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and the twain do meet

CONTENTS

Cover: The North/South split between rich and poor countries was at least partially mended with the handshake of the EEC-ACP Lomé Convention (see page 5).

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"State of the Community"

EC Commission President Defines New Goals for the Old World

FERDINANDO RICCARDI, *staff writer for the Brussels newsletter* Agence Europe

On February 18 Francois-Xavier Ortoli gave the EC Commission President's annual address to the European Parliament on "the State of the Community." The address, comparable to the US President's "State of the Union," is keyed to the release of the Commission's General Report. Required by Treaty, the General Report covers the Community's activities for the previous year and is presented annually to the European Parliament. Copies of the General Report are available to readers (see page 24). There follows a commentary on Ortoli's address.

Tomorrow's historians may remember February 18, 1975, as marking the beginning of a new faith in Europe—as the day when the EC Commission President gave all Europeans new "reasons for life and hope."

Until then, those who still believed in Europe founded their belief on the ideals and the goals of a former generation—"Europe's fathers" like Schumann, Spaak, Adenauer, and de Gasperi. But that generation is gone, except for Jean Monnet, the solitary voice, a living reproach to cowardice and lukewarm commitment.

EC Commission President François-Xavier Ortoli (right) with United Nations Secretary General Kurt Waldheim during the latter's February 4 Brussels visit.

This former generation's ideals and goals—to prevent a new fratricidal war on the Continent, to rebuild Europe's countries and cities, to give a new basis for development and prosperity—have already been reached, however. And a goal already reached is not a goal any more for those who do not have to struggle for it; fulfilled ideals do not seem ideals to a generation that sees them as plain, everyday reality.

Europe, then, has lived for a long time without ideals. It has been too often content to manage unimaginatively its renewed prosperity, and its institutions generally have not sensed or shared the new aspirations and worries of the new generations.

THE ILLUSION OF SOVEREIGNTY

On February 18 EC Commission President François-Xavier Ortoli defined a goal: to reaffirm the real independence of Europe, to give Europe back the control of its destiny, and to "find reasons for life and hope in a society suffocated by its own progress." Also: to participate in the decisions affecting the world's destiny and to contribute to a more equitable international order, in particular by establishing relations of cooperation and solidarity with the "Third World."

How did Europe lose its independence? First of all, by clinging to "national sovereignties," which have largely become an illusion. It is not always easy to convince public opinion that the pooling of certain responsibilities and powers with institutions in Brussels actually means an increase in real independence. It is all the more difficult since these institutions often seem very remote and technocratic.

Former Commission President Sicco L. Mansholt clearly said how deceptive national independence is: A sovereignty over a few hundred square miles is an illusion when compared with the reality of multinationals that internationally shift capital bigger than the gross national product of many of Europe's countries. And this sovereignty is even more of an illusion when dependent on others for energy and commodities. The turmoil of the 1974 energy crisis was necessary to make this truth of lack of independence dramatically evident to everyone.

Ortoli made this point very clearly: "Europe's real problem is independence, control of its own destiny. We have been losing ground on this front for the last 15 months. . . . There is no avoiding the truth today. The centers of political and financial power have shifted. . . ." Ortoli rejected illusions. He saw reality, and reality often means that real power is simply elsewhere. But does this mean the inevitable decline of Europe and its role in the world? Ortoli does not think so. Although Europe can never be the center of the world again, Europe can have a role to play.

If Europe's situation has deteriorated, it is its own fault, according to Ortoli: "We must not deceive ourselves. If we have become more dependent, if our freedom of action has been curtailed, we ourselves are the main culprits. It is our fault that we are unable to pursue a clear policy, unable to make our presence

EC Commission President François-Xavier Ortoli (right) at a January 21 meeting with Belgian Prime Minister Leo Tindemans, who was deputed by the 1974 Paris "summit" to assess the prospects for "European union."

felt in the enormous diplomatic jungle where our future way of life is being evolved. Again, it is essentially our own fault if it has not been possible to establish relations with the United States on an equal footing."

TO GET BACK IN THE GAME

Ortoli's reproach to Europe is that it has abandoned its ambitions and has often fallen into rhetoric. "Dissensions, indeed, quarrelsomeness, have ruled us out of the game" in many fields. Inflation, the energy crisis, and the monetary crisis "have left us without a program and without a doctrine," in Ortoli's words.

What chance has Europe to get back in the game? The chance is in common action and in progress toward unification. Ortoli was very clear on this point as well: Since no European state can be sure of having a real influence on its own, Europe, far from reducing sovereignty, is an instrument to achieve lost sovereignty. The will to act together must express itself first of all in the implementation of the 1974 Paris "summit's" decisions, particularly those concerning the improvement of EC decision-making. The other priority areas are:

- Energy: "1975 must be the year of the common energy policy. . . . Whatever hesitant progress has been made has been too little and too late. We are gaining nothing by letting time slip by. There is a danger that our dependence on the outside world will harden into resignation masquerading as realism."
- Relations with the United States (see accompanying excerpts from Ortoli's remarks).
- Economic and social equilibrium: Europe must gradually get rid of unemployment, inflation, and balance of payments deficits. Ortoli thinks this "is within Europe's grasp," if the necessary decisions are taken. Commission proposals will be forthcoming.
- Economic and monetary union: Progress "must be resumed," first with some immediate measures, then establishing what should be done "to attain the ultimate objective."
- A new relationship with the Third World: Progress has been made. Indeed, Europe's main success this year is the Lomé Convention (see page 5).

But all this, including the general goal of independence, means a new consciousness and the participation of all Europeans. To succeed, change must be everyone's concern. But Europe now lacks "purpose." Thus, the Commission hopes soon to define goals and ideals for a new generation of Europeans.

The EC institutions, and all those who believe in Europe, must therefore be enthusiastic enough to overcome scepticism and "make the peoples of Europe more keenly aware of the opportunities Europe holds out to them." Because (here Ortoli was speaking of the direct election of the European Parliament in 1978) "the time will soon come when we will have to tell our citizens what they are voting for."

Ortoli on US-EC Relations

". . . . We may be friends, we may be allies, and we may recognize that we have interests in common. But this must not blind us to reality, to the power of the United States which weighs on our relations, to its willingness to tackle problems which, contrasted with our weakness, our confusion, marks it as a world leader.

"I believe that in the end we will succeed in putting our relations with the United States on a healthier, more equal footing. I believe that we can strengthen our relations with the United States if we learn to value our alliance, if we determine to act with our American friends where both have something to gain, and if we adopt the following two-fold approach:

"We must defend our own interests or the common viewpoint which seems best to us, with the same determination, the same firmness, the same lack of complexes, and the same wholesome sincerity that the United States displays. We must use our initiative in all important international affairs, thereby filling a gap, for we have something to say, we have solutions to offer, and it is high time that we abandoned what has too often been a reactionary approach, an approach which to my mind is evidence of political cowardice.

"This is the spirit which must guide Europe. Only then, in a situation where our relations are visibly unbalanced, can we compensate for that inequality which stems from our intrinsic inferiority.

"We must henceforth come to the defense of the people's interests by choosing a European response to international events, by adopting a common stance as a matter of course, and by deciding that the Community should speak for all of us on issues which are too big for an individual state to handle. This is our objective at a time when the rules are being changed, when the balance of power is shifting, and, let us not forget this, when our future way of life is being evolved."

The Lomé Convention

Community Concludes "Historic and Revolutionary" Trade and Aid Pact with 46 Developing Countries

MARION BYWATER, *staff writer for the Brussels newsletter* European Report

A mini United Nations convened in Togo February 28: Ministers from the Nine EC countries and 46 developing countries gathered in Lome, the Togolese capital, to sign a trade and aid pact which is being described by all concerned as historic and revolutionary.

The Lomé Convention, as it will be known, gives most of independent black Africa and the independent Commonwealth countries of the Pacific and the Caribbean a special status vis-à-vis the Common Market. The convention is far more ambitious than anything ever negotiated before and creates the biggest free trade bloc ever.

What an EC statement calls "one of the most complex negotiations ever undertaken by the Community" began July 24, 1973, in Brussels. The major breakthrough toward agreement was achieved at a ministerial meeting of the ACP countries in Kingston, Jamaica, on July 29, 1974. On this occasion EC Commissioner Claude Cheysson, the Common Market's chief negotiator, agreed not to seek reverse preferences and to set up a compensation fund to guarantee the export prices of certain raw materials on which some countries were heavily dependent. The negotiations for the five-year treaty were completed at ambassadorial level in Brussels, January 31. The pact was then forwarded to the EC Council of Ministers and the ministers of the 46 developing countries for approval.

SUPERSEDES THREE CONVENTIONS

The European Community has always had special links with Africa. Those countries which had had colonial or analogous ties to the EC countries of the original "Six" always enjoyed preferential access to EC markets and special development assistance under the two successive Yaoundé Conventions. Subsequently, four Commonwealth countries strengthened their links with the Six as well: Mauritius by becoming an associate in 1973 along with the original 18 mostly French-speaking Yaoundé Convention states; and Uganda, Kenya, and Tanzania, which signed a trade deal—the Arusha Convention—in 1969. Then, when the European Community was enlarged to include Denmark, Ireland, and the United Kingdom, the Community assumed responsibility for 23 Commonwealth countries as well.

Nor did it stop there. Having gone that far, the Community agreed to open its doors to all independent developing countries in black Africa—nations like Liberia, Ethiopia, and the newly independent, former Portuguese colony of Guinea-Bissau. Consequently, only the Arab countries of Africa—Algeria, Tunisia, Morocco, Libya, and Egypt, all of which except Libya have their own special status in the framework of the evolving EC Mediterranean policy—and South Africa and Rhodesia are outside the scope of the Lomé Convention. As soon as Mozambique and Angolo become fully independent of Portugal, they will be eligible to follow Guinea-Bissau's example and join the ranks of the ACP's. "ACP" is the abbreviation for African, Caribbean, and Pacific, which has replaced the term "associates" to describe the developing countries which are signatories of the Lome Convention. "Associate" was felt by many of the ACP's to imply second-class status in some way and has been dropped. Other provisions which existed in previous conventions but which were increasingly considered by the ACP's as paternalistic include the special rights EC firms enjoyed on ACP markets and reciprocity of tariff benefits, which the developing countries felt would prevent their own infant industries from developing if they had to face the fierce competition from sophisticated EC products unprotected by what they felt are justifiable tariff walls.

Nevertheless, EC industries setting up in or exporting to ACP countries are assured of treatment no worse than that received by anyone else. In fact, because the new convention is so generous, EC industries are likely to be more warmly regarded. A whole section of the convention deals with promoting industrial cooperation under EC auspices and recognizes that the countries will need EC know-how and technology for their development.

FREE TRADE AND REVENUE STABILIZATION

Another element of the new convention involves complete duty-free access to the European Community for all industrial products from the ACP countries and—more important from their point of view in the immediate future since what industrial production they have at present goes mainly to the home market—duty-free access to the Community for 96 per cent of their agricultural production. This means cheaper tropical fruits in the Common Market, but also cheaper imports of products, such as beef, which are competitive with what EC farmers produce. This EC concession called for a careful balance between the interests of the European housewife, the EC farmer, and the "Third World."

For the small percentage of remaining products for which the European Community felt it could not lower tariffs altogether, the barriers will be lower for the ACP's than for other countries. The single most important commodity in the agricultural sector was sugar, representing 12 per cent of total ACP food exports to the European Community: hence, the headline-hitting nature of the final agreement to guarantee imports of 1.4 million tons (over 13 per cent of EC consumption) annually for seven years at the price paid to EC producers.

For other important commodities—bananas, tea and coffee, iron ore, for example—a unique plan has been worked out to stabilize the developing countries' revenues. The amount of 375 million units of account (UA) has been set aside to pay compensation from EC funds during the five-year duration of the convention when the market price drops substantially below its level for the previous three years, so that the countries concerned can plan ahead in the assurance that they will have a steady income. (One UA equals one 1970 dollar, or $1.20635 at current rates.) Although the richer ACP countries will receive the money as an interest-free loan to be repaid when market prices improve, 24 of the poorest ACP countries—such as Chad, with a per capita


COUNTRIES ASSOCIATED WITH THE EEC
Lomé Convention (ACP)
WESTERN SAMOA
FIJI
TONGA
MOROCCO
TUNISIA
CANARY IS.
ALGERIA
LIBYA
EGYPT
SPANISH SAHARA
MAURITANIA
MALI
NIGER
SENEGAL
GAMBIA
GUINEA-BISSAU
GUINEA
UPPER VOLTA
CHAD
SUDAN
FR. AFAR AND ISSA TERR.
SIERRA LEONE
IVORY COAST
GHANA
NIGERIA
LIBERIA
TOGO
DAHOMEY
CAMEROON
CENTRAL AFRICAN REP.
ETHIOPIA
SOMALIA
EQ. GUINEA
SÃO TOMÉ
GABON
CONGO
ZAIRE
UGANDA
KENYA
RWANDA
BURUNDI
SEYCHELLES
TANZANIA
BAHAMAS
ANGOLA
COMORO IS.
ZAMBIA
MALAWI
BARBADOS
SOUTH WEST AFRICA
RHODESIA
MOÇAMBIQUE
MADAGASCAR
MAURITIUS
JAMAICA
GRENADA
BOTSWANA
RÉUNION
TRINIDAD AND TOBAGO
REP. OF SOUTH AFRICA
SWAZILAND
LESOTHO
GUYANA
CARPRESS
13.75

gross national product (GNP) of $80 and 79 per cent dependent on cotton for export revenue, or Western Samoa, with a per capita GNP of $140 and 77 per cent dependent for export earnings on copra and cocoa—will receive an outright grant.

In development aid, over the last 15 years the European Community has allocated UA 2.4 billion in aid to the associates (to which must be added money made available unilaterally from member states' own aid budgets). The latest fund—though falling far short of what the ACP's wanted—is more than three times the size of the old one. The fund totals UA 3 billion made up of UA 2.1 billion for grants, UA 430 million for 40-year loans at 1 per cent, UA 95 million for risk capital, plus UA 375 million for the export stabilization plan. In addition, the European Investment Bank will make UA 390 million worth of low-interest loans.

NOT RESTING ON LOME LAURELS

The Lomé Convention is truly an impressive achievement. It links over a quarter billion Europeans to 268 million people (1970 figures) in the Third World. Eighteen of the 46 ACP countries are on the United Nations list of "poorest" countries. The average per capita GNP for the 18 was $148 in 1971. The 1971 average for the EC Nine was $2,743. In 1970, the 46 countries sent 54 per cent of their exports to the Nine, which provided nearly 44 per cent of these developing countries' imports.

But the Community does not intend to rest on its laurels and ignore the rest of the world. The EC Council of Ministers already has before it a memorandum from the Commission providing a fresco of suggested future development policy which would put more emphasis on distribution of benefits according to need rather than traditional ties. Britain, in particular, has been pressing for more attention to be paid to the non-ACP world, which includes such important Commonwealth countries as India, Bangladesh, Sri Lanka, Malaysia, and Singapore.

EC ministers have already agreed that a better balance should be sought and, although balance is not seen in terms of strict 50/50 ACP/non-ACP distribution, efforts to approach this are already reflected in the figures. (However, aid to the non-ACP world tends to be more in the form of food and emergency aid and to the associates in the shape of money.) In 1970, 193 of the Community's UA 222 million of development aid went to the original associates, French overseas territories (which have analogous status), Algeria, Greece, and Turkey, and only 30 per cent or UA 29 million to non-associates. Preliminary estimates for 1974 put Community aid in total at UA 470 million, of which approximately 40 per cent went to non-associates.

Eventually there could be a second fund, parallel to the European Development Fund, which coupled with the existing plan for allowing all developing country industrial and processed agricultural goods into the Common Market at preferential terms, would provide a kind of Lomé Convention for all the Third World.

Convention Terms...

• Trade and Commercial Cooperation

Ninety-six per cent of ACP agricultural exports will enter the Community free of import duties and quotas. The remaining 4 per cent of ACP farm exports will get EC preferential treatment. The ACP countries will give the Nine no "reverse preferences" but will give them most-favored-nation (MFN) treatment and will not discriminate between EC member states. The Community has agreed to liberalize the rules of origin for ACP products, notably by considering the 46 countries as a single exporting unit.

• Export Revenue Stabilization

The most innovative element in the new convention is the export earnings stabilization plan. Over 375 million units of account (UA) will be set aside to aid countries heavily dependent on the export of certain raw materials and agricultural items, to protect against price and production level fluctuations. (One UA equals $1.20635 at current rates.) When receipts drop by a certain percentage, countries can request compensation. The mechanism triggering the fund will operate sooner for the poorest countries, which will not have to reimburse the fund. In principle, certain ACP associate states must repay these earnings when the price rises. Products affected include: peanuts, cocoa, coffee, cotton, coconuts, palm nuts and kernels, hides and skins, timber products, bananas, tea, raw sisal, and iron ore.

• Sugar

This section, hammered out at a special additional meeting on February 1, guarantees purchase and supply by both parties of fixed quantities of sugar. Each producing country will have a quota, within an ACP maximum total of 1.4 million tons annually. The current EC guaranteed minimum price will be negotiated annually according to a certain price scale in the Community (now $360 per ton). If a producer country fails to meets its quota for reasons other than *force majeure,* its quota would be reduced—and the deducted portion may be redistributed to other ACP producer countries—for the remaining period of the convention. Unlike the rest of the five-year pact, the sugar chapter has an indefinite life span. It could be canceled by either side at two years' notice, but not earlier than the expiry of the Lomé agreement, giving the sugar clauses a minimum life of seven years.

• Financial and Technical Cooperation

Community aid to the ACP countries during the life of the treaty will total UA 3.390 billion—more than triple the amount provided under Yaoundé II. This will include the UA 375 million export stabilization fund and about UA 2.625 billion in financial aid. The financial aid figure will break down as follows: About UA 2.1 billion in grants, UA 430 million in special loans, and UA 95 million in risk capital. Additionally, the Community will make available UA 390 million in European Investment Bank loans. The ACP will play a greater role than did the Yaoundé associates in the preparation and management of aid projects, which will stress regional programs, the development of small and medium enterprises, and special measures for the poorest countries.

- **Industrial Cooperation**

To help ACP countries develop and diversify their industrial capacity, an Industrial Cooperation Committee and an Industrial Development Center will be set up to promote the exchange of industrial know-how.

- **Implementation**

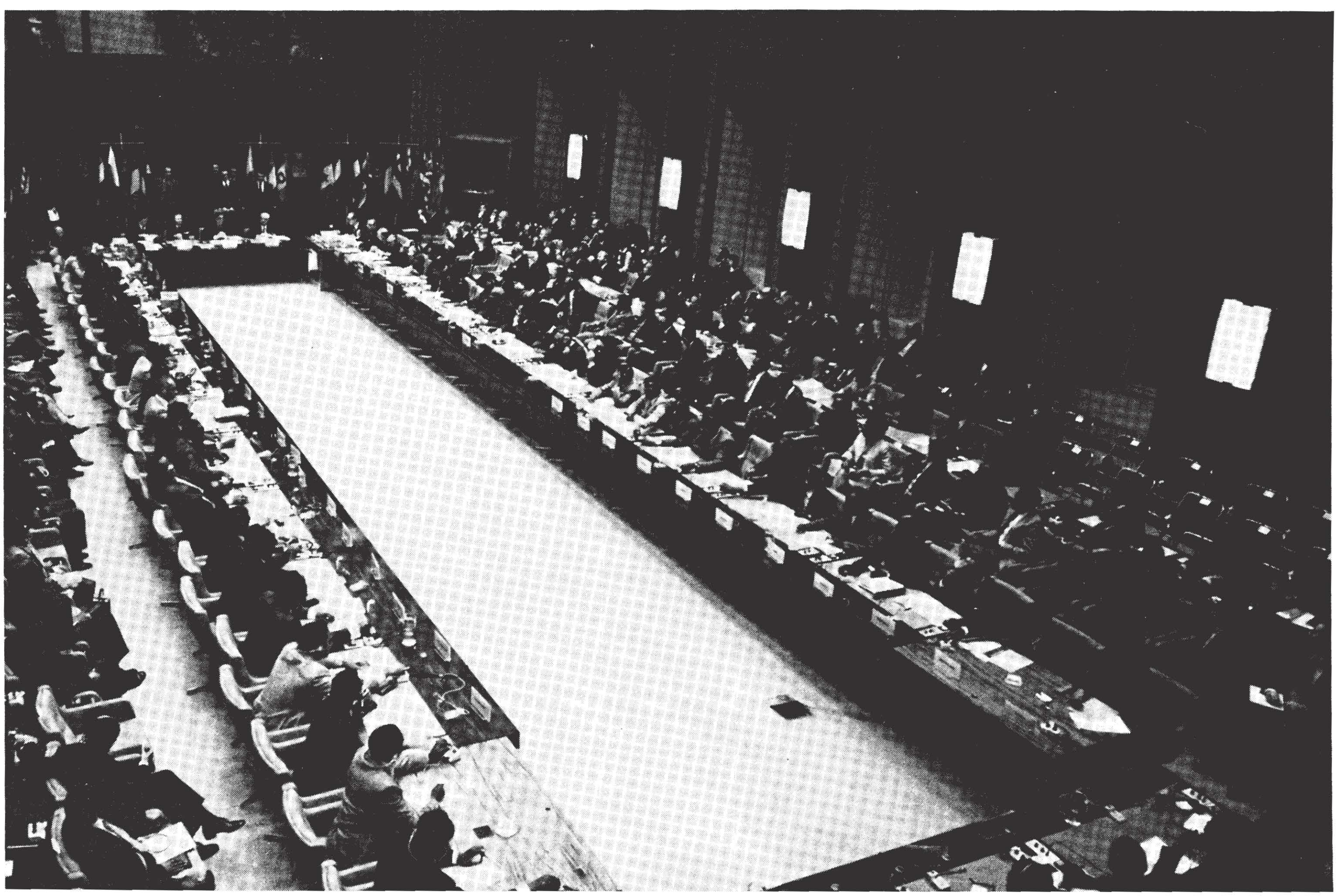
As under the Yaoundé agreements, management of the Lomé Convention will be through ministerial and ambassadorial councils—with the Community and the 46 ACP countries having equal representation—and a consultative assembly of parliamentarians from both sides, also on a basis of parity.

What It All Means . . .

The European Community's accord with 46 developing countries generated little press or official attention in the United States, yet the Lomé Convention could set a pattern for all future relations between the industrialized world, including the United States, and the developing countries.

The EC Commissioner in charge of the lengthy negotiations, Claude Cheysson, observed after the conclusion of the talks that the new relationship forged between the European Community and the 46 other states could be likened to the American Marshall Plan of the postwar period, with one major exception. Unlike the Marshall Plan, which found a destroyed Europe completely dependent on the United States, he said, the new links established in Lomé were negotiated with all participants on an equal political footing.

Ministers from the EC "Nine" and the ACP "46" during January 13 negotiations is Brussels for the Lomé Convention.



for the United States

The outcome of the negotiations was a treaty which even some past American critics termed "mature and positive." In American eyes the new pact was also seen as a welcome form of "burden sharing" of aid to developing countries. In addition, the new accord removes a long-standing irritant in US-EC relations. In contrast to the previous accords of Yaoundé that drew American objections over the issues of "reverse preferences," the Lomé Convention dispenses with the offending provisions.

The Yaoundé accords, in assisting developing countries in a way compatible with the General Agreement on Tariffs and Trade (GATT), involved the establishment of a free trade zone between the Community and its member states' former colonies. GATT rules required all the Yaoundé participants to grant preferential or duty-free access to one another. This caused the United States to object that the Yaoundé associates were being forced to give discriminatory preferences to EC goods in their markets.

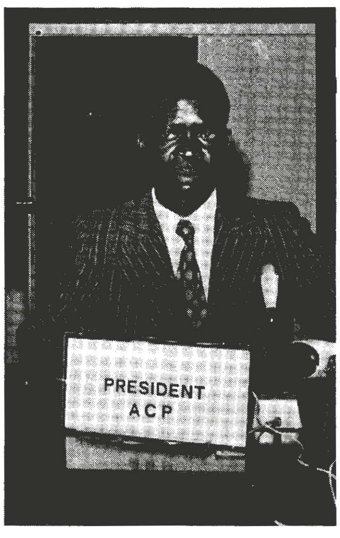
In renegotiating and enlarging these links between the European Community and the developing countries, the participants agreed to dispense with the need for strict reciprocity in the free trade arrangement. Some of the developing countries had sided with the United States in wanting to end the practice, while others sought to maintain the concept of reciprocity as a symbol of their equality and independence. In the new accords the developing countries will have the option to grant such preference and will also be able to make it available to all other countries. But as a result, a waiver from the GATT rules will have to be obtained by the European Community.

With that issue out of the way, the most important element of the Lomé Convention for the United States, in both American and European eyes, is the export revenue stabilization plan. First drafted by former EC Commissioner Jean-François Deniau, it is designed to assure a guaranteed income for countries heavily dependent on exports of a basic commodity. The Community hopes to convince other major countries of the wisdom of similar accords on a worldwide basis as a means of stabilizing market conditions in crucial commodities and plans to introduce proposals to this effect in the agricultural sector in the multinational GATT trade negotiations getting underway in Geneva. (The European Community made similar proposals during the Kennedy Round of trade talks in the Sixties.)

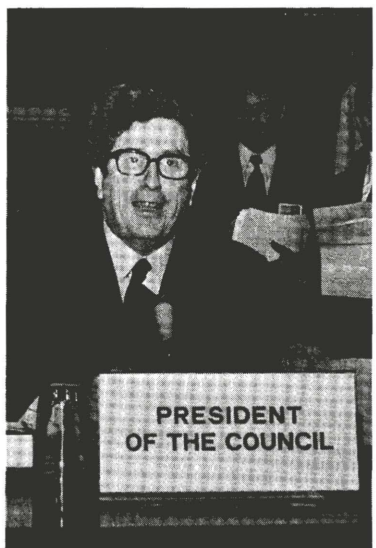
Although the United States has traditionally been cool to controls of markets and prices, official statements have indicated a willingness at least to study such world commodity accords. Thus, the US main interest will be how the Lomé system works and what impact, if any, it has on the world market in the covered commodities. The United States is known to be satisfied that the Lomé commodity agreements, which contain no guarantees of delivery, will not in periods of shortages discriminate against buying nations on the world market.

Similarly, the accords on industrial cooperation contained in the Lomé Convention will be watched by the United States and other countries as a possible example. The Community is hoping to assist the developing countries in expanding their trade opportunities in the industrialized world through information and training programs and also to channel much-needed investment capital to diversify the economies in the "Third World." The Lomé Convention calls for an industrial cooperation committee as well as a center for industrial development. Part of this effort will also naturally involve the financing provided by the European Investment Fund.

In summarizing the contents of the accords, Cheysson called them unique and historic. Even outsiders agree that many of the programs initiated in the convention broke new ground in international economic relations. And with the increasing emphasis being placed on relations between the developed and developing world and on markets in raw materials, the Lomé Convention acquires even more importance for both producer and consumer countries.



Senegalese Finance and Economic Affairs Minister Babacar Ba, leading the ACP negotiators, calls the Lomé Convention "a great achievement . . . an absolutely new and unique development."

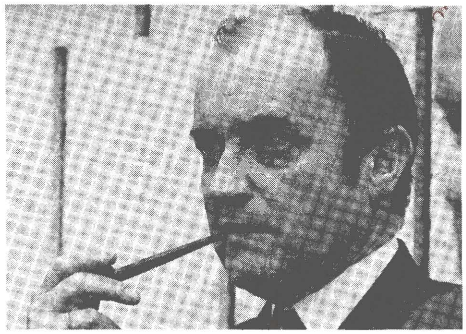


Irish Foreign Minister and EC Council President Garret FitzGerald, at joint news conference, adds the word "impressive."

Claude Cheysson "On Record"

The EC Commissioner Responsible for Development Policy Talks about the Lomé Convention

The following interview with EC Commissioner Claude Cheysson, responsible for the Community's development aid and cooperation, was conducted shortly after the January 31 conclusion of the Lomé Convention negotiations. The interviewer is from the staff of the French edition of European Community. *The interview has been translated from the French.*



EC Commissioner Claude Cheysson, responsible for development aid and cooperation.

What is the scope of the Lomé Convention?

Cheysson: *It is considerable, a unique act in the world's history: first, because the entire continent of black, independent Africa is participating; and second, because all these developing countries have been able—and I assure you that it has not been easy—to hold a united front presenting themselves as equals before Europe.*

There is no cooperation without equality. I often compare young countries with young men. The day that these men are able to present an argument together, they constitute a significant force that gives each and every one of them added strength. The fact that these young nations, still unbalanced and economically poor, have this force of unity today is the first truly notable point.

The second point is that the Lomé Convention represents the first agreement of such a scale. We have spoken of development aid for the last few years in the same way that our great grandfathers spoke of workers: "These poor, unfortunate people who are sad and who come from undesirable homes, we must give them charity!" Well, we gave financial aid and we gave a lot. But what we never admitted until now, as was not admitted about the workers in the Nineteenth Century, is that to aid a country in its development is to help it to produce and, therefore, to help it shape itself to use its physical as well as intellectual resources.

This is why a global agreement for cooperation such as that of Lomé, in addition to financial aid, provides access to our markets as well as access to our training and technology. Such an integrated agreement must allow certain industries to shift from Europe to Africa so that Africa will develop its own resources.

Once we set up mechanisms that allow us to meet on a continuing basis—not only between governments but between unions and parliaments as well—this will in effect be the same approach that has been used for a long time within each of our countries. In other words, these countries are being given the chance to develop on their own, which is certainly more important than having them use our models and giving them our money. These are two completely original elements which are not found in previous agreements.

Do you think that this will set an example for other industrialized nations to follow?

Cheysson: *The fact that Europe has been able to implement such a policy, while faced with a difficult economic situation, seems to me truly remarkable. This proves that Europe is not as bad off as everyone says it is and that Europe is still capable of challenging the world.*

Countries with much greater wealth and power than the EC countries have never tackled this policy. It is Europe that has challenged the Soviet Union, the United States, Japan, and the entire industrialized world. Africa, for its part, the poorest continent by far, has appeared to be much more advanced than Latin America, which has been unable to speak as one, or Asia, which has seemed capable only of carrying on an internal war.

Is the Community going to conclude the same type of agreements with countries in the Mediterranean basin?

Cheysson: *Of course. Development policy is only significant if it is coherent. It is by chance that we began with Africa. We could have signed three agreements of the same type with Algeria, Morocco, and Tunisia a month before. These treaties will then have to be extended to the rest of the Mediterranean basin, and this time for our own selfish interests. We depend upon these countries for energy and raw materials, and there are large markets being developed in this area for our goods. It will be easier if we cooperate with them in bringing our market to them in order to ensure them of markets.*

How do you explain the fact that Europe is more successful in what it undertakes with developing countries than what it should be doing for its member states?

Cheysson: *Actually the reason is that, in this field, we can have an original policy which complements those of the member states. Europe's policy vis-à-vis the United States or the Soviet Union is only a collection of national policies. For countries of the "Third World," we can take different, more complete action.*

The Community's internal policy? It is obvious that during a period of difficulties, greater for certain EC countries than for others, these problems increase the tension between as well as within each of the EC countries. The poorest areas are particularly bitter and feel that they have been neglected. When an unexpected crisis arises, admittedly those who have the least feel that they have been hit the hardest. Thus, internal difficulties during an economic crisis are much greater than external difficulties.

Oil and Money

Hard Economic Times Bring "Easier" Transatlantic Relations

ANTHONY THOMAS, *Brussels correspondent for* The Economist *and former Washington correspondent for* The [*London*] Times

"Money is like muck, not good except it be spread." So wrote Francis Bacon in his essay *Of Seditions and Troubles*. Deciding he had a point, the EC "Nine" and the United States have agreed to work together in recycling petrodollars from the oil-selling nations to the oil-buying nations through the International Monetary Fund (IMF) and, more tentatively, also to reshuffle petrodollars among industrialized countries under the umbrella of the Organization for Economic Cooperation and Development (OECD).

In doing so they have overcome, or repressed, important differences of opinion. As a consequence they are now probably more nearly in step in their international monetary policies than at any time since before mid-August 1971, when then President Richard M. Nixon suspended the largely technical right of central banks to convert their dollar holdings into gold and also put a 10 per cent temporary surcharge on imports into the United States.

The irony is that it has taken a great worsening of the world economy to bring Europe and the United States closer together. Confronted with higher oil prices (four times higher in dollar terms), which helped push consumer price increases into double figures last year and have contributed to higher unemployment, industrial countries have decided they have a common interest in as common a reaction as possible to the demands of raw material producers for higher export prices. It is oil now; but after the success of the 13 members of the Organization of Petroleum Exporting Countries (OPEC) in increasing spectacularly their export earnings, can the producers of other commodities (copper is an obvious candidate) be far behind the OPEC lead?

It took time, though, for the EC countries and the United States to accept a similarity of interest and a need for a collective response. Their initial reaction to the oil prices increases of late 1973 was very different. The United States, and especially the US Treasury, seemed convinced that the oil-producing countries could be forced to rollback prices at least part of the way if the consumer countries could agree to reduce marginally demand. The assumption was that, if the OPEC countries had to share out production cutbacks among themselves to keep oil prices artificially high in the face of weakening demand, they would begin to squabble and the "cartel" would collapse.

For a variety of reasons the EC countries were not attracted by this American strategy. They were sceptical about the chances of the OPEC countries being split very quickly—a scepticism based partly on the way the revenues of some of the very big oil producers, including Saudi Arabia, exceed the absorptive capacity of their economies. More important, the EC countries are much more dependent on imported fuel than is the United States. Of the Nine, only the Netherlands is now a significant exporter of fuel (natural gas) and only Britain likely to become one in the foreseeable future (through North Sea oil and gas finds). Thus Europe was less well placed than the United States to choose a confrontationist policy against oil suppliers.

But the EC countries need to do something, and do it fast, to deal with the impact of higher oil prices on their external accounts. Collectively, their deficit on the current account of their balance of payments was only around $1 billion in 1973. The estimate for last year is around $20 billion, despite the record current account surplus of West Germany.

COMPLICATED BARTER

The response they favored was petrodollar recycling through the International Monetary Fund. Denis Healey, the British Chancellor of the Exchequer, talked last fall of a $30 billion emergency fund, but the Nine eventually came out in support, at a meeting of their finance ministers at Lancaster House in London in January, of IMF ideas for a recycling fund of $6-12 billion. The idea is for the IMF to borrow foreign exchange from oil producers who have more petrodollars than they know what to do with and then to lend the money to oil-importing countries which are short of cash to pay their oil import bills.

Complicated barter followed at IMF meetings in Washington the same month. The United States was not thrilled by the proposals (code-named Witteveen Mark Two after IMF Managing Director Johannes Witteveen). The United States saw a risk of the recycling fund helping to underwrite higher oil prices by giving oil-exporting countries a simple, safe, and interest-bearing way of storing their spare petrodollars and also making it easier for their customers to meet inflated oil import bills.

US acceptance of the IMF fund was, however, the precondition the EC countries insisted on for their agreement in principle to the Kissinger plan for a $25 billion fund confined to industrial nations. Germany was the most insistent. As a country in substantial surplus, and as a country with reserves equal roughly to those of the other eight EC countries lumped together, it is expected to be a major guarantor under the Kissinger plan. Germany has come to resent being typecast as an international milch cow, so it wanted the IMF plan, where the financial burden falling on non-borrowing nations is spread more evenly, as a first line of international defense.

The EC condition was met. The United States concluded IMF recycling was a price worth paying for the Kissinger plan. This $25 billion fund is one of the three consumer solidarity bricks the Ford Administration wants cemented in—the others are agreement on fuel conservation measures and exploiting new sources of energy—before the grand conference of oil-consuming and oil-producing nations that France is pushing for so hard takes place.

This new willingness by both the European Community and the United States to negotiate out their differences is not, of course, as sudden a conversion as that of Saint Paul on his way to Damascus. After the quarrelling of the ill-fated "Year of Europe," which got worse during the Mideast War and worse still in the run-up to the February 1974 Washington energy conference, the United States and the EC Nine have recognized gradually their interests are much more often complementary than competitive.

The Washington energy conference, where eight of the nine EC countries chose to cooperate with the United States in trying to cope with the energy crisis (the drop out was French Foreign Minister Michel Jobert) marked a turning point. So was the meeting of EC finance ministers in a Seventeenth Century, baroque mansion at the village of Zeist in the Netherlands last April.

"CONSENTING ADULTS" APPROACH

At Zeist the European finance ministers decided that central banks ought to be free if they so wished to exchange gold among themselves at a market-related price, rather than the official price of $42.22 an ounce. They also favored central banks being free to value gold at a market-related price when using the metal as a collateral in borrowing from each other. These reforms were characterized by the British as a "consenting adults" approach to the gold price problem.

But it was not this consensus that was really important. Instead, it was the way the EC finance ministers decided to send one of their number to Washington—Dutch Finance Minister Willem Duisenberg—to talk these ideas through with the US Administration. While not conceding the United States the right either to dictate or to veto European monetary reform ideas, by sending Duisenberg the Europeans did signal their willingness to talk contentious issues over before getting locked into a hard position.

Such a conciliatory gesture by the EC countries would have been very nearly inconceivable when John M. Connally was US Secretary of the Treasury in 1971-72 and opted for a hardline approach, which upset European finance ministers and more especially European central bankers, who like to preserve a civilized club-like atmosphere in international argument.

Yet not a few European financial experts now concede it was Connally more than any other single person who hastened the emergence of more balanced, more adult talk on money between the United States and the European Community. When he became US Treasury Secretary, the postwar Bretton Woods monetary system of fixed exchange rates founded on an "almighty dollar" was betraying clear signs of creeping senility. It had outlived its usefulness, not least because the United States was tardy in reaction to its deteriorating relative position in the Western economy.

In the immediate postwar period Europe was on its knees and the United States, driven by a blend of idealism and enlightened self-interest, committeed itself to restore it to economic health. Then President Nixon summed up the strategy well in laymen's terms when in addressing a joint session of Congress in 1971 he compared world trade in the late Forties and the early Fifties to "a poker game in which the United States then had all the chips and so we had to spread them around so that others could play."

Thus the United States ran a balance of payments deficit on current and long-term capital account throughout the Fifties. This helped achieve the result desired. European economies quickly mended their war damage and by the early Sixties it was obvious that the European Community—which then had six members—was helping to sustain and increase the strength of a now vibrant Western European economy.

In normal times this would have provoked a review and a change in American strategy with foreign economic policy assuming a higher priority in relations to foreign political and military policy. But times were abnormal. The United States was sucked ever more expensively into a Vietnamese civil war, which it saw as a war of northern aggression, and was preoccupied at home by the demands of its black people for dignified equality.

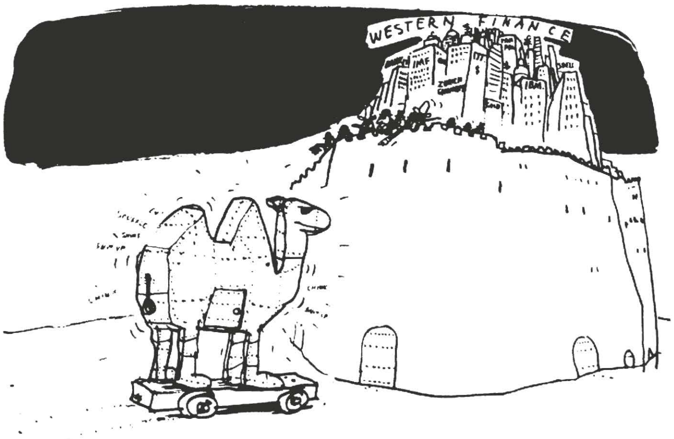
As Connally himself commented when Treasury Secretary, "At home, we faced up to problems, without parallel in other industrial nations, of racial tension, decaying cities, and population growth and mobility. Abroad, we became entangled in a prolonged and divisive war. It is only realism to acknowledge that, in both private and public sectors, these priorities distracted attention from other fundamental needs. We welcomed a domestic boom, but we budgeted loosely and let inflation get out of hand. The erosion of our external economic position was aggravated, and we wishfully coasted in the illusion that confidence in the dollar could be sustained apart from the underlying economic reality."

AMERICAN RIDER, EUROPEAN HORSE

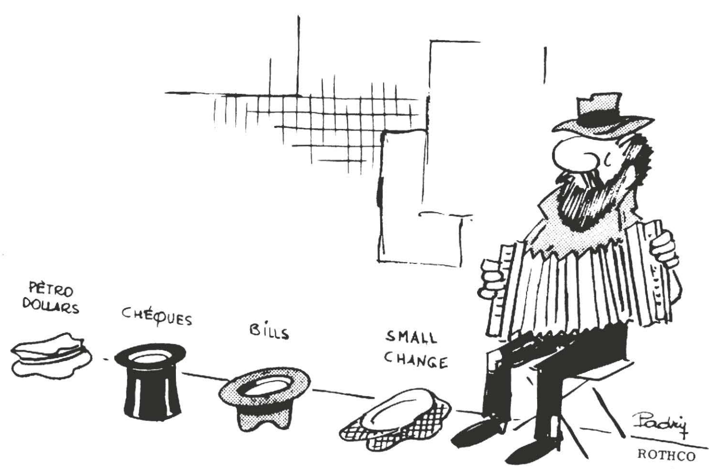
In retrospect it is amazing that the US dollar, which was finally formally devalued in 1971, was not devalued earlier and by a much larger amount. This is a non-contentious assertion on the world's foreign exchange markets. As of January 31 this year, on the basis of Frankfurt fixing quotations, the Deutsche mark had appreciated 37.65 per cent on its rate against the dollar agreed at the Smithsonian meeting on December 18, 1971; the Netherlands guilder, 33.60 per cent; the Swiss franc, 53.69 per cent; and the French franc, 18.31 per cent. The only EC currencies to fall against the dollar since the Smithsonian are sterling, down 8.72 per cent, and the Italian lira, down 9.14 per cent.

This does not, of course, mean that the dollar is now just another currency. It is still the major reserve asset of the international monetary system, the main vehicle currency in Eurocurrency transactions, and the currency used most often in international trade. Nevertheless, the decline in its relative importance has helped change the partnership between the United States and the European Community on monetary issues from that of an American rider and a European horse during the postwar period into something more nearly approaching equality.

Perhaps this has contributed to the waning enthusiasm in Europe for monetary union, an idea motivated in part by the perceived need for a European currency strong enough to look



Petty, The Australian, *Sidney.*



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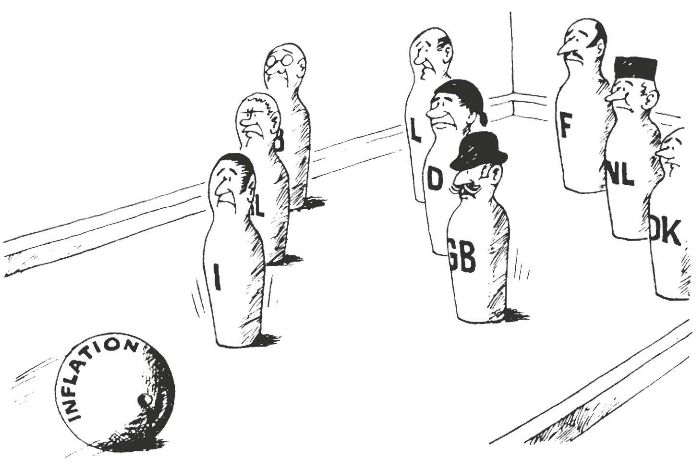


"Strike!" Jusp, Wir Bruckenbauer, *Switzerland.*

the dollar in the eye without blinking. The European currency "snake," which was supposed to help hurry this reform along, has been slimmed by the defections of the French franc, the British and Irish pounds, and the Italian lira into what is often called a Deutsche mark zone. It is hard to see any sustainable revival of the idea until inflation rates, which in 1974 ranged from a single digit figure in West Germany to around 20 per cent in Italy, come closely into line.

Yet despite their very different rates of inflation, the EC countries have on occasion since the quadrupling of oil prices acted in a Community way on money, although not one of them would seriously pretend the performance has been satisfactory.

Gaining the most has been Italy, which during the summer of last year introduced a 50 per cent deposit requirement on some of its imports to improve a rickety balance of payments. The bulk of short-term credits of $1.9 billion extended to Italy in March last year through the European Monetary Cooperation Fund were converted into medium-term credits in December (the share of the money advanced by Britain, which is also bleeding red ink on its balance of payments, remains short-term and subject to three-month rollover). Italy, too, benefitted from the Zeist "consenting adults" arrangement in negotiating a $2 billion loan against the collateral of gold bars, valued at just under $120 an ounce, with Germany last September.

More important, after many if's and but's and maybe's, the EC finance ministers have recently opened the way for the Community to raise money from oil-producing countries to be lent to member states in difficulty. There is a $3 billion ceiling, including interest as well as principal, so it is small potatoes when compared with the embryonic $25 billion Kissinger plan, but the ceiling may well have been raised if the United States had blocked the IMF recycling proposals at the Washington meetings in January.

But then it is a mistake to try to separate out and then to pass judgement on just what the European Community or the United States (or indeed, Japan or any other country) has done to help contain the fallout of higher oil prices, which is what the world's monetary and balance of payments problems are mainly about. The inflationary and now recessionary side effects are a shared problem, and the real test is whether the United States and the European Community can work together to find not a palliative but a real, shared solution.

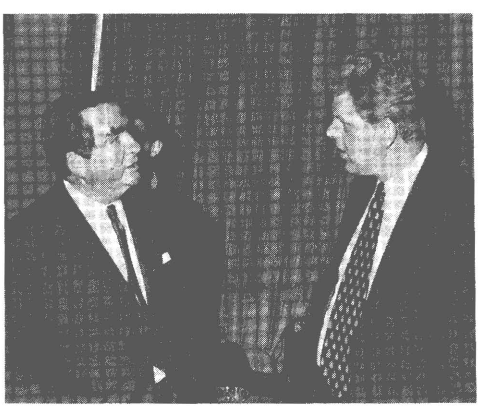
Cooperation is hard, however. For the United States has a real prospect of becoming self-sufficient in energy within a decade while the European Community will continue to remain indefinitely dependent on outside fuel suppliers to keep its factories running, its homes heated, and its cars on the road.

RECESSION OVERWHELMS DISAGREEMENTS

Helping make cooperation less hard is the lessening of tension between the European Community and the United States on

International Monetary Fund (IMF) Managing Director Johannes Witteveen (left) and Canadian Finance Minister John N. Turner, chairman of the IMF "Interim Committee" established to tackle the petrodollar problem.

"Complicated barter" at the IMF "Group of Ten" meetings in Washington in January.



British Chancelor of the Exchequer Denis Healey (left) and Dutch Finance Minister Willem Duisenberg at an EC Council meeting last year: "a willingness to talk contentious issues over with US Administration."

other issues, not just money. Nostalgia for a "fortress America" still pulsates in the US Congress, but in pleasing the European Community by at last passing the trade bill into law in December Congressmen recognized that the United States just cannot opt out of the world economy: That a bad harvest in the Soviet Union or bloody-minded behavior by Arab oil suppliers means higher prices in South Bend, Indiana, and Northbrook, Illinois.

On world agricultural trade, voices are lowered as well. World farm product shortages until recently, and a queue of customers (Japan, China, the Soviet Union, and the EC Nine, among others) clutching hard cash to buy American feedgrains and soybeans, have quieted American complaints about the protectionism of the EC common agricultural policy. And it would be wrong to exclude the personalities of the European and American leaders. The Ford Administration seems to have established better working (and personal) relations with Messrs. Wilson, Schmidt, and Giscard d'Estaing than the Nixon Administration did with Messrs. Heath, Pompidou, and Brandt.

Yet undoubtedly it is the American recession, deeper than any since the Great Depression of the Thirties, with one American worker in 12 without work, that has done more than anything else to overwhelm the disagreements between the European Community and the United States. When millions of voters are out of work, and more millions likely to join them soon in unemployment lines unless the world economy revives, political leaders cannot afford the time to argue about such minor monetary technicalities as whether gold should be valued for central bank accounting purposes at an unrealistically low official price or at a volatile free market price.

Instead, the main concern of EC leaders is to persuade the Ford Administration to so relax monetary and fiscal policies that European goods keep flowing into the US market and so keep the people who make these goods in work. It was a plea made to President Ford in December by German Chancellor Helmut Schmidt in Washington and French President Valery Giscard d'Estaing in Martinique. Under domestic political pressure to reflate as well, President Ford sent to the Congress in February budget proposals envisaging a deficit of $52 billion in the fiscal year beginning July 1. Congressional inaction on spending cut proposals and action on spending increase proposals seem likely to make the deficit even bigger.

Success in this effort is even more important to the United States and the European Community than recycling petrodollars. In the final analysis financial problems are nearly always easier to solve than the bread and butter problems of finding enough people work at a living wage. The oil-producing countries have to invest their spare cash somewhere. And if they invest too much, say, in Germany and too little in the United States, it is—if the political will is there—simple to reshuffle it about. Bringing an economy out of a deepening slide without provoking a very high rate of inflation is much harder.

ATLANTIC FORUM

The Headaches of Harmony

US-EC Relations and European Unity in the "Year of the . . . ?"

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What should have been the "year of Europe"—1973—turned out to be the year of storm. That, in 1974, was followed by what can be called the year of the return to harmony. And harmony—but with accompanying headaches—seems the prognosis for 1975.

Discord marked transatlantic affairs in 1973, with the French resisting US Secretary of State Henry A. Kissinger's drive to "transcend" the specific difficulties that had plagued America's relations with Western Europe through a declaration that seemed to subordinate European integration to wider, global perspectives defined by Washington. And France was not the only European country that was made uncomfortable by what then French Foreign Minister Michel Jobert described as an incipient superpower condominium: The lack of consultation that preceded the Nixon-Brezhnev statement on the prevention of nuclear war, the relative indifference of the United States at the Conference on Security and Cooperation in Europe (CSCE), and the way in which the United States and the Soviet Union pushed Europe aside during the Mideast crisis evoked resentment in Bonn and London also.

For a while, the fear of condominium and anger at Kissinger's tactics and tone—in particular at his statement about Western Europe's merely regional interests and at his hints of a "linkage" between America's military role in Europe and European concessions on economic and monetary issues—seemed to quicken the tempo of West European cooperation: Common EC foreign policy positions were adopted over European security and the Arab-Israeli dispute; there was even some public discussion of an eventual West European defense scheme distinct from the North Atlantic Treaty Organization (NATO). But soon discord also broke out within the European Community: It failed to proclaim its member states' solidarity with Holland during the oil embargo, made no progress toward a common energy policy, bogged down over regional policy, and saw the joint float of six European currencies disintegrate in the wake of the energy crisis.

In 1974, however, a degree of harmony returned to US-European relations. Eight of the EC "Nine" joined the International Energy Agency (IEA), first proposed, against French wishes, at the Washington energy conference in February. The EC "summit" at Paris in December—a year after the disappointing one at Copenhagen—ended with an agreement on an institutional *relance,* on a regional fund, on better coordination of economic policies, and on a formula to accommodate British demands. At the Franco-American summit later the same month in Martinique, a compromise was found between the French and American positions on coping with the energy crisis, and France showed interest in Kissinger's grand recycling plan aimed at aiding those industrial states with the greatest balance of payments difficulties and the least success in attracting the oil producers' money directly.

OLD RIFT REOPENED

For years, progress within the European Community has been slowed down not only by conflicting domestic priorities and economic policies but also by the old rift between France—champion of a "European Europe" with a distinctive identity and a policy emphasizing the difference between European and American interests—and France's partners, eager both for intra-West European cooperation *and* for close solidarity with the United States. This rift had led to the failure of the Fouchet plan, to French President Charles de Gaulle's veto of British EC membership, to the postponement of European cooperation in defense and diplomacy.

Georges Pompidou, French President from 1969 to 1973, tried to find a kind of middle way: By accepting Britain's entry now that an ardent "European" was British Prime Minister (Edward Heath) and by concentrating on monetary union and economic cooperation, Pompidou thought that the European Community might progress without any collision with the United States. For a while, he seemed to win his wager—first in the years of American "benign neglect," when Kissinger concentrated on Vietnam and on relations with Moscow and Peking, then in the years when America, following the August 1971 "shock" given by President Richard M. Nixon and Treasury Secretary John B. Connally, put maximum pressure on some of the few common policies of the European Community (the common agricultural policy, the association agreements) and provoked a reflex of European solidarity.

But the old rift reopened when the energy crisis struck, exposing Western Europe's dependence on oil from the Organization of Petroleum Exporting Countries (OPEC) and the financial plight of several EC states faced with the quadrupling of oil prices. The debacle of the "EC common front" negotiated just before the Washington energy conference in February 1974 showed that eight of the Nine preferred an "Atlantic" approach, led by the United States—the most powerful and industrial nation, the one least dependent on such imports, and the most likely recipient of OPEC funds.

After Pompidou's death, the new French President Valéry Giscard d'Estaing, once again tried—as Pompidou had done in 1969—to quiet down Franco-American relations, with the conviction that only if these relations were reasonably harmonious could West European cooperation—which is more than ever France's main goal—proceed gradually. Pompidou's concessions to the United States had been a softening of France's position about a return to a strict gold standard and a shelving of attempts to give the European Community a diplomacy and a defense angle. Giscard's concession was French cooperation with the IEA, in preparation for a conference with oil-producer nations and developing consumer nations.

And yet, the parallel is misleading: 1974 was not 1969. In 1969, the United States was weakened by Vietnam, by vast balance of payments deficits, by internal turbulence. It was the resurgence of Western Europe and Japan which explains the economic and monetary offensive waged by the United States against them after the middle of 1971. It was European resistance which led to Kissinger's April 1973 speech calling for a "new Atlantic Charter." Between 1969 and the end of 1973, the main transatlantic issues were issues *between* the United States and its allies. A radical shift took place at the end of 1973—and at Europe's expense.

Suddenly, the new agenda is crowded with global issues. And even though the massive transfer of wealth and power from the industrial to the OPEC countries affects the United States as well as Europe and Japan, the latter (minus, so far, Germany) are its chief victims, and the United States finds itself again in a position of relative strength compared to its allies. Western Europe's confidence in its own economic growth and welfare is badly hurt. For help toward obtaining lower oil prices, or at least financial help to meet the high cost of imported oil, for solidarity in case of a new embargo, and for the development of substitutes, Europeans turn to the United States.

Thus, more than at any time since the immediate postwar years, Washington is the Europeans' universal protector and chief intermediary. This was always the case in the realm of security. Today, the United States, through its troops and theater nuclear weapons in Europe as well as its strategic nuclear forces, still plays the chief deterrent role on the Continent and controls the means of escalation. But Washington has also become, through the IEA (and France's agreement to cooperate) and through the "safety net" and "solidarity fund" of $25 million, the lender of last resort and the guarantor of Western Europe's economic security. Whereas the EC-Arab dialogue suggested by Jobert a year ago bogged down because of the issue of the Palestine Liberation Organization (a clear indication that several EC countries refused to take any initiative contrary to American policy in the Mideast), it is clearly the United States, through the IEA and the Organization for Economic Cooperation and Development (OECD), which will be the lynchpin of any tripartite conference.

FORMIDABLE QUESTIONS RAISED

For the United States, these developments are no mean achievement. Ironically enough, OPEC is largely responsible for them—and so, even more ironically, are America's own monetary divagations of the Sixties and early Seventies. For by bringing down the international monetary system of the postwar era and by exporting inflation, but in different proportions, to its allies, Washington has made the European exercise in monetary unification and coordination of economic policies more difficult, and underlined the dependence of the European economies on the American market. Kissinger has fully exploited these trends. But gaining control of events in a rapidly moving world cannot be an end in itself, even though his diplomacy—in the Middle East as well as in relations with allies—has increasingly looked more like an attempt at grabbing the lion's tail (or, in Europe's case, the sheep's) than an attempt at steering the beast toward a clear goal. With respect to Europe, the return to harmony and the extension of US control raise formidable questions.

In the military realm, should Washington be satisfied with the status quo, and indeed keep pressuring its allies into buying US planes and weapons? Or wouldn't it be wiser, in the long run, to encourage or even to prod the European military members of NATO and France to tighten their cooperation in military procurement and production, in the field of conventional forces in general, perhaps even with respect to tactical nuclear weapons?

In the realm of energy and payments, if Washington uses the IEA and the "safety net" facility too bluntly as a tool for US technological and industrial advancement and for US control over its allies' economic policies, won't it risk damaging the new harmony and provoke a reaction against the current "Atlanticism"? Do we know what the common objectives of the consumer powers ought to be in the coming tripartite conference? What happens to the restored common front if America's policy in the Arab-Israeli dispute fails and a new war, wtih a new embargo, breaks out? On the other hand, what price would we have to force Israel to pay in order to avoid such disasters and, through a settlement, get a chance of breaking, or at least straining, the OPEC front for high prices? Can the United States lead its allies in a heroic policy of energy conservation and financial rescue, if its own domestic economic policy fails on energy and is unsuccessful about both inflation and recession? To use an old but valid cliché, with great power comes great responsibilities. The United States' stray allies are back. Does it know where to lead them?

No less momentous are the implications for the European Community of the global crisis and of the new Atlantic priority. Power discrepancies have increased within the Community, at Germany's advantage. This has serious consequences. On the one hand, the growing heterogeneity of the Community makes agreements more difficult, or limits their scope (hence former German Chancellor Willy Brandt's blunt suggestion for distinguishing between the laggards and the others). On the other hand, Bonn's new eminence may not be beneficial to the Community: First, because Germany, still dominated by concerns of military security—and unwilling to be Western Europe's only lender of last resort—remains eager for "Atlantic" solutions and tends to reduce the Community to the role of a subcontractor (for instance, of the IEA insofar as energy policy is concerned).

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Secondly, because it is fearful of being used as a kind of milking cow by its weaker partners, it tends to resist carrying more financial burdens in the Community (hence the pressure to re-examine the common agricultural policy and the resistance to a large regional fund) or prefers to deal directly with the country in need (Italy).

REWEAVING PENELOPE'S TAPESTRIES

The fact of the matter is that the scope of West European unification seems to be shrinking. The very discrepancies—in balance of payments situations, strength of the currencies, and rates of inflation—among the EC members make a return to monetary unification very difficult. Neither the regulation of foreign investments nor controls on short-term capital movements are likely, given the need for close relations with OPEC and with Washington. Progress in regional and social policies will meet enormous obstacles, as in the past, and especially with the governments, all of which are both fragile and engaged in constant pressure group bargaining. Energy policy has, for practical purposes, been moved to the IEA: The European Community will probably play no more glorious role than that of go-between, reconciling French plans with those of the IEA. The IEA and various recycling plans, such as that first suggested by Kissinger, cannot fail to have implications on industrial, trade, and economic policy. The common agricultural policy threatens to come apart, and there is the renegotiation of the British contribution to the common budget: In other words, the Community will be busy reweaving Penelope's tapestries.

Can the Community end up being more than an industrial free trade area, plus association agreements? As long as economic security was not an issue, because one assumed early and cheap access to OPEC oil and to raw materials, there seemed to be a vast domain for European integration, even if the key to military security was outside, even if there was precious little common diplomacy. Once economic security itself appears to depend partly on OPEC and very considerably on Washington (both because of the impact of American economic policies and monetary practices on Western Europe, and because of Washington's superior position in dealing with OPEC oil and OPEC funds), then the proper sphere of the European Community begins to shrink.

This poses, of course, a particular problem for French foreign policy. French officials hope that in exchange for cooperating with "Atlantic" institutions, such as NATO, the IEA, and eventually the Kissinger recycling facility (institutions from which they derive benefits even if France isn't actually always a member), they will be able to strengthen and, in former French Foreign Minister Maurice Schumann's words of a few years ago, "deepen" the Community. The end of aggressiveness or suspiciousness toward Washington and the *déblocage* of the EC institutions are obviously means to that end.

A "EUROPEAN" OR "ATLANTIC" EUROPE

But it remains to be seen whether France will be able to use that armistice on two old battlefields in which France had fought its EC partners, as a way of giving real substance at last to the European dream—or whether the European Community, circumscribed and confined by the "Atlantic" institutions pretty much in the way Kissinger had suggested in April 1973, won't rather become the forum in which France will be brought back to Atlantic orthodoxy, thanks to the pressures of the other EC "Eight" and the assertive mediating talents of German Chancellor Helmut Schmidt.

Will a "modicum of benign Atlanticism," as one French official put it, turn out to be the precondition for a "European Europe," or won't the Community become the apotheosis of an "Atlantic Europe," which France will have to accept because the only alternative turns out to be no Europe at all?

The coming months will show which of these two versions is correct. The best evidence will not be provided by the ability of the "Council of Heads of Government" of the European Community to adopt common foreign policy stands, since in most parts of the world the Nine can, at present, do little more than view with alarm, or deplore, or lament. It will, rather, come on an issue such as energy: Will the Community be able to adopt for its members a policy of conservation and substitutes different from the IEA, and giving precedence to European technology? Will the Community define common, distinctive positions to be adopted by its members at the coming conferences, first with other consuming industrial powers, then with the other groups of states? Also, will there be sufficient coordination of economic policies to reverse the trend toward greater heterogeneity? Will the new institutional agreements restore some dynamism in Brussels?

Should such developments occur, then there is still a chance for a "European identity," and the new, or not so new, French wager will be vindicated. If not, all those who have put their hopes in a European entity with a voice of its own will have to realize that their dream is over. Since the French President has chosen to be "pragmatic" and to reject drama, one is tempted to ask whether there can be a *Europe sans drames* any more than a *changement sans risques*. . . .

Community News

US-EC Relations

Simonet, Couste Visit Washington

Commission Vice President Henri Simonet, responsible for EC energy policy, in Washington January 28, called for comprehensive economic policies by all countries to battle the current international economic crisis.

Appearing on the Washington public affairs television program "Evening Edition," Simonet said, "All our countries have to move on three fronts, which are interrelated but which require somewhat contradictory action . . . on the energy front, on the recession front, and on the inflation front. And so you have to come up with a kind of policy mix that tries to square the circle or to circle the square."

Simonet said that until the United States starts to conserve its own energy, the rest of the oil consuming countries cannot take US proposals for negotiating with the producing countries seriously. "In order to negotiate fruitfully," he continued, "there must be among the consuming countries an agreement on a few essential topics like energy conservation, development of alternative sources, and . . . the problem of recycling."

Along with Simonet, European Parliament Vice President Pierre-Bernard Cousté visited Washington to participate in the Center for Strategic and International Studies Quadrangular Conference on inflation, recession, the international financial structure, and alliance security, held January 27-29. Simonet delivered the keynote address at the opening session of the conference January 27. Cousté spoke that afternoon and then addressed the Alliance Française of Washington that evening.

US Grant Awarded to College of Europe

The College of Europe, in Bruges, Belgium, was awarded a $10,000 grant by the US State Department's Bureau of Educational and Cultural Exchanges on January 14.

Ambassador Joseph A. Greenwald, US representative to the European Community, presented the award, which will be used to help finance US professors holding the George C. Marshall Chair of US-European Studies. This is the second State Department grant to the College, Europe's oldest postgraduate institute of European studies.

Krag is Pessimistically Optimistic

The seven plagues are now upon the Western world, according to Jens Otto Krag, head of the EC delegation to the United States, but he still sees room for optimism.

In a speech delivered to a conference on transatlantic trade at the State University of New York at Albany, February 7, Krag said: "According to the Holy Bible, Egypt once upon a time was sent seven plagues. I think it is fair to liken the Western industrialized countries' position now to Egypt's position then. We have inflation, recession, unemployment, the energy crisis, floating exchange rates, high interest rates, and high food prices.

"In Egypt the plagues followed one after the other. But we have gotten all our plagues over our sinful heads at one and the same time. . . . We will thus have to regard them as a unity. What we have is a world economic crisis of a character we have never known before, a crisis which is self-reinforcing and getting deeper."

The creation of the International Energy Agency, Krag sees as an "optimistic development," however. And the multilateral trade negotiations "offer the opportunity for a more open trading system, giving developing countries improved access to export markets. . . . The true international division of labor will, in my view, be a free-trading world in which the highly developed countries are moving toward less and less labor-intensive and more and more service and know-how intensive production. The present developing countries would move up the industrial ladder from primary production via simple industrial production."

Community Launches Visitors Program

A visitors program to promote closer understanding of the European Community by future American and Canadian decision-makers has been launched by the European Parliament and the EC Commission.

Similar to the US State Department's "leader grant" program, the EC program involves participants working in politics, journalism, trade unions, professional economic and social organizations, and the federal, regional, and local civil services.

Each participant will spend approximately 30 days in Europe studying EC institutions and developing professional contacts (in their respective fields) in the member states. The program for Americans was begun last fall and is being expanded to include Canadians.

US, EC Officials Discuss Cereals

US and EC Commission officials met to disuss the consequences tight cereal supplies might have on transatlantic farm trade, in Brussels January 31.

The EC delegation, led by Commissioner Petrus J. Lardinois, met with US Deputy Secretary of Agriculture Richard Bell and Michael Berner, State Department Assistant for Economic Affairs.

The US party was concerned about the high number of EC corn import contracts signed last year before the poor US corn harvests were recorded and wanted to know how much cereal EC importers would need. Both parties agreed to keep abreast of the situation in order to avoid emergency measures such as export controls and contract cancellations.

Cooperation at GATT Talks Essential

"Our guiding principle of cooperation, rather than confrontation, with the United States must be applied in the forthcoming multilateral trade negotiations," EC Commission Vice President Christopher Soames said January 31.

Addressing the Swiss Winston Churchill Foundation in Bern, Soames said early success of the talks may hinge on how well the United States and the Community can reconcile their differences through compromise, in the sectors of agriculture and nontariff barriers.

EC "Nine" Will Honor US Bicentennial

The nine EC countries are planning a cultural invasion of the United States in celebration of next year's Bicentennial.

Tours planned include the Scala opera company from Milan, the Paris Opera, prominent ballet companies from Denmark and Belgium, the Berlin Philharmonic, and the Concertegebouw from Amsterdam. France and Denmark plan *son et lumière* exhibitions.

Holland will send three traveling exhibitions—Dutch life in the Eighteenth Century, science in the Netherlands in the same period, and the John Adams fund-raising mission to Holland. Belgium will exhibit Flemish paintings. Ireland will produce a film on Irish emigration to America.

Permanent gifts will include a planetarium from Germany and a new bell for Philadelphia from Britain—from the same foundry which made the Liberty Bell.

New Film on Europe Now Available

A new motion picture, "Europe United," produced by the European Community Information Service, is available on free loan to general audiences and television stations throughout the United States.

The 28-minute, 16-millimeter color film outlines the background, work in progress, and goals of the European Community. It also illustrates the relationship and similarities between Europe and the United States.

The film is available from Association-Sterling Films, 866 Third Avenue, New York, New York 10022.

External Relations

Increased EC-Yugoslavia Cooperation

Yugoslavia would like to increase cooperation with the European Community in industrial, agricultural, energy, and financial fields, Yugoslavian officials said at the February 4 meeting of the EC-Yugoslavia Joint Committee, which oversees the functioning of the EC-Yugoslavia trade agreement.

EC officials were also asked to look into ways to help ease Yugoslavia's trade deficit with the Community, further aggravated by the EC beef import embargo. A joint working group was set up to study the various suggestions and to formulate recommendations.

Commission Officials Visit Moscow

The first official contact between the European Community and the Council for Mutual Economic Assistance (Comecon) took place in Moscow February 4-6 when an EC Commission delegation headed by Edmund Wellenstein, director-general for external relations, met a group of Comecon officials led by Viatcheslav Moissenko, head of Comecon's external trade department.

The two groups exchanged information on the respective functions within the Common Market and Comecon of the Commission and the Comecon secretariat, general trade problems, energy, agriculture, the environment, and statistics and planning. The Commission delegation issued an invitation for the Comecon officials to make a reciprocal visit to Brussels before any arrangements are made for a "summit" meeting between Commission President François-Xavier Ortoli and Comecon Secretary-General Nicolai Fadeyev, such as Comecon has requested.

EC-Israel Trade Accord Text Okayed

European Community and Israeli negotiators agreed on the text of a trade pact aimed at creating a reciprocal free trade area for most commercial exchanges and at initiating some forms of economic and technical cooperation, in a January 23 exchange of letters.

EC tariff barriers and quotas on industrial products imported from Israel would be totally abolished by July 1, 1977. Duties on EC industrial exports to Israel would be eliminated completely by 1985. Substantial EC tariff reductions would be made for 85 per cent of Israeli farm products, such as citrus fruits.

Economy

Avoiding Worldwide Economic Disaster

In a January 13 report to the Council and the Commission on the Community's economic situation and medium-term outlook, the EC Economic Policy Committee pinpoints three vital targets for international economic policy:

- The scale of external borrowing should not result in the collapse of financial markets, which could spark off worldwide political and economic crisis, thus jeopardizing any return to more satisfactory equilibrium conditions.
- The volume of world trade should continue to expand steadily. This implies substantial aid to the poorest developing countries.
- Anti-inflationary policies should succeed in slowing down the upward movement of prices to an acceptable pace; care should be taken to see that a simultaneous application of these measures does not result in snowballing a general international recession.

Economic Slowdown Expected This Year

The Common Market's gross Community product in real terms should reach 2.5 per cent in 1974 and between 2.5 per cent and 3 per cent in 1975, according to the Commission's report on the EC economic situation for the end of 1974 and the beginning of 1975.

EC exports to third countries kept up their rapid growth last fall, while internal demand dropped appreciably since summer. Consumer demand also slowed down except in Britain and Germany. EC industrial output stagnated in the fall, while farm output grew substantially. Imports from third countries rose only slightly. Unemployment and prices continued to rise.

Economic expansion should be limited in all EC states except the Netherlands and Germany, where restrictive budgetary and credit policies have been softened.

Depressing Economic Trends Persist

Two of the most indicative economic signposts are continuing to point toward stagflation in the Community: Inflation to November 1974 was 14.3 per cent—six points higher than in 1973—and unemployment had risen 40 per cent by the closing months of 1974 compared to a year earlier.

Worst hit by unemployment in percentage increase terms was Denmark, with an unemployment rate up 325 per cent in a year. The most inflation-prone was Italy: 24.7 per cent.

At the other end of the unemployment scale is Britain at 2.7 per cent (Northern Ireland figures —6.3 per cent—are collated separately). Anti-inflation laurels went to Germany (6.5 per cent),the only country still in single digits.

Hillery Reviews Unemployment Problems

The European Community's construction, automobile, textile, and chemical sectors have been hardest hit by unemployment over the past year, Commission Vice President Patrick Hillery told the Commission's Standing Committee on Employment February 17.

EC unemployment has reached a record rate of 4 per cent. Women, young, and migrant workers are the categories hardest hit, Hillery said. Additionally, he said, the influx of third country migrants dropped sharply during the first nine months of 1974, from 414,456 to 155,233 (down 62.5 per cent from last year).

Energy

Common Energy Policy Moves Forward

The European Community's common energy policy evolved a step further with the February 13 Council of Ministers adoption of a resolution calling for definition and execution of EC solid fuel, nuclear energy, and oil policies.

The resolution reaffirmed the need to increase electricity use; to develop EC research, technology, and energy conservation projects, and to develop member state energy resources. It also called for periodic Commission recommendations on long-term guidelines for the member states' energy program investment plans.

The Council also adopted a directive prohibiting conversion or construction of power stations which would use oil as an exclusive or primary fuel source, without prior member state authorization.

Commission Hopes to Step Up Research

Stressing that energy research is the heart of energy policy, EC Commissioner Guido Brunner sent the Council of Ministers in January a Commission proposal for two energy research programs costing 74 million units of account (UA). (One UA equals $1.20635 at current rates.)

A four-year program (1975-78) would cover research in energy conservation, production and use of hydrogen as a new energy source, solar and geothermal energy use, and systems analysis. A five-year program (1975-79) would cover research into radioactive waste disposal and treatment.

Most of the work would be done in national research centers with the necessary staff and funding provided by the Community. The Joint Research Center would take on the remaining work.

Environment

Clean Water for Community's Swimmers

Cleaner water for people to swim in is the goal of the latest draft directive submitted by the EC Commission as part of the Community's environmental action program.

The directive, submitted in January, would give member states eight years to bring swimmers' waters (fresh or sea water) up to microbiological and physiochemical standards laid down by the Commission. The directive would also require samples to be taken regularly in areas most frequented by bathers.

An earlier Commission directive would require that drinking water meet minimum standards throughout the Community.

Pollution and Respiratory Disease

To find out the specific effects certain air pollutants have in causing respiratory diseases, the EC Commission has begun a study of about 28,500 elementary school-age children in the Community.

Children were chosen for the survey because they are less transient than adults, don't smoke, and don't work, thus escaping exposure to harmful factory air. The study will cover 19 areas with high sulphur compound and aerosol pollution levels.

Social Policy

Help the Poor, Says EC Commission

Anti-poverty programs in the EC member states will receive 2.5 million units of account (UA) in EC aid this year, according to a recent Commission proposal. (One UA equals one 1970 dollar.)

The proposal calls for a variety of measures to help areas with low employment, poor housing, insufficient social services, and inadequate educational facilities. The Commission laid out four potential ways to carry out the program: regenerating urban poverty pockets, helping poverty-prone classes of people, setting up new services such as day-care centers and foster homes, and improving existing social services.

The program, one of the priority actions of the EC Social Action Program, would cover up to 50 per cent of the cost of 20-25 pilot projects.

Commission Proposes Women's Program

A new program for eliminating discrimination against the European Community's 35 million working women was forwarded to the Council of Ministers by the Commission February 12.

The draft directive is designed to eliminate discrimination against women on the basis of sex, marital, or family status and would provide legal recourse for preventing unwarranted dismissals.

The Commission also recommended that member states intensify their search for projects, eligible for EC social fund aid, which promote more and better jobs for women; a broad EC action program to eliminate prejudice against women; an information program to apprise women of their rights and potential jobs.

Mine Disaster Victims Receive EC Aid

Families and next-of-kin of the victims of the Liévin mine disaster in northern France in December will receive financial aid from the EC Commission, under its European Coal and Steel Community (ECSC) policy.

Each widow will receive approximately $1,500, each orphan $600, and the next of kin of bachelors $900. In addition, the children are in certain cases eligible for scholarships from the ECSC's Paul Finet Foundation.

Food and Development Aid

UN Emergency Fund to Get More EC Aid

Developing countries most severly affected by oil price increases—who have already received $150 million from Community coffers—are to receive another $100 million direct from the Community budget. The EC Council decided on this additional contribution in Brussels January 22.

With the additional aid which has gone to these countries in the last few months, the Nine's contributions as a Community is almost $300 million—$63 million of which goes to the United Nations special fund for emergency operations. These sums, added to an estimated $200 million which member states have contributed on a bilateral basis, will bring the Community to its target of $500 million extra aid for these countries between mid-1974 and mid-1975.

Somalia Receives Emergency EC Aid

A total of 1,470 million units of account (UA) has been made available from EC funds to relieve the effects of the serious drought in Somalia, Commissioner Claude Cheysson announced February 3. (One UA equals one 1970 dollar.)

To date, the famine has led to the loss of 40 per cent of the livestock and a 45 per cent shortfall in the maize and sorghum harvests. Rainfall is down 60-90 per cent in the northern areas of the country, and 1.5-2 million people are thought to be affected.

The money allocated by the latest EC decision, which comes on top of an earlier UA 240,000, will be used to buy primary foodstuffs, set up camps to house refugees, supply and distribute medicine and special products for children, and finance urgent water-supply operations. In addition, the supply of 12,000 tons of cereals, 350 tons of powdered milk, and 500 tons of butter oil from the Community's food aid program was accelerated, and further shipments of similar quantities were planned for the near future.

Community Aid Doubles in Two Years

The amount spent on food and development aid by the European Community nearly doubled between 1972 and 1974, according to EC Commission figures.

Through its extensive food aid program and grants from the European Development Fund and the European Investment Bank, the Community distributed total aids estimated at 243 million units of account (UA) in 1972, UA 320 million in 1973, and nearly UA 470 million in 1974. (One UA equals one 1970 dollar.) An increasing share of Community aid has gone to developing countries that are not associated with the Community—from UA 72 million in 1972 to UA 188 million in 1974.

The large amount of aid dispensed in 1974 illustrates the significant contributions the Community made to the United Nations emergency fund for those countries hardest hit by the oil crisis and to the victims of prolonged drought in the Sahel region of Africa. The Community also donated large sums of food aid to those nations struck during 1974 by natural disasters. Refugees, such as those in Cyprus, also received aid. (See page 00 for a further discussion of EC aid.)

Competition Policy

General Motors Fined by EC Commission

The Belgian subsidiary of the world's largest motor manufacturer, General Motors Corporation (GMC), has been fined 100,000 units of account (UA), nearly $121,000, by the EC Commission.

The fine is based on the Commission's finding that the Antwerp-based General Motors Continental had made improper use of a dominant market position by hindering auto dealers and buyers from importing Opel cars into Belgium through channels outside GMC's distribution system. In inspecting new Opels and those registered abroad for less than six months to ensure conformity with Belgian and EC safety standards, GMC had charged excessive prices for inspections, conformity certificates, and identification stickers of Opels imported from other countries, according to the Commission.

The Commission felt this had been done in order to discourage so-called parallel imports and favor sales by GMC's Belgian network. GMC halted the practice but, although admitting the possibility of a technical violation of EC competition rules, refuted the Commission's charge by claiming the practice "did not constitute a deliberate infringement of Article 86 of the Rome Treaty."

Commission Exempts Two US Products

An exemption from the general EC ban on concerted practices, set forth in the Common Market Treaty to ensure free competition, has been granted in the case of two exclusive cooperation agreements. One is between Goodyear Italiana, a subsidiary of the US tire manufacturer, and Euram Italia; the other is between Duro-Dyne Corporation, of New York, and Europair, of Belgium.

In both cases the European group becomes the exclusive distributor for the US products—Vitafilm, a plastic used in food packaging and preservation in the case of Goodyear; air conditioning and central heating equipment in the case of Duro-Dyne. The Commission believes that both agreements, despite the limits put on distribution, are ultimately to the advantage of the consumer: In the case of Vitafilm, access to this packaging system will in fact be facilitated by the terms of the agreement; in the case of Duro-Dyne products, they will supplement and complement an existing range in a way which would not otherwise be possible.

Commission Fines Mushroom Producers

Five French producers of canned mushrooms—Blanchaud, Euro-conserves, Champifrance, Faval, Champex-Centre — and Taiwan Mushroom Packers United Exports (representing all Taiwanese mushroom exporters) have been told to annul a market-sharing agreement allocating sales on the German market.

The firms failed to notify the EC Commission of this agreement as they are obligated to do by Common Market rules. In any case, these competition rules do not allow the type of concerted price and export quota policy involved in this agreement. The five French firms have been fined amounts ranging from 2,000 units of account (UA) to 32,000 UA. (One UA equals one 1970 dollar.)

Harmonization

Common Medical Market Gets Underway

The right for Common Market doctors to practice in any of the nine EC member states is rapidly becoming a reality.

On February 12 the EC Council of Ministers adopted two Commission-proposed directives approving the mutual recognition of national medical diplomas and other certificates as well as measures facilitating freedom of establishment. The directives also call for the coordination of national laws.

Once the final texts of the directives are approved, the member states will have 18 months to adapt their laws accordingly.

Toward a Common Construction Market

As in the United States, the construction industry in Europe is having a rough time. To help this industry—the Community's largest employer, with 8-10 per cent of the active labor force—the EC Commission has set an action program.

The Commission is advocating joint efforts to ensure comparability of national statistics and forecasts, elimination of technical and legal barriers, and technological research in order to create the conditions indispensable for achieving a common market in construction and building materials and an increase in productivity.

Currently, Europe's construction sector is characterized by lack of mass production, widely dispersed small-scale activity, and closed markets.

Agriculture

Council Sets 1975-76 EC Farm Prices

European Community farm prices for the 1975-76 marketing year were raised by an average of 10.2 per cent by the Council of Ministers on February 13.

The Council also took the first step toward demobilizing the EC monetary compensatory amounts (MCA) system, in order to gradually align farm prices closer to the real currency situation in each member state. The MCA are, essentially, EC-funded variable levies applied by member states to protect farm prices against currency fluctuations.

The Council raised the guide, target, or basic prices for sugar by 15 per cent; cattle, 8.5 per cent; milk, 6 per cent; fruits and vegetables, 11 per cent; corn, 10 per cent; common wheat, 9 per cent.

Institutions

Parliament Approves Direct Elections

A directly-elected European Parliament moved one step nearer January 15 when the present Parliament adopted a convention, subject to ratification by the Council of Ministers, on direct elections in 1978.

All over the Community citizens would vote, on the first Sunday in May 1978, for 355 members to represent them at the Parliament sessions in Strasbourg, France, and Luxembourg. The distribution of members in the new body, which would be 80 percent larger than the existing one, would be Germany (71 members), Britain (67), Italy (66), France (65), the Netherlands (27), Belgium (23), Denmark (17), Ireland (13), and Luxembourg (6). Essentially this breakdown is weighted in accordance with member states' populations, but special increases were allocated to the smaller member states to ensure them adequate representation.

Only the United Kingdom and Denmark have warned that they cannot commit themselves at this point to direct elections.

EC 1975 Budget up by UA 500 Million

The EC budget for 1975 amounts to 5.8 billion units of account (UA), a 11.49 per cent increase over 1974. (One UA equals one 1970 dollar, or $1.20635 at current rates.)

Initially the EC Commission had proposed a budget well over 30 per cent up on the previous year's, but the final budget was considerably pared down by the Council of Ministers and the European Parliament. The biggest item in the budget remains the farm sector, which has been allocated UA 4.3 billion, 73.95 per cent of the total, a slightly bigger share than last year. The Commission had hoped to get approval for a number of new expenditures in other sectors, which would have spread the balance of Community spending more evenly.

Commission expenditure on the common agricultural policy, social policy, regional policy, research, technology, industry, energy, and cooperation and development as well as its own operating expenses make up 8.26 per cent of the budget. The other institutions will receive 1.74 per cent of the total budget.

Budget Contribution

A Commission plan designed to assure equity in budget financing and to answer Britain's requests for a cut in its EC budget contribution was submitted to the Council for approval January 30.

According to the Commission plan, any member state could qualify for a partial refund of its budget contribution if:

- its per capita gross national product (GNP) becomes less than 85 per cent of the average EC per capita GNP, and
- its per capita GNP growth rate in real terms is below 120 per cent of the average EC growth rate, and
- its percentage share of the EC budget exceeds by more than 10 per cent its percentage share of the Community GNP.

The exact amount of the refund would be determined by a complicated formula that, however, would not affect the customs duties or agricultural levies which make up part of the EC budget contribution—and are regarded as Community and not national resources.

Calendar

JANUARY 1975

7 Presidents of the EC member state legislatures meet in Paris, and future regular meetings are suggested.

7 Commissioner Claude Cheysson, responsible for EC development policy, visits Morocco.

7-8 EC finance ministers, meeting in London, agree on the International Monetary Fund recycling plan (see page 11).

8-10 EC-India textile negotiations resume in Brussels.

10 EC Commission President François-Xavier Ortoli, at a Brussels news conference, calls for a new drive toward European union.

13 EC Economic Policy Committee reports on the economic situation and energy crisis impact (see page 19).

13-17 European Parliament, at a plenary session in Luxembourg, approves convention for direct elections in 1978 (see page 22).

13-17 Commission Vice President Wilhelm Haferkamp, responsible for EC economic and monetary affairs, attends IMF meeting in Washington (see page 11).

14 US State Department awards grant to the College of Europe (see page 18).

16-17 Commissioner Claude Cheysson, responsible for EC development policy, visits Algeria.

20-21 EC Council meets in Brussels to discuss upcoming "European Council" meeting in Dublin, relations with Iran, negotiations with the ACP's and Mediterranean countries, and energy.

20-21 Guido Brunner, newly appointed EC Commissioner responsible for research, science and education, begins a tour of all the EC member states' capitals.

22 Council, meeting in Brussels, agrees on additional contribution to the United Nations emergency fund for developing countries hardest hit by the oil crisis (see page 21).

23 EC-Israel trade agreement reached in Brussels (see page 19).

23-25 Commissioner Claude Cheysson, responsible for EC development policy, visits India.

27-29 Commission Vice President Henri Simonet and European Parliament Vice President Pierre-Bernard Cousté visit Washington (see page 18).

27-29 Last EC-Associate Parliamentary conference under the Yaoundé Convention is held in Abidjan, Ivory Coast (see page 5).

30 EC Commission proposes a "correcting mechanism" for EC budget contributions (see page 23).

30-31 EC-ACP ambassadorial level negotiations conclude in Brussels (see page 5).

31 Commission Vice President Christopher Soames addresses Swiss Winston Churchill Foundation in Bern (see page 18).

31 US Deputy Secretary of Agriculture Richard Bell and Michael Berner, US State Department Assistant for Economic Affairs, visit Brussels (see page 18).

FEBRUARY

3 Joint EC-Yugoslavia Committee meets in Brussels (see page 19).

3-4 German Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing discuss EC issues in Paris.

4 United Nations Secretary General Kurt Waldheim meets in Brussels with EC Commission President François-Xavier Ortoli, Commission Vice President Christopher Soames, responsible for external relations, and Commissioner Claude Cheysson, responsible for development policy.

4-6 EC delegation has talks with officials of the Council for Mutual Economic Assistance (Comecon) in Moscow (see page 19).

10 Commissioner Guido Brunner holds Brussels news conference on the mutual recognition of degrees and the free movement of doctors (see page 22).

10-11 Council meets in Brussels to discuss multilateral trade negotiations, EC budget contributions, and the preparatory meeting for the oil consumers and producers conference, and adopts directive on the mutual recognition of diplomas and the free movement of doctors (see page 22).

10-13 Council, meeting in Brussels, decides on farm price levels for 1975-76 (see page 22).

12 Commission Vice President Henri Simonet, responsible for energy policy, at a Brussels news conference, suggests a two-pier price system for oil and other energy sources.

12 Commission Vice President Patrick Hillery gives news conference in Brussels on Commission proposals for women's rights (see page 21).

12 ACP ministers, meeting in Accra, Ghana, approve the Lomé Convention (see page 5).

12-13 Commission Vice President Christopher Soames, responsible for external relations, visits Portugal.

13 EC foreign ministers meet in Dublin for political consultations.

13 Council meets in Brussels on means to attain common energy policy goals set on December 17 (see page 20).

17 New Zealand's Prime Minister W. E. Rowling visits the EC Commission.

17 Mexican Industry and Trade Minister Jose Campillo Sainz and Trade Undersecretary Elizio Mendoza Berrueto visit the EC Commission.

17 Council meets in Brussels to discuss monetary policy.

17-21 European Parliament holds plenary session in Strasbourg, France, and receives the Commission's General Report (see page 3).

20 EC Energy Committee meets in Paris.

28 The EC-ACP Lomé Convention is signed (see page 5).

Publications Available

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.

EIGHTH GENERAL REPORT ON THE ACTIVITIES OF THE EUROPEAN COMMUNITIES. Commission of the European Communities, Brussels, February 1975, 315 pages $4.80
Detailed account of the activities of the European Coal and Steel, Economic, and Atomic Energy Communities in 1974.

SUPPLEMENTARY REPORT ON THE PROPOSAL FOR A REGULATION EMBODYING A STATUTE FOR EUROPEAN COMPANIES. *Working Document No. 67/74,* European Parliament, Luxembourg, June 26, 1974, 160 pages . . . $2.00
Report by Peter Brugger on behalf of the Legal Affairs Committee. Discusses the amendments tabled during the December 12, 1972, plenary session to the resolution contained in the report by Mariano Pintus (Working Document No. 178/72). Contains the draft statute with the committee's recommended revisions, which were debated in the July 1974 plenary session. The report by Pintus is available in English on loan only.

EUROPEAN COAL AND STEEL COMMUNITY FINANCIAL REPORT FOR THE YEAR 1973. *Report No. 19,* Commission of the European Communities, Brussels, 1973, 34 pages . . . . free
Outlines investment growth in the Community coal and steel industries. Discusses the borrowing and lending operations of the ECSC.

DIRECTORY OF THE COMMISSION OF THE EUROPEAN COMMUNITIES. *Special Supplement, Bulletin of the European Communities,* Commission of the European Communities, Brussels, August 1974, 80 pages . . . . $.60
Organization of the Commission. Includes names of Commissioners, Directors General, Directors, and Heads of Divisions.

PROGRESS REPORT 1974. *Information Memo P-76,* Commission of the European Communities, Brussels, December 1974, 39 pages . . . . free
Brief review of the activities of the Commission in 1974.

FIRST EUROPEAN CONGRESS ON DOCUMENTATION SYSTEMS AND NETWORKS. *EUR 5058e,* Commission of the European Communities, Luxembourg, 1974, 397 pages $6.00
Proceedings of a conference held at Luxembourg May 16-18, 1973. Papers and discussions on automated information systems in Europe, stressing scientific and technical documentation.

COMMUNITY'S ECONOMIC AND FINANCIAL SITUATION SINCE ENLARGEMENT: INVENTORY AND SURVEY OF FUTURE DEVELOPMENTS. *Supplement No. 7/74, Bulletin of the European Communities,* Brussels, October 1974, 24 pages . . . . free
Communication to the Council of October 27, 1974, on economic developments from 1972 to 1974, forecasts to 1978, and the economic consequences of existing budgetary provisions.

THE ANNUAL ACCOUNTS OF LIMITED LIABILITY COMPANIES: AMENDED PROPOSAL FOR A FOURTH DIRECTIVE. *Supplement No. 6/74, Bulletin of the European Communities,* Brussels, February 1974, 32 pages . . . . $.20
Presented to the Council on February 26, 1974. Amends the June 27, 1972, proposal pursuant to the opinions of the Economic and Social Committee and European Parliament.

IRON AND STEEL UNDERTAKINGS OF THE COMMUNITY. Commission of the European Communities, Brussels, 1974, 188 pages $4.00
1974 edition of the list of steel mills in the Community. Gives addresses, telephone and telex numbers of mills and sales offices. Lists products produced by each firm.

SELECTED FIGURES FOR "ASSOCIABLE" COUNTRIES. Statistical Office of the European Communities, Luxembourg, June 1974, 137 pages . . . . free
Contains general economic indicators and trade statistics for 46 African, Caribbean, and Pacific states who have negotiated the Lome Convention.

DEVELOPMENT AID: 'FRESCO' OF COMMUNITY ACTION TOMORROW. *Supplement No. 8/74, Bulletin of the European Communities, Brussels,* November 1974, 26 pages . . . . free
Communication to the Council of November 5, 1974, on Community cooperation with the Third World.

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