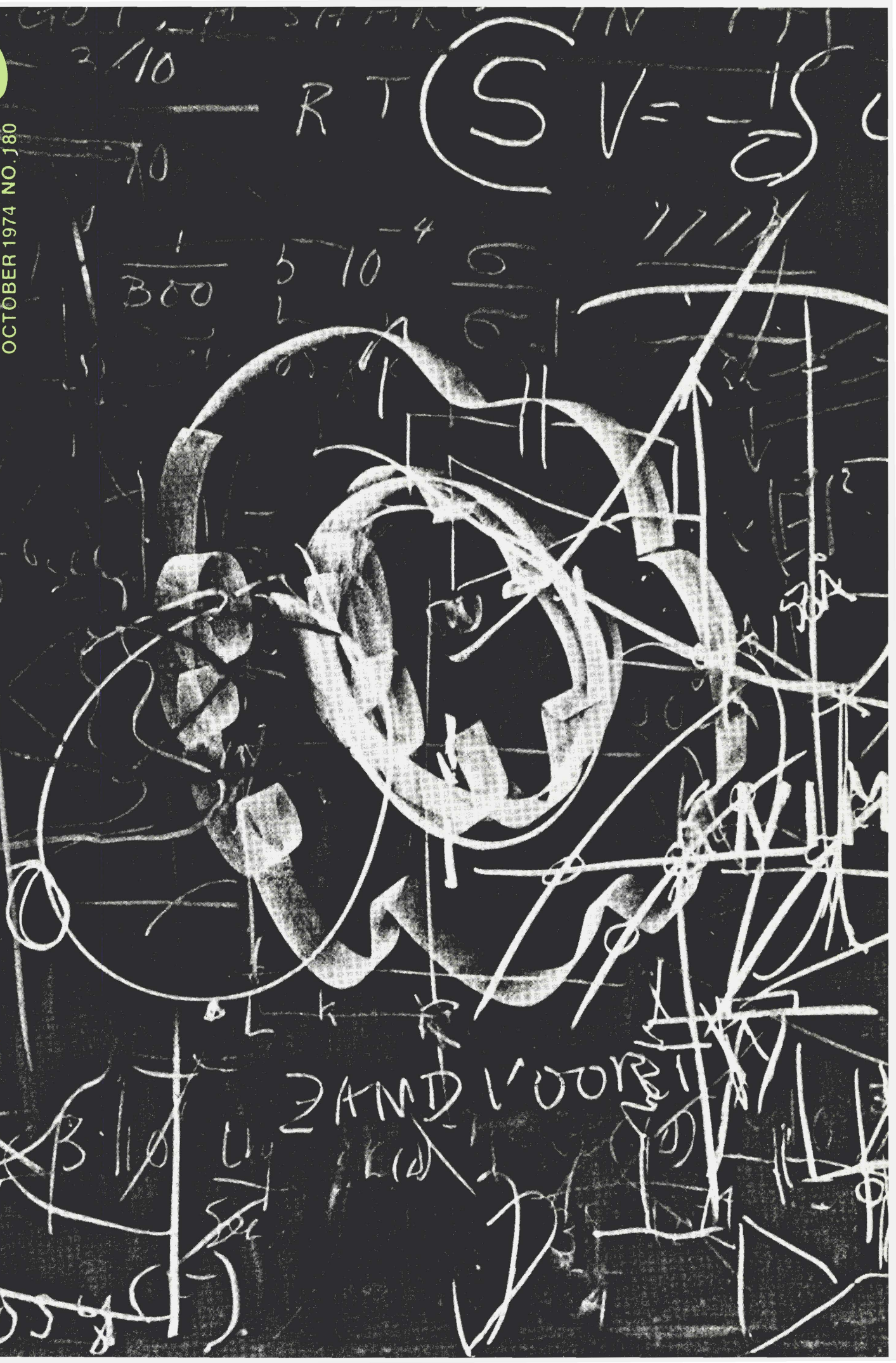


# European Community

OCTOBER 1974 NO. 180



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Erich Hartmann, Magnum Photo, New York.

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# Dateline Europe

EUROPEAN PARLIAMENTARIANS met in Washington on September 18 with President Gerald R. Ford, who "emphatically restated" to the 16-member delegation that "dedication to allies" has top priority in US foreign policy. The European Parliament group, led by Pierre Bernard Cousté, had arrived in Washington September 16 for talks with Congressional and Executive Branch leaders. It marked the sixth official exchange between representatives of the Congress and the European Parliament. "The level of understanding during these frank and stimulating talks was higher than ever before," said Cousté of the most recent Parliamentary exchange. Said Rep. Sam Gibbons (D-Fla.), a House Foreign Affairs Committee member: "Of the four sessions I have been privileged to attend, this has been the best and most productive one."

A GENTLEMEN'S AGREEMENT on export credit policies was the subject of renewed negotiations among representatives of the United States, the European Community, and Japan, September 10-11 in Brussels. The pact would harmonize US, EC, and Japanese credit policies to avoid undercutting of bidding with other countries, particularly the Soviet Union. The chief aim is to set a minimum interest rate and maximum credit duration. In a September 11 press conference in Brussels, Treasury Under Secretary Jack Bennett expressed confidence that an accord could be reached, possibly at the next meeting, tentatively scheduled for early October.

FRANCOIS-XAVIER ORTOLI, EC Commission President, visited New York and Washington September 25-29. First in New York, he addressed the Inter-

Alpha Group, an organization of seven major European Banks. Then in Washington, he met with US Administration officials to discuss Atlantic relations.

EMERGENCY FARM MEASURES were decided upon by the EC Council September 20 in Brussels. The measures, put together at a 30-hour marathon session, included a 5 per cent raise in guaranteed farm prices, effective October 1. On the eve of the Council meeting, an estimated million farmers demonstrated throughout the Community demanding action to alleviate the current cost-price squeeze.

A NEW STYLE "SUMMIT" of the nine EC heads of government plus EC Commission President Francois-Xavier Ortoli was held September 14 in Paris. The leaders agreed to hold other such informal meetings at least three or four times annually and to meet again at a more formal summit before the end of 1974. The six-hour dinner meeting at the Elysee was given by French President Giscard d'Estaing. France, under the Community's rotation rules, now holds the EC Council presidency. "The message from the dinner is quite clear," wrote The Times of London. "The European venture is going forward."

A COMMON ENERGY POLICY was reached in principle by the EC Council September 17 in Brussels. The policy decisions take into account the Commission's latest proposals (see European Community No. 179, page 6). The Council agreed to fix before the end of the year specific and quantified energy objectives. On September 20 in Brussels, experts from eight EC countries, the United States, Canada, and Norway reached tentative agreement on an oil-sharing plan in time of crisis. This agreement stems from the February 11-13 Washington energy conference (see European Community No. 175, page 8).

# Community News

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## US-EC Relations

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### New EC Information Head

The new information director for the EC Commission's delegation to the United States is Andrew A. Mulligan. He succeeds Leonard B. Tennyson, who left his post on October 1.

Mulligan, 38, comes to Washington after a year with the Commission in Brussels as head of the division responsible for the EC general report. Prior to that, he was producer for the British Broadcasting Corporation's (BBC) current affairs series "Panorama." Earlier, Mulligan served as Paris correspondent for *The Observer*.

An Irish citizen, Mulligan was born in India and graduated with honors in anthropology from Cambridge University. In 1960 he captained the Irish rugby team. He is married to the former Pia Schioler, a Dane. They have three children.

Tennyson, 55, founded the European Community Information Service in the United States in 1954, two years after the formation of the European Coal and Steel Community. An American, Tennyson joined the Community after serving as a journalist in the United States and abroad and as a Marshall Plan official in Europe. He has also been a professional lecturer on the faculty of American University. His future plans are unannounced.

Also leaving the Washington office is its deputy information director, Guy Vanhaeverbeke, who is returning to Brussels to serve as press counselor for the European Parliament, and the delegation's energy specialist, Ivo Dubois, who assumes Mulligan's former post in Brussels.

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### EC Commission Congratulates Ford

EC Commission President François-Xavier Ortoli, in an August 9 telegram, congratulated President Gerald R. Ford on succeeding to the US Presidency.

Ortoli said the Commission was certain "that in your efforts on behalf of the good of the American people you will offer particular attention to the maintenance and development of the good and

friendly relations that exist between the great American democracy and the European Communities."

"We express our best wishes," Ortoli continued, "for your personal happiness and for your success in the accomplishment of your eminent and weighty function in the interest of peace and prosperity throughout the world."

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### Kissinger Visits Brussels

US Secretary of State Henry A. Kissinger met with EC Commission President François-Xavier Ortoli in Brussels July 4 to discuss the outcome of then President Richard M. Nixon's Soviet Union visit.

Kissinger also met with Commission Vice President Christopher Soames, responsible for EC external affairs, and Jens Otto Krag, head of the Commission's delegation to the United States.

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### Agricultural Agreement Reached

"One hundred years of free trade between America's Midwest and Europe will not be broken," EC Commissioner Petrus J. Lardinois, responsible for the EC common agricultural policy, said at a joint news conference with US Secretary of Agriculture Earl L. Butz in Washington August 28. (See page 16 for discussion of US-EC agricultural relations.)

In an attempt to avoid the kind of crisis in US-EC relations which occurred when the United States reduced soybean exports after a poor harvest in 1973, Lardinois had traveled to Washington for talks with his American counterpart on this year's grain shortage.

Although the EC has had bumper harvests of soft wheat, it continues to be heavily dependent on the United States for supplies of feed. The US shortfall this year has considerably reduced the amount of grains available for export, and Lardinois had what were described as "wholesome and fruitful" discussions with Butz on how to make supplies go round.

Lardinois said the Community was prepared to reduce its demands on American grains, but added, "We are the oldest and most reliable customer, we hope you [the United States] will stay the most reliable supplier."

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### EC Adjusts Tariffs for Enlargement

A list of new EC external tariffs in products as diverse as baby diapers, oranges, outboard motors, and coffee has been sent to the General Agreement on Tariffs and Trade (GATT) in Geneva by the EC Commission.

The new, lower duties, which took effect August 1, are adjustments which became necessary after Denmark, Ireland, and Britain joined the Community on January 1, 1973. During the 19-month gap between EC enlargement and the new duties, 17 countries negotiated as the principal suppliers of specific products on which the

new members raised duties as a result of EC membership.

The hardest bargain was struck by the United States, with which a trade war loomed at one point. The other countries were Argentina, Australia, Brazil, Canada, Chile, India, Japan, Malaysia, New Zealand, Pakistan, Poland, Romania, South Africa, Sri Lanka, Uruguay, and Yugoslavia. The concessions, once negotiated, apply not to individual countries, but worldwide under the most-favored-nation clause of the General Agreement on Tariffs and Trade.

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### Cheysson Visits Washington

EC Commissioner Claude Cheysson, responsible for EC development aid, traveled to Washington at the conclusion of ministerial-level talks with 44 African-Caribbean-Pacific (ACP) developing countries in Kingston, Jamaica (see page 5).

At those talks, the Community agreed to stabilize ACP export

commodity earnings by compensating for any drop in world prices below agreed reference prices. The Community abandoned its efforts to secure "reverse preferences" for EC exports on ACP markets and agreed to study the problems caused to ACP exports by EC rules of origin and non-tariff barriers, notably in agricul-

ture. Cheysson told a Washington news conference July 30 that the exports compensation plan was a major breakthrough; the Community hoped other industrial nations would follow the EC lead. "We were on the brink of complete failure when it was decided to make this step forward," Cheysson said. Abandoning reverse preferences had solved a "longstanding conflict with the United States."

Cheysson said that trade was more important than aid to the "Third World." He hoped the US

trade bill would be passed with similarly realistic measures to those being undertaken by Europe.

While in Washington, Cheysson saw World Bank President Robert McNamara, International Monetary Fund Managing Director Johannes Witteveen, Senator John Sparkman (chairman of the Senate subcommittee on Europe), and several top White House, State Department, Agency for International Development (AID), and other US officials.

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## External Relations

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### Go-Ahead for Mediterranean Policy

Talks with five Mediterranean countries were scheduled to resume this autumn after the EC Council's July 23 approval of supplementary negotiating briefs for the Commission.

This round of negotiations with Spain, Israel, Morocco, and Tunisia will also include Malta. The projected agreements, part of the Community's Mediterranean policy, would pave the way for similar new agreements with other Mediterranean countries such as Egypt, Lebanon, Syria, Jordan, and Cyprus. (See page 12 for details of the present agreement with Cyprus.)

If successfully concluded, the present negotiations would bring

360 million units of account (UA) in financial aid to the Maghreb countries and Malta. (One UA equals one 1970 dollar.)

Speaking at the Malta International Trade Fair July 12, Commission Vice President Christopher Soames said the Community intends to develop a concerted dialogue with the Arab states, involving a wide range of issues from energy and monetary problems to job-creating investments and technical assistance.

Soames emphasized that the broad agenda of topics to be discussed with the Arabs will "clearly overlap with what we do in the Mediterranean as a whole."

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### Developing Countries Agreement Reached

Negotiations to replace the Yaoundé Convention, which expires January 31, 1975, are expected to be concluded on schedule this year after a July 25-26 ministerial-level meeting in Kingston, Jamaica, overcame the major negotiating obstacles. Included in the

negotiations are the 19 African associates of the Yaoundé Convention and 25 African, Caribbean, and Pacific (ACP) developing countries eligible to be associates.

The EC-ACP Kingston meeting brought agreement on the following principles:

- guarantees to stabilize associated developing countries' export earnings from basic commodities and possibly semi-manufactures
- a massive increase (something like fourfold) in the size of the European Development Fund to take into account the increased number of associates and the effects of inflation
- an obligation toward Commonwealth sugar producers
- free access for ACP countries to the EC market without any corresponding trading advantages for EC products
- the need for industrial cooperation and transfer of technology.

The European agreement to abandon efforts to secure reciprocal trading advantages in the ACP countries (reverse preferences) removed a sore point in US-EC relations.

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### Latin American Trade Links

Two new trade agreements between Latin American countries and the European Community took effect on August 1. The accords with Brazil and Uruguay were negotiated in 1973.

The agreements set up joint committees in which the parties will be able to discuss trade prob-

lems and offer concessions on products of particular interest, such as a decrease in the beef levy to Uruguay and tariff reductions for cocoa butter and instant coffee to Brazil (within the framework of the EC generalized preference system for developing countries).

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### Euro-Arab Dialogue Develops

A July 31 meeting in Paris marked the first step in a Euro-Arab dialogue expected to lead to the organization of a Euro-Arab conference, an idea first mooted during last autumn's energy crisis.

A committee was set up during the Paris meeting which will begin study in November on how to pro-

mote long-term economic cooperation between the two sides. At the meeting were French Foreign Minister and EC Council President Jean Sauvagnargues, EC Commission President François-Xavier Ortoli, and Mahmoud Riad and Sheik Al Sabah Al Jabar, representing the Arab League.

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### Special Links with Faroe Islands

In order to take account of the special relationship between the Common Market and the Faroe Islands, the EC Commission has proposed a special import system for 95 per cent of Faroese exports—mainly fish and fish byproducts.

The Faroe Islands, a Danish dependency located between Iceland and Britain, have until the end of 1975 to decide whether to take up the option of EC membership, but in the meantime provision must be made to ensure that they do not lose privileges they already

enjoy and to acknowledge their special link with the Community.

Thus, the Commission has proposed maintaining duty-free access to the United Kingdom as was the case when both were part of the European Free Trade Area (EFTA). (Access to Denmark is already guaranteed.) In addition, special concessions on all other EC markets are to be granted in return for autonomous concessions granted by the Faroe Islands on some imports of EC products.

## Australia-EC Agreement

An agreement will come into force January 1, 1975, between the Community and Australia on tariff reductions and other concessions to compensate for the loss of Commonwealth preferences following Britain's entry into the Community's customs union.

Under the agreement reached July 30, all the tariff concessions that Australia enjoyed in the Community of the "Six" will be available in the enlarged Community, plus additional benefits affecting several million dollars in Australian exports.

The new arrangements were negotiated under Article XXIV-6 of the General Agreement on Tariffs and Trade (GATT). They include:

- duty reductions on offals, fresh oranges, dried vine fruit, apples and pears, canned pears, and argentiferous lead
- an increase in the levy-free quota for beef and veal
- freezing of current levels of duty on mutton and lamb, honey, canned fruit, hides and skin, greasy wool, unwrought lead, and unwrought zinc.

## Food Aid for Cypriot Refugees

An EC Commission proposal to augment the European Community's emergency food aid allotment for Cyprus' 190,000 refugees was sent to the Council of Ministers on September 2.

The aid, consisting of 3,000 tons of grain and 200 tons each of powdered milk and butteroil,

would be distributed through the United Nations. A shipment of 50 tons of powdered milk had already been approved in response to an urgent request from Cyprus President Glafkos Clerides.

Cyprus is an associate member of the European Community (see page 12).

## Aid to Palestine Refugees

The EC Commission and the United Nations Relief and Works Agency for Palestine Refugees (UNWRA) signed a contract on July 22 in Brussels that will help fund the secondary and technical education of Palestine refugees.

The UNWRA program, which reaches over 70,000 pupils in the Middle East, has been in a critical financial position for the past few

years. The Commission contribution of 6.55 million units of account (UA) will revitalize the education program and supplement the large amount of food aid the Community has already provided for refugees in the Middle East. (One UA equals \$1.20635.)

EC member states now account for over 40 per cent of the budget contributions made to UNWRA.

## Cheyssson Visits Egypt

EC Commissioner Claude Cheyssson visited Cairo September 3-6 for official talks with Egyptian Foreign Affairs Minister Ismael Fahmi on the EC cooperation offer made to Jordan and the Mediterranean basin countries.

Cheyssson, responsible for EC

development and cooperation policy, also met with Egyptian economics and planning ministers and with Mahmoud Riad, president of the Arab League. Cheyssson visited Syria, Jordan, and Lebanon for similar talks earlier this year.

## Soames Tours Asia

EC Commission Vice President Christopher Soames made a September 4-October 1 official visit to Australia, New Zealand, Singapore, Indonesia, and the Philippines.

Soames, responsible for EC external relations, met with those countries' heads of government

and other officials to discuss trade and foreign relations with the Community. He also met with the ministers of the Association of South East Asian Nations (ASEAN) while in Indonesia September 23-28. ASEAN members are: Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

## Competition

### After-sales Discrimination Ends

Belgian and Luxembourg consumers who might have been having difficulties getting Constructa electrical appliances repaired should have no more problems. The EC Commission has intervened to force the manufacturer of these appliances—a subsidiary of the German group Siemens—to apply the same rules to after-sales service throughout the Community.

Hitherto, Belgian and Luxembourg citizens had to have bought the equipment from a recognized distributor in their own country to qualify for the company's after-sales service, while other EC customers could get service irrespective of where they had bought their equipment. By insisting that EC rules of free competition be applied, the Commission has eliminated this discrimination.

### Trademark Ruling

A Dutch and Belgian firm will have to cease what amounts to a market-sharing agreement for advocaat (eggnog), following an EC Commission ruling during the summer.

The two firms, van Olffen of the Netherlands, a wholly owned subsidiary of the Heineken breweries, and Cinoco of Brussels, in which the Belgian Stella Artois breweries have a 25 per cent stake, had argued that their right to the Advocaat trademark in their respective countries gave them an exclusive right to market the product in that country.

In the Commission's view, a trademark cannot be used as a justification for preventing free movement of goods or free competition.

### Producers Fined

Four Belgian wallpaper manufacturers have been fined a total of more than \$450,000 by the EC Commission for not respecting the EC rules of fair competition by obliging Belgian consumers to pay excessive prices for their wallpaper.

An agreement between the four firms—S.C. Usines Peters-Lacroix; Les Papeteries de Genval; Papiers-peints Brepols, and Ets. Vanderborcht Frères—gave them control of the Belgian market. When another Belgian firm refused to go along with the group's practices and sold at lower prices in supermarkets, the group imposed a boycott which the Commission condemned as a "particularly serious" breach of the principles of free competition.

## Commission Investigates GM

The Belgian subsidiary of the world's largest auto manufacturer, General Motors (GM), is in trouble with the EC Commission.

The Commission opened an inquiry during the summer into suspicions that General Motors Continental of Antwerp has been making improper use of a dominant market position—a potential infringement of the European Economic Community Treaty, which forbids distortion of competition within the Common Market.

The Commission is investigat-

ing whether GM has been overcharging for certifying that GM cars imported into Belgium outside the framework of its own sales network conform to Belgian requirements. If indeed the case, this practice has the effect of impeding unrestricted imports.

As the weekly *Economist* pointed out, Commission antitrust authorities are "big game hunting" in investigating GM. Its worldwide sales of \$35.8 billion last year were more than six times the size of the EC budget.

## Dutch Fruit Imports Ruling

A system applied by Dutch importers and wholesalers to channel all marketing of imported fruit through a Rotterdam auction house was prohibited by the EC Commission this summer on the grounds that this system prevents free competition.

The system was part of an agreement concluded between a Dutch importers' association, Nederlandse Vereniging voor de Fruit- en Groentenimporthandel,

and a wholesalers' organization, Nederlandse Bond van Grossiers in Zuidvruchten en ander geïmporteerd fruit FRUBO, which set up the Rotterdam auction sale for certain types of imported fruit.

By obliging all such fruit imports to pass through Rotterdam, the Commission felt the agreement restricted importers' freedom of supply. The practice of auctioning as such is not affected by the ban.

## Agriculture

### Farm Modernization Grants

A total of 637 projects for improving farms or agricultural processing facilities have been allocated grants totaling almost 170 million units of account (UA) from the European Agricultural Guidance and Guarantee Fund (EAGGF) in 1974. (One UA equals one 1970 dollar.)

The biggest beneficiary in terms of number of projects is Italy, where 224 plans will receive aid. Italy also received the most in

monetary terms: UA 47 million, followed by Germany, where UA 39 million will be divided between 112 projects.

The other EAGGF allocations break down as follows: Belgium, UA 9.9 million for 92 projects; Denmark, UA 4.7 million for 10 projects; France, UA 30.8 million for 70 projects; Ireland, UA 6.9 million for 25 projects; Luxembourg, UA 0.2 million for two projects; the Netherlands, UA 11.0 million for

34 projects, and the United Kingdom, UA 20.0 million for 68 projects.

EAGGF grants normally meet around one quarter of the cost of the projects, which this year are

as diverse as restoration plans for vineyards hit by phylloxera, drainage, construction of slaughterhouses, building farm roads, an egg packaging unit, planting walnut trees, and buying fishing boats.

## GAP Infringements?

Two EC member states—Belgium and France—have been asked to justify national farm support measures which the Commission believes could be infringements of the EC common agricultural policy (CAP). The member states could be taken to court if their explanations are not accepted.

France announced a series of measures at the end of July for subsidies to French cattle raisers that the Commission felt could fall foul of EC rules on national subsidies, which ban any action distorting competition. Only one of a number of Belgian measures—a subsidy to help producers of sows—seemed irregular to the Commission. The Belgian Government

has been asked to show reason why this subsidy should not be banned by the Commission.

## EC Wine Surplus

The European Community will face a large wine surplus at the end of this year's harvest, threatening to make prices inordinately low. EC wine stocks now total 2.1 billion gallons.

Acting on a request for market stabilization from France and Italy, the EC Commission in August sent the Council of Ministers a program for table wine distillation which would provide EC distillation subsidies and allow producers and distillers to negotiate supply contracts.

## Social Policy

### Equal Work, Unequal Pay

When it comes to paying women the same wage for the same work as men, none of the three new EC member states is perfect, according to a Commission report.

Denmark, however, comes closest by far. The main reservation about Denmark is that pay is a matter for collective bargaining, not legislation, thus leaving a small portion of the work force unaccounted for and providing no recourse in the courts for women who feel they have a grievance.

In Britain and Ireland, the Commission believes, serious discrimination survives. But legislation in

the pipeline in both countries should bring compliance with the Common Market Treaty's Article 119, which stipulates equal pay for equal work throughout the Community. Britain's Equal Pay Act sets the end of 1975 as the deadline for parity, and an Irish law passed in July this year sets the same target.

A report one year ago on the original EC member states found discrimination of one kind or another in all of them, and an investigation was started against one, the Netherlands, for infringement of Article 119. Subsequently, the

Dutch Government indicated it was planning appropriate legislation. In the meantime, the Commission has drafted a directive for

the Council of Ministers which would tighten up the existing Community rules on equal pay.

equals one 1970 dollar.) The Commission also wants to see the element of Community financing increase progressively from around 7 per cent at present to 50 per cent.

Among the crucial areas of action pinpointed in a new energy research program put forward by the Commission on July 19 are:

- efficient exchange of information between member states
- rational use of energy

- efficient coal mining, increased conversion of coal into oil and gas, and increased exploitation of known oil and gas deposits
- nuclear fission with emphasis on safety research
- nuclear fusion
- use of hydrogen as a fuel and source of energy
- possible uses of sun, wind, sea, and geothermal energy
- environmental protection.

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## Environment

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### Dutch Nature Reserve Safeguarded

The Dutch Government's July 11 decision to maintain the Dollart nature reserve was welcomed in a statement by the EC Commission on July 17.

The Dollart reserve had been threatened by a waste water canal project which the European Parliament, for one, felt "would have disastrous consequences for millions of breeding and migratory birds . . . and seriously disturb

the ecological balance." The Parliament had forwarded a resolution to the Commission asking it to urge the Dutch Government to take the necessary steps to preserve the area.

In welcoming the Dutch Government's decision, the Commission said it could be a precedent that could facilitate intra-Community cooperation for other natural parks and nature reserves.

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## Harmonization

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### New VAT Proposals

Writers, journalists, musicians, actors, and lecturers should be exempt from the value added tax (VAT) in the European Community, except where they are concerned with the publishing or reproduction of their work, according to EC Commission proposals sent to the Council of Ministers in August.

The proposals would also exempt lawyers and members of the judiciary as well as artworks, antiques, and collector's items. Tele-

communications services, including radio and television operations, would now be subject to the VAT, as would stock brokerage and certain banking services, including exchange dealing.

The Commission would also abolish the January 1, 1975, deadline for harmonizing member states' VAT systems, therefore delaying the initiation of a system for financing the EC budget out of its own resources.

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## Energy

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### EIB Loan for North Sea Gas

A 10-year loan of about \$25 million (at 9 7/8 per cent) has been granted by the European Investment Bank (EIB) to help finance production installations on the Frigg Gas Field in the North Sea between the United Kingdom and Norway.

The loan goes to a consortium of British companies with strong ties to the French oil industry: Elf Oil Exploration and Production (UK) Ltd., Total Oil Marine Ltd.,

and Aquitaine Oil (UK) Ltd. The project comprises a steel drilling platform, a concrete processing platform, a living quarters platform with accommodation for 60 workers, and a flare stack.

Extraction from the British side of the field is expected to begin in 1976 and continue until 1991, at a rate of 7 or 8 billion cubic meters a year. Britain expects to be self-sufficient in gas—and perhaps oil as well—by the end of the decade.

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### Boosting Energy Research

The EC Commission believes the Community should increase energy research spending by two-thirds to bring it into line with that of the United States and Japan.

Energy research would then account for 0.15 per cent of the gross national product (GNP), currently equivalent to 1.5 billion units of account (UA). (One UA

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## Member States

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### Public Support Still Lags

Although most EC citizens (59 per cent) think the Community is a good thing, 14 per cent regard it as bad, according to EC Commission soundings of public opinion taken in May 1974. Taking the EC countries as a whole, the number of both supporters and opponents has increased since the last poll, in September 1973, indicating less indifference.

Although support for the Com-

munity has dropped off in Ireland and Denmark, this is offset by a slight improvement in popularity in the original "Six" and Britain. Nevertheless, in Britain the "anti-marketeters" (39 per cent) still outnumber the supporters (33 per cent). The United Kingdom is the only country where there is more opposition than support.

But the amount of discontent with the Community has increased



everywhere. At 6 per cent in the original Six, it is still relatively small, but in Ireland one quarter of the population think the Community is a bad thing, and in Denmark almost a third.

Although there is little overall support for a break-up of the Com-

munity, over a quarter of the EC population feel indifferent to its continued existence. In Denmark and Britain more people would greet its disappearance with a sigh of relief (31 per cent and 40 per cent, respectively) than would regret it (27 and 24 per cent).

**17** Commission expresses concern over Cyprus crisis (see page 12).

**17** EC Energy Committee meets in Brussels to discuss common petroleum sharing position with the Organization for Economic Cooperation and Development (OECD) in time of crisis.

**18** European Development Fund (EDF) grants loan to the Ivory Coast to expand its cocoa industry.

**19** British Prime Minister Harold Wilson meets with French President Valéry Giscard d'Estaing to discuss bilateral issues such as the Concorde and the "Chunnel."

**19** Commission forwards recommendation to Council proposing opening of trade negotiations with Pakistan, Bangladesh, and Sri Lanka.

**19** Commission approves draft action program for research and development in energy sector and coordination of all Community research and development projects (see page 8).

**20-26** Alfons Lappas, president of the EC Economic and Social Committee, visits the United States (see *European Community* No. 179, page 3).

**20** Commissioner Patrick J. Hillery, responsible for EC social policy, speaks on international cooperation in social welfare at a conference in Nairobi.

**22** Commission withdraws permission for Italy to apply its import deposit plan to most agricultural goods and approves 12.5 per cent devaluation of "green" lira.

**22** Council of Ministers, meeting in Brussels to discuss external relations, calls for restoration of con-

stitutional order in Cyprus as soon as possible (see page 12).

**22** Commission signs contract for aid to Palestine refugees (see page 6).

**22-23** EC-Cyprus Council of Association meets in Brussels (see page 12).

**23** Council reaches final accord on five-year trade agreements, incorporating financial aid, with Spain, Israel, Morocco, Tunisia, and Malta (see page 5).

**25-26** Ministerial-level negotiations between the Community and 44 developing countries are held in Kingston, Jamaica (see page 5).

**24** Commissioners Altiero Spinelli and Henri Simonet, at Brussels news conference, applaud return of democracy to Greece (see page 12).

**24** Commission forwards to Council final report on tariff reductions under negotiations within the General Agreement on Tariffs and Trade (GATT) to "compensate" for EC enlargement (see page 4).

**29** Commission announces series of loans to British coal and steel industries to help development projects and unemployed workers.

**30** Commissioner Claude Cheysson gives news conference in Washington (see page 4).

**30** Australia and Community reach agreement on trade accord (see page 6).

**31** French Foreign Minister and EC Council President Jean Sauvagnargues, EC Commission President François-Xavier Ortoli, and Mahmoud Riad and Sheik Al Sabah Al Jabar, representing the Arab League, meet in Paris (see page 5).

## Notice

In accordance with the US Securities and Exchange Commission regulations, the European Coal and Steel Community published its Balance Sheet as of December 31, 1973, and its Statement of Revenues and Expenditures for the period from January 1, 1973, to December 31, 1973.

This information is published in

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

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

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

## Community Calendar

### JULY

**4** US Secretary of State Henry A. Kissinger meets in Brussels with Commission President François-Xavier Ortoli and Commission Vice President Christopher Soames (see page 4).

**8-12** European Parliament holds plenary session in Strasbourg, France, and discusses the sugar market, United Nations emergency food aid, generalized preferences, and company law.

**10** Commission meets in Brussels with Italian labor representatives to discuss economic policy measures put forth by Italian Government.

**11** Dutch Government decides to maintain Dollart nature reserve (see page 8).

**11-13** Commission Vice President Christopher Soames visits Malta to take part in international trade fair and to meet with Prime Minister Dom Mintoff and other Maltese officials (see page 5).

**12** Commission grants aid to 4,901 British steel workers for retraining and retirement.

**15-16** Council of Ministers meets in Brussels to discuss agriculture (see *European Community* No. 179, page 3).

**15-16** Council of Ministers meets in Brussels to discuss finance and anti-inflation measures.

**16** Council of Ministers meets in Brussels to discuss development aid.

### AUGUST

**1** Trade agreements between the Community and Brazil and Uruguay take effect (see page 5).

**1** Commission approves financial support for 22 hydrocarbon projects.

**28** US Secretary of Agriculture Earl L. Butz and EC Commissioner

Petrus J. Lardinois hold joint news conference in Washington (see page 16).

**30** Commission holds special session in Brussels to discuss agricultural situation, food aid for Cyprus and Bangladesh, and relations with Greece.

# Community Acts for Peace

Cyprus and Ulster Recall EC Fundamentals

**RICHARD MAYNE**, director of EC London office

In difficult times it is often useful to return to fundamentals. One fundamental reason for European unity has always been the bitter memory that older Europeans have of World War II, and their consequent determination to make future wars between them not only unthinkable but impossible.

Until recently, this deep aspiration seemed so amply fulfilled as to have lost its point. The European Community, admittedly, was only one of the factors responsible for the reconciliation between France and Germany and among other former European enemies. The passage of time, the settlement of the Saar dispute, the emergence of new dangers, the invention of ever more terrible weapons of war, and the presence in Europe of political leaders devoted to the cause of peace—all these were part of the new European scene that made the past look like a fading nightmare. But because the nightmare was fading, so too was one compelling reason for uniting Europe. Peace between Europeans seemed assured.

Today this appears less certain. To state that fact is not to suggest that the nine member states of the enlarged Community are ever likely to drift again into mutual hostilities. That would indeed be unthinkable. But armed conflict between Europeans broke out over this summer in Cyprus and has been going on for several years in Ulster. Bloodshed is closer than Europeans

sometimes like to remember.

The European Community organizations are plainly economic. They cannot pretend to deal directly with political and military strife, but they form part of a broad political movement, with the basic aim of transposing European quarrels into peaceful discussion, and giving Europeans a collective peaceful influence in world affairs.

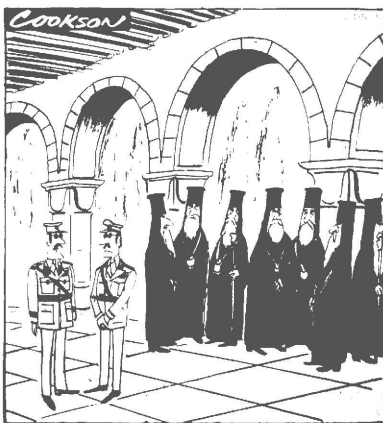
## ULSTER AND CYPRUS

Whatever the ultimate settlement of the Ulster tragedy, there can be no doubt that the European Community has already contributed, by its very existence, to the creation of a new context in which the problems of Ireland, Ulster, and Great Britain can be discussed. Relations between Dublin and London, for example, cannot but be affected by the fact that Irish and British ministers meet regularly in the EC Council of Ministers to deal with other common problems far removed from that single burning issue.

In the much longer term, the gradually growing links between all member states, provinces, regions, and localities of the Community as a whole cannot but place border and frontier problems into a new and far more matter-of-fact perspective. If, at the same time, a vigorous Community regional policy can be

## The Cyprus Crisis Through European Cartoonists' Eyes

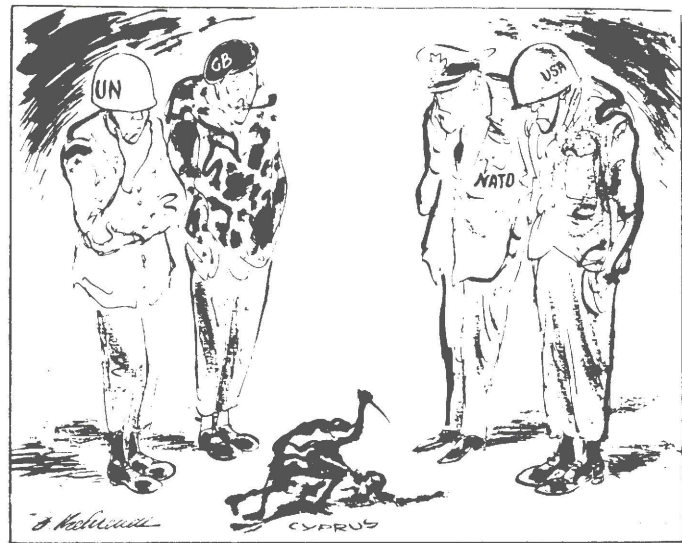
"It began as a security idea years ago but nobody can remember which one is the real Makarios." Cookson, Evening News, London.



"There was an old man with a beard,  
Who said 'It is just as I feared!  
Two owls and a hen,  
Four larks and a wren,  
Have all built their nests in my beard!'"  
Edward Lear.

© Punch London.

"Yes, terrible, isn't it?"  
Behrendt, Het Parool, Amsterdam.



evolved to help remedy today's economic inequalities, a further and very fundamental cause of strife will have been removed.

The recent hostilities in Cyprus did not directly involve, except as victims, any citizens of European Community countries. But one EC member state—the United Kingdom—is a signatory to the Geneva Agreement; and the three parties to the dispute—Greece, Turkey, and Cyprus itself—all have association agreements with the European Community (see page 12).

The Cyprus situation has suffered setbacks despite all the efforts made by the EC member states, whose reaction was prompt and unanimous. Perhaps no one could have held back this particular tide of hatred and suspicion, but the joint attempt to do so by the Europeans was nevertheless a cheering augury for common action in the interests of peace.

#### VOICE IN THE WORLD

The troubled situation in Cyprus, like that in Ulster, seems likely to continue, and any influence that the European Community may be able to exert will be only one element in it. Yet in so far as the machinery of association with the Community involves continual peaceful and friendly contact, and the discussion together of common problems, this is itself one hopeful pointer for the future.

In the wider world, the Community's voice is sometimes muffled. In trade and some other economic matters, the Commission negotiates for the member states. But on broader questions of foreign policy and defense there is no single joint spokesman, and only frail machinery for agreement among the "Nine." This machinery, the so-called "Davignon Committee," has nonetheless managed to arrive at some common positions, notably in the preparations for East-West agreement in the Conference on Security and Cooperation in Europe (CSCE).

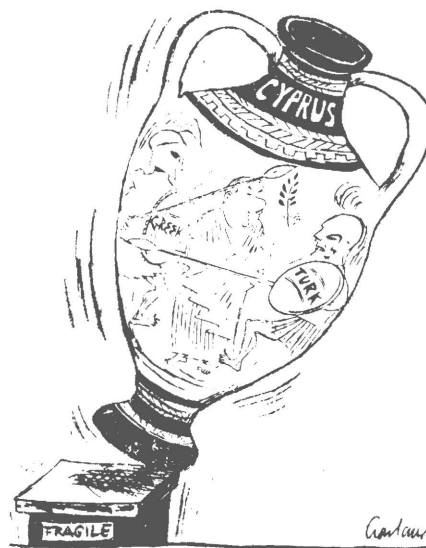
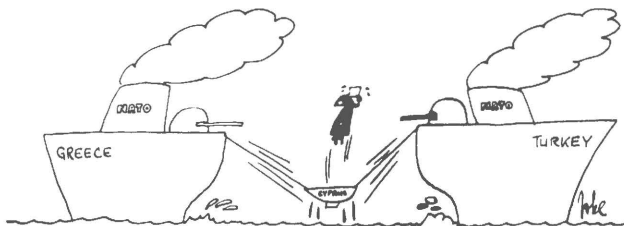
It may be that the Davignon machinery will ultimately be strengthened, perhaps by the establishment of a political secretariat. What is certain, in the words of British Foreign Secretary James Callaghan, is: "In a world which is grouping itself increasingly into regions it cannot be disadvantageous for Community members to discuss among themselves how they can act together in the world in political as well as in economic matters."

In doing so, they are genuinely returning to the Community's fundamentals. It was the preamble to the European Coal and Steel Community Treaty, signed in Paris on April 18, 1951, that declared the Community's original member states to be "Convinced that the contribution which an organized and vital Europe can make to civilization is indispensable to the maintenance of peace."



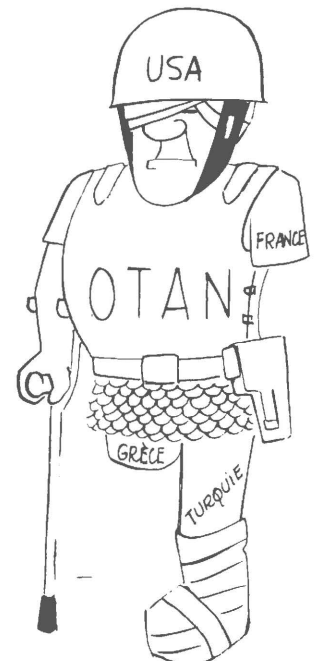
"It's harder than one thinks."  
Jusp, *Wir Brückenbauer*, Switzerland.

Joke, *De Nieuwe Gazet*, Antwerp, Belgium.



Garland, *Daily Telegraph*, London.

"NATO." Padry, *Le Hérisson*, Paris.



# EC Stake in Cyprus Crisis

## Frozen EC-Greek Association Thaws

The Cyprus crisis, with two North Atlantic Treaty Organization (NATO) allies in near head-on collision, brought warnings within the United States to avoid "another Vietnam type situation." For the European Community, however, the crisis could not be avoided.

All three of the crisis participants—Greece, Turkey, and Cyprus itself—have historical, geographic, and economic links with both the Community as a whole and its individual member states. And, more, these links had been formalized in EC association agreements. That means all three countries are potentially full EC members.

### GREEK ASSOCIATION FROZEN

"Because of its political and geographical importance in the free world," in the words of the EC Council President at the time, Greece, on November 1, 1962, became the first associate of the European Community. The association treaty, signed a year earlier in Brussels, stated the agreement's aim "to strengthen, by new economic links, the existing political and spiritual links between the member states and Greece."

On April 21, 1967, the Greek military coup, in the eyes of the Community, loosened, if not severed, those links. Later that year

the Community "froze" the Greek association.

The agreement had called for creation of a customs union between Greece and the Community over a 12-year transitional period. A 10 per cent mutual reduction in tariffs came into effect at the outset, with six more equal reductions due to follow at 18-month intervals, then three more at 12-month intervals. The tariff reductions came to a standstill in 1967 when Greek democracy ended.

For certain products, tariffs were to fall in 5 per cent segments over 22 years. Escape clauses enabled Athens to delay tariff cuts if the Greek economy should be in serious difficulties or to protect or promote new Greek industries over the 12-year period. At the conclusion of this transition phase, Greece was to align its external customs tariffs on the Community's, except for a few specified imports.

The Community and Greece agreed to lift quotas on each other's imports within 22 years. Other nontariff barriers were to go during the 12-year phase, subject to escape clauses protecting the fragile Greek economy. Greece and the Community agreed to "harmonize" their agricultural policies, liberalize agricultural trade, and harmonize their antitrust, tax, and some other laws.

*Foreign ministers and representatives of Britain (lower right), Greece (left), and Turkey (facing camera) in Geneva's Palais des Nations for Cyprus crisis talks in late July.*



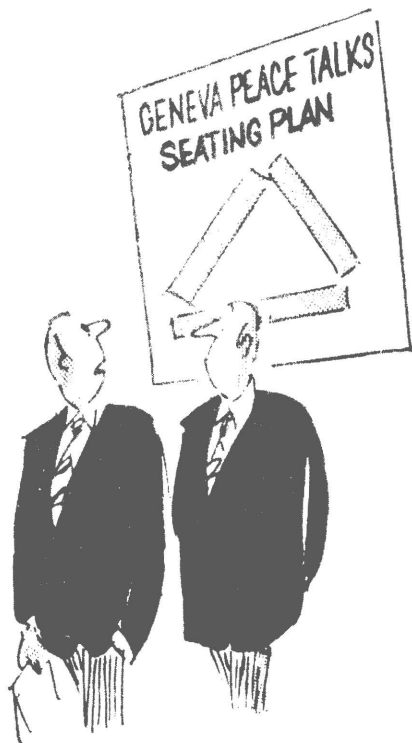
Free movement of labor and services was to be achieved in 12 years. There were clauses against dumping and another ensuring consultation about changes in currency exchange rates. The agreement was to be supervised by an EC-Greece Council of Association and provision was made for the arbitration of disputes between the two partners. A Greek-European Parliamentary Commission was created in 1963.

The agreement also called for EC technical and financial assistance to Greece, in particular European Investment Bank (EIB) loans. In its entirety, the agreement was intended to enable Greece to become a full EC member by 1984.

Greece has an estimated 1974 population of over 9 million people. Its 1971 gross domestic product (GDP) was \$10.717 billion, giving a per capita GDP of \$1,211. The then six EC countries exported goods worth \$1.159 billion to Greece and imported Greek products worth \$471 million.

#### TURKEY CLOSE TO CUSTOMS UNION

The association agreement with Turkey was signed in Ankara on September 12, 1963. This pact, similarly supervised by a Council of Association, provided for a five-year "preparatory stage" to enable Turkey to strengthen its economy, followed by



"Will you stop referring to the Foreign Secretary as 'The square on the hypotenuse'?" Holland, Sunday Telegraph, London.



Greek Cypriot refugees find shelter in the basement of a Nicosia school during August. The Community is sending emergency food aid to Cypriot refugees.

a 12-year transitional phase leading to customs union and "aligned" economic policies. A final stage, the duration of which is to be fixed later, would implement full customs union subject to protective clauses for Turkey's developing economy.

By the end of the final stage, Turkey would have adopted the EC common customs tariff for trade with third countries and an "approximation to other Community rules on external trade." There would be progressive freedom of labor, establishment, and services. Turkey, a considerable exporter of migrant labor to Germany and other EC countries, would be able to receive remittances from migrants, and the migrants could be eligible for earned EC pensions on return home.

On November 23, 1970, an additional protocol was signed in Brussels, implementing the transitional stage, during which duties are being reduced in 10 stages of 10 per cent each over 12 years. Quantitative restrictions between the partners will also be abolished during the period, and antitrust, fiscal, and other laws harmonized. Both the Turkey and Greece association agreements initially exclude products covered by the European Coal and Steel Community (ECSC).

After seven years in the deep freeze, fresh negotiations for the reintroduction of the progressive terms of the "transitional" phase of the Greek agreement are now necessary. Thus, in time terms, Turkey has now almost overtaken Greece in moving toward customs union with the EC; but clauses in the Greek treaty, when unfrozen, make it possible to speed up implementation if



*Signing the EC-Greek Association Treaty, also known as the Athens Treaty, July 10, 1961, Athens. The treaty marked the European Community's first association agreement.*

Greece feels its economy is strong enough.

Turkey has an estimated 1974 population of 40 million and a 1971 GDP of \$11.816 billion, giving a per capita GDP of \$327—lower than that of any European country except Albania. EC exports to Turkey then totaled \$616 million while imports from Turkey into the six totaled \$348 million. Most of Turkey is in Asia, with only the area west of the Bosphorus in Europe, but the Muslim country has always been Europe-oriented. In the Eighteenth Century Turkey still occupied modern Greece, most of modern Yugoslavia, and other European territory, as well as most of North Africa as far as Algeria. It was then known as the Ottoman Empire.

#### **ASSOCIATION BASED ON CYPRIOT INDEPENDENCE**

The agreement with Cyprus dates only from May 14, 1973. A first stage runs until June 30, 1977. Negotiations on a second five-year phase are scheduled to begin in January 1976.

The terms of the first stage, supervised by an EC-Cyprus Council of Association, call for the removal of duties on fixed quotas of Cypriot exports to the EC, while reducing duties on un-quotaed goods. Cyprus, subject to protective escape clauses, also agreed to cut duties progressively on its imports from EC countries.

The second stage of the agreement would bring about cus-

tom union between the partners, starting with a 35 per cent reduction in remaining duties, and the removal of quotas. Customs union is to be achieved "as early as possible and to the extent compatible with the proper development of the economy of Cyprus." Where Cyprus, a Commonwealth country, enjoyed better trade terms with Britain and Ireland under "imperial preference," these terms would continue until eventually the agreement's prospective terms overtook the existing advantages.

Cyprus has an estimated current population of just over 700,000. Its 1971 GDP was \$604 million, giving a per capita GDP of \$944. Exports by the "Six" to Cyprus totaled \$93 million. Cypriot exports to the EC—mostly fruit and other foods, fibers, and garments—were worth \$32 million.

Following the coup d'etat on Cyprus, the EC Commission issued a statement July 17 expressing its concern and recalling that the island's association agreement with the Community is based on the concept of Cypriot "independence and territorial integrity." The events on Cyprus forced postponement of the EC-Cyprus Council of Association meeting which had been scheduled to discuss the functioning of the agreement and expansion of its coverage at ministerial level July 22.

An EC country, Britain, is—along with Greece and Turkey—one of the three guarantee powers of Cypriot independence. The crisis on Cyprus was precipitated by a coup d'etat against President Makarios. Britain declined to intervene, and Greece's mili-

tary inability to prevent Turkish forces going in under the Guarantee Treaty led to the fall of the Greek junta and the restoration of civilian government in Greece. The coup d'état in Cyprus then collapsed also.

### ECONOMIC AND PUBLIC PRESSURE

Even with the restoration of democracy in Greece, the ageless question will remain unanswered of what impact foreigners have in changing a particular country's domestic policies. The EC attempt to influence Greek politics was twofold. First, of course, the Community's suspension of the association agreement not only exerted economic pressure but also, less tangibly, certainly did not help the Greek Colonels in the world court of public opinion. Second and likewise related to public opinion, EC and member states' leaders alike criticized what they considered Greek Government violations of human rights.

On October 2, 1967, only months after the Greek Colonels' coup, Denmark, the Netherlands, Norway, and Sweden filed complaints against the new Greek Government with the European Commission of Human Rights. On November 11, 1969, that commission issued a statement on alleged tortures and inhumane treatment in Greece.

In early 1972, the EC Commission publicly registered its "indignation" over continued political arrests in Greece and delivered a formal note of protest to the Greek charge d'affaires in Brussels. The Greek Government responded that the EC Commission's actions were "an inadmissible intervention into Greek domestic affairs."

On September 4, 1972, the EC Commission reiterated its freezing of the association by stating that, due to the non-evolution of the Greek political situation, the association agreement would

*"Rebirth in Greece." Behrendt, Het Parool, Amsterdam.*



be limited to "current administration." A year later, the Greek Government announced its intention to take the matter to arbitration in the hope that the whole association agreement would be applied.

An absence of parliamentary democracy in Greece, coupled with the imprisonment of Greek members of parliament, paralyzed the functioning of the EC-Greek Parliamentary Commission. This formed the judicial basis for blocking EIB loans to Greece provided for in the association agreement. On May 5, 1969, the European Parliament issued "a solemn warning" to the Greek Government to end martial law.

On June 6, 1973, EC Commission Vice President Christopher Soames, responsible for EC external affairs, told the European Parliament: "I must make it abundantly clear on behalf of the Commission that there can be no question whatever, under present circumstances of this association progressing any further along the road that had been mapped out in 1961 with so much hope. . . . I must say with regret that today we stand perhaps further removed than ever from the situation for which we continue to hope: the day when Greece becomes again what once she was, and when we can develop to the full our relationship with her as a European democracy among European democracies, a country we can eventually in happier circumstances welcome into our Community itself."

### THAW BEGINS

As democracy returned to Greece, the frozen association agreement began to thaw. On September 2, the EC Commission sent the Council of Ministers a proposal to resume the normal functioning of the association instruments, in particular a ministerial-level meeting in the near future of the EC-Greek Association Council.

The Commission also proposed specific measures that would enable the association agreement to function normally:

- signature of an additional protocol to account for EC enlargement, including the delicate problem of trade in Greek wines
- negotiation of an intermediary agreement relative to the commercial provisions of the projected new protocol
- review of the possibility of unfreezing \$55.75 million in EIB loans earmarked for Greece prior to the coup, plus the conclusion of an additional financial protocol
- resumption of progress toward customs union with Greece
- employment of Greek interns to study the press and information activities of the EC office in Athens
- no immediate action on long-term measures, such as agricultural policies, until after a period of reflection on the sudden turn in Greek events.

While the Council pondered these proposals, Greek Foreign Minister George Mavros traveled to Brussels on September 10 to discuss with EC officials the normalization of EC-Greece relations.

# The Commodity Crunch

ATLANTIC FORUM

## Grain Shortages Bring US-EC Cooperation

**ADRIAN DICKS**, *Washington correspondent for the London Financial Times*

European Community regularly presents opinions on US-European relations. The opinions do not necessarily reflect the policies or views of the Commission of the European Communities. Persons interested in contributing to Atlantic Forum may submit manuscript proposals to The Managing Editor, European Community, Suite 707, 2100 M Street, NW, Washington, DC 20037.

By a combination of luck and judgment, agricultural trade for the moment seems a bright spot in relations between the European Community and the United States.

The luck—although just how good it really is remains to be seen—lay in a slight improvement in the weather in the American Midwest during August. Early this year, when American farmers first planted the vast acreages of corn and soybeans which feed much of the world's livestock, heavy rains in many regions washed out much of the seed. Later, during June and July, much of the Midwest suffered its worst drought in years, leading some climatologists, as well as farmers themselves, to talk about a return to the "dustbowl" years of the Thirties.

But during August, enough rain fell to give hope that the very gloomy crop forecasts for animal feedstuffs published by the US Department of Agriculture (USDA) in the middle of the month might in fact be on the low side. Calculations that soybean plants in particular might still respond to the moisture served to break the relentless upward pressure of futures prices on the commodity exchanges. High though feedstuff prices climbed, they never quite reached the frightening peaks of August 1973. Purely speculative buying, although by no means absent, did not dominate futures markets as it had a year before.

In the context of an anticipated corn crop more than 20 per

*US Secretary of Agriculture Earl L. Butz (left) and EC Commissioner Petrus J. Lardinois, responsible for the Community's farm policy, at August 28 Washington news conference reiterating US-EC agricultural cooperation.*

cent below first expectations (about 5 billion bushels compared to 6.5 billion bushels forecast early this year) and an anticipated soybean crop of perhaps 12-16 per cent below last year's 1.6 billion bushels, none of this may seem much like good luck. All the same, there was an interval in which judgment could be brought to bear, and in the grim circumstances being widely predicted for next year's world animal feedstuff supplies, that interval has probably been used as constructively as it could have been.

### RECOGNIZING RESPONSIBILITY

On the American side this has meant acknowledgement once again of the unique role of US farmers in the world's food supply system and reaffirmation of the traditional equality of all buyers of US farm products. In more practical terms that means, for the time being at least, that Secretary of Agriculture Earl L. Butz won his battle against export controls on scarce commodities (and, incidentally, against members of President Gerald R. Ford's immediate circle of advisers who wanted to drop him from the new Administration).

For foreign customers of American farm products—notably the European Community and Japan—it has been necessary to recognize their own share of responsibility for keeping the market orderly and for bearing a portion of the disruption caused by short supplies. That has meant undertaking to reduce their purchases of animal feedstuffs voluntarily by about 10 per cent in the case of Japan and by an amount which some experts believe might eventually be more than 30 per cent for the Community.

Until the harvest is actually in, of course, no one can be certain just how short supplies will be of the principal animal feedstuffs—corn, soybeans, and sorghum. No one knows how much influence, beyond allowing the price mechanism to work freely, either the Community or Japan will be able or willing to use in trying to reduce feedstuff demand by their livestock producers. Nor does anyone know for sure how much has really been ordered from US exporters by foreign buyers for delivery, and how much represents hedging operations. The USDA hopes to have a more up-to-the-minute view of export sales when it fully implements a new reporting system, but it will still have only a vague idea of the size of "real" orders compared to overall totals.

Meanwhile, neither the United States nor its customers can hope to duck the unpleasant political consequences of the feedstuffs shortage, which has coincided for most livestock producers—in particular the world's cattle breeders—with a cyclical peak in their herds. EC Commissioner Petrus J. Lardinois, responsible for the EC common agricultural policy, warned producers recently that times would be hard for them next year, despite the fact that the Community's predicted soft wheat surplus will allow it some substitution for scarce feedgrains and soybeans. The US Administration, for all its loudly



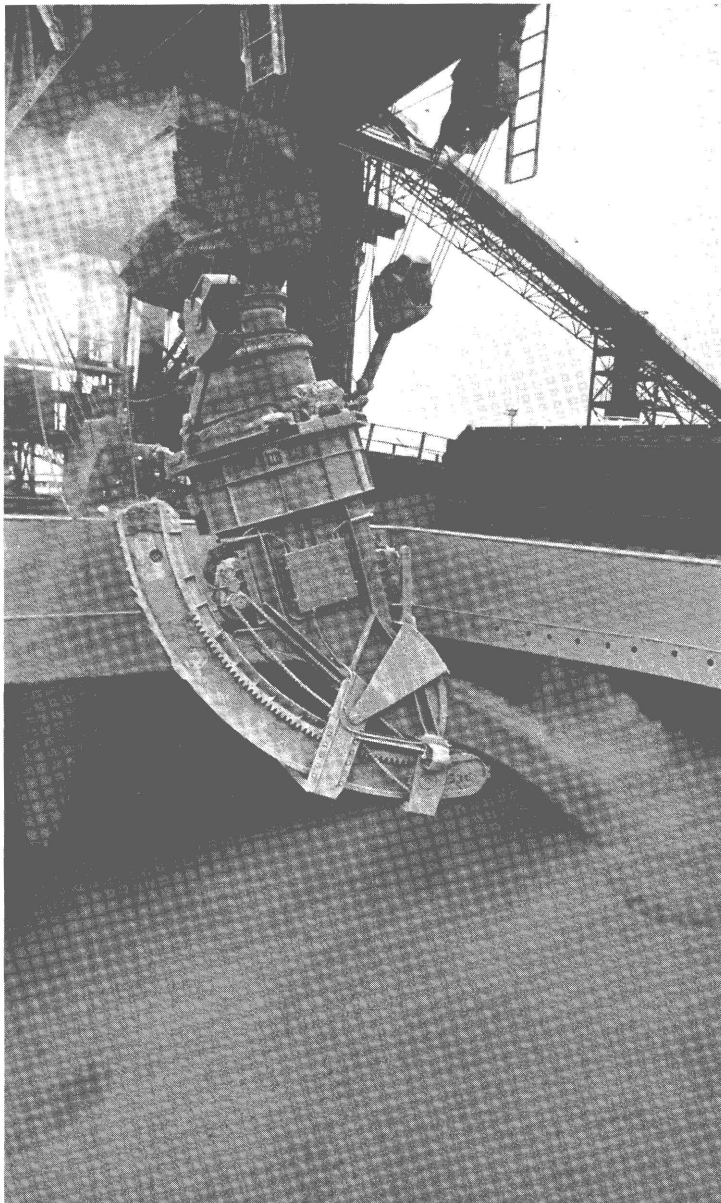


proclaimed intentions to do away with as much as possible of the vast, rambling structure of governmental supports for agriculture, was forced earlier this year to set \$2 billion aside in federal guarantees for loans to cattle breeders severely hit by the temporary glut of meat on the market, although there is little expectation that this situation will last beyond the end of this year.

### SOYBEAN STORM SUBSIDIES

While the economic and practical consequences of EC and Japanese agreements to limit feedstuffs purchases could easily be overrated—or indeed overwhelmed by events—they do mark an important change in US political awareness of the importance of agricultural matters. For the Community, as it tries to get the

*Shipping grain to Europe. . . .*



*. . . . Growing grain in Europe.*

measure of the new US President, a better understanding on grain problems can only seem a straw in a more favorable wind blowing across the North Atlantic.

To appreciate this, it is only necessary to go back a year to former President Richard M. Nixon's imposition, without consulting or notifying America's trading partners, of an export licensing system for soybeans. For many Europeans, this tactless move, whether born of indifference or preoccupation with "Watergate," did as much as anything to poison remaining hopes of progress during the "Year of Europe." And for those familiar with agricultural trade matters, it helped to plumb a depth of mutual annoyance and recrimination between the United States and Europe rarely touched since the notorious "chicken war."

There can be little question that the storm stirred up by the 1973 export controls will not be quickly forgotten in Washington. Butz, who opposed the controls then as he does now, has since last year not only stuck to his free trade guns but has also made a point of cultivating closer personal relations with his counterparts abroad. What both men seem to value as a candid and sometimes crucial line of communication has grown up between Butz and Lardinois.

Equally illustrative of the improved climate have been two other incidents in recent months. The US State Department registered a largely ceremonial protest in July when the Community imposed import restrictions on beef and expressed fears that there would be dumping into the US market of third-country meat. In practice none seems to have taken place, and the matter has been quietly dropped. A more solid plank in the platform of US-EC understanding on agricultural affairs came when the Community agreed on July 11 to end the last of its export subsidies on dairy sales to the United States. Although it did so only in the face of a lawsuit brought by US dairy producers in Washington—which would probably have forced the US Treasury to start anti-dumping investigations—American officials have taken the move favorably. The hope is that it will bolster support for provisions in the pending US Trade Bill that would give the Treasury formal discretionary powers in such cases, rather than forcing it to continue to rely on mere procrastination, as at present.

With passage of the US Trade Bill, now one of President Ford's top stated aims, it is hoped that a fresh impetus to the "Tokyo Round" of tariff-cutting talks within the General Agreement on Tariffs and Trade (GATT) will be found before the end of this year. Meanwhile, exports of farm products remain the largest single item on the positive side of the US balance of payments, and as oil prices go on climbing, the US Administration is understandably concerned to keep them running at a high level.

## FOOD FOR POLICIES

To this, of course, must be added the vast market opened up to the American farmer. Butz and his team believe that the widest possible access to world markets, without controls of any form,

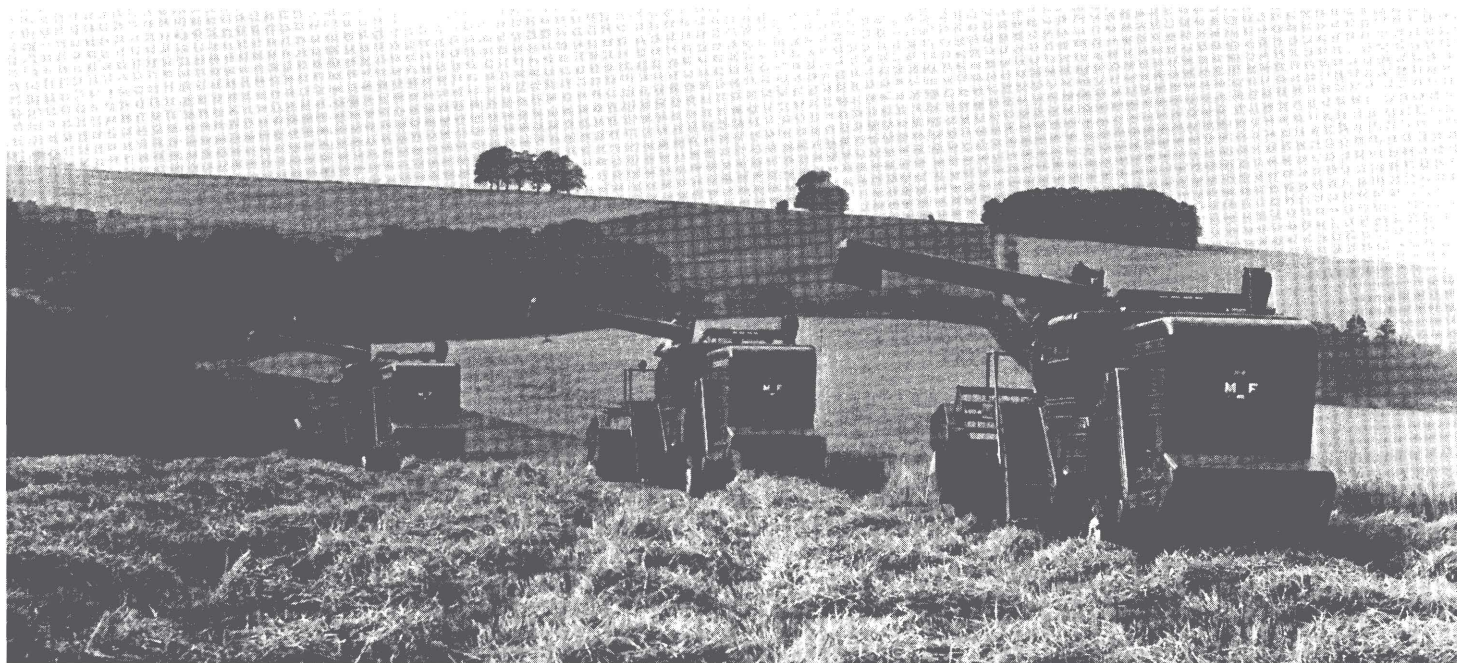
*Combine harvesters in southwestern England gather the annual barley crop.*

constitutes the only effective incentive to American farmers to increase production in step with the ever-rising demand of a growing world population. In the past, of course, the problem of disposing of large surpluses brought the United States into sometimes angry conflict with the EC common agricultural policy. The apparent shift from a buyers' to a sellers' market has changed all that and has seen American stockpiles dwindle to the dangerously low levels that led domestic critics to press for export controls on soybeans last year.

But perhaps the most significant result of that bruising diplomatic experience has been to bring home more forcefully to American officials the positive use that could be made of agricultural exports as an instrument of policy. US Secretary of State Henry A. Kissinger has already shown that he appreciates its value in the Middle East, although he appears to have rejected decisively any notion that American grain should somehow be held hostage against continued supplies of Arab oil.

He is expected to unveil detailed proposals for a world food policy at the World Food Conference in Rome in November. While no detailed agreement seems yet to exist within the US Administration on what such a policy should aim to achieve—there is no consensus on the question of an internationally managed food reserve—it seems certain that Kissinger will look to the European Community to provide an even larger share of food aid than it has done in the past.

Whether the United States intends, on this occasion, to share its thinking with Europe before, rather than after, it announces publicly what it wants to see the conference achieve should be one test of the new agricultural relationship between the two sides of the Atlantic. No less important will be to ascertain whether the Community itself can face the longer term questions of world food supply with ideas that go beyond the technicalities.



# Europe Into Space

## New European Space Agency Emphasizes US Cooperation

DAVID FOUQUET, *Brussels correspondent for Newsweek*

Early in 1980, the first European astronaut is scheduled to be launched into space.

This "Euronaut," part of a mixed European-American team of scientists, will live and work in the Spacelab now being jointly developed on both sides of the Atlantic. The Spacelab itself is being built by a German-led consortium and should be delivered to the US National Aeronautics and Space Administration (NASA) by April 1979. The multinational science team will be transported to and from space via a reusable US space shuttle vehicle.

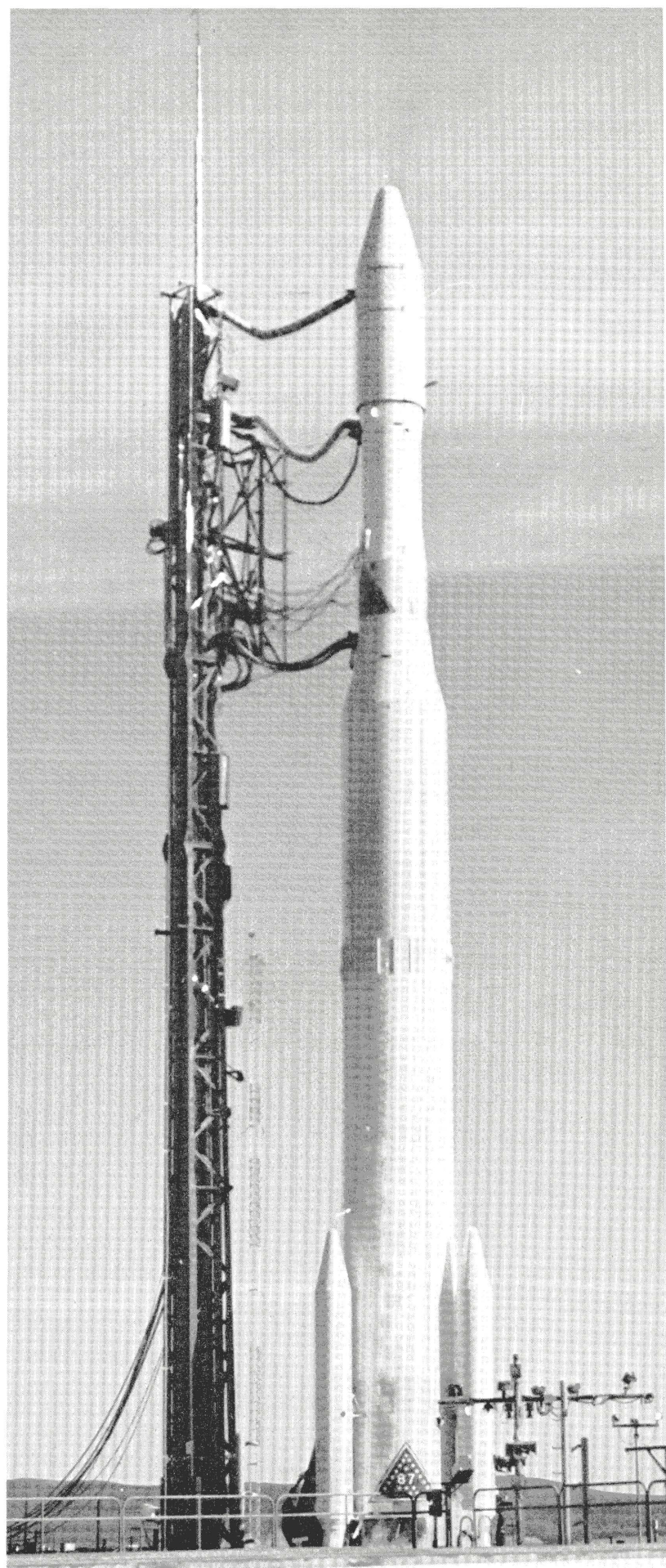
The other main pillars of a new and reorganized European space effort are the launching by 1979 of the first all-European rocket capable of placing payloads in orbit, the launching of a maritime communications satellite in 1977, and the creation of a European Space Agency, which will administer the projects. The new agency is taking over the functions previously handled by the European Space Research Organization (ESRO) and the European Launcher Development Organization (ELDO). The agency has 10 full members—all the EC countries except Ireland and Luxembourg, plus Sweden, Switzerland, and Spain. Austria, Ireland, and Norway have observer status.

### SUCCESS AND FAILURE

European-scale space activities date back a decade. ESRO operations have included the launching of seven satellites by NASA rockets and approximately 180 sounding rockets. But much of the European space program has also been marked by frustration and difficulties. Perhaps the biggest disappointment has been the failure to produce a viable, independent European launcher despite years of effort and more than \$500 million in expenditures. This Europa-2 rocket was aborted shortly after takeoff from the launch site in French Guiana in 1971, and efforts to launch a communications satellite in time for the 1972 Munich Olympics had to be abandoned. Faced with these mixed results and the discontent of some countries, the ESRO membership in 1972 undertook a thorough review of the joint space program.

The review's principal aim was to resolve the divergent interests of the three largest members. France wanted continuing emphasis on the development of a truly European launch vehicle in order to end Europe's dependence on US rockets. This dependence had sometimes forced European satellite priorities to wait until American space requirements had first been filled. Germany, instead, wanted to push ahead with a joint effort with NASA in the post-Apollo program. Britain, after pulling out of the ELDO program to develop a European rocket, insisted on institutional reform that would merge the separate launcher and research satellite organizations and also pressed for the construction of major European communications satellites.

After months of discussion and uncertainty, a decisive meeting of European space officials was held in Brussels in December 1972. Compromises were hammered out that seemed to



Pre-launch view of a European Space Research Organization (ESRO) satellite atop a National Aeronautics and Space Administration (NASA) rocket on a US launching pad.

meet all the main demands of a unified space program. France, by financing 60 per cent of the program, convinced its partners to go along with efforts to build an operational European launcher. The membership also agreed to participate in the US Sky Laboratory program, with Germany handling most of the work and financing. The Americans had sought European involvement partly as a way of lightening the financial burden to sell the Skylab plan to the budget-minded US Congress. The Europeans also decided to consolidate the work of the ELDO and ESRO operations into one European Space Agency as Britain had requested. These plans were further refined at a second conference in the Belgian capital in mid-1973.

The birth of the European Space Agency had been set for early 1974, but major complications repeatedly delayed the event. The main obstacle revolved around Franco-German competition over the nomination of the agency's top official. Each country steadfastly backed its own candidate. In the meantime, the ESRO, which was to form the nucleus of the new agency, was beset by a series of other personnel problems as three top officials announced their resignations to take posts with other European institutions, national space programs, or private industry. Another important unresolved problem centered on the future of the space launch in French Guiana. This center was built by the French Government at a cost of about \$100 million for national and European space flights. Although it will still continue to serve such purposes, there were a number of unanswered questions about its financing and operations.

## PERSONNEL AND BUDGET

The planned changeover from the separate ELDO and ESRO administrations to the new European Space Agency was largely a matter of form rather than substance, according to officials. The new agency was simply to take over the programs, staff, and facilities run by its two predecessors—involving 1,200 persons spread out among four main facilities.

Some 750 persons work at the European Space Research and Technology Center in Noordwijk, the Netherlands; 200 persons are based at the administrative headquarters at Neuilly near Paris; 300 are located at the European Space Operations Center for the tracking and control of satellites' launchings and orbitings, Darmstadt, Germany, and 50 are at a European Space Research Institute and Documentation Center, Frascati, Italy. There are also tracking stations at Rédu, Belgium, and elsewhere. The institutional shift, according to authorities, will not result in a great surge in personnel. Some 60 new employees are expected to be added when the new agency begins its activities.

The common budget, however, will continue to rise. The current budget totals about \$223 million, an increase over the \$140 million allocated for the previous year and below the anticipated \$356 million foreseen for next year. France and Germany are the heaviest contributors, accounting for roughly half the budget.

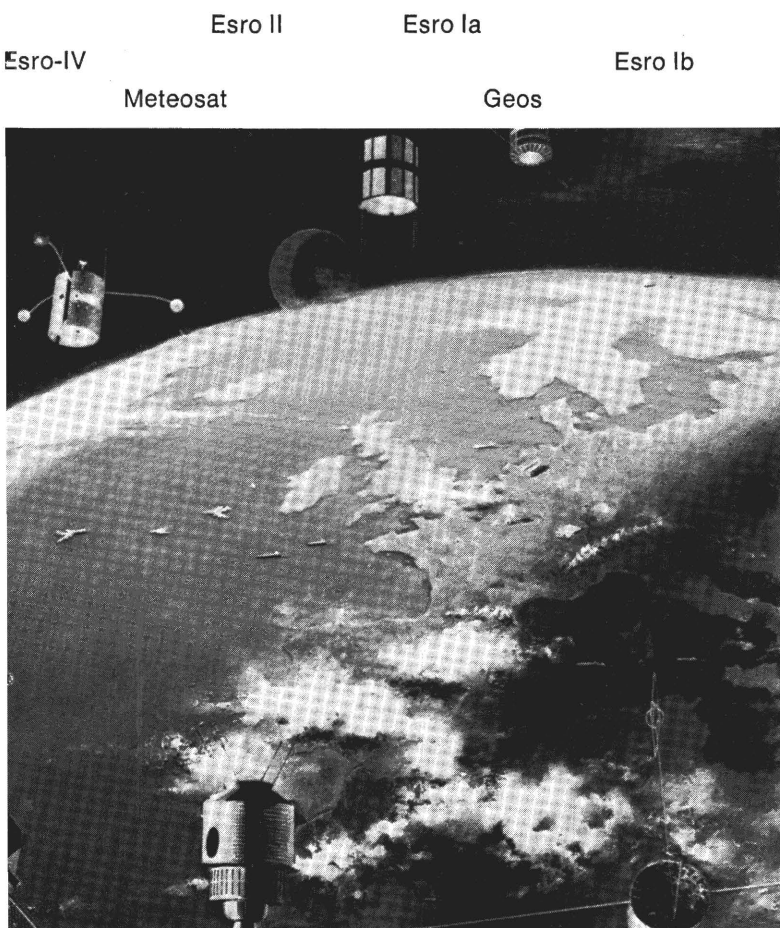


*European satellites developed by ESRO for scientific research, air traffic control, telecomm launch in the near future.*

These funds are largely destined for projects designed to involve Europe in the prime areas of aerospace activity and at the same time expand Europe's capability and autonomy while cooperating with the United States. There are three main projects.

The largest and costliest endeavor is the construction of a three-stage rocket capable of placing satellites in orbit. The \$515 million project hopes to have one such Ariane rocket operational by March 25, 1979, followed by three other Ariane launchers. These are to be fired into space from the Kourou test range in French Guiana. The main contractors are from French industry, with Aerospatiale responsible for the design and assembly, Air Liquide handling the third-stage liquid fuel, Société Européenne de Propulsion designing motors for the rocket's three stages, and Matra constructing the equipment package, including the guidance brain and control panels. Subcontracts will also be handled in eight other countries.

The second of the European Space Agency's trio of major projects is the Marots experimental satellite for general and distress maritime communications. The Marots program, whose



communications, and weather forecasting. Seven have been orbited, and six are scheduled for

major backer is the United Kingdom, is expected to be launched in geostationary orbit over the earth in August 1977. In February, ESRO awarded study and advanced procurement contracts totaling \$2.7 million to GEC/Marconi, Hawker-Siddeley Dynamics of the United Kingdom, and Thomson-CSF of France.

### FIRST MULTINATIONAL SPACE TEAM

The third far-reaching European space project is the Space Laboratory program to send a multinational unit of researchers into orbit and back aboard a NASA space shuttle. In addition to being a multinational team, the program is also expected to involve for the first time an American woman astronaut.

After two years of study and competition by rival groups, ESRO on June 6 announced the award of a \$226 million contract for design and development of the manned orbital laboratory to VFW-Fokker/Erno, of Germany. This organization, which beat out another German team, Messerschmitt-Boelkow-Blohm, will build and deliver the first Spacelab flight unit by 1979 and will construct two engineering modules and the associated ground support equipment. Some of the work will also be car-

ried out in nine European countries with the total Spacelab cost to the Space Agency amounting to an estimated \$400 million. NASA is expected to purchase a second unit outright from the European team and could place additional orders later.

The 17,750-pound Spacelab, about 46 feet long and 14 feet wide, will be carried into orbit in 1980 aboard a reusable space shuttle and will remain aloft from a week to 30 days. Four scientists and researchers will work in the laboratory and eat and sleep with the space shuttle crew in the adjoining quarters. The shuttle and lab will return to earth at the end of the mission and a new Spacelab, equipped for different experiments, can be exchanged for the first module and returned to orbit in two weeks. Officials foresee that the shuttle might be used for about 50 missions apiece, totaling nearly 1000 missions for the entire fleet during a 12-year period.

This new system is expected not only to lower the cost of space research but also to allow scientists and researchers to work in space in comfort and without the specialized training necessary in the past. The members of the team will be selected after the experiments are planned.

### US COOPERATION

Another joint venture with the United States is to place an unmanned spacecraft in orbit around Jupiter by 1980 and perhaps send a probe into the planet's dense and poisonous atmosphere. There are also purely national space programs with bilateral cooperation with the United States, such as the recent launching of the German Aeros B research satellite from the Vandenberg Air Force Base in California.

European space officials feel that this mix of autonomous and cooperative programs will produce tangible results for Europe. First of all, they point out that, as with so many high-technology activities, European-level cooperation is necessary to achieve what individual nations cannot do by themselves. They also do not feel that the purely European programs are needless duplication of American or Soviet efforts but, rather, are designed to diversify the European dependence on the United States so that European needs and interests can best be fulfilled. "The space field is so wide," noted one ESRO official recently, "that there is room for plenty of others beside the United States. The surface has just been scratched."

In addition to expanding European knowledge and technology into a rewarding area of research, these experts point to the value of encouraging and supporting European space manufacturers. On top of this are the advantages of sharing the sizeable cost not only among the European members but also with the United States and now even the Soviet Union.

"The United States is happy to internationalize its program in order to share the costs," an ESRO official observed. "It is happy to have partners and is moving away from an era of competition into one of cooperation. The trend is toward increased contacts, such as with the Soviet Union."

## 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.*

**A New Challenge for Western Europe: A View from Bonn.** By Walther Leisler Kiep. Mason and Lipscomb Publishers, New York, 1974. 217 pages. \$8.95

A view of the shifting international balance of power, particularly that of the United States, a superpower, from the perspective of Germany, a medium-sized power.

The author, a member of the German Parliament and one of the leaders of the Christian Democratic Party, examines the new era of rapprochement between the United States and China and the Soviet Union. He sees this shift as a source of concern to the independent nations of Western Europe and questions the consequences of an ever-diminishing US role in Europe. Locked between two superpowers, the European countries have thrived on the economic and military security provided by an alliance with the United States, the world's largest nuclear power. The author sees the need for increased effort to bring about Western Europe's political unification. A foreword is provided by George W. Ball.

**Transatlantic Trade: USA-EEC Confrontation in the GATT Negotiations.** By Gian Paolo Casadio. D. C. Heath and Co., Lexington, Massachusetts, 1973. 260 pages with bibliography and index. \$13.00

A study of international trade covering the period from the 1962 US Trade Expansion Act through the various phases of the "Kennedy Round" up to the "Nixon

Round" in late 1973.

The author analyzes the principal problems involved in constructing an equitable world trade policy. He outlines various special requirements of each participating country in the Kennedy Round of negotiations, the attempt to harmonize tariffs, the special cases of agricultural markets, East-West trade, the "Third World," European interests, and the emergence of neo-protectionism. He considers the recent multilateral negotiations for the reform and expansion of international trade and specific problems overshadowing such developments—the world slow-down in economic growth, increased inflation, disputes over international monetary policy, and concern with US balance of payments deficits.

**The European Community and Eastern Europe.** By Charles Ransom. Rowman and Littlefield, Totowa, New Jersey, 1973. 112 pages with appendices, bibliography, and index. \$5.00

A study of economic and political integration in Western and Eastern Europe and of relations between the two regions.

The book offers a historical examination of economic and political integration during the past two decades in both Western and Eastern Europe. Particular emphasis falls upon the European Economic Community (EEC) and the Council for Mutual Economic Assistance (Comecon) and the development of this institutional division of Europe, as well as the policies, attitudes, and relations of each toward the other. The possibility of a wider European system and its probable nature are considered. The book is part of the "European Community Studies" series, to "provide authoritative studies of the major aspects of the new Community as it moves towards its goal of European Union."

**The International Politics of Marine Pollution Control.** By Robert A. Shinn. Praeger Publishers, New York, Washington, and London, 1974. 200 pages with tables, maps, charts, notes, appendix, and bibliography. \$15.00

A study of marine pollution as a distinct issue in international politics, the various perspectives on its control, and the possibilities for its solution.

The book describes sources and quantitative trends and effects of primary marine pollutants. It traces the development and status of marine pollution in international law, identifies primary interest groups and forums, and analyzes proposals now before the international community. The author, a US Navy lieutenant, finds that effective pollution control has become subordinate to other ocean issues, such as fishing rights and territorial limits. He recommends equal priority for marine pollution.

**Managing Foreign Investment in Southern Italy: US Business in Developing Areas of the EEC.** By Douglas F. Lamont. Praeger Publishers, New York, Washington, and London, 1973. 170 pages with tables, maps, bibliography, and index. \$15.00

A case study of the socio-cultural factors involved in overseas investments.

Following a historical sketch of southern Italy, the book examines economic development in the area as a question of infrastructure and relative to human factors. The author then analyzes the reasons behind the loss of \$120 million in investments by four US firms in the Italian Mezzogiorno during the late Sixties. Some firms were able to sue the government's development fund to their advantage, while other firms lost enormous investments through misunderstandings among companies, government, and the government's industrial development affiliates.

**European Development Policies: The United Kingdom, Sweden, France, EEC and Multilateral Organizations.** Edited by Bruce Dinwiddie. Praeger Publishers, New York, Washington, and London, 1973. 119 pages with tables, figures, charts, and appendix. \$10.00

The Overseas Development Institute's sixth annual review of European aid programs.

The book examines and evaluates the record of British, French, and Swedish aid performance. The book also analyzes the role of multinational organizations in development aid. Developing countries' prospects for expanding agricultural exports to the enlarged European Community and possible improvements in income distribution and employment as a result of agricultural developments are also discussed.

**Community Law in the French Courts: The Law of Treaties in Modern Attire.** By Eric E. Bergsten. Martinus Nijhoff, The Hague, 1973. 145 pages with notes, appendix, and index.

An analysis of the interpretation and application of EC law in the various French tribunals.

A statement of "the Community obligation" is followed by the question of the supremacy of Community law when in conflict with various French tribunal rulings. The institutional position of the courts and the history of the interpretation and application of treaties by the courts are studied separately for the Conseil d'Etat and the Cour de Cassation. The author concludes that early concern over the attitude of the French courts toward EC law was exaggerated but that significant problems remain.

**International Control of Investment: The Düsseldorf Conference on Multinational Corporations.** Edited by Don Wallace, Jr. Praeger Publishers, New York, Wash-

## Exhibits

ington, and London, 1974. 282 pages with tables, notes on contributors, and index. \$19.50

Based on papers presented at a 1973 conference in Düsseldorf, the book discusses whether increased international organization is needed in the investment area.

Should there be something like a "GATT for Investment," and if so, what economic areas should it cover, what form should it take, and would be feasible and realistic to initiate such an organization at this time? The discussion includes an analysis of the situation in both the developed and developing countries. The roles and relationships, both economic and political, of multinational enterprises and nation-states in the field of investment is emphasized.

**An Introduction to the Law and Institutions of the European Communities.** By D. Lasok and J. W. Bridge. Butterworths, London, 1973. 314 pages with tables, appendix, and index. \$20.80

An analysis of EC law and institutions and their relation to the individual, sovereign member states.

The book's aim is to offer a definitional and analytical perspective of the Community's nascent body of law, which belongs neither to the international nor national systems of law. The book describes the nature of the European Community and its law, its institutional organization, the relationship between EC law and member states' municipal law (in particular, the United Kingdom), and the "law of the economy" as one of the Community's operational premises. Tables of treaties and cases are provided.

**The Law of the European Economic Community.** By K. Lipstein. Butterworths, London, 1974. 368 pages with tables, bibliography, and index. \$33.15

A study of the substantive law

of the European Economic Community as embodied in the Rome Treaty and its subsequent evolution.

The author, a professor of comparative law at the University of Cambridge, discusses regulations, directives, decisions, and other measures of the EC institutions, including interpretation and shaping by the European Court of Justice. The book's first part presents the Community's origins and purpose. The second part analyzes the treaty's range and implementation, taking into account Court decisions up to 1973. The third and final part deals with remedies and procedure. Tables of treaties, regulations and rules, and cases are provided.

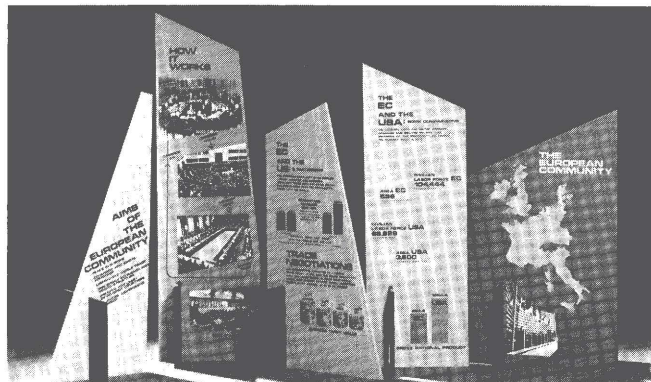
**Issues in Monetary Economics: Proceedings of the 1972 Money Study Group Conference.** Edited by H.G. Johnson and A.R. Nobay. Oxford University Press, London, 1974. 595 pages with tables, notes, references, and index. \$25.75.

The proceedings of a conference organized by the Money Study Group at Bournemouth, England, in 1972.

The Money Study Group was formed in 1969 in Britain with the dual objectives of, first, bringing together people with differing professional points of view concerned with the understanding of and research into the British monetary system and, second, promoting research into monetary economics in the United Kingdom. The papers of this fourth conference in as many years center on four major issues in monetary economics: money in an international economy, recent developments in monetary theory, money and economic activity, and recent developments in British monetary policy. Harry G. Johnson, Frank Brechling, David Laidler and Michael Parkin, and A.R. Nobay provide the introduction to the four sections.

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## **ASSOCIES: COMMERCE EXTERIEUR ANNUAIRE 1970-1971.**

Statistical Office of the European Communities, Luxembourg, 1974.

- Vol. I: Mauritanie, Niger, Senegal, Togo, Tchad, Cameroun, Madagascar, Zaïre, 918 pages \$3.00
- Vol. II: Mali, Haute-Volta, Cote-d'Ivoire, Dahomey, Centrafrique, Gabon, Congo R.P., 707 pages \$3.00

*Gives 1971 foreign trade statistics. Part one covers trade, with some product breakdown, of the Community of Six and Nine with the African associates (AASM), based on member states' statistics. Part two, based on AASM statistics, comprises the trade of each associated state with the world and includes origin and destination, quantity and value, and product detail as well as total trade.*

**DRAFT CONVENTION ON THE INTERNATIONAL MERGER OF SOCIETES ANONYMES AND REPORT ON THE DRAFT.** *Bulletin of the European Communities, Supplement No. 13/73, Commission of the European Communities, Brussels, 1973, 123 pages . . \$60*  
*Draft convention to promote mergers of companies of the Community's members. Includes a detailed report on the draft prepared by Professor Goldman.*

**ENERGY IN THE COMMUNITY: SELECTED FIGURES.** Statistical Office of the European Communities, Luxembourg, December 1973, 22 pages . . . . . free  
*Over 20 tables with the main features of energy production and consumption in the Community. Also comparisons with the USA, USSR, and Japan.*

**THE EUROPEAN COMMUNITY: ENERGY.** Press and Information Service, Brussels, 1972, map 38 inches by 48 inches . . . . . free  
*Colorful map depicting the energy resources of the European Community. Has information on coal and lignite fields, uranium deposits, nuclear power stations, oil pipelines, hydroelectric power stations, etc.*

**EUROPEAN COOPERATION GROUPING (ECG).** *Bulletin of the European Communities, Supplement No. 4/74, Commission of the European Communities, Brussels, 1974, 31 pages . . . . . \$20*  
*Proposal for a regulation submitted to the Council on December 21, 1973. The European Cooperation Grouping would be a new legal form enabling firms to coordinate part of their activities or operations, such as purchasing, sales, specialized administrative services (payroll system, accounting, billing) or research activities.*

**MONETARY POLICY IN THE COUNTRIES OF THE EUROPEAN ECONOMIC COMMUNITY: INSTITUTIONS AND INSTRUMENTS.** Monetary Committee of the European Communities, Brussels, 1972, 436 pages . . . . . \$8.00  
*Offers an overall view of the framework, the objectives, and the instruments of monetary policy in the Community. Follows with a detailed description of the monetary policy and instruments of the original members of the Community. Discusses liquidity, refinancing minimum reserve, open-market, and intervention on foreign exchange market policies.*

**REPORT ON SPEEDIER NEGOTIATIONS FOR A COMMERCIAL COOPERATION AGREEMENT BETWEEN THE EEC AND INDIA.** *Working Document No. 233/74, European Parliament, Luxembourg, December 3, 1973, 19 pages . . . . . \$50*  
*Report by Hector Rivierez for the Committee on Development and Cooperation.*

**TAX STATISTICS: 1968-1972.** Statistical Office of the European Communities, Luxembourg, 1973, 131 pages . . . . . \$3.00  
*Detailed tables by country of the revenue from taxes and actual social welfare contributions by type and by sector. Describes and defines the European System of Integrated Economic Accounts (ESA) with statistical comments and comparative tables.*

**THIRD REPORT ON COMPETITION POLICY.** Commission of the European Communities, Brussels, May 1974, 138 pages . . . . . \$2.00  
*Annual report on the competition policy towards enterprises and states aid to enterprises. Includes a section on the development of concentration within the Community. Lists and discusses the anti-trust decisions of the Commission and the Court of Justice.*

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