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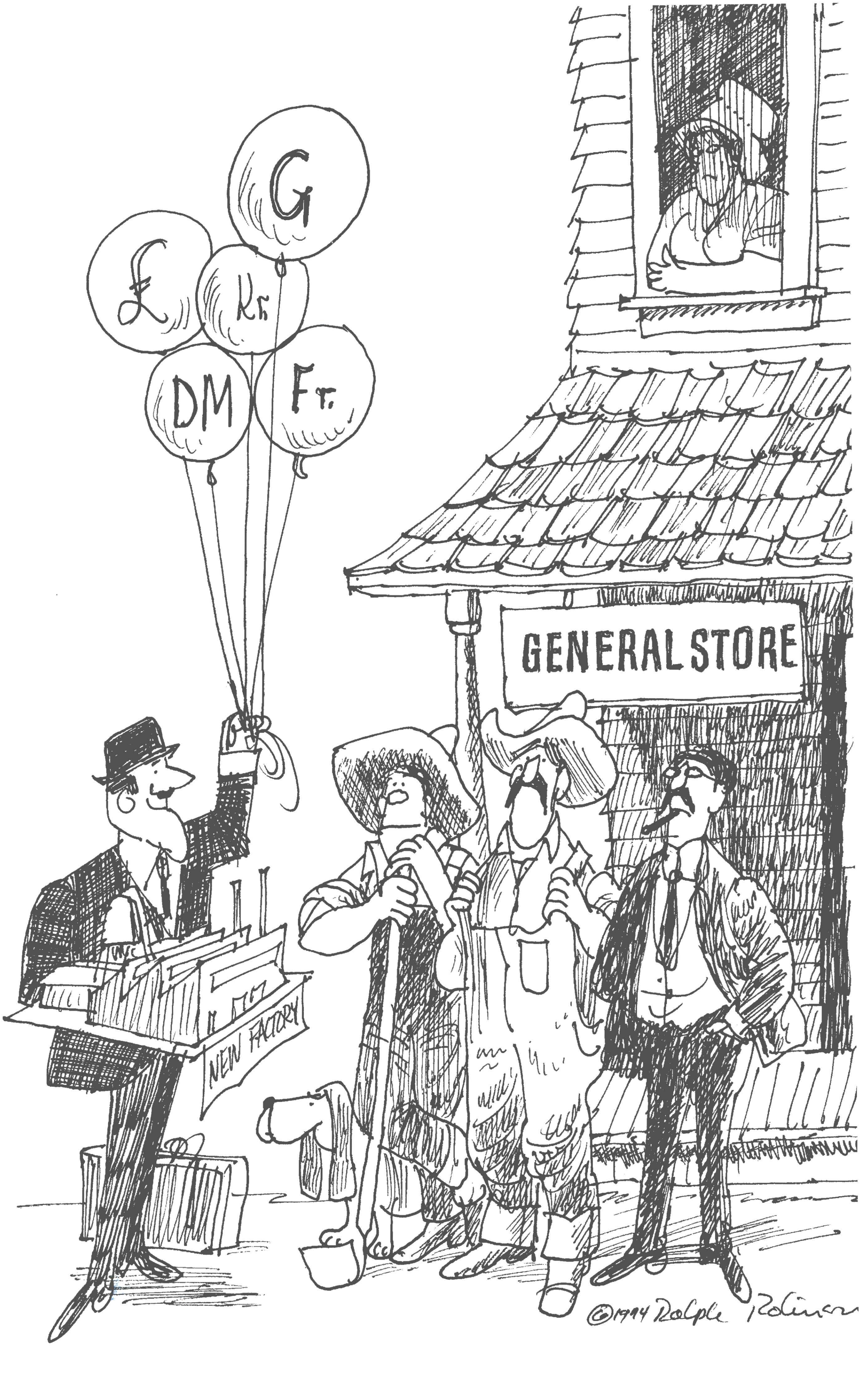

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Washington, D.C.
2100 M Street, N.W., Suite 707, 20037
New York, N.Y.
277 Park Avenue, 10017
Berlin
Kurfürstendamm 102
Bonn
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Brussels
200, rue de la Loi
Copenhagen
Gammeltrov 4
Dublin
41 Fitzwilliam Square
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20 Kensington Palace Gardens
Luxembourg
Centre européen Kirchberg
Paris
61, rue des Belles-Feuilles
The Hague
Lange Voorhout 29
Rome
Via Poli, 29

EDITOR-IN-CHIEF
Leonard B. Tennyson

MANAGING EDITOR
Walter Nicklin

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Dateline Europe

ALFONS LAPPAS, president of the European Community's Economic and Social Committee, during a July 22-25 visit to the United States for talks with labor and economic officials, said the climate of Atlantic relations had improved considerably during the past month and both Europe and the United States recognized the need to reinforce their cooperation. The Economic and Social Committee, made up of representatives from labor, industry, agriculture, consumer, and other economic interests in the European Community, advises the EC decision-making institutions.

THE LARGE EC MEAT SURPLUS has become the focus of Commission emergency measures, announced Pierre Lardinois at the July 9 session of the European Parliament in Strasbourg, France. Lardinois, responsible for the common agricultural policy, said that all beef and veal imports would be suspended for three days and that each ton of beef, whether on-the-hoof, fresh, chilled, or frozen, imported after July 12 would have to be matched by the purchase of a ton of beef from the Community's stockpile. Without such measures, Lardinois warned, the 130,000-ton meat surplus may get even bigger by autumn and shortages could occur next year. On July 15-16, the EC Council of Ministers temporarily suspended the issuing of import licenses and advance-fixing certificates for beef and veal. The suspension, lasting from July 16 until October 31, does not affect EC contractual commitments within the General Agreement on Tariffs and Trade (GATT). The Council also prohibited inward-processing arrangements for beef, veal, and pork products. The Council also agreed that social institutions and the poor should receive meat at reduced prices, that developing countries should receive excess processed meat as food aid, and farmers who agree not to send their cattle for slaughter immediately should receive premiums.

A BRAZIL-EC NON-PREFERENTIAL TRADE AGREEMENT came into effect on August 1. Concluded in December 1973, the agreement was ratified in Brussels on July 11. The agreement makes it easier for three Brazilian products to enter the Community -- beef, cocoa butter, and instant coffee. Brazil had been threatened with a serious drop in exports of the last two products to Britain. Under the agreement, a joint committee will meet once a year to discuss mutual problems. The Community has a similar agreement with one other Latin American country -- Argentina. An agreement concluded with Uruguay in early 1973 has not yet been ratified. Exploratory talks for an agreement with Mexico are underway.

DAIRY EXPORT REFUNDS involving cheese sold to the United States have been suspended, it was announced by the EC Commission on July 11. This action, welcomed by US trade officials, marks the end of all EC rebates on dairy product exports. Earlier this year, refunds on skimmed milk powder and butter exports were eliminated.

A SUMMIT MEETING of European heads of state and government might be usefully held before the end of 1974 only if the Community makes some "indispensable progress" in the preceding months, EC Commission President François-Xavier Ortoli told the European Parliament on July 9 in Strasbourg, France. He emphasized that short-term achievements are essential "if the grand vistas of an ambitious future are to be made feasible." He said, "Europe needs to be motivated by a feeling of success again." But progress, he stressed, will require determination, ambition, patience, and perseverance, and he warned that "the causes of the European crisis -- and even some of the outward manifestations -- have not disappeared even if some of the heat has gone out of the situation." The same debate was attended by the new President of the Council of Ministers, French Foreign Minister Jean Sauvagnargues, who assigned priority to safeguarding the Community's past achievements. This can only be done, he said, by "resuming the forward march" and convincing doubters that the Community is capable of "cohesion and action."

Community News

US-EC Relations

Environment Cooperation Accord

The United States and the European Community agreed, in an exchange of letters published July 2, on technical cooperation methods in environmental protection.

The letters call for US-EC information exchanges in such areas as pollutant measurements and pollution's harmful effects; energy production effects on the environment; toxic wastes; public information and education programs; and possible trade problems arising from environmental measures.

The final text of the letters was negotiated between EC Commission Vice President Carlo Scarascia Mugnozza and Special Assistant to the Secretary of State for Environmental Affairs Christian A. Herter, Jr. during the former's June 1-5 visit to Washington (see *European Community* No. 178, page 3). Scarascia Mugnozza is responsible for the Community's environment, transport, and information policies.

Soames: "Not Adversaries"

"Nothing except a battle lost can be half as melancholy as a battle won," the Duke of Wellington's famous remark was cited by EC Commission Vice President Christopher Soames on June 18 in reference to today's US-EC relations. Speaking before the American Club in Brussels on the 159th anniversary of the Battle of Waterloo, Soames said: "The relationship between the Community and the United States in terms of an adversary relationship has never been or I trust ever will be the most helpful way of looking at it."

Soames said he was pleased with Secretary of State Henry A. Kissinger's reaffirmation to the North Atlantic Assembly that "the United States wants a strong Europe. The United States has always favored and continues to favor a united Europe."

Soames, responsible for the Community's external relations, added: "So we in the Community owe it not only to ourselves but also to the rest of the world to make a concerted effort to get the European show on the road again. This is a time when, just because of the difficulties all about us, we must summon up a new resolve to go forward together to a politically united European Community. Our member states must together consciously summon up the political will to arrive at common foreign policies and together they must create an institutional framework in some way grafted on to the Community which enables these policies to be effectively expressed, explained, and pursued. Thus and thus only will we be able in full and equal cooperation to work with the United States, Canada, Japan, and the rest of the world, to roll back the dangers—the grave dangers—that confront humanity today."

In particular, Soames warned of "the danger of nations cutting each others' throats by selfish measures of uncoordinated protectionism."

Eberle Sees Atlantic Progress

"The Atlantic alliance may be much farther along the road of progress toward resolving some of the most important common economic issues than we dared hope even a month ago," US Special Representative for Trade Negotiations William D. Eberle told the American and Common Market Club on June 7 in Brussels.

Eberle said the successful outcome of the recent US-EC trade compensation negotiations under Article XXIV-6 of the General Agreement on Tariffs and Trade (GATT) shows that "potentially disruptive commercial disputes between nations can be resolved under multilateral rules."

Noting the greatly expanded economic links between countries, Eberle said the world has "outgrown the scope" of the present GATT agreement, and new rules for greater international cooperation are needed. The challenge of the upcoming GATT negotiations, he continued, "is to recognize this high degree of interdependence among nations and still allow sovereign states to set their own priorities and make their own decisions."

Parliamentary Dialogue

In the latest in a series of "parliamentary exchanges" between the Community and the United States, 16 members of the European Parliament were scheduled to visit Washington September 16-18. The visit was to be focused around an exchange of information and views with their counterparts in the US Congress. Earlier this year the exchange program brought several Congressmen to Europe.

Social Policy

Social Action Program Begins

The European Community's Social Action Program got underway June 10 when the Council of Ministers adopted Commission proposals to aid handicapped and migrant workers and improve industrial safety. The measures are the first priority actions of the three-year program.

The Council's decision to open the European Social Fund to migrant worker assistance programs covers the approximately 6.2 million migrants who work in the Community. Of these, over a million are of Community origin (over 2 million including their families), who will receive fund assistance through member state projects for language training, vocational training, reception centers, and preparations for a possible return home. Non-EC migrants can use fund-backed reception centers but are not eligible for vocational training. Training programs for teachers, welfare workers, and project administrators in this field will also receive fund aid.

The Council's adoption of the action program for vocational rehabilitation of the physically handicapped increases Social Fund expenditure for vocational training pilot projects. The Community's handicapped number between 5 million and 22 million, depending on the counting criteria. The program calls for cooperation between national rehabilitation and training organization bodies and for development of short-term projects to improve existing rehabilitation facilities and to promote new training techniques. Long-term projects will be drawn up according to results of the preceding activities.

The Council set up an advisory "Committee on Safety, Hygiene, and Health Protection at Work" to assist the Commission in preparing and carrying out occupational safety measures. The committee will gather information on safety conditions in every industry but mining, propose and initiate studies, and help the Commission draw up a common safety policy.

The Council extended the role of the Mines Safety and Health Commission to take preventive action against accidents and occupational hazards in quarrying and other extractive industries. The Mines Commission was set up in 1957 under the European Coal and Steel Community.

The Social Action Program was drafted by the Commission last year in response to a call from the EC Heads of State or Government at the October 1972 "Summit" Conference in Paris. On January 21, the Council adopted a resolution giving general approval to the program. Since then, the Commission has submitted detailed proposals for priority action, to which the above are the first the Council has given the go-ahead.

Workers' Rights in Mergers

The rights and benefits of workers in the European Community will be guaranteed in the case of company mergers, takeovers, and amalgamations, if the Council of Ministers adopts a recent Commission proposal.

The draft directive, part of the EC Social Action Program, would guarantee workers automatic transfer and continuation of their employment relationship from the old to new employer. Also guaranteed would be protection against arbitrary changes in employment terms, transfers, or job benefits.

Employers would have to respect terms of existing collective bargaining agreements and inform worker representatives of the legal, economic, and social consequences of the takeover. Worker representatives could request negotiation proceedings with old and new owners if workers' interests are imperiled.

Poverty Seminar

A seminar on poverty in the European Community was held in Brussels June 24-27. Member state government, service and private organization representatives, as well as poverty research and social workers attended the "Action Against Poverty" seminar, organized by the EC Commission.

Reports on the current situation in the member states and potential pilot projects highlighted seminar discussions. Granting EC assistance to member state poverty reduction efforts is one of the priority actions of the Social Action Program adopted by the Council of Ministers in January.

Pilot Project Aid

European Social Fund assistance for pilot projects and studies regarding the handicapped, migrant workers, and computer training was approved by the EC Commission in June.

The Commission allocated 216,000 units of account (UA) to help underwrite a vocational training project for French meat industry workers; an applied computer technology training center in Charleroi, Belgium; a model vocational and social reintegration plan for mentally handicapped young adults in France, and research and development of a program to introduce science studies in vocational education. (One UA equals $1.20635 at current rates.)

Aid for Workers' Housing

A series of European Community loans totaling nearly $2.3 million to help finance low-cost housing of coal and steel workers in Denmark, France, Ireland, and Luxembourg was approved by the Commission on June 24.

The low interest loans are part of the seventh EC program of financial assistance for housing for European Coal and Steel Community (ECSC) industry workers. About $830,000 was loaned for housing in Denmark, $472,000 in France, $326,000 in Ireland, and $656,000 in Luxembourg.

On June 28, the Commission approved similar housing aid for German and British coal and steel workers. The low interest (1 per cent per annum) loan includes about $4 million for modernizing housing in Britain's National Coal Board areas and about $4.3 million for new housing in Germany's Ruhr, Aachen, and Cologne coalfield areas.

Consumer Advisory Committee Meeting

The EC Consumers Advisory Committee has criticized the Council of Ministers for delaying action on a preliminary consumer action program. The program was proposed by the Commission. The Committee's June 21 meeting in Brussels was its third since being set up by the Council of Ministers last year to advise on consumer policy measures.

Improving Working Conditions

A conference on improving European working conditions in the European Community will be held in Brussels November 5-7.

Experts from member state governments, employer and worker organizations, research institutes, and universities will attend the conference, entitled "Work Organization, Technical Development, Motivation of the Individual."

The EC Commission has organized the conference to help finalize proposals within the framework of the Social Action Program.

EC Commission Vice Presidents Altiero Spinelli, responsible for industrial policy, and Patrick Hillery, responsible for social policy, will participate in the conference.

British Coal Worker Aid

The European Community will help underwrite the cost of helping Britain's coal workers who were laid off or transferred due to the coal industry slowdown in that country last winter.

A three-year convention, signed between the EC Commission and the British Government on June 6, provides for partial EC reimbursement of Government and National Coal Board funds spent to help those workers.

The money will go toward wage guarantees for older workers or premature retirees; earning supplements for employees forced to transfer to lower paying jobs; lump sum payments to laid-off employees under the age of 40; and concessionary coal, traveling, transfer, and vocational training allowances.

Labor Congress

Representatives of 33 million-member trade unions in the European Community met at the first congress of the European Confederation of Trade Unions (ECTU), in June in Copenhagen, Denmark.

The ECTU called for a European policy which would seek full and better employment in all EC regions; equel social rights and opportunity for non-EC migrants; abolition of sex discrimination at work; harmonization of urban and industrial life, and effective counter-inflation measures.

External Relations

Mexican Talks

The second round of talks between the European Community and Mexico on the possibility of an EC-Mexico agreement was held in Brussels June 4-5.

The Mexican and Commission delegations were led by Under Secretary of Industry and Commerce Eliseo Mendoza Berrueto and Assistant Director General for External Relations Wolfgang Ernst, respectively. Berrueto and Mexico's ambassador to the Community, Martinez Le Clainche, also met with Commission President François-Xavier Ortoli and Vice President Christopher Soames.

Egyptian Trade Accord

Egypt is seeking negotiations to broaden the scope of its preferential trade agreement with the European Community and to develop economic, technical, and financial cooperation.

The request was made at the May 27-29 Cairo meeting of the EC-Egypt Joint Committee, set up to administer the current accord, which went into force November 1, 1973. The Commission delegation agreed to relay Egypt's request to Brussels. The Committee reviewed the first stages of putting the current agreement into effect, studied the evolution of EC-Egypt commercial exchanges, and adopted methods for customs administration cooperation.

EDF Aid for Africa

The European Development Fund (EDF) has approved grants totaling 9.6 million units of account (UA) for projects in the Republics of Zaire, Upper Volta, Senegal, and the Somali Democratic Republic, it was announced June 7. (One UA equals $1.20635.)

UA 972,000 will go toward promotion of small and medium-sized businesses in Zaire. Upper Volta was granted UA 2.7 million for rural education in the Yatanga and southwest regions. The EDF also approved UA 6 million for highway and bridge construction in Senegal and UA 400,000 for a study on developing the Somali Democratic Republic's Juba Valley.

Generalized Preferences Underused

Developing countries are not taking full advantage of the European Community's system of generalized preferences, EC Commission external relations official Van Thinh Tran said at a July 1 press conference in Brussels.

Of the 104 countries eligible for EC preferences, only 54 have applied for needed customs certificates and only 40 have effectively benefited from the system, Tran said.

In addition, he said, developing country industrial exports to the Community (excluding textiles) totalled 319 million units of account (UA) in 1972, only 42 per cent of the amount allowed under the preference system. (One UA equals $1.20635 at current rates.) Only Yugoslavia, Brazil, Hong Kong, and Singapore surpassed the 50 per cent mark.

The Community's import ceiling for products falling under the EC system has risen from UA 340 million in 1971 to UA 2.3 billion in 1975.

Energy

Commission Proposes New Strategy

A new strategy for the European Community energy policy, which would reduce Community dependence on imported energy resources by 20 per cent and save about $50 billion for the period 1975-85, was taken under consideration by the Council of Ministers in June.

The Commission-proposed strategy would be carried out through harmonized EC and member state action.

The objectives to be reached by 1985 would be to: keep energy consumption 10 per cent below pre-energy crisis forecasts; increase electricity use by 10 per cent to reach 35 per cent of total consumption; use nuclear energy for 50 per cent of electricity production; keep internal solid fuel (coal, lignite, peat) production at its present level; raise natural gas internal output and imports; and restrict oil consumption to specific uses such as auto fuel and as a raw material.

The Commission estimates this strategy would require a net additional investment of about $10 billion (at 1973 rates) for the 1975-85 period.

In outlining the strategy at a May 31, Brussels news conference, Commission Vice President

Henri Simonet, responsible for energy policy, said nuclear energy could supply at least 50 per cent and natural gas 25 per cent of the European Community's energy needs by the year 2000. He pointed to the need for harmonized reduction of energy consumption and cooperation with EC oil companies and the United States.

Agriculture

Energy Crisis Affects Agriculture

The energy crisis has upped production costs of greenhouse farming by 20 per cent and fishing by 10 per cent, the EC Commission said in a June report to the Council of Ministers.

The report on the impact of the energy crisis on farming stated that revenue in the greenhouse sector has dropped 15 per cent.

National compensation aids, the Commission said, should be given only to sectors threatened with extinction, under specific conditions, and not exceeding one-half the cost increase of fuels.

US Meat Imports Outpace Community

The United States imported more meat than the European Community in 1973, although production was nearly double that of the Community, according to US Department of Agriculture estimates.

US beef and veal production (21.6 billion pounds) was about 46 per cent higher than EC production (11.6 billion pounds). American imports reached 1.9 billion pounds or 11 per cent more than EC imports (1.7 billion pounds). Japan, on the other hand, produced only 498 million pounds and imported 428 million pounds of beef and veal in 1973.

Animal Protection

The European Community should sign the European Convention on Animal Welfare in Intensive Rearing, the EC Commission said in a June 4 proposal to the Council of Ministers.

The convention, dealing with animal feeding, care, and housing, is being drawn up by the Council of Europe.

The Commission's proposal is its third initiative in the field of animal protection on the Community-level (see page 22).

Competition

Glass Makers Violate Treaty

Leading glass container manufacturers in Germany, Belgium, the Netherlands, France, and Italy have been found in violation of EC competition rules by the Commission.

The companies, it was announced May 29, have been called on to end the agreements which violate Article 85 of the Common Market Treaty. In particular, the Commission found certain clauses aimed at impeding normal competition in prices, discounts, and trading conditions.

The companies named in the Commission action include: in Germany, Gerresheimer Glas, Veba Glas, and H. Heye Glasfabrik; in Belgium, Bouteilleries Belges Réunies and Verlica-Mominies; in the Netherlands, Verneenigde Glasfabrieken Schiedam; in France, Boussois-Souchon-Neuvesel and St. Gobain Emballage; in Italy, Bordoni-Miva, Avir, and Vetri. Several of the companies have financial and personal links with one another.

Harmonization

Common Transport Policy

European truckers, chauffeurs, and bus drivers will be subject to common licensing standards throughout the European Community as of January 1, 1978, according to two national law harmonization directives adopted by the EC Council of Ministers on June 27.

The measures apply to truck drivers of vehicles weighing over six metric tons or carrying a payload exceeding 3.5 metric tons. Paid drivers of passenger vehicles for more than nine persons will also be subject to the new standards.

In another action on the same date, the Council adopted a resolution establishing common principles for financial dealings between railroads and member

Transport Dialogue

The Council of the European Conference of Transport Ministers (ECTM), meeting in Vienna on June 20, has opened a dialogue with the EC Commission.

EC Commission Vice President Carlo Scarascia Mugnozza, responsible for EC transport, environment, and information policy, addressed the ECTM Council and outlined the European Community's common transport policy. This was the first time the Commission had been invited to an ECTM Council session.

The ECTM Council meeting evaluated work in progress on main European communications networks and problems concerning railways and roads (see *European Community* No. 173, page 14).

Common Educational Policy

A priority list for EC member state cooperation in the field of education was drawn up by the Council of Ministers during its June 6-7 meeting in Luxembourg.

At a June 7 press conference, EC Commissioner Ralf Dahrendorf, responsible for science, research, and education, said the priority areas were: education of migrant workers' children; improved intra-communication among educational systems and upper level teaching institutions; mutual recognition of diplomas; education statistics and documentation; teacher, student, and researcher mobility; improved language training, and equal educational opportunity for all.

Dahrendorf said an education committee of Commission and member state representatives would be set up to assist in defining precise lines of action in these areas.

People

Appeal for Strong EC Institutions

The European Community's recent crisis can be overcome by improving European institutions, former EC Commission President Jean Rey told reporters at a June 19 press conference in Brussels.

Rey called for an increase in the Commission's powers, popular election of European Parliament members, and maintenance of Europe's independence in continuing active collaboration with the United States in fields of common interest.

Calendar

JUNE

2-5 Commission Vice President Carlo Scarascia Mugnozza visits United States (see page 4 and *European Community* No. 178, page 3).

4 Commission proposes adoption of animal protection convention (see pages 7 and 22).

4-5 Council meets in Luxembourg to discuss budgetary questions and possible British renegotiation of EC entry terms (see *European Community* No. 178, page 3).

4-5 Commission and Mexican officials hold exploratory talks in Brussels for commercial cooperation agreement (see page 6).

4 Council meets in Luxembourg to discuss agriculture, authorizes British aid for pork production, and agrees on Italian emergency farm measures.

5 Commission approves continuing negotiations with developing countries for a new association agreement.

6 Commission sends Council communication on economic and monetary measures (see *European Community* No. 178, page 3). Council meets in Luxembourg to discuss economic policies and prepare for International Monetary Fund "Group of 20" meeting in Washington. Commission Vice President Wilhelm Haferkamp, responsible for monetary and economic affairs, gives press conference.

6 Commission concludes convention for aid to British coal workers (see page 6).

6-7 Commission and US Administration officials hold semi-annual talks in Brussels (see *European Community* No. 178, page 3).

6-7 Council meets in Luxembourg to discuss common educational policy (see page 7).

10 Commission suspends protective measures for livestock against aphtous fever.

10 Commission Vice President Christopher Soames addresses the French European Movement.

10 Council meets in Luxembourg to discuss social policy, priority actions taken in Social Action Program (see page 4).

10-11 Foreign Ministers meet in Bonn and discuss consultation procedures with the United States and relations with Canada and the Arab countries (see *European Community* No. 178, page 3).

10-13 European Parliament holds plenary session in Strasbourg, France. Debates cover youth advisory committee, migrant workers' rights, economic and monetary equilibrium, and living and working conditions.

11 Commission President François-Xavier Ortoli and German Chancellor Helmut Schmidt meet in Bonn to discuss Community problems.

11 Commission and Canadian officials meet for semi-annual talks.

12 Joint EC-Norway Committee meets in Brussels.

12 Commission's new measures for improved bovine meat market take effect.

13 Council approves resolution for supply of enriched uranium.

13 Commission decides to open negotiations with Sweden for continuing cooperation agreement on physics research.

13 Council meets in Luxembourg to discuss development aid.

14 Commission issues report on effects of oil price increases on fishing and agriculture (see page 7).

14 Joint EC-Iceland Committee meets in Brussels.

15 Commissioner Ralf Dahrendorf receives honorary degree from Kalamazoo College, Kalamazoo, Michigan (see *European Community* No. 178, page 3).

17-18 Council meets in Luxembourg to discuss agriculture.

18 Vice President Christopher Soames addresses American Club in Brussels (see page 4).

19 Commission decides on 1975 generalized preferences.

19 Former Commission President Jean Rey holds news conference in Brussels (see page 8).

20 Community participates in European Conference of Transport Ministers in Vienna (see page 7).

21 Consumer Advisory Committee meets in Brussels.

21 Scientific Committee on Food holds first meeting, in Brussels (see *European Community*, No. 178, page 9).

24 Commission approves low-cost housing aid for coal and steel workers in Denmark, France, Ireland, and Luxembourg (see page 5).

24-27 Commission sponsors "Action Against Poverty" seminar in Brussels (see page 5).

25 Council meets in Luxembourg to discuss industrial policy and negotiations with Mediterranean countries, and agrees to participate in United Nations special aid program for developing countries hit by increased oil prices if other developed countries also participate.

26 President Richard M. Nixon visits Brussels. Heads of Government of the 15-nation North Atlantic Treaty Organization (NATO) sign a new declaration of principles.

26 Commission rescinds authorization of Italian pork import safeguards.

26-28 European Parliament holds plenary session in Luxembourg and discusses waste oil disposal, relations with Turkey, and truck load standards.

27 Council meets in Luxembourg to discuss transport.

27 Commission issues 2-week suspension, to head off speculation in livestock and fresh meat import certificates.

27 Joint EC-Portugal Committee meets in Brussels.

28 Commission approves low-cost housing aid for coal and steel workers in Germany and Britain (see page 5).

28 Negotiations with developing countries for new association agreement reconvene in Brussels.

Europe Invests in the United States

Direct Investment Becomes A Two-Way Street

BILL DROZDIAK, *an American freelance journalist who reports from Brussels and Washington*

"It makes you wonder who the hell runs this country," remarked Senator Floyd K. Haskell (D-Colo.) after the US Justice Department had approved, in the midst of the energy crisis, a British firm's (British Petroleum) purchase of one of the nation's leading crude oil suppliers.

Increasing European direct investment in the United States, although less than half the sum of US direct investment in Europe, has provoked many such cries of alarm in the US Congress over an alien business invasion. Some members of the House of Representatives, worried for "national security reasons" about possible foreign takeovers of vital sectors of US industry, have proposed legislation restricting foreign ownership in defense and energy-related industries and have called on the US Commerce Department to make an extensive two-year study of the foreign investment issue.

The White House officially maintains a friendly attitude toward foreign investment in the United States. "To abandon our traditional hospitality toward foreign investment would make it difficult to resist restrictions against our own economically more significant foreign investment," warned William J. Casey, then Under Secretary of State for Economic Affairs, in January 23 testimony before the Senate Banking, Housing, and Urban Affairs Subcommittee on International Finance.

European firms own the vast bulk of foreign investments in the United States, but much of the current anxiety is focused on the enormous investment potential now held by oil-rich Arab nations. "The Americans want Arab oil money recycled," a Paris banker observed, "but would they like the idea of Arabs owning 40 per cent of General Motors?"

INVESTMENTS REPLACE EXPORTS

Officially defined as foreign ownership interest of 25 per cent or more in US enterprises, foreign direct investment in America now exceeds $16 billion. A Conference Board report published in May estimated foreign direct investment in the United States during 1973 at $3 billion, more than triple the $900 million of 1972.

The recent surge in foreign investment in the United States stems from the new currency parities, which have made American imports more expensive, and from the estimated $100 billion in foreign liquidity holdings created through persistent US balance-of-payments deficits. A study by a Wall Street banking house found that post-1968 currency readjustments have increased the purchasing power of European cash investments in the United States, ranging from 44 per cent for a British firm to 111 per cent for a German one.

In addition, many US stocks have been selling at record low prices in relation to earnings. *Fortune* magazine, in a 1973 review of 382 typical US firms, revealed that 80 per cent of these companies were selling at less than 20 times their earnings. These investment bargains have permitted small and medium-sized foreign firms to set up operations in the United States, while such established foreign multinational companies as British Petroleum, Unilever, Olivetti, and Lever Brothers continue to expand their existing marketing and production bases.

Besides the lure created by new currency values, European companies see direct investment in the United States as a way of avoiding "voluntary" trade quotas and other import barriers the US Government erected to shore up its balance of payments deficits in the early Seventies. They realize, as do American firms in Europe, that to be manufacturing products within the purchasing area provides a more secure economical position than export sales alone, which are subject to the vicissitudes of trade under floating exchange rates. A company producing abroad maintains closer contact with shifting foreign sales conditions and can remain relatively unaffected by protectionist policies. President Richard M. Nixon's sudden decision on August 15, 1971, to impose a 10 per cent surtax on imports cut sharply into European exports to the United States yet improved the market position of European firms with direct investments in this country.

Differences in labor costs have also narrowed in recent years, enhancing foreign investment prospects in the United States. "Wage rates abroad are going up faster than in America," says one US official. According to US Commerce Department statistics, in 1973 the United States had a 3.1 per cent rise in unit labor costs, the lowest of all industrialized nations. Sweden and Japan experienced unit labor cost increases of 12.2 per cent and 17.8 per cent, while those of France and Germany surpassed 20 per cent. Moreover, US labor unions, perhaps the most vocal advocates of protectionist trade measures, strongly support foreign investment in the United States as a means of aiding domestic employment.

ANTITRUST BARRIERS

Throughout the European economic recovery after World War II, European firms concentrated investment efforts on enlarging production to meet the growing demands of the Continental market. Direct European investment in the United States remained relatively insignificant, increasing moderately from $2.2 billion in 1950 to $7.8 billion in 1968. In contrast, American direct investment in Europe grew from $1.7 billion to $19.4 billion during the same period, as American companies, applying managerial and technical expertise acquired in the vast American economy, quickly consolidated major portions of the manufacturing, chemical, and computer markets in Europe. Overwhelming US control of key sectors of the European economy convinced many political and industrial leaders in Europe that the "technology gap" favoring US business was reinforced by fragmented research and development plans of the generally smaller European firms.

Recognition of this disadvantage prompted several mergers between European companies within the markets of the Euro-

The German firm of Liebherr of America, Inc., recently built this plant in Newport News, Virginia, to manufacture hydraulic excavators.

pean Economic Community (EEC) and the European Free Trade Association (EFTA), often with the active encouragement and aid of governments. Steady economic growth during the Sixties enabled European firms to fortify their industrial bases on the Continent and seek further expansion elsewhere. Unaccustomed to the intricacies of American business life, most of them sought to annex subsidiaries in the United States.

When such a merger strategy is applied in the acquisition of American companies, US antitrust authorities are more critical than their European counterparts, who lack the same strong trust-busting powers. The Justice Department and the Federal Trade Commission (FTC) actively pursue any "serious restraint of competition" and in recent years have challenged a number of foreign firms who wanted to purchase faltering American companies and gain an immediate foothold in the US market. The threat of being tied up in the courts for several years in lengthy legal battles with the FTC has discouraged some foreign firms from proceeding with acquisition plans. "Sometimes I get the feeling," grumbled a European executive, "that US antitrust challenges are just an excuse for stopping foreign investment in the United States."

US antitrust authorities disclaim any discrimination against foreign firms and emphasize that they monitor market behavior of domestic firms just as closely. But two highly publicized FTC prosecutions of European takeovers by British Oxygen Company and Nestle Alimentana have aroused European suspicions of active harassment by US government agencies and competitors.

British Oxygen obtained 35 per cent of the stock in Airco Inc., an American industrial gas company, for $83 million last December after deciding to buy into the market instead of building its own American industrial gas plant. The courts, at FTC request, issued an injunction on March 8 charging British Oxygen with the "elimination of potential competition." Officials of the firm deny the accusation and are willing to challenge any divestiture order, but fear that the legal process would take months if not years. Forbidden to acquire any additional shares of Airco and unable to share technical secrets, the British company sees no quick way of profiting from its investment and, in the long run, may be forced to sell its new acquisition at a substantial loss.

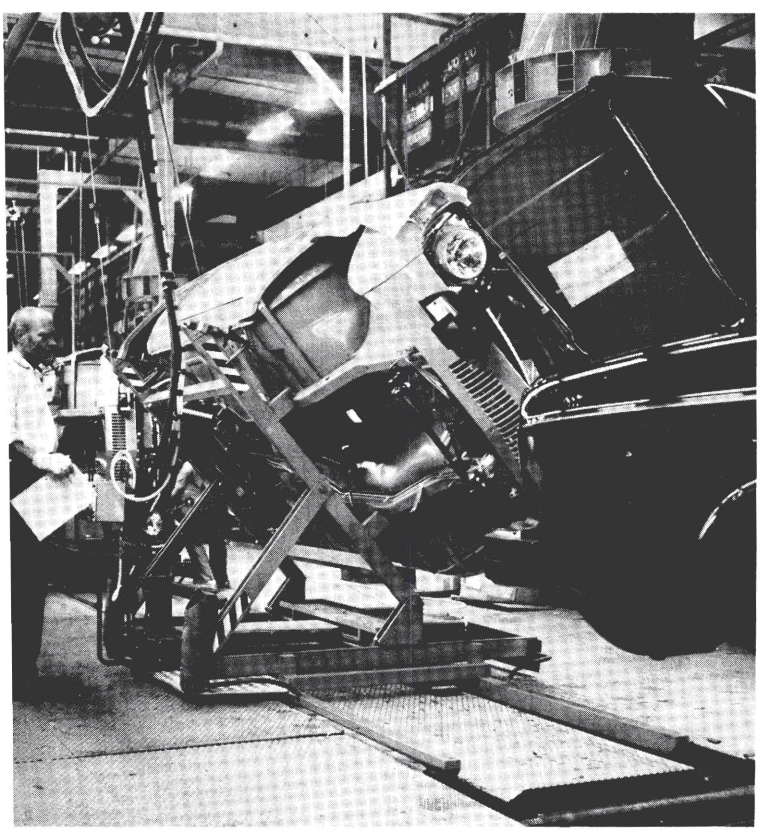
In the Nestle case, officials of the Swiss-based multinational received permission from the Justice Department in 1971 to increase its share in Libby, a Chicago-based food company, to a majority holding of 56 per cent. The Justice Department also reported that the FTC, which has independent jurisdiction in antitrust affairs, had approved the matter. But in late 1972, Nestle received a nine-page letter from the FTC informing the company of an impending antitrust investigation of the Libby purchase. The reopening of the case was initiated, say Nestle men, by complaints from a group who also wanted to buy the sagging Libby firm.

In early 1973, Nestle again aroused FTC interest by acquiring Stouffer Foods for $105 million from Litton Industries. Nestle has now been asked to comply with FTC demands for a comprehensive study by submitting all confidential documents pertaining to both cases. In doing so, officials fear that trade secrets may pass into the hands of competitors, who include such vast US conglomerates as General Foods, Radio Corporation of America (RCA), and International Telephone and Telegraph (ITT). Nestle Chairman Pierre Liotard-Vogt points out that Stouffer and Libby together control only 2.5 per cent of the American frozen food business, which hardly amounts to a dominant position. "While the two investigations are going on," notes Liotard-Vogt, "it is a bit difficult for us to know how to conduct our business over there in the United States."

DIRECT IMPLANTATION

While the creation of subsidiaries through mergers accounts for 80 per cent of the value of foreign investment in the United States, a few large foreign firms are building their own American factories. In this way, potential antitrust litigation is avoided.

The "tipper trolley", developed from Swedish workers' proposals to enable assembly line workers to stand rather than lie under the auto in a pit, will be used at Volvo's new plant in Chesapeake, Virginia.



Foreign companies built 2 per cent of the new plants in the United States in 1973, and the first half of 1974 indicates an even higher percentage. Japan is constructing an $18 million steel mill on a 190-acre site in Auburn, New York, and the American Hoechst Corporation, the US branch of Germany's Farbwerke Hoechst, A.G., has announced plans for a $100 million petrochemical plant to be located in Port Arthur, Texas. In early July, construction began in Chesapeake, Virginia, on a major new factory for the Swedish Volvo auto manufacturer. Eventually all Volvo cars sold in the United States, now estimated around 100,000, will be furnished by the Virginia assembly plant. Volkswagen, which already has a $600 million investment in the US market and employs over 48,000 in American dealerships, has been contemplating for several years a $1 billion investment to construct several large plants in the United States.

However, direct implantation by a foreign firm can also entail difficulties. Certain forms of commercial discrimination, such as the "Buy American" Act, have restricted the potential growth of several European investors with highly specialized products. Foreign investors are excluded from consideration in some defense-related contracts issued by the Pentagon, which will accept bids only from domestic manufacturers. Until January 1974, foreign loans from American banks were subject to an "Interest Equalization Tax," which taxed the borrower up to 11.25 per cent of the loan, depending on its duration. The financial authority exercised by the Securities and Exchange Commission (SEC) poses additional complications for the European investor unfamiliar with rigorous controls. Along with these difficulties, direct implantation usually involves a long-term investment that only very large foreign firms are willing to make.

NATIONAL CASE STUDIES

After carefully evaluating the costs and time involved in establishing a viable operation in the United States, most foreign companies still choose to buy their way into the US market, usually by acquiring a firm whose assets complement their own production capabilities. In 1971, the British firm of Imperial Chemical Industries Ltd. (ICI) made an extensive survey of the US chemical industry in search of an American firm with well-developed marketing and managerial skills to supplement ICI's broad technological base. The same year, it bought Atlas Chemical Industries for $165 million. Now, ICI has become a major factor in the US chemical market.

Other British firms—over 100—have made substantial inroads into US markets and are responsible for roughly one-half the total foreign investment in the United States. They possess a distinct advantage over other foreign investors

Then Belgian Prime Minister Gaston Eyskens (left) and Virginia Governor Mills E. Godwin, Jr., at a news conference after the 1969 opening of Virginia's trade and development office in Brussels.

since they speak the language and are well acquainted with US business traditions. In addition, the British economy has experienced a lower growth rate over the past decade than other industrialized nations, making investment abroad a more profitable venture for British firms.

German firms, although more reticent about investing in the United States, have greatly increased their direct investments in the past two years. The dynamic strength of the German economy has tended to keep capital investments closer to home, and German wage costs, while increasing rapidly, are still below those of the United States. German industrialists also recall having their holdings abroad confiscated during the two World Wars. Nevertheless, parity changes over the past five years have made German exports less competitive and thus enhanced prospects of direct investments abroad.

The Netherlands, before British entry into the Common Market, owned the majority of direct investments by EC countries in the United States. The book value of Dutch direct investment in the United States is nearly double the US direct investment in the Netherlands. This reversal of the usual US-European investment pattern is attributable to the impact that Dutch industrial giants, such as Shell, Unilever, and Phillips, have made on the US economy. Shell and Phillips are the largest non-American multinational companies in oil and electronics, respectively.

France and Italy, although two of the top 10 industrialized nations of the world, have made only minor direct investments in the United States, preferring to concentrate on internal regional development. The Italian company of Olivetti, after purchasing the Underwood typewriter firm in 1959, lost $40 million within two years of its acquisition and failed to break even until 1965. The major French investor in the United States, the Michelin tire company, has enjoyed more success and plans more US investment in the future.

OFFICIAL US WELCOME

The official US government attitude welcomes foreign investment to relieve balance of payments pressure and, for more diplomatic purposes, to defuse the sensitive topic of enormous US investment abroad, which now exceeds $100 billion.

The Small Business Administration, a US administrative organ designed to aid small and medium-sized firms through loans, investment information, and technical advice, makes its services readily available to foreign firms. The Commerce Department, through its "Invest in the USA" program, solicits foreign investment with tax incentives and supplies market studies and research assistance to foreign investors.

Commercial banks are also involved in attracting foreign investment. Chase Manhattan and Morgan Guaranty offer a full range of services to Europeans trying to invest using as little of their own money as possible. An increasing number of European financial institutions, such as Barclays Bank International, have begun operations in the United States to keep pace with their clients.

The most active recruitment of foreign investment occurs at the state level. Illinois, New York, Michigan, and Virginia, among other states, have established trade missions and information bureaus in Brussels to attract foreign businesses and relieve unemployment in their states. Many foreign firms have located in the southeastern region of the United States, where unions are weak and wages lower. South Carolina, which has over 50 foreign-owned plants and a total foreign investment of $1.4 billion, will additionally profit from two new French Michelin tire plants valued at $200 million and a German commitment to build a new steel mill. Through heavy foreign investment in the Orangeburg area, where three major foreign plants are located, unemployment has decreased from 7 per cent to below 3 per cent in the last five years.

Virginia's international trade and development program, formed in 1969, has pulled in $300 million in capital investment from overseas firms through the intelligent use of salesmanship. A classic example in applying adroit persuasion to attract outside investment involved the Swiss firm of Brown Boveri, which exported turbo-generators into the United States from its European base for many years. A Virginia customer expressed the wish to see Brown Boveri located nearby, so the state rezoned 600 acres by a deep water port and sent a mission—headed by then Governor Linwood Holton—to convince the firm to make the move. Brown Boveri, at first reluctant about unnecessary expansion abroad and worried about possibly losing its reputation for fine workmanship, eventually built a $20 million plant in Chesterfield County. Now the company not only serves the Virginia market directly but also has close proximity to the big markets of the Northeast metropolitan areas.

"Volkswagen, which already has a $600 million investment in the US market and employs over 48,000 in American dealerships, has been contemplating for several years a $1 billion investment to construct several large plants in the United States." In the meantime, Volkswagens are unloaded at US ports.

QUID PRO QUO

Increasing European investment in the United States has evolved into a triangular working relationship involving the US government, the European investor, and its local American subsidiary. According to Nicholas Faith, author of *The Infiltrators,* a study of European business in America, the US Government feels "strong and confident because it is getting the benefits of direct investment with none of the disadvantages; the parent European company is anxious to adapt itself to local surroundings; the local subsidiary is independent enough of the parent for the United States not to feel that it is losing any great degree of sovereignty. All that is missing in the relationship is American recognition that the Europeans are bringing any particular qualities into their country."

But what qualities do the Europeans bring? In response to Congressional concern about "national security interests," the US Government claims pragmatically that foreign investment serves US balance of payments interests while relieving the pressure felt by American firms abroad to control their own lucrative foreign investments. Not mentioned is how many European firms have brought fresh approaches to old markets, emphasizing the values of individual specialization in an age of broad-based conglomerates.

Most important, however, has been the manner in which European firms have protected American employees from unfair dismissal and provided expedient retraining programs. The Olivetti purchase of Underwood is a case in point, where for several years the Italian firm endured considerable losses while adapting the outmoded Underwood firm to more efficient levels, from people to products, eventually gaining solvency and the local community's praise and gratitude.

The *quid pro quo* of European investment in the United States is American investment in Europe. The European Community is developing a European company law which would enhance technical cooperation among European firms. Such cooperation would improve European firms' competitiveness on the world market but also could lead to charges of discrimination against US firms, similar to European accusations against the United States. Such a situation could provoke a new wave of protectionism, not against imports but capital. For Western economies torn by energy, monetary, and inflationary crises, this would be disastrous.

A more positive approach, and a true sign of improved US-EC relations, would be to devise a mutual code of conduct for US and EC companies operating abroad. Key measures could include improved personnel policies, better adaptation to local social and economic environment, and partial ownership assured for local community investors in order to cultivate a sense of true economic integration.

Reply to the American Challenge

Commission Proposes Community Action in Data Processing

WERNER VAN DE WALLE, *reporter for the Antwerp, Belgium,* Gazet

Man's Faustian search—and greed—for knowledge has led to a proliferation—even pollution—of information. To combat this pollution, a new industry has been born within the last 20 years—data processing. Its primary weapon—the computer.

Today the data processing industry ranks third on a world scale, behind only the oil and automobile industries.

The United States has a virtual monopoly in data processing, largely through the single firm of International Business Machines (IBM). This world domination stemmed partly from the US economy's huge growth potential and large government computer orders, particularly in the space and military fields.

Over 90 per cent of the computers installed in Europe are based on American technology. American computer firms dominate the market in every EC member country. In Britain, for instance, the Americans have about 55 per cent of the market, in Germany 74 per cent, and in France over 80 per cent. By next year, it is estimated that turnover of the data processing market, including software, will amount to about $8 billion in Europe, and $22 billion in the United States.

IBM alone has approximately 60 per cent by value of the European market and 80 per cent of the world market. (In the world market, the Europeans have only 6 per cent.) IBM leaves its American rivals far behind, even in Europe where Honeywell Information Systems control 10 per cent of the market. The other "Americans" each share a 4 per cent slice of the "European cake"—Univac, Burroughs, and Control Data Corporation. The Europeans control 16 per cent of their own market.

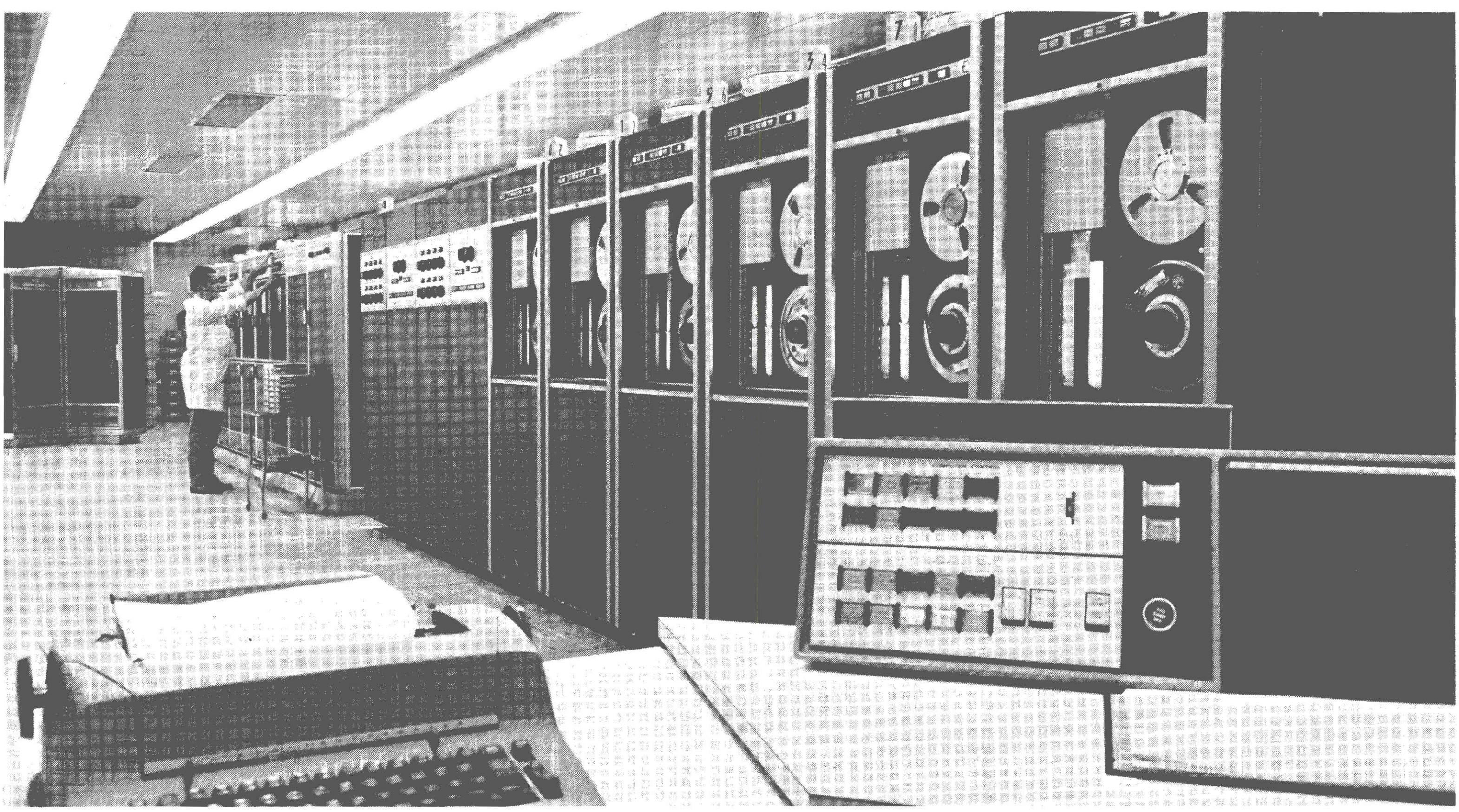
European dependence on American data processing is illustrated in EC Commission purchases of IBM computers for its research center in (Ispra) Italy and headquarters in Brussels.

COMMON ACTION NEEDED

In last year's industrial policy memorandum the EC Commission noted the data processing industry's importance to Europe, with an expected growth rate of 20 per cent annually, and the need for common action if European firms are to capture their fair share of the market.

The Commission memorandum blamed European inferiority less on technological lags than on difficulties in financing expansion and research. Separately European firms, according to Commission studies, have been able to remain afloat only through various national support measures. The breakneck

Centralized computer equipment for 120 individual offices in Paris. In the right foreground are magnetic tape memories.



Paris police use a computer to process vehicle registrations and traffic tickets.

growth speed in the market means that governments have to run to keep European firms' small share of the European market even, let alone the world market. Single member governments' resources are just not large enough for the task. Member government action in this field will be of no use without reference to the needs of the Community as a whole.

Public sector purchasing must be opened up and coordinated. The opening up of public sector purchasing in the computer field was agreed in principle at the Paris "Summit" in October 1972. The Commission has proposed a series of legal measures to this end. On projects inherently international—environmental monitoring, meteorology, traffic control, customs and trade statistics, and international technical information systems—collaboration is not merely advisable but essential. The Commission believes that a Community approach should begin for a selected number of priority projects.

In the case of data banks and data communications, coordination ought to be started now. Such action would also be useful in the field of health and medicine, where public spending is growing in every member state.

The Commission urges increased standardization and interchangeability of computer programming languages. The present tendency is for each series of computers to be associated with a programming language of its own. Fragmentation in this field means that successful innovations in one sector cannot easily be followed up by others.

The manufacturers of peripheral equipment also need standard interfaces making it easy to plug individual peripherals into large systems. The main need is to put a few key standards into practice through coordinated public procurement.

Research and development is of vital importance. It is also expensive. The Commission believes that this is one field where its proposed Community development contract system could make an essential contribution. Common action should also be taken to help the European industry to finance the leasing of computers. Computer education should be encouraged at Community level.

UNIDATA FORMED

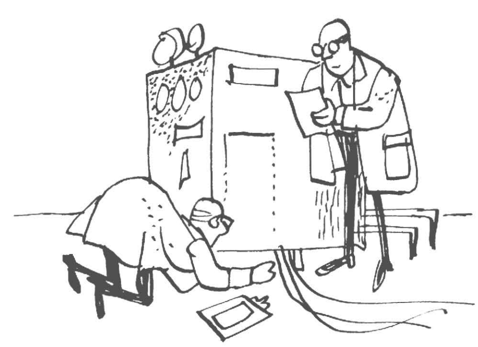
Reaching the Commission's goal of a viable European computer industry by 1980 will take more than cooperation. On July 4, 1973, a German-French-Dutch consortium was formed, combining the German firm Siemens, the French Compagnie Internationale pour l'Information, and the Dutch company Philips. Efficient specialization has resulted: Philips, hardware; Siemens, data transmission, and the French company, software. The group is called UNIDATA. It has been called a "reply to the American challenge."

But is the reply adequate? Even if the Community computer industry's other large component—the British International Computers Ltd.—joined the consortium, the American lion would still not be tamed.

Thus, the Commission recommends cooperation agreements with non-European firms. This would open up important markets in the United States and Japan. But, even if European and non-European partners would agree to such undertakings, competitive, legal, economic, and political difficulties could ruin them.

A more realistic, though more moderate, solution seems to lie in the Commission's proposals to stimulate an effective use of computers within the European Community. Council action on the Commission proposals is expected before October 1.

The Commission proposals also touched on the important question of the individual's right to privacy in a world where information is controlled by computer data banks. The problem should be tackled on a Community level, the Commission said. Common rules should be laid down governing access to data banks unless Faustian man is to turn into a Kafkaesque antihero.



Crisis and Opportunity

Trying to Understand Italy

VITTORIO ZUCCONI, *Washington correspondent for the Italian daily newspaper* La Stampa

The Chinese alphabet uses the same ideogram for "crisis" and "opportunity." Italy today looks very much like such a Chinese ideogram.

Italy's present crisis is the worst the country has known since World War II. By the same token, however, Italy now has the opportunity to shed some of the old problems which have tormented it for centuries. As an opportunity, the present crisis could bring Italy authentic political and economic development and not merely a debatable "miracle," the oft-used description of the country's postwar achievements.

To a non-Italian observer, Italy sometimes seems, especially in times of crisis, puzzling, even mysterious. Likewise, it is extremely difficult for an Italian—who is accustomed to see his governments rise and fall like spring and autumn leaves—to understand Byzantine politics hidden behind the label of "Watergate." No single article, no single journalist, is capable of explaining to an American audience the present Italian crisis, just as nobody could summarize in one story the themes and bases of Watergate. Yet it is worthwhile to give it a try.

The quantitative factors of the Italian "problem" are relatively well known in the United States (the leading US newspapers, the economic leadership, and even the Senate have taken up the matter). By the end of 1974 Italy's balance of payments is expected to show a deficit of more than $8 billion—much greater than the worst deficit ever experienced by the United States. Inflation runs at an annual rate of 20 per cent. The national and municipal administrations, even the public hospitals, are so short of money that they do not know from one day to the next whether they will be able to pay their employees, much less their suppliers.

The political aspects of the Italian crisis are also well known, at least superficially. Rome has had 36 different governments since the fall of Fascism, with the average survival term of a premier less than a year. The present coalition among Christian Democrats, Socialists, Social Democrats, and Republicans, which supports Mariano Rumor's government, might break down even before this article reaches press. Long caucuses developing into night marathons have become necessary to patch the fragile agreement between the four parties forming the majority government. The fall of a government worries, but no longer surprises the Italian public. The only privilege that is left to Italy's executive branch seems to be the one of resigning.

EFFECT, NOT CAUSE

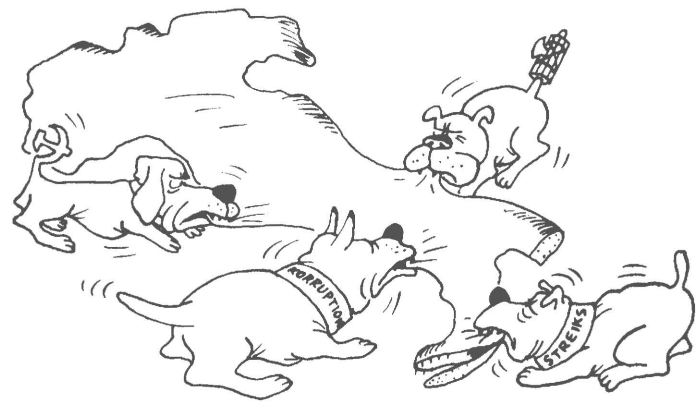
But this description—the usual account in the American press—tells little about the Italian reality. It is as close to the truth as a travel agency's brochure in which Italy is portrayed as a country inhabited by gondoliers and mandolin players.

Italian Prime Minister Mariano Rumor, head of Italy's thirty-sixth government since the end of World War II.

True, the economic data are disastrous and governments have a ridiculously short lifetime (there are also still a few gondoliers and mandolin players). But these factors are the effect not the cause of the Italian difficulties. In reality, the country emerged half destroyed out of the most absurd war it had ever fought and then for a quarter of a century, worked to get itself on its feet. The endeavor miraculously worked, thanks to a combination of four fundamental elements: the domestic availability of low cost labor; the international availability of inexpensive raw materials, from iron to oil (never a "producing country," Italy has always been a "transforming" country); the ingenuity and initiative of industrialists and financiers; support from abroad. The latter came first through direct American help, then through the European Economic Community, which has been one of the most important factors in the Italian economic "miracle," just as in the German miracle.

Given these four economic elements, Italian political leaders chose—certainly a debatable option today—to govern as little as possible and to let reconstruction be accomplished by workers, industrialists, and financiers. The history of Italian governments from 1945 to the present is a history of "nonintervention."

After 20 years of silence under Fascist dictatorship, the Italians had emerged suddenly with a formidable craving for "politics"—for discussion, for political debate. But Fascism had left a heritage of profound distrust of power and an invincible suspicion that any "strong" government might turn into "too strong" a government. That is why, in Italy, people discuss more than they act.



"Lacerated Italy." Jusp, Wir Bruckenbauer, *Switzerland.*

IMPERFECT TWO-PARTY SYSTEM

From its very beginning, the newly born Italian democracy appeared to limp. The two big political forces in the nation—the Christian Democrats (a moderate and not necessarily "Christian" grouping) and the Communists—did not form the basis for a truly two-party system. The Italians consistently rejected the Communists as a viable alternative to the Christian Democrats. Although frequently criticized for governmental instability, Italy is the only Western democracy where the same party has been in power uninterruptedly since the end of World War II. Only the party alliances have changed in order to obtain the necessary majority in the legislature.

The Communists, the only major opposition force in Italy, are worn out by 30 years of battle. Together, the Communists and Christian Democrats have 65 per cent of the Italian electorate. What remains is fragmented among at least five parties ranging from the Neofascist (Italian Social Movement), the Liberals (rightwing moderates), the Republicans and Social Democrats (leftwing moderates), to the Socialists.

Thus, in the postwar years, a cleavage developed between the "real country" of industry, labor, and schools and the "legal country" of political bureaucracy in Rome. Between the two, there existed a tacit understanding: the first worked to put Italy back on its feet; the second met the internal and international political conditions necessary for the economic miracle to take place through the containment of the Communist Party and participation in the European Community and the North Atlantic Treaty Organization.

That's how it used to be. But, precisely when this strange "pact" yielded its best fruits, in the early Sixties, it also brought both unripe and rotten fruits. Italy's quick economic development had produced a series of inevitable social side-effects, which could have been kept under control only by national authority and overall planning. Industry's requirements had moved about 200,000 people every year from the rural and Mediterranean south to the industrial and "middle European" north. Increased income fostered the development of a powerful labor movement. Better living standards boosted the number of college students to almost 800,000, while the universities were hardly equipped to accept a third that number. Transportation, housing, and hospitals were and still are insufficient for a population of 55 million (equivalent to more than a quarter of the entire American population living in an area far smaller than California).

HARD DECISIONS

Italy has often—and correctly, it seems—been compared to an adolescent who grew too rapidly and still is wearing children's clothes. After nearly 30 years of hard work, Italian workers ask not only for higher salaries (which are immediately absorbed by inflation) but also for all the social benefits which they deem to have won for themselves. The industrialists, after no less hard work, do not want to lose the fruit of their initiative, and thus at least some of them are unprepared to meet the social demands. The government—which must always take into account the powerful Communist opposition and the trade unions (some but not all of which are quite close to the Communist Party)—unexpectedly finds itself in the situation where it must take hard political decisions after 30 years of easy *laissez-faire.* For a long time, the traditional Keynesian "economic regulators" have not worked in an economy where the state intervened directly to bail out bankrupt industries to avoid massive unemployment and the feared increase of Communist power.

Against this background, worsened by rightist Neofascist bombings—came the energy crisis and the frightening price increase of oil and other raw materials. The price increase of crude (of which Italy is the most important European refiner and exporter) has inflated the Italian difficulties. The balance of payments deficit doubled. The second largest item of deficit, after oil, is meat, which Italy imports almost entirely. Money became tight, and suddenly old debts, which had been covered by new ones and forgotten, emerged and became almost impossible to "re-finance."

Today not one of the "four factors" that contributed to the Italian miracle is present. Labor costs have now reached European levels. Raw materials are scarce and expensive. Private industrialists have become fewer and disheartened. Solidarity from abroad is absent. Is this the scenario for a catastrophe? The waiting room of economic and political collapse? Will Italy be the first country to fall among the "club of ten" wealthiest countries? No one, of course, knows the

"They certainly don't look bankrupt to me!" © Punch

ultimate and certain answer.

Two facts, however, are irrefutable: Italy needs not only internal strength but all the external help it can get. If either falls short, then one must be pessimistic about Italy's future. I—and most of my fellow countrymen—are not pessimistic. We have a natural faith in our compatriots and the conviction —proven by history—that Italy has a "last quarter team" capable of action when the game seems lost.

FAMILY SOLIDARITY

This would not be enough to justify optimism. But there are other factors. On the one hand, the Italian crisis brings the insidious temptation for the other countries of the old Continent to leave behind a dangerous competitor. Yet, it is impossible to believe that the EC "Nine" are unaware of the fact that the discomfiture of Italy would mean the discomfiture of the entire European construction. Indeed, the solidarity of a family is measured by its capacity to help its weakest member.

Furthermore, the European Community needs to have among its members a Mediterranean country, like Italy, since the Mediterranean area has become the world's energy center. And Italy is the last Mediterranean country governed by a democratic regime (France cannot be considered an entirely Mediterranean country).

As for the United States, the other "friend from abroad" which Italy asks to help resolve the financial aspects of the crisis, there is no doubt that once again the old solidarity will come into play. As Senator Jacob K. Javits (R-NY) recently observed, the presence (and the votes) of thousands of Italo-Americans would in itself suffice to prompt such solidarity. But it should not be forgotten that Italy in 1974 is not the Italy of 1945. Economic assistance must not mean political interference, which would be counterproductive.

The partnership between the United States and Italy, between the United States and the other European countries, must be a relationship between adult friends. The way in which Washington contributes to the rescue of the Italian economy will be carefully followed by the other EC countries and will be seen as an example, rightly or wrongly.

COMMUNIST PARTICIPATION

The other challenge—overcoming the crisis not only financially but also politically, with a more efficient yet equally democratic structure of government—is entirely up to Italy itself. In America, as well as in Italy, many people wonder if this will mean Communist participation in the government.

The Italian Communist Party, despite its increasing electoral power, is in serious trouble. The Communists do not want to assume governmental responsibility at a time of crisis because they are afraid that necessary but unpopular decisions would cost too much in terms of future votes (too, the recent Communist experience in Chile is still a vivid memory). But, on the other hand, they do not want to wait until the crisis has been surmounted because the Christian Democrats would then gain inevitable credit and consequent power.

The absurdity of keeping 10 million Communist votes "in the fridge" for 30 years in a sterile and dangerous opposition is gradually being understood. This absurdity takes on new meaning in a radically changed international environment from a period of Cold War (and Stalinism) to détente. No one knows whether the Communists would participate in a democratic coalition in Italy, but many signs seem to indicate that it is a possibility, now or later.

If such participation is really unavoidable, as many think, it would be to everybody's advantage for it to take place in an Italy that has regained its political serenity and economic strength. The experience of the Italian center-left coalition (Christian Democrats and Socialists) in the early Sixties shows how a Marxist can, under certain conditions, become an active and responsible member of a democratic government. Pietro Nenni—the very same man who had voted against NATO in the late forties, who had strongly opposed the European Community, and whom the United States regarded as a dangerous revolutionary—became Italy's foreign minister to everybody's satisfaction.

The problem now is to create the conditions, political and economic, in which Italy could experiment safely with new political solutions and find an answer to its endemic instability. Maybe even a "new social pact" among Catholics, Socialists, and Communists, of which the leading Italian industrialist Giovanni Agnelli spoke recently, is the solution. Whatever the solution in this last Mediterranean democracy, the final result of the present crisis will be either evolution or revolution, not a simple restoration which would only avoid and postpone the real problems. That's why Italy's present fits so well the two meanings of the Chinese ideogram.

The US Image in Europe

Do Public Attitudes Influence US-EC Relations?

GILLES ANOUIL, *staff writer for the French edition of* European Community

For Europe to speak with one voice in relations with the United States means transcending the nine EC member states' traditional, bilateral relations with their Atlantic partner. And, to the extent that member governments reflect deep currents in the people they represent, this in turn means overcoming years of sentimental, perhaps irrational, perceptions. If, for example, Paris sometimes displays touchiness in US relations while Bonn or The Hague make a great show of American friendship, then, as commentators often remark, the average Frenchman must be "latently anti-American" and the average German and Dutchman "visceral Americanophiles." But is this syllogism true? To find out, the French edition of European Community *sought to gauge the pulse of various European nationalities. Data from existing public opinion polls formed the basis of the study.*

To begin with the negative attitudes, Europeans tended to perceive three main societal faults in the United States—the racial situation, the unequal distribution of wealth, and crime and violence.

When asked "what do you think of the way black Americans are treated," most Europeans surveyed replied "bad" or "very bad." People in Sweden, a non-EC member country, were most critical, while the British and Italians were more likely to reply "good" or "very good." But most Europeans also believed that the treatment of black Americans is getting progressively better. American society is a hopeful society, the Europeans seemed to be saying.

The second unfavorable appraisal of present American society concerns what Europeans perceive to be deep pockets of poverty throughout the overall wealthy United States. The Germans were most critical on this subject, followed by the British and then the French. Italians, on the other hand, saw poverty in the United States as minimal.

When asked whether they believed crime and violence to be greater in the United States than in their own country, most Europeans gave the nod to the United States. The British were most severe in their judgment, followed by the French, the Germans, and, finally and least severe, the Italians.

The attitudes expressed in these responses to American society call for a double commentary. First, the abundance of press and television coverage of crime, assassinations, and racial troubles in the United States certainly influence the image of America which Europeans have. But when questioned more deeply, Europeans nonetheless recognized that their own countries suffer from the same ills and that, except for the racial question, identical problems exist on both sides of the Atlantic.

A second observation touches the root of this discussion: The people who are least critical of the United States are in no way those nationalities whose governments are the most faithful to Washington. The above examples show the Germans or the British to be in general as critical, if not more so, of American society as the French, whose Government is generally considered less pro-American than the German or British Governments.

ABSENCE OF CORRELATION

Other examples confirm the same absence of correlation between public attitudes in the different European countries and the attitudes of their leaders.

"Ten years from now, what country, in your opinion, will have the highest standard of living: yours or the United States?" Germans, British, and French in almost identical proportions gave preference to the United States.

Concerning the quality of life in the United States, the Italians carried the most favorable judgment, followed by the French, the British, and the Germans, in that order.

The Germans, however, were the most optimistic about the future of the United States in response to the question: "Ten years from now, which country will offer the most happiness to its citizens, the United States or your country?" The Germans were about evenly divided on the question, with a large percentage of "I don't know." The other nationalities overwhelmingly favored their own respective countries.

"What is your opinion of American cultural life, art, music, literature, etc.? Is it very good, good, neither good nor bad, bad, very bad?" The highest positive response came from the Italians, followed by the Germans, and, last, the British and the French.

A similar question concerning American youth put Germany ahead of the other EC countries in positive responses but far

"On the whole, do you think that the influence of US methods and products is beneficial or harmful?" A Belgian bank seems very American.

behind Sweden. In Italy and France, those who considered American youth "good" or "very good" were exactly counterbalanced by those who gave a "bad" or "very bad" judgment. The Italians and French, however, were equally less positive in judging their own youth. It thus seems a question of adults' general attitude in respect to youth, their own as well as American.

When asked whether they had confidence in the capacity of the United States to resolve its own problems, the Italians showed themselves to be the most optimistic, followed by the English and the French, and, far behind, by the Germans.

On the whole, it can be seen that, from question to question, none of the European nationalities were consistently favorable or unfavorable in their judgments of the United States. Thus, the image Europeans have of the United States does not seem to be a variable of nationality.

Also, it can be seen that the public image of the United States gives no evidence of a causal relationship with government policies toward the United States. For example, the French often outstripped their EC partners in favorable judgments on American society.

This positive French attitude is confirmed by two recent surveys in France. One asked, "In your opinion, which countries are more democratic than France?" The United States, along with the Scandinavian countries, came out on top of the list. Another survey showed that the United States was considered the country where a Frenchman would have the most ease in adapting (after Canada and Switzerland), where life presents the most pleasures (after Switzerland), where the standard of living is the highest, and where the most efforts are made for children.

VIEWING US POWER

To complete the European image of the United States, consideration must be given to judgments not only about American society but also about US power and its role in the world. Asked whether the power of the United States is growing or diminishing, the French gave preference to the second hypothesis, as did the Germans, but the British did not.

Another question involved the use which the United States makes of this power, notably regarding Europe, in particular Washington's role in the North Atlantic Treaty Organization (NATO). About one-fourth of the French surveyed considered NATO a colonial structure and a vehicle for American domination. In answer to a little different and a slightly shaded question—"Which country profits the most from NATO?"—

A family in rural Italy watches television, a major influence on European images of the United States.

only 19 per cent of the Germans surveyed named the United States. At the same time, 81 per cent of the Germans surveyed believed the United States to have the dominant position in the Atlantic alliance.

Whatever their attitudes toward NATO, the French have shown themselves strong partisans of friendly and good relations with Washington. On the eve of the late French President Georges Pompidou's 1970 trip to Washington, for example, survey respondents were asked, "Do you personally wish following this trip the ties between France and the United States to be tighter, looser, or without change on a political level?" Forty-five per cent opted for the first alternative, 7 per cent for the second, and 26 per cent for the third. "And on the economic level?" The three options received, respectively, 52 per cent, 6 per cent, and 25 per cent. The same survey showed, however, that most Frenchmen judged France's interest to be diametrically opposed to that of the United States regarding the role of the dollar in the international monetary system.

Comparable data is, unfortunately, unavailable from the other EC countries, except for a recent survey in Britain, which shows that the British can be as critical as the French of the United States. Only 26 per cent of the British polled approved of the US role in world affairs, and 45 per cent disapproved. Sixty-nine per cent of the British respondents said they had little or no confidence in Washington's capacity to deal with the world's problems.

AMERICAN INFLUENCE AND INVESTMENT

"On the whole, do you think that the influence of US methods and products is beneficial or harmful?" Most Italians answered "beneficial," as did the British and Germans, in that order. A majority of the French surveyed, however, answered "harmful."

The beneficial aspects of American influence most frequently cited by Europeans were of an economic, scientific, and technological nature. A sizeable number of British, Germans, and Italians also mentioned the beneficial impact of American ideas and values. "The American penchant toward violence," "the American society of consumption," and "the too rapid rhythm of the American way of life" were the phrases used in Europeans' perceptions of harmful US influence.

On the subject of foreign investments (see page 9), Europeans considered American direct investment both important and beneficial to their economies. The Germans considered it particularly important, followed by the British, the French, and the Italians. The British considered it particularly beneficial, followed by the Italians, the Germans, and the French.

French attitudes on this subject have evolved significantly over the past several years. In 1965, a majority of French respondents viewed US investment as a negative influence. In the early Seventies, however, a majority held the reverse view. Perhaps this change in attitude may be attributed to official modifications in French Government policy in this area.

American products and marketing, plus "Anglicismes" in advertising, have an impact on the way Europeans view the United States.

NOT ANTI-AMERICAN

If so, public attitudes can be said to have been determined by government attitudes. But, conversely, all the other data gathered in this study is unable to explain differences in European governments' policies toward the United States as a function of public opinion, or vice versa. While recent events such as the Washington Energy Conference (see *European Community* No. 175, page 8) may seem to give truth to "anti-American" French policy, for example, the data collected in this study shows the average Frenchman to be no more "anti-American" than any other European. In fact, recent surveys have shown the French to consistently place the United States at the top of the list of countries considered as France's best friends. In this response, France is indeed more "pro-American" than any other European country.

Moreover, young Frenchmen seem even more "pro-American" than their elders. Questioned in April 1972 on the type of society that would be best for their country, they naturally placed the "French model" first but gave a close second place to the American example, greatly outdistancing the Chinese or Russian models. In addition, the United States was the foreign country the French youth said "interested them most."

Said an American Embassy official in Paris recently: "If this is what is called anti-Americanism, all that I can say is I hope it grows even more!"

Animals, Unite!

Community Adopts Common Policies for Trade in and Protection of Animals

CLARA C. MEIJERS, *Brussels correspondent for the Amsterdam daily newspaper* Het Financieele Dagbladl

Animals—believe it or not—have always commanded a lot of European Community attention: from the common agricultural policy to the "chicken war" between the Community and the United States and the "cod war" between Iceland and Great Britain. But this attention has been on an economic level, a level where nobody cares about the animals themselves.

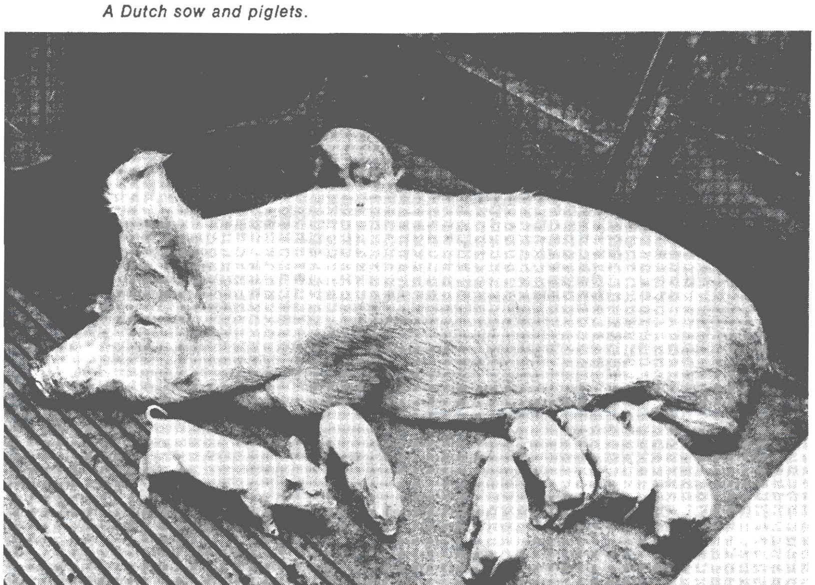
In November 1973, however, the EC Commission submitted to the Council a proposal for animal protection during international transport. A second proposal was submitted last March for stunning animals to prevent suffering during slaughter. (The proposal does not apply to slaughterings of a religious nature.) A third proposal involves animal welfare during rearing (see page 7).

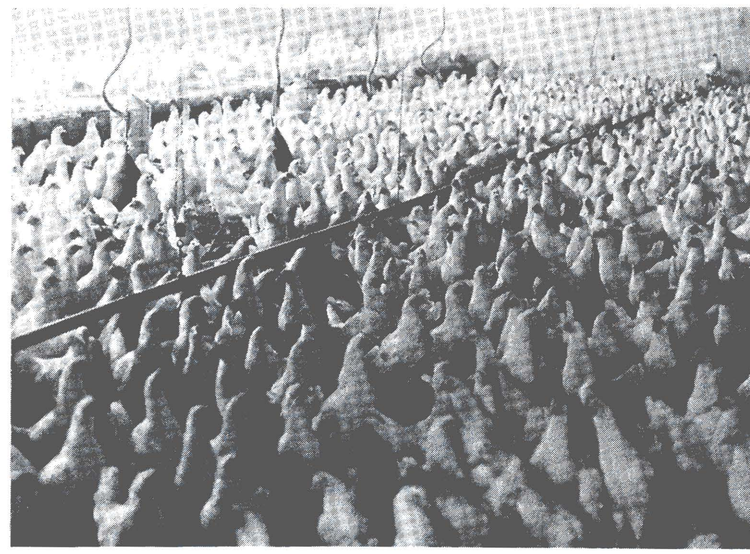
Another problem lies in the free circulation of animals within the European Community. The main barrier consists of national protective measures against disease. Public health demands such legislation, but harmonization is needed. Where harmonized legislation exists, exceptions remain. Cautious veterinarians and various interest groups, by influencing agricultural ministers' decisions, play a large part in these exceptions.

PIGS HAVE BAD LOBBY

Pigs, for example, exported from France to Italy may be stopped for the simple reason that one animal in a small French village has the cattle plague even though tens of thousands of pigs are being killed around Rome for the same disease. Pigs, in fact, seem to suffer from a very bad lobby. Like pornography, pigs constitute one of the few products whose trade is restricted within the Benelux. Dutch pigs exported to Belgium must be earmarked when they cross the border.

A Dutch sow and piglets.





A German poultry farm.

British entry into the Community gives a new ingredient to the European animal story. British consideration for animals is legendary. *The* (London) *Daily Telegraph's* "Guide to the Common Market" has a section between those on "People on Holiday" and "Pensioned People" devoted to "Animal Owners." The British Veterinarians Association, fearing a spread of rabies into England, has gone on record against the English Channel tunnel (see *European Community* No. 173, page 16). Angus Taylor, the association's president, declares that rabies is already advancing toward the French end of the projected tunnel at a rate of 25 miles a year.

It is a "two-way street," however. British exports to the Continent are also affected. Continental Europeans simply do not deserve British livestock. Not because Continentals do not pay enough for it, but because they are not real animals' friends (even if the first world dog show was held in Belgium in 1835, 12 years before one in Britain). A debate last year in the British House of Commons is illustrative.

Lord Balfour made a declaration about all sorts of things to which Europeans on the Continent do not pay attention, including hideous pictures shown on British press and television of cruel butchers on the Continent. The Agricultural Minister pointed out that they were Irish, not British, animals. Nonetheless, the House of Commons then voted to forbid British livestock exports. In turn, British housewives, suffering a beef shortage, were delighted.

Seeking a solution, the EC Commission called on the member countries to adopt a convention, concluded in January 1972 within the Council of Europe, for the protection of animals during international transport. Denmark and Luxembourg are the only EC countries to have ratified the convention. The British have not ratified it in the belief that it is insufficient.

Consumption habits are also a source of disagreement within the European Community. Other Europeans frown on Italians who skewer, barbecue, and eat small song birds. Italians reply that the French eat lapwings and thrushes. And who could say, "I have never eaten a wild duck, a pigeon, a dove, a young partridge, or a teal?"

Lapwings are also at the center of a controversy between the Dutch and the French. In the Netherlands, where lapwing eggs are appreciated, great attention is paid to lapwing reproduction. In France these birds are killed without such consideration. Thus, it seems obvious that legislation harmonization throughout the Community is difficult, if not impossible, as long as diverse hunting, culinary, and "animal fancying" traditions remain. Too, the interests of conservationists and consumers must be reconciled.

Insects also occupy the Community's attention. For example, the EC common external tariff allows cantharides to be imported free. Bees, as corpses for stable-litter and dirt, constitute a scarce transport item liberalized by the Community.

WHAT DO THE ANIMALS THINK?

Silkworms take a special place in EC law. The Common Market Treaty had omitted cotton, silk, and wool from the products to be covered by the common agricultural policy. So, a recent measure gives silkworms their own market planning. Sheep—also till now neglected by the EC agricultural policy and thus free from common rules—will soon have EC market planning.

What the animals think about all this attention is of course unclear. Certainly, pests such as the so-called San José lice don't think much of the EC common agricultural policy, for they have been banned from the Community because of their appreciation of fruit trees. On the other hand, the *dactylopius coccus* have been welcomed as "producers of raw materials," especially gum lac.

Even if sharks receive a new EC import quota each year, the "Nine" have not yet reached the point of paying attention to every animal. Lord O'Hagan, a British member of the European Parliament, recently pointed out that no common EC tax exists for dogs. The EC Commission answered that harmonization is unnecessary since taxes on dogs do not constitute a barrier to the free circulation of goods and services and thus cannot lead to competition distortion.

Still, the question of animal protection remains, and again Lord O'Hagan raised the point. What about animal species threatened with extinction? The EC Commission answered that, although no common policy exists, the Community goes along with the objectives of the convention, concluded on March 2, 1973, in Washington, about trade of animal and vegetable species threatened with extinction. The Commission is studying the possibility for the Community to adhere formally to this convention. Meanwhile, leopard, panther, and tiger skins can be imported into the "Nine" and converted into coats.

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.*

The Law of the European Economic Community. By K. Lipstein. Butterworth and Co. Ltd., London, 1974. 368 pages with tables, notes, bibliography, and index. $33.15.

An article-by-article analysis of the EEC Treaty, including interpretations by the European Court of Justice of each article and the practical measures ensuing from the articles and the Court's interpretations.

The book's first part deals with "The Origins and Purpose of the EEC." Part II discusses "The Range of the Treaty and Its Implementation." The book's third and final section discusses "Remedies and Procedure."

Parliaments and European Rapprochement: The Conference of the Inter-Parliamentary Union on European Cooperation and Security. By Jukka Huopaniemi. A. W. Sijthoff, Leiden, 1973. 138 pages with appendices and index.

A report on the Inter-Parliamentary Conference on European Cooperation and Security (IPCES), held in Helsinki, January 26-31, 1973.

By nature consultative, the conference served as a sounding board for participants from different political systems. The parliamentary manner of interaction and cooperation is discussed, with particular reference to the role and scope of the conference. Factors contributing to or detracting from the potential for rapprochement are considered: security, economics, culture, peoples, and institutional structures. Finally, the author discusses the conference's basic premises for cooperation and proposals for future forums of the same kind.

The Pricing of Crude Oil: Economic and Strategic Guidelines for an International Energy Policy. By Taki Rifai. Praeger Publishers, New York, Washington, and London, 1974. 357 pages with tables, appendices, and bibliography. $16.50

A study of crude oil pricing as a reflection of political, strategic, as well as purely economic considerations.

The author, manager of Banque Arabe et Internationale d'Investissement, Paris, describes and interprets the overall pricing structure and the recent international oil crisis. The author's primary intention was to investigate crude prices from the viewpoint of producing countries. The complexity of the issue, however, imposed a more detailed analysis of crude oil pricing from several points of view. In the last four parts, the author considers future prospects of world oil economics.

Antitrust Policy in Europe. By Dennis Swann and Dennis Lees. The Financial Times, London, 1973. 106 pages with appendix and index.

A guide for businessmen on Europe's antitrust laws and policies, with particular reference to their effect on British companies.

The book's first part is a general analysis of antitrust problems with emphasis on the European situation. The second part provides a detailed guide to EEC antitrust—philosophy, rules, and administration. Included is an examination of many cases handled by the EC Commission and the Court of Justice. National antitrust in the EC member states is the subject of the final section. The appendix covers the landmark Continental Can case.

Publications Available

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

ASSOCIATION, COOPERATION AND TRADE AGREEMENTS BETWEEN THE EEC AND THIRD COUNTRIES. *Written Question No. 571/73,* European Parliament, Luxembourg, December 19, 1973, 6 pages .... free
Written question from Pierre Cousté to the Commission. Presents, in table form, the Community's agreements with third countries. Includes the date of entry into force, legal basis, applicability to new members, and brief comments on status and extent of each agreement.

INVESTMENT IN THE COMMUNITY COALMINING AND IRON AND STEEL INDUSTRIES. Commission of the European Communities. Luxembourg, January 1974, 55 pages $2.50
Summary report on the Investment Surveys 1966-73 in the Community of Six. Covers production, capital expenditure, and production potential for coal, coking plants, iron-ore, and iron and steel industries.

DEVELOPMENTS IN THE EC COMPETITION POLICY. *Background Note No. 11/74,* European Community Information Service, Washington, DC, June 21, 1974, 6 pages .... free
Summary of the Commission's third annual report on competition. Covers the Commission's work in 1973 on merger control, restrictive agreements, state and industrial aids, monopolies, multinationals, and problems related to the energy crisis.

SECOND REPORT ON A DECISION ON THE CREATION OF A COMMITTEE FOR REGIONAL POLICY, A FINANCIAL REGULATION RELATING TO SPECIAL PROVISIONS TO BE APPLIED TO THE EUROPEAN REGIONAL DEVELOPMENT FUND AND A REGULATION ESTABLISHING A REGIONAL DEVELOPMENT FUND. *Working Document No. 228/73,* European Parliament, Luxembourg, November 13, 1973, 49 pages $1.00
Report by Fernand L. Delmotte for the Committee on Regional Policy and Transport.

REPORT ON THE REGULATIONS FOR THE APPLICATION FOR THE YEAR 1974, IN FAVOUR OF DEVELOPING COUNTRIES, OF GENERALIZED PREFERENCES. *Working Document No. 272/73,* European Parliament, Luxembourg. 47 pages $1.00
Report by Maurice Dewulf for the Committee on Development and Cooperation.

REPORT ON THE NEED FOR COMMUNITY MEASURES FOR THE DESULPHURIZATION OF FUELS. *Working Document No. 22/74,* European Parliament, Luxembourg, April 8, 1974, 18 pages .... $.50
Report by Helmut Kater for the Committee on Energy, Research and Technology.

EUROPEAN COMMUNITY SOCIAL ACTION PROGRAM INITIATED. *Background Note, No. 12/74,* European Community Information Service, Washington, DC, June 25, 1974, 7 pages .... free
Summary of the measures submitted to the Council by the Commission under the Social Action Program including equal pay for men and women, mass worker dismissals, 40-hour work week, Foundation on Living and Working Conditions, vocational training. Describes the decisions taken by the Council on June 10 on aid to the handicapped, migrant workers' and industrial safety.

ADDRESS BY CARLO SCARASCIA-MUGNOZZA, VICE-PRESIDENT OF THE COMMISSION TO THE EUROPEAN PARLIAMENT ON FEBRUARY 1974. Commission of the European Communities, Luxembourg, 1974, 14 pages . free
Presentation of the General Report for 1973 and the Commission's 1974 program.

REPORT ON INITIAL IMPLEMENTATION OF THE GUIDELINES AND PRIORITIES FOR A COMMUNITY ENERGY POLICY. *Working Document No. 220/73,* European Parliament, Luxembourg, November 12, 1973 . . $1.00
Report by Tom Normanton for the Committee on Energy, Research and Technology.

REPORT ON A REGULATION ESTABLISHING A COMMUNITY GUARANTEE SYSTEM FOR PRIVATE INVESTMENTS IN THIRD COUNTRIES. *Working Document No. 208/73,* European Parliament, Luxembourg, November 27, 1973, 34 pages $1.00
Report by André Armengaud for the Committee on Development and Cooperation.

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