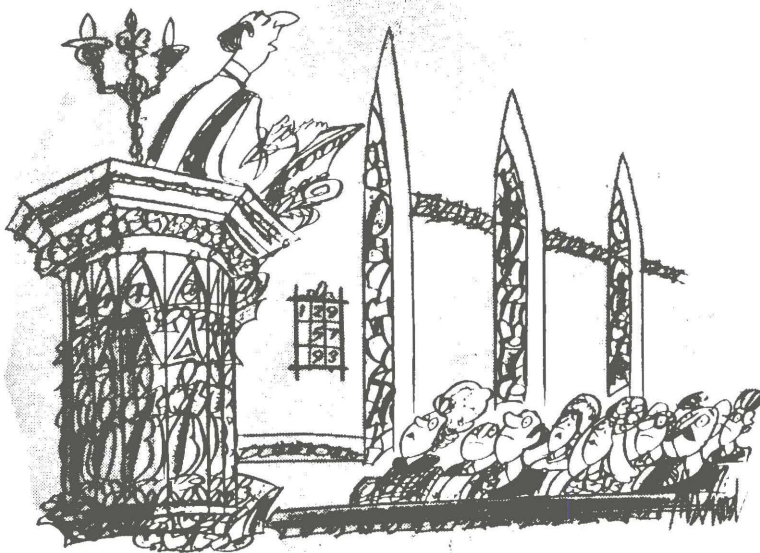
looked to some observers like an infringement of the EEC Treaty ban on export quotas.

Defenders of Member States' strategy argued, above all, that by publicly sympathizing with the Netherlands and offering to share their oil with it, partner states would provoke the Arabs to reduce supplies to Europe further. No Community country would benefit then. They pointed out that Arab oil producers, with their massive currency reserves and unindustrialized economies, could adjust far more easily than the Europeans to the effects of a severe and prolonged cut in oil supplies.

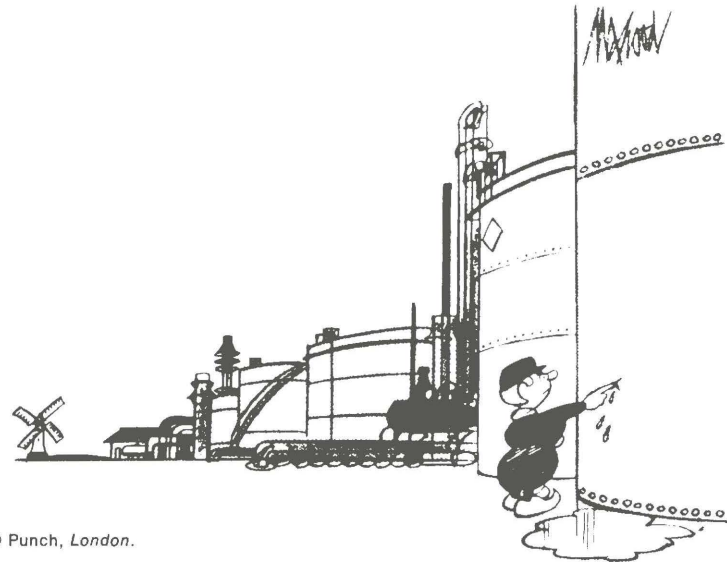
MEMBER STATES' FEARS

Some observers noted Britain's fears that, if it agreed to pool oil supplies with the embargoed Netherlands, it might one day face pressure to share its indigenous oil and natural gas resources with partner states. The British were not amused when shortly before they joined the Community, a senior Commission official suggested in London that North Sea energy should be regarded as a Community asset. Many British hope that these new fuel resources will help not merely to halt the country's economic decline but to launch a new era of prosperity, similar to that sparked off by coal two centuries earlier.

The British Government is also worried, some reports say, that, if the public has to suffer in the cause of Community solidarity, Community popularity will further decline, perhaps helping the Labour Party win the next general election, due to be held before the summer of 1975. As it is, Prime Minister Edward Heath faces a campaign grouping leading opponents of continued UK membership to "get Britain out" and to correct "the great mistake."



"And now, a prayer of thanks for oil—would you all kindly kneel facing Mecca."
© Punch, London.



© Punch, London.

The French, who favor a common energy policy based on government control of the oil industry (as in France), recalled the Netherlands' insistence on "liberal" principles that would not restrict the operations of Royal Dutch Shell, the country's leading multinational concern. France, Germany, and Italy have for a long time sought to build up domestic concerns to rival the "Anglo-Saxon" oil giants.

French President Georges Pompidou also noted Dutch resistance to Community moves that might threaten Rotterdam's privileged position as Europe's biggest port. The Dutch quickly realized that this was precisely what the oil embargo could do, to the benefit of Antwerp, Dunkerque, Le Havre, and Fos, near Marseille.

French commentators observed that the Dutch showed no Community solidarity on energy when asked to take part in the French nuclear energy project for enriching uranium by the gaseous diffusion process. The Netherlands instead joined forces with Britain and Germany in backing a rival ultracentrifuge technique. During the petroleum crisis, the Dutch maintained that help in an emergency differs from normal cooperation on less critical matters.

IRONICAL SITUATIONS

For the Netherlands the Middle East crisis produced some ironical situations. Although the Netherlands is one of the most ardent supporters of the "Third World" and of African liberation movements struggling against white domination, the Arabs classed it with such other enemies of the Arabs as Portugal, South Africa, and Rhodesia. In addition, the Netherlands found a Franco-British alliance opposing its demand for "Community solidarity." Yet it was The Hague that for years tenaciously opposed French moves to block British entry, partly because it saw Britain

as a counterweight to France. The desert war caught the Nine by surprise, but the Member States managed to present a joint stand on the Middle East crisis soon after the ceasefire with their controversial resolution of November 6.

By calling for an immediate return to the October 22 ceasefire lines, an end to Israel's "territorial occupation" and consideration of the Palestinian's "legitimate rights," Community foreign ministers were regraded as tacitly acknowledging the power of the Arab oil weapon. Their bid to "appease" Arab governments gave rise to fears that they had made themselves vulnerable to further pressure from the Arab oil producers.

France's *Nouveau Journal* called the resolution a "Canossa declaration." Britain's *Daily Telegraph* referred to a "hastily cobbled up attempt to conceal the EEC's previous total lack of consultation on the war."

Some critics claimed that France and Britain had inspired and pushed through the resolution. This viewpoint was dramatized by demonstrators who released two cocks and seven hens at the Commission headquarters in Brussels.

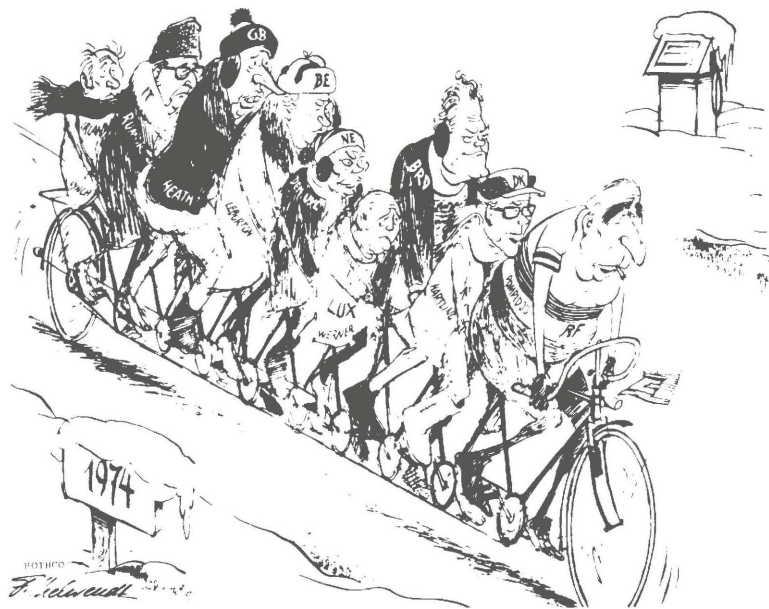


"Y'know, I think this oil crisis is worse than the Government is letting on. . . ." Mac, *The Daily Mail*, London.

"BIRTH CERTIFICATE OF EUROPEAN DIPLOMACY"

British Foreign Secretary Alec Douglas-Home presented the November 6 statement as a success for the process of political consultation of the Nine. He saw it as an important step towards a common foreign policy.

Carlo Casalegno, of *La Stampa*, called the resolution "the first document of an independent Community policy and almost the birth certificate of European diplomacy."



"European Movements." Behrendt, *Het Parool*, Amsterdam.

The foreign ministers' resolution was portrayed as in line with United Nations' resolutions on the Middle East. Sir Alec Douglas-Home said it even contained a comparable ambiguity over Israel's evacuation of occupied territory.

For Belgian Foreign Minister Renaat van Elsende, the resolution balanced support for the Arabs' demands with a reaffirmation of Israel's right to live peacefully within secure and recognized boundaries.

Nonetheless, as Carlo Casalegno conceded, this "renewed affirmation of independence and unanimity would have carried greater weight if achieved a few months earlier, and by free choice rather than by necessity under the threat of being deprived of light and heat through lack of oil."

"DISREGARDED EUROPE"

If Community solidarity was severely tested, so, too, was the Atlantic alliance. What Washington had launched as the "Year of Europe," with a revitalized Atlantic alliance as the goal, ended as the "Year of Disregarded Europe." Relations between the two sides had rarely been so poor as during the Yom Kippur War. No ally within the Community except the Netherlands backed US moves to aid Israel. Germany proclaimed its "neutrality" and told the United States to stop using German ports to load US arms on to Israeli ships. Britain, it was reported, refused to let the United States use Royal Air Force facilities in Cyprus. The Arabs threatened Italy with reprisals if it provided the US Sixth Fleet, based in the Mediterranean, with Arab oil.

A further European rebuff for the United States came with the



Belgians poke fun at "never-on-Sunday" driving ban by running this mock bus through Brussels' Grand' Place.

Community's Middle East resolution. Its contents were not significantly more pro-Arab than the United Nations resolutions the United States had supported. Its timing, however, while US Secretary of State Henry A. Kissinger was carrying out delicate negotiations in Cairo, was not appreciated.

US anger was balanced by shock on the European side after the United States put its forces on nuclear alert without consulting its allies. Only a few days earlier, the US State Department had sought to strengthen the Community's draft "Atlantic Charter declaration" with a reference that both sides would deal on a common basis with common concerns. Many Europeans were dismayed at the way Washington and Moscow, in their eyes, had imposed their ceasefire formula on the United Nations Security Council.

Criticism was especially sharp in France. Pompidou said it was dangerous that Europe had had no part in negotiating and carrying out the ceasefire in a region where it had direct interests. His Foreign Minister, Michel Jobert, referred scathingly to the Security Council's impotence and the fact that, despite their agreement to prevent nuclear war, the United States and the Soviet Union had failed to concert their action on the war's eve and just after it broke out. He castigated the superpower "condominium" which had humiliated Europe and treated it as a "non-person." André Fontaine complained in *Le Monde*: "It is a euphemism to say the United States now has more consideration for the Soviet Union than for its European partners." A French *deputé* termed the Soviet-American action as a "third Yalta"—the second being the Nixon-Brezhnev nuclear pact of June 1973.

It is hardly surprising that the French were lukewarm about Kissinger's proposal for an energy action group to stimulate cooperation among industrialized countries.

The rift within the Atlantic alliance could have far reaching re-

percussions for Europe's defense. In the long run it may force the Europeans to revive plans for a European defense community. By leaving President Nixon in the lurch, as some Americans see it, Europe may have helped increase pressure within the United States for the unilateral withdrawal of some of the 300,000 American troops stationed in Europe.

If Germany were to renew attempts to prevent American deployment of US materiel in Germany beyond the area of central Europe covered by the North Atlantic Treaty Organization (the signs are that it would not), the US Administration would be sorely tempted to locate its weapons elsewhere.

In any case, the successful transatlantic airlift to Israel of US aircraft and tanks could lead the Pentagon to review the value of its bases and depots in "unreliable" European countries and decide that the withdrawal of US troops was militarily feasible.

To the Americans, Europe looked shortsighted in thinking only of ensuring its immediate oil supplies. Precisely because Europe has a more vital interest than the United States in the Middle East, Europe should, the argument ran, have backed US efforts to end the war.

The US view was strongly echoed by the influential London weekly *The Economist*. Criticizing Europe's neutral stand in the crisis, it said Europe was trying to shut its eyes to what was at stake, and then running around in frightened circles because the problem would not go away. It managed to combine "the behavior of the ostrich and the hen," and failed to see where its own interest lay, according to the journal.

SOVIET REACTION

The Soviet Union, predictably, welcomed the tensions in the alliance, especially Bonn's protest to Washington over its use of US military installations in Germany. "We are witnessing the heartfelt wish of West European countries to profit from the new situation to ensure a greater political independence vis-à-vis the United States, an independence that corresponds more to the new relationship of economic power of the two sides," commented the Soviet paper *Izvestia*.

The Middle East crisis revealed a conflict between American and European interests, just as it exposed some of the deep differences that still exist among Community Member States.

The Community's equivocal response to the Arabs' action reflects the incomplete, if not fragile, nature of European integration. By appearing unwilling to resist outsiders' demands that they join in what amounts to a blockade of a Member State, the Netherlands' partners may have saved Europe from a near complete economic shutdown. But the European idea has suffered in the process. As the *Frankfurter Allgemeine Zeitung* put it: "Solidarity with the Netherlands would have been a political sign that Member States were prepared to make sacrifices on one another's behalf, and that would have eased cooperation in other sectors."

Integration Theories

Explaining the Unexplainable

ROBERT S. WOOD, associate professor of government and foreign affairs at the University of Virginia

The European Community is an anomaly in international politics. Attempts to explain this anomaly have given rise to a speculative enterprise known as integration theorizing. The enterprise is flourishing, particularly in the American academic community.

Integration is often compared to the Biblical concept of marriage in which the partners, while retaining their individuality, achieve a union the source and animating principle of which seem shrouded in mystery. *Integrative relationships* are commonplace and indeed essential in domestic politics and to the formation of nation-states. In international politics and interstate relations, however, two other types of relationships are the rule:

“Do something nice for me—and I’ll do something nice for you.” *Bargaining relationships*, a major part of both domestic and international politics, are based on an agreement to give-and-take. When bargaining among domestic groups over specific issues breaks down or proves fruitless, the parties normally appeal to a constitutional consensus and a constitutional structure. If this fails, revolution may loom. In international politics, however, the threat of violence is always the initial—and prudent—assumption.

“Do what I want—or I’ll do something nasty to you.” When international negotiations collapse, *threat relationships* become standard. Conflict is resolved not so often through peaceful consensus as through the fear of threat and counterthreat—or, more euphemistically, current usage favors “deterrent” and “retaliatory.” War, the forceful resolution of conflict, is the final solution. This “anarchic” model of international politics has historically been the norm.

TWO THEORIES

Since World War II, however, in certain interstate regions—notably Western Europe—threat relations no longer seem appropriate. Ironic perhaps, since the threat and use of force had reached its zenith in Western Europe, the birthplace of two World Wars. The West European countries’ movement from threat to integrative relations captured the attention of students, researchers, and scholars throughout the world.

The theories which emerged are basically of two types: *empirical* and *manipulative*. The empirical theories attempted to construct a system of deductive explanations or predictions for integration. Key concepts were defined; assumed relationships between the concepts were stated; and the necessary conditions to make the theory applicable were specified. The most notable effort was made by Ernst B. Haas, of the University of California at Berkeley, and Philippe C. Schmitter, of the University of Chicago, in their article in the journal *International Organization* in the Autumn of 1964. From the integrative experience of Western Europe, Haas and Schmitter generalized an abstract model that could be used to determine whether regional integration would happen elsewhere in the world.

Manipulative theories, on the other hand, attempted not only to understand but to direct the integrative processes. The rational—and manipulative—approach of the Enlightenment, which Lord Kenneth Clark has argued reached its quintessential climax in the person of Thomas Jefferson and the work of the American Constitution, appears to have made its way back across the Atlantic and finds frequent expression in the Commission of the European Communities. This attitude of creative manipulation pervades the public remarks of such EC notables as Jean Monnet, Walter Hallstein, Jean Rey, and Sicco L. Mansholt.

THREE APPROACHES

Whether empirical or manipulative, integration theories followed three essential approaches: *federalism*, *functionalism*, and *neo-functionalism*. The federalist and functionalist analyses are the more ancient, considerably antedating the creation of the European Community, and are basically manipulative in character.

The federalists argued that peace and economic interdependence could be assured only if the European nation-states surrendered all their sovereignty to a supranational European authority, such as the EC Commission. In other words, the states of Europe must create one state—a “United States of Europe.” This would require a decisive act of political imagination and will.

The functionalists, akin in spirit to Nineteenth Century economic liberals, argued that political disputes between nations should be avoided and their common social and economic interests sought. Intensive cooperation among social and economic groups across national boundaries would render the traditional questions of political power and influence irrelevant. Although the modern nation-state would be left intact, it would become incidental to much of what happens in society at large. The assumption underlying the functionalist approach was that the integrating states are democratic with a plethora of private interests. While the federalists seemed to view states in mercantilist terms, the functionalists’ view was from a more laissez-faire perspective.

The neo-functional approach seemed most closely related to the actual development of the European Community. Like the functionalists, the neo-functionalists saw economic and social interactions across national boundaries as the fundamental force in the integrative process. But like the federalists, the neo-functionalists saw the importance of political institutions. Free trade and other unrestricted transnational flows are not enough, the neo-functionalists argued, in this age of the modern welfare state. Since national governments have their hands in almost everything, integration becomes possible only with the creation of some kind of supranational political structure.

FREE TRADE “SPILLS OVER”

The European Community is a case in point, the neo-functionalists argued. It possesses real supranational authority, which, albeit limited, cumulatively expands. For example, the Rome

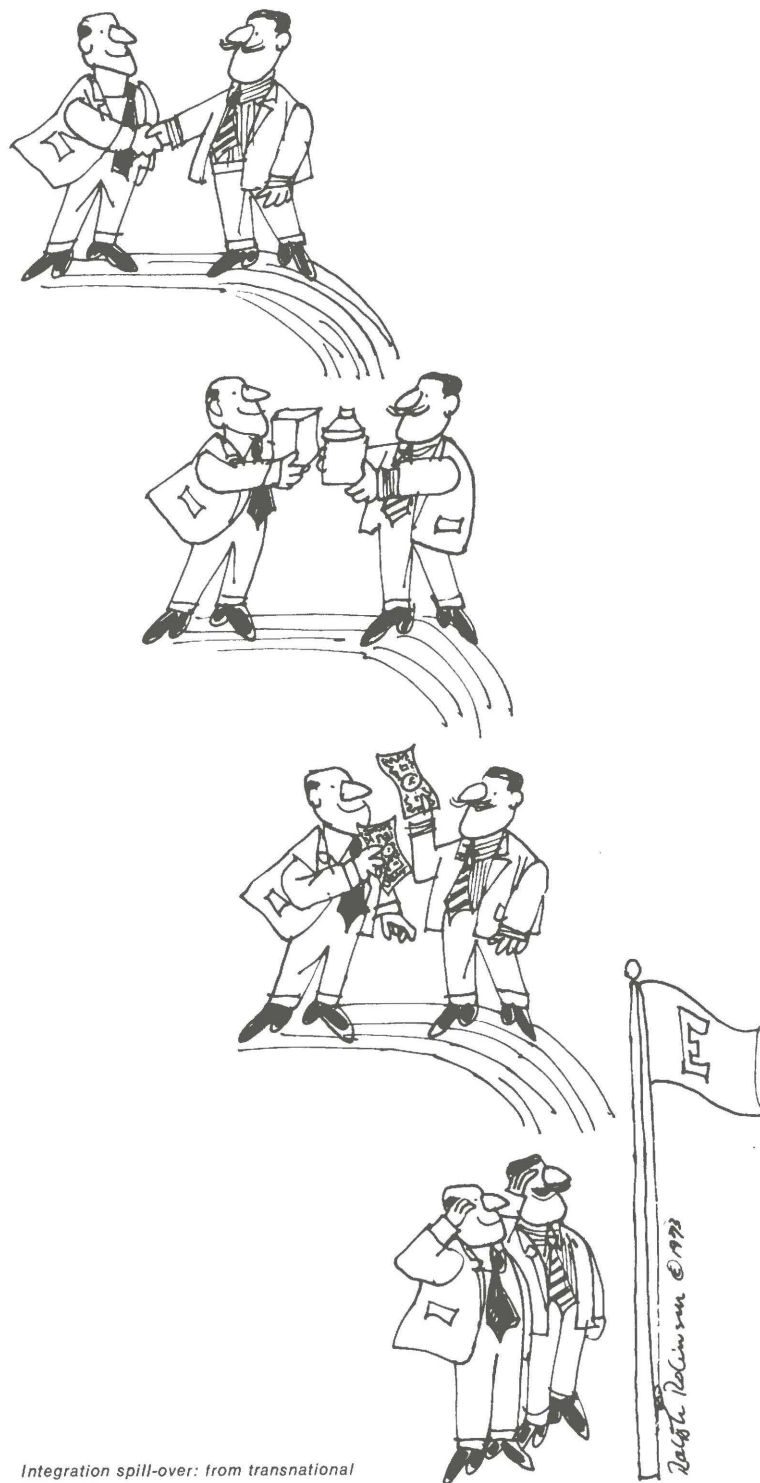
Treaty gave the Community power to dismantle trade barriers between the member countries and establish a common market. So interrelated are all aspects of the countries' economies, however, that the European Community soon found itself tackling the goal of complete economic and monetary union by 1980. This process—from free trade to economic and monetary union—is called “spill-over” by the academicians. The next step in this deterministic process would be spill-over into political union—perhaps a United States of Europe.

According to neo-functional empirical theory, spill-over is a deterministic process centered around the concept of politicization. In the words of Haas and Schmitter: “Integration can be conceived as involving the gradual politicization of the actors' purposes which were initially considered ‘technical’ or ‘non-controversial.’ Politicization implies that the actors, in response to miscalculation or disappointment with respect to the initial purposes, agree to widen the spectrum of means considered appropriate to attain them. This tends to increase the controversial component, i.e., those additional fields of action which require political choices concerning how much national autonomy to delegate to the union. Politicization implies that the actors seek to resolve their problems so as to upgrade common interests and, in the process, delegate more authority to the center. It constitutes one of the properties of integration—the intervening variable between economic and political union—along with the development of new expectations and loyalties on the part of organized interests in the member nations.”

HIGH AND LOW POLITICS

The Haas-Schmitter model was attacked on two intellectual fronts. Certain economists—for example, Lawrence B. Krause, of the Brookings Institution—argued that the economic gains from EC membership would be so great that there would be no need or pressure to move onto political union. The neo-traditionalists, best represented by Stanley Hoffmann, of Harvard University, challenged the assumption of an unbroken continuum between economic and monetary union and a United States of Europe.

Hoffmann premised his challenge on a distinction between “low politics” and “high politics.” While low politics in the European context basically concerns economics, high politics involves fundamental questions of nationalism, sovereignty, military might, and the international balance of power. This essential difference between high and low politics, Hoffmann argued, is seen by all national governments, who act accordingly. Thus, it is one thing for the EC member countries to pool their coal and steel production, for example, but quite another to set up a common European foreign policy. In addition, Hoffmann said, the neo-functionalists ignored the international environment and the differential manner in which the various EC states perceived them-



Integration spill-over: from transnational friendships, to free trade, to a common currency, and finally to a United States of Europe.

selves on the broader international chess board. The actions of Gaullist France seemed to support Hoffmann's view.

To meet not only the attacks on the academic battleground but also the turn of events in the European Community itself, the neo-functionalists revised their integration theories. From grand speculation about abstract models, the neo-functionalists turned to loose guidelines to focus research. Haas himself substantially modified his theory to show that integration and disintegration are two simultaneous processes, the relative strength of which depends upon the member countries' various national leaders. His new model, although less deterministic, formed a basis for explanation and some expectations, if not predictions, as to the future of the European Community and other integrative movements.

ACADEMIC ARGOT

Probably the best current ordering of neo-functional theory can be found in the revised neo-functional process model of Joseph S. Nye, of Harvard University. Nye's article was published in the Autumn 1970 issue of *International Organization*, edited by Leon N. Lindberg, of the University of Wisconsin, and Stuart A. Scheingold, of the University of Washington. Like Haas, Nye argued that the establishment of the European Community unleashed certain processes. Included in Nye's list of "process mechanisms" are:

- increasing interactions across national borders
- formation of transnational political, social, and economic groups
- growing sense of regional (instead of national) identity
- formation of political coalitions within the context of the new European institutions
- socialization of peoples toward less nationalistic attitudes and toward transnational "European" loyalties
- tendency of non-EC members to treat the EC member countries as one.

To Haas's concept of "politicization," Nye added "redistribution," "reduction of alternatives," and "externalization." These concepts are possible outcomes of the various process mechanisms. Whether they are indeed the outcomes depends upon the general conditions (what Nye labelled "integrative potential") in which the processes unfold. These conditions include the economic symmetry of the member states, their adaptive capacity, social pluralism, complementary values of the respective national leaders, as well as how the member states perceive the cost-benefit ratio involved in integration.

Redistribution refers to "the distribution of welfare, status, and power, both among groups within the member states and among the member states themselves." Reduction of alternatives presents the notion that "the independent alternatives open to political decision-makers are reduced as an integration process goes forward." Externalization means that "member states will be increasingly forced to hammer out a collective external position

vis-à-vis nonparticipant third parties, because the further integration proceeds, the more likely third parties will be to react to it, either in support or with hostility."

With Nye, the neo-functional approach clearly gained in sophistication—if not in academic argot as well. His model made a notable advance over earlier efforts in providing a functional distinction between high and low politics and in incorporating the international environment. But the grand explanatory and predictive theory toward which the original Haas-Schmitter model pointed seems at the moment out of reach.

THEORIZING WILL FLOURISH

Thus, the question still remains: What is integration? What indeed is the European Community exactly? It remains an anomaly in international politics, and no one quite understands it. For true understanding means that one can not only describe and explain but predict as well. Neither integration scholars nor EC officials can predict what the European Community will become.

So much intellectual energy has been expended trying to grasp the *process* of integration that the *end* of integration tends to be overlooked. Indeed, integration usually is defined in terms of process—as a harmonization of differences toward an end which is left vague.

For some, European integration entails the emergence of a federality or superstate—a United States of Europe. For others, integration is seen as an entirely new form of political organization, in which the very concepts of state, sovereignty, and international are drained of their meaning. Others view the end of integration as a particularly sophisticated international organization. Still others view it as a different form of international relations, but international relations all the same.

Even among those scholars who share similar views as to the nature of the emergent creature, many chicken-or-the-egg type questions remain. Will the EC institutions shape the attitudes and loyalties of the West European peoples? Or, vice versa, must the various nationalities start thinking of themselves as Europeans first and Belgians, British, Danish, Dutch, French, Germans, Irish, Italians, and Luxembourgers second, before the Community institutions can evolve into a more supranational structure? Karl Deutsch, of Harvard University, for example, places considerable emphasis, both in terms of the process and end of integration, on the degree to which the peoples of Western Europe identify and interact with each other. Scholars in the Haas tradition, such as Lindberg and Scheingold, attach greater importance to EC institutional developments and decision-making structures as the defining and critical element in integration.

All of this energy, creativity, and speculation goes to the heart of the matter: the grand models of the past no longer fit the realities of Western Europe. Integration theorizing will continue to flourish.

A Common Cultural Market

"Europalia" Festival Highlights European Unity Through Cultural Diversity

VIRGINIA NEWES, a British, freelance music critic based in Brussels

If European unity is to have lasting significance, it must be based not only on economic and political agreements. In the long run, national barriers must be gradually broken down through mutual and increasing knowledge and understanding of the EC Member States' cultural heritage.

Toward this end, the idea of a "Europalia" festival was conceived. The month-and-a-half-long festival, held every two years in Brussels, presents an artistic sampling of each EC country. The first Europalia festival, held in 1969, was devoted to Italian art, music, and theater. In 1971, the Netherlands Europalia Festival was held. Last October and November, it was Britain's turn.

The foremost headache for the 1973 Europalia organizers was, as always, budgetary. Each festival starts financially speaking from scratch and is expected to provide its own funding. Even with most events sold out, box office receipts accounted for only about a third of the British Festival's expenses, estimated to run more than \$200,000. The rest of the money was provided by official British, Belgian, and Common Market sponsorship on one hand and by generous contributions from industrial and financial concerns on the other.

Massive publicity directed toward the Belgian public could not have found more fertile ground. Ever since Waterloo, Belgians have had a special place in their hearts for the British. Practically everyone in Belgium speaks some English, even though few claim to understand the British mentality. The increasing use of English in everything from advertising slogans to academic colloquia points to its development as a new *lingua franca* capable of mitigating Belgium's own French and Flemish language barrier.

TATTOO BEATS FESTIVE SPIRIT

As the first Europalia event, the British Military Tattoo stirred up pro-British sentiment and put everyone in a properly festive mood. The capacity audience which filled the city's largest stadium for 10 successive evenings loved every minute of the show, from the musical re-enactment of the Battle of Waterloo to the daredevil exploits of the Royal Artillery Motorcycle Corps. Anyone who was not on hand to witness the Lord Mayor of London and the Burgomaster of Brussels crossing the Grand' Place together in full regalia could watch the pomp and pageantry of the ceremony on television that evening.

Europalia opened on September 28 with the performance of Benjamin Britten's new opera "Death in Venice" by the English Opera Group. Although it had already been heard at Aldeburgh, Edinburgh, and Venice, the Europalia production was considered the opera's European premiere, and Queen Fabiola of Belgium as well as Princess Grace of Monaco and her daughter Caroline were among the first night audience at the Théâtre Royal de la Monnaie. Everyone had high praise for Peter Pear's performance in what amounted to an evening-long monologue,



The Lord Mayor of London parades through the Grand' Place in Brussels.

but both the critics and the general public were disappointed with Britten's musical treatment of this admittedly unoperatic material. Two more operas—Richard Rodney Bennett's "The Mines of Sulphur" and Gilbert and Sullivan's "Iolanthe"—had to be cancelled at the last minute owing to a technicians' strike at Sadler's Wells.

Seats were sold out well in advance for the Royal Ballet's six performances. Kenneth MacMillan's new "Sleeping Beauty" had fine dancing by Antoinette Sibley and others, but the Belgian audience, schooled by their own Maurice Béjart's expressionistic "ballet with a message," reacted only lukewarmly to the coolly uninvolved classical style of the English group in MacMillan's "Song of the Earth" and Frederic Ashton's "Symphonic Variations." MacMillan's "Seven Deadly Sins" to the music of Kurt Weill fared much better with the public.

On the purely musical side, the New Philharmonia Orchestra under Andrew Davis, the London Philharmonic under Joseph Krips, the Scottish National Orchestra with Alexander Gibson, and the London Symphony under Andre Previn were all applauded, as were the numerous chamber music groups and soloists. The most specifically English contribution was made

by the Renaissance and modern part music programs by three different vocal ensembles—the Deller Consort, the King's Singers, and the Purcell Consort of Voices—all carrying on a tradition which is still little known on the Continent. The avant-garde was represented by Peter Maxwell Davies' group "The Fires of London," who performed compositions and adaptations by Davies himself as well as Schönberg's "Pierrot Lunaire."

Most of the Europalia events took place in Brussels, but there were guest performances as well in Antwerp, Ghent, Mons, and Charleroi, Belgium. Center of activity in Brussels was the vast complex known as the Palais des Beaux Arts, a rather unlovely creation of the Art Nouveau architect Victor Horta, but modern in its attempt to bring all the arts together under one roof.

Priceless art works belonging to Queen Elizabeth and seldom lent out were sent to Brussels for the occasion; among them were portraits by Holbein and Van Dyck and drawings by Leonardo and Dürer. The National Trust combed palaces, castles, and country houses to assemble an imposing array of noble portraits, furniture signed by master cabinet-makers, silver, and porcelain. The Tate Gallery sent a representative selection of modern British art, including sculptures by Barbara Hepworth, rarely seen in Europe, some little known wartime drawings by Henry Moore as well as his more famous sculptures, and the Gallery's entire collection of Francis Bacon, practically a cult-figure on the Continent. At the Brussels Modern Art Museum, an exhibition of eighteenth and nineteenth century watercolors—a favorite British medium—from the Whitworth Art Gallery in Manchester provided a fine show of Gainsborough, Constable,

Lord Snowdon touches up his photo exhibit prior to opening in Brussels.



Turner, William Blake, Rosetti, and many others less well known. Gold and silver belonging to the City of London were on display at the Maison du Roi in the spectacularly beautiful Grand' Place, while at the Royal Library an exquisite display of illuminated manuscripts was as much appreciated as the collection of English children's books, old and new.

THEATER, THE "ESTABLISHMENT," AND THE "OFF-BEAT"

If there is any artistic field in which Britain holds unchallenged sway, it is the theater. The Young Vic's "Much Ado About Nothing," clearly and freshly set forth by Frank Dunlop's direction, was warmly applauded by the Belgian audience, who would have liked more Shakespeare and wondered why the National Theatre Company and the Royal Shakespeare Company had not made it across the Channel as well. On the other hand, the Nottinghamshire dialect laid on with a heavy hand by the English Stage Company of the Royal Court Theatre in its otherwise excellent performance of D. H. Lawrence's somber "Merry Go Round" was incomprehensible to most of the foreign audience. Peter Shaffer's new play "Royal Hunt of the Sun" opened the theater series, while Belgium's own Théâtre National put on an extraordinary production of Shakespeare's "Pericles" in a brilliantly staged conception by Frank Dunlop.

As Brussels' diplomats and "Eurocrats" dressed up for one gala evening after another, a few rumblings of discontent labeled the whole Europalia festival as by, of, and for the "Establishment." Complaints were heard about the price of seats and the fact that on one or two occasions large blocks of seats were given away by sponsors only to remain empty. In spite of these administrative slip-ups, the festival organizers did attempt to reach a public beyond the usual theater and concert crowd. Leading the list of events for which no admission was charged was Lord Snowdon's show of photographs, fruit of some 20 years reporting, which at his own request were hung in the popular Bon Marché department store and drew a large and appreciative crowd. The evening with poet laureate Sir John Betjeman was again an Establishment affair, but the many events in the Hall of the Palais des Beaux Arts, from "protest poetry" to "free jazz," were free to all comers. The Richmond Fringe Theatre drew a young crowd with its effectively performed "After Liverpool" and "Details of Wife."

The most off-beat of all, however, was the Dogg's Troupe with their red double-decker "Fun Art Bus." They toured through Brussels and stopped in market squares, where surprised housewives were issued poems and invited to watch a slapstick attack against the British police. Even the local cop on duty, nonchalantly munching an apple, joined in the relaxed atmosphere. Perhaps it is just this kind of good-natured satire which will prove to be Britain's real contribution to the new European spirit.

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.

De Gaulle: The Warrior. By Brian Crozier. Eyre Methuen Ltd., London, 1973. 395 pages with maps.

The first volume of a two-part biography of Charles De Gaulle.

This initial volume covers De Gaulle's life from his birth in 1890 to his resignation as head of the French Provisional Government in January 1946. The author not only focuses on De Gaulle's personality—"the will and the skill, the erudition and the self-discipline, the memory and the courage"—but places the General's achievements and life within the context of French and world history. The bulk of the author's research came from interviews and correspondence with De Gaulle's associates and others who had personal involvement in events described in the book. The author, born in Australia, educated in part in France, and employed in Britain, utilizes his unique perspective not only to paint a full-length portrait of De Gaulle the man but to evaluate critically De Gaulle the public figure.

This first volume precedes the publication of the second volume, *De Gaulle: The Statesman*, by several months. A bibliography and index are included at the end of the second volume.

European Commercial Law. By Berthold Goldman. Translated by Philip Hawkes and Christopher Mitchell-Hawkes. Stevens & Sons, London and Matthew Bender, New York, 1973. 452 pages with tables and index.

A description of the evolution, creation, and operation of European commercial law, with special attention paid to its interaction with existing national laws.

The author, a professor of com-

mercial law at the University of Paris, recognizes the dissimilarities in commercial law among the West European countries and thus analyzes the adaptability of the newer European system to the older, more diverse national systems. The author discusses not only the Common Market's commercial law in general but in the specific fields of transport, agriculture, coal and steel, and atomic energy. The Community's competition law is also discussed. The book's foreword is written by K. R. Simmonds, director of the British Institute of International and Comparative Law and visiting professor at the University of London.

Community Law Through the Cases. By Neil Elles, assisted by J. H. Vallatt. Stevens & Sons, London and Matthew Bender, New York, 1973. 411 pages with tables, appendices, and index.

A guide to the case law of the European Community through December 31, 1971, designed "for the busy practitioner, the eager student, and the general reader."

The author explores three basic questions: "First, to what extent is case law operative in the Community and what weight does it carry? Secondly, what will be the effect of Community case law in the English courts? And thirdly, to what extent is the individual citizen involved in Community law and its cases?" Cases from each of the Member States' courts as well as from the European Court of Justice form the basis of the study. The study also includes a discussion of the European Community's foundations, policy, and institutions, together with a separate discussion of the European Coal and Steel Community. The book's foreword is written by Lord Wilberforce.

Europe 1945 to 1970. By Charlotte Waterlow and Archibald Evans. Methuen Educational Ltd., London, Toronto, Sydney, and

Wellington, 1973. 316 pages with index.

A review of European history since World War II with special emphasis on institutions and programs connected with the development of European unity.

The authors trace the major post-war economic, political, and social developments in Europe and the Soviet Union. They discuss internal movements within every country but Great Britain and Ireland, the progress of European unification, and Europe's external relations with the "Third World" and the superpowers.

A Guide to European Community Law. By P. S. R. F. Mathijsen. Sweet and Maxwell, London, and Matthew Bender, New York, 1972. 204 pages with tables and index.

A guide to European Community law for British lawyers and law students.

The author, a professor of law at the University of Nijmegen, describes Community law and the Communities as they are now. Emphasizing the distinctive and autonomous character of Community law, the author maintains that law must be seen as a whole in its social and economic context.

The book's five sections cover Community law, the three Community Treaties, the Community institutions, its financial provisions, and the acts of the institutions.

Mathijsen emphasizes that Community law is in constant evaluation since it aims at transforming several national economies into a single economy.

Fact and Fancy in International Economic Relations. By Lord Thomas Balogh, in collaboration with Peter Balacs. Pergamon Press, Oxford, New York, Toronto, Sydney, and Braunschweig, 1973. 116 pages with index.

An essay discussing the international monetary and trade system and emphasizing the need

to reform prevailing policies.

The author begins with an analysis of the conventional theory of international trade and the adaptability of this concept to new developments in international economic relations. He continues by analyzing postwar monetary history and the specific problems of inflation and oligopolistic enterprises both within and between countries. A final section concentrates on proposals for international monetary reform, which the author considers a valid consequence of his fundamental analyses.

The book is based on specific incidents—notably the Bretton Woods settlement—and certain technical aspects of economics. The author has made a conscious effort to bridge the gap between laymen and economists in presenting his arguments.

Nongovernmental Forces and World Politics: A Study of Business, Labor, and Political Groups. By Werner J. Feld. Praeger Publishers, New York, Washington, and London, 1972. 284 pages with bibliography and index.

A study of the changing impact of nongovernmental organizations on the international system.

Recognizing the traditional "pre-occupation of political scientists with the nation-state as the main factor in the international system," the author has attempted to focus on the increasing importance of non-governmental forces. Among these entities, multinational enterprises have received the most attention from analysts in the past; these enterprises also dominate the present study because of their tremendous economic potential and close relationship with governmental authorities. A second area of concentration is traditional international non-governmental organizations involved in agriculture, social welfare, education, and particularly labor.

Exhibits

European Monetary Unification and its Meaning for the United States. Edited by Lawrence B. Krause and Walter S. Salant. The Brookings Institution, Washington, DC, 1973. 322 pages with tables and index. \$8.95

A collection of eight papers, presented at a conference sponsored by the Brookings Institution and the Department of State, concerning the implications of the European Community's planned economic and monetary union for the United States.

The papers, presented by leading scholars, trace the evolution of past and present efforts to foster EC monetary integration, analyze opinion surveys and political leaders' statements to illustrate attitudes toward monetary integration, examine the consequences of European monetary union for private capital markets, investigate the difficulty of reaching and maintaining balance-of-payments equilibrium in a monetary union, explore the implications of European monetary union on world economic integration, place monetary integration within a political context, and analyze US policy toward Europe as it is affected by European monetary integration. A summary of the conference and an international finance glossary are provided.

International Marketing Strategy. Edited by H. B. Thorelli. Penguin Books, Middlesex, England, and Baltimore, Maryland, 1973. 380 pages with list of abbreviations and subject, country, and company indices.

A collection of 31 readings to provide an analytical framework for international marketing.

The seven sections of the book cover harmonization of structure and strategy, the fusion of politics and economics, public policy, market structure, marketing strategy, small businesses, and multinational corporations. The book, its introduction states, is in-

tended for "seasoned executives and university students of business." The book's objective is "to help the reader define the problems he is likely to encounter in international marketing," rather than to provide specific answers for concrete situations.

European Monetary Union and the United Kingdom: A Cost-Benefit Analysis. By G. E. Wood. Surrey Papers in Economics, No. 9, July 1973. 23 pages.

A discussion of the European Community's planned economy and monetary union and its impact on the United Kingdom.

The author conducts a brief but explicit study of the probable effects of European Monetary Union (EMU) on the British economy. He employs a cost-benefit analysis methodology. The study, especially its concluding sections, reflects EMU's evolutionary nature and the consequent difficulty in forming definitive statements about policy impact.

The European Community: A Superpower in the Making. By Johan Galtung. Universitetsforlaget, Oslo, and George Allen and Unwin, Ltd., London, 1973. 195 pages with notes.

An exploration of the European Community's progress as it interacts with the two existing superpowers, the United States and the USSR.

Professor Galtung's thesis, "that a new superpower is emerging," is based on his observations of the Community's ideological, remunerative, and punitive power. In addition to the internal strengths of the Community, the author emphasizes EC external affairs, particularly its successful relations with "Third World" countries. He also touches on future areas of Community development: the military aspect, EC relations with Eastern Europe, and the Community as an independent power in the international system.

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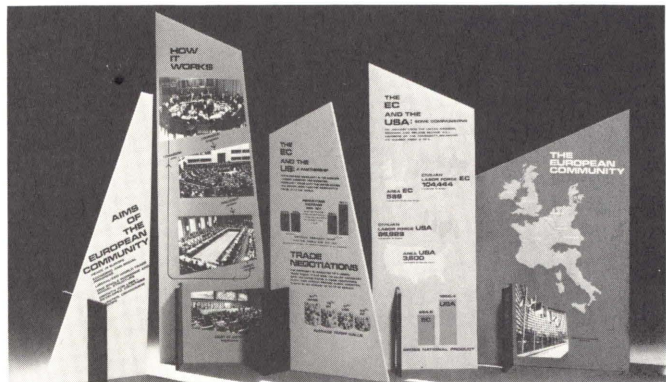


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Publications listed may be obtained from the European Community Information Service, Suite 707, 2100 M Street, NW, Washington DC 20037. Persons in the New York area can order copies from the New York office, 277 Park Avenue, New York City 10017.

THE EUROPEAN COMMUNITY AND THE UNITED STATES IN 1973. Background Note No. 28/73, European Community Information Service, Washington, December 6, 1973, 37 pages free
Current report by the Commission of the European Communities on issues confronting the United States and the Community. Covers trade, agriculture, nontariff barriers, US investment in Europe, preferential agreements, monetary problems, and multilateral negotiations within the General Agreement on Tariffs and Trade. Includes statistical annexes on trade and investment.

REPORT ON EUROPEAN POLITICAL COOPERATION AND UNIFICATION. Working Document No. 12/73/Rev., European Parliament, Luxembourg, May 24, 1973, 44 pages \$1.00
Report by J. A. Mommersteeg for the Political Affairs Committee. Outlines the development of

political and foreign policy cooperation since 1970 under the "Davignon procedure." Presents proposals for improving the existing procedures and suggests new areas for cooperation.

RESULTS OF THE FOURTH CONSUMER SURVEY ON THE ECONOMIC SITUATION. Information Memo P-38/73, Commission of the European Communities, Brussels, July 1973, 2 pages plus tables free
Summary of the survey of 25,000 households in Germany, France, Italy, and the Netherlands in the second quarter of 1973. Reports on consumers' opinions and expectations concerning the general economic situation, prices, individual financial situation, and unemployment.

THE CASE FOR A EUROPEAN AUDIT OFFICE. The European Parliament, Luxembourg, September 1973, 164 pages \$2.60
A selection of documents reflecting progress toward the establishment of an Audit Office under the responsibility of the European Parliament. Describes the current budget of the Community and its supervisory bodies. Also

discusses the experience and views of external auditing in the Member States.

FOREIGN TRADE: ANALYTICAL TABLES—CST. January-December 1972, 1972 I-XII. Statistical Office of the European Communities, Luxembourg, 1973. French/German text.
 Export Volume, 896 pages . . \$8.00
 Import Volume, 468 pages . . \$6.00
 Contains:
 • Summary of Community imports and exports by areas and four-digit commodity groups
 • Imports and exports by commodity (five-digit groups) broken down by country of origin and destination
 • Product structure of the EC trade with a particular country or groups of countries (three-digit groups)

FOURTEENTH REPORT ON THE ACTIVITIES OF THE MONETARY COMMITTEE. Monetary Committee of the European Communities, Brussels, April 12, 1973, 56 pages \$.50
Brief account of the activities of the Monetary Committee during 1972. Also contains the report of the activities of the Working Party on Securities Markets.

A SELECTIVE STUDY GUIDE TO THE EUROPEAN COMMUNITIES. European Community Information Service, Washington, DC, December 1973, 16 pages . . . free
A selected bibliography of basic and recent texts on European integration and related subjects in English. Also contains a brief description of official publications.

THE EFFECTS OF THE REDUCTION OF MANPOWER IN THE MINING INDUSTRY ON MINING SOCIAL SECURITY SYSTEMS AND PENSION SYSTEMS IN PARTICULAR. Social Policy Series No. 23, Commission of the European Communities, Brussels, 1972, 92 pages \$3.00
Technical discussion of the social security system for miners in four Community states, Germany, Belgium, France, and the Netherlands.

INVENTORY OF TAXES. Commission of the European Communities, Brussels, 1972, 419 pages . . \$2.00
Describes the taxes levied by central government and local authorities in the original Member States of the European Communities as of January 1, 1972.

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