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Wrath of Grapes

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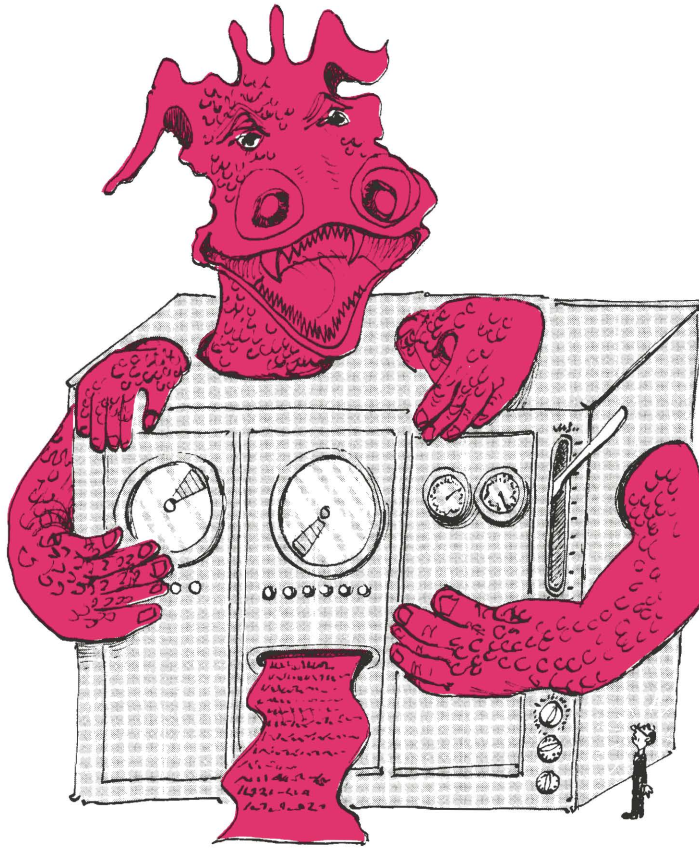
Letter to the Readers

Is It the End of the World?



The European Community is not all economics and politics; there are of course such EC concerns as an evolving social policy. But, more, there exists that side of life journalistically known as "human interest" (not that economics and politics aren't interesting to humans). Regardless of the misnomer, the following commences an irregular series of human interest stories. The stories, it is hoped, will offer relief from the topics dominating today's news. They may even find us laughing at ourselves.

Occupying three stories of the 13-story EC Commission headquarters (the Berlaymont) in Brussels is a computer nicknamed "the Beast." Run by a Berlaymont gnome named Herr Doktor Hendrick Eldeman, the gigantic computer has a gigantic task: to assign a number to every person, not just in the Common Market but in the entire world. Each person wonld then have his number invisibly laser-tatooed on the forehead or back of the hand. Viewed under infrared scanners to be placed at all checkout counters and other places of business, the numbers would provide a walking credit card system—an international currency of which the Community's economic and monetary union is but the intermediate goal.

True or false? True, if you are one of a number of Fundamentalist Protestants in the United States who have recently bombarded the EC Commission's Washington delegation with requests for more information on "the Beast." False, say Common Market spokesmen: There is no such computer and Dr. Eldeman does not exist. The head of the Washington delegation's information service, Andrew A. Mulligan, laughingly says, "We'll annihilate this rumor!" But the delegation employee, Mrs. Ella Krucoff, who handles the American public's information requests says it's no laughing matter, for the queries keep coming. In any case, most of the true-believers dismiss the EC denials as no better than recently-exposed CIA lies.

The origin of the rumor is hard to track down, but Fundamentalist literature published in the United States is replete with references to the Common Market's existence as fulfilling Biblical prophecies of the end of the world. A well-reasoned article in a magazine published by the Chicago-based Moody Bible Institute (named after the nineteenth century evangelist) highlights the parallels: Nebuchadnezzar's dream of the "end-days" before the Second Coming of Christ includes the image of a beast: "As the toes of the feet were part of clay, so the kingdom shall be partly strong, and partly broken (Daniel 2:42)." What better description for the Common Market today, says the author of the *Moody Monthly* article. The toes and horns in the dream image are ten, and this number is again mentioned in the Bible's last Book, Revelation; the article's author points to the Berlaymont's ten flagpoles and the possibility of Greek or Norwegian Common Market membership. The EEC *Rome* Treaty supports the author's interpretations of the Books of Ezekiel, Daniel, and Revelation that this "last-days" kingdom is a new Roman Empire. The analogies go on and on, and are also used in the American best-seller *The Late Great Planet Earth,* predicting the imminent end of the world.

Dr. Eldeman and his now apparently famous computer, however, seem a case of stretching the uncanny similarities to fantasy. In talking of the EC computer, the California magazine *Gospel Call* cites a passage from the Book of Revelation about the beast dreamt by Nebuchadnezzar: "And he causeth all, both great and small, rich and poor, free and bond, to receive a mark in their hand, or in their foreheads: And that no man might buy or sell, save he that had the mark, or the name of the beast, or the number of his name. Here is wisdom. Let him that hath understanding count the number of the beast: for it is the number of a man; and his number is six hundred three-score and six." According to *Gospel Call,* Dr. Eldeman plans to use three six-digital units in the laser-tatooing computer.

Any publicity is good publicity, public relations experts told the EC Commission's Washington delegation after its 1973 Gallup poll showed most Americans (55 per cent) had never heard of the Common Market (see *European Community* No. 167, pp. 8-12). Now at least some of the previously uninformed are asking the delegation to send them copies of the nonexistent EC publication titled "See What the Beast Is Doing." Perhaps the Commission's press secretary should consider hiring American Fundamentalists to pass the good word about the Community's growing strength and power. But long-time Berlaymont cynics would no doubt reply: Beware false prophets.

Walter Nicklin

Grapes of Wrath, EC Vintage

Common Market Braces for French-Italian "Wine War"

PETER KENYON, *Brussels correspondent for the London* Sunday Times

Sold, 650 million gallons of wine: That was just overspill from the Common Market wine lake—1974 vintage—and not a drop was drunk. Enough to supply every American, teetotaler or not, with 88 bottles each. The mind dulls at the thought. But the palate would have found it dull as well, for the bulk was not fit to drink. Instead, it was forcibly evaporated, mainly from cellars across southern France into industrial alcohol courtesy of EC taxpayers. The alternative was political ferment throughout the Midi—the major wine producing region of France, bordering the Mediterranean—and financial ruin for thousands of the region's small wine producers. Such is the work of Bacchus in an interventionist economy.

The fruit of the 1975 vintage promises to be as plentiful of problems as that in 1974 and 1973. Forewarned by bright blue Mediterranean skies, the Midi wine producers quickly began flexing their political muscle to stave off financial ruin from another overful harvest. Entangled in a web of unhappy circumstances, more twisted than the tendrils of their vines, the wine producers' anger and frustration has threatened the fabric of the Common Market itself.

At root is a structural surplus of *vin ordinaire* (everyday table wine)—often too weak even for undiscriminating palates—which can not be uprooted without considerable social hardship, except at a price. The will "to pay" is the test that the nine EC member states face this autumn.

The problem of overproduction is not new. The history of the French liquor industry was begotten by surplus wine. In 1699 a copius vintage was transformed through distillation into brandy. New vine planting was prohibited in 1730. Surpluses were sold off to Russia between 1735 and 1740. The Languedoc riots in the Midi region in 1907 against the threat from synthetic wine gave rise to the French legal definition of wine. Persistent overproduction in the Thirties gave rise to the establishment of the French wine class structure administered by the *Institut national des appelations d'origine,* to control output of quality wines. As every wine connoisseur now knows a French wine with the hallmark *Appelations Controllées* (AC) or *vins délimités de qualité supérieure (*VDQS) are numbered among the royalty of this noble beverage.

It is, however, the commoners amongst wine and the Languedoc peasants who make them that are hapless victims of what they see as inadequate protection by either national control or the EC common agricultural policy for wine.

Output is largely determined by the whims of the weather. EC production—concentrated mainly in France and Italy—has fluctuated as much as 33 per cent between harvests, as it did between 1972 and 1973. Two bumper crops in succession, inflation, and then recession have shown up a very serious divergent trend between production and consumption.

Over the period 1964-1974 production grew by 1.7 per cent a year, while consumption trailed at 0.23 per cent. This year

An Italian farmer tastes the new vintage . . . "and the mind dulls at the thought of millions of gallons of surplus wine."

an estimated 4.1 billion gallons of wine will be vintaged while consumption, relatively stagnant in the Community, is calculated at 3 billion gallons. There is, however, a surplus in production of everyday wines only (quality wines and table wines enjoying a good reputation do not pose problems).

Consumption continues to grow, albeit sporadically, in Germany, the Netherlands, Ireland, Denmark, and Britain. Nevertheless, none of this fitful imbibing is sufficient to offset static wine consumption in France and Italy. A 5 per cent fall in consumption in France or Italy requires a 100 per cent increase in Britain to take up what would remain unsold.

Last year there was such a fall in consumption in France. "Monsieur Dupont" drank 6 liter bottles less than in 1973. Successive government-sponsored campaigns against alcoholism, a preference for better quality wine, and less spare cash all contributed to this drop in consumption. For French producers of cheap table wines it was just one of the factors that led them onto the streets of southern France this spring.

Traditionally these producers had relied on wholesale merchants to fortify their produce with stronger imported wines. These used to come from Algeria, but one of the effects of the

EC common wine policy was that the Italians took over this role. France imported more than 50 million gallons of wine from Italy during 1975 and 79 million in 1974, and the French Government estimates the figure will be appreciably higher in 1975. These Italian wines have a much higher quality—better body and alcoholic content—than those cheap table wines produced in France.

Then, a section of the French wine traders started selling this Italian wine direct to the French consuming public. In addition to their superior qualities as wines, the Italian produce was also considerably cheaper following the substantial depreciation of the lira against the French franc.

PROTESTS AND COUNTERPROTESTS

This development, first evidenced in 1972, provoked an angry reaction from Languedoc producers. Hostilities flared up again this spring, leading to a temporary, though effective, closure of the French frontier to Italian wine imports after talks between the French Government and the wine wholesale merchants, on whom the producers depend to sell their produce. Italy protested against this gross infringement of Common Market rules, as did the EC Commission in Brussels. But not too forcibly: The illegal French move undoubtedly eased a decision of the EC Council of Ministers to subsidize the distillation of an extra 350 million gallons of wine, to clear producers' cellars for the coming harvest.

The latest series of violent incidents in southern France, timed to coincide with annual French migration southwards during August vacation, were also linked to another EC Council of Ministers meeting. That scheduled for September 9 was to decide on new regulations for the wine industry from the vine to the table. To placate protesters in the Midi, the French Government promised to take national measures, if the Council failed to take Community action. The EC farm ministers met all night in the Council but did indeed fail to reach agreement due to Italian objections to two French proposals. And the French threats became reality—an import tax, averaging 12 per cent, on Italian squeezings. Thus commenced the Common Market "wine war."

Despite its dramatic title, the wine war is a typical example of the domestic problems of a Community which has its basic rules but which also has social and human problems sometimes not covered by the rules. Does Italy, owing to its monetary weakness, export enormous quantities of wine to France at "dumping prices," as is commonly asserted by angry winegrowers from southern France? Does France, in taxing Italian wine imports by appealing to an outdated article of the EC common agricultural policy's wine regulation (the safeguard clause), violate the letter or, above all, the spirit of the Common Market, which includes the free movement of agricultural products? How much longer will the Community tolerate such excessive quantities of poor quality table wine which the con-

Harvesting the grapes in France . . . "but Euro-Bacchanalia remains unhappily a frippery of on overripe memory."

sumer refuses to drink and which eventually must be burned and converted into alcohol at the Community's expense?

These questions raise even more questions to which the Community must give short as well as long-term answers. And, in responding to these agricultural (or viticultural) questions, the Community will have to take into account the social problems in the wine world—namely, in the Midi region of southern France and also in the Mezzogiorno region of southern Italy, where interests conflict.

In the midst of the crisis, EC Commissioner Petrus J. Lardinois, responsible for the common agricultural policy, called attention to the fact that some member states heavily tax wine consumption, while excise duties on wine are of no importance in France and don't exist in Italy or Germany. For example, Lardinois himself calculated the British duty to be equal to seven times the producer price and called this "dreadful."

So the Commission has requested member states to restrain excise taxes. This request is not to plunge the Community into inebriety, but to give each consumer the possibility of drinking wine. Who could buy a car if it were taxed several times its cost price?

In other action, the Commission has ruled that the French Government is not authorized to impose an import tax on Italian wines. In practice this means that there will be either legal proceedings, possibly decided by the EC Court of Justice, or resolution within the Council of Ministers. The Commission also decided to abolish, as of September 29, the 12.3 per cent German border tax levied, for monetary reasons, on wine imports coming from Italy and France. Also, Italy was requested to pay the sums due to its wine growers more quickly than before under EC regulations (refunds, aids, subsidies for distillation, etc.) Finally, the Commission proposed export subsidies for a six-month period: According to Lardinois' calculations, there is outside the Community a market for up to 80 million gallons of table wine.

In addition, the Commission's long-term proposals, first made in July, have become increasingly more valid:

- no longer to encourage inferior wine production;
- to bring replantations of vineyards under strict regulation;
- to avoid distillation of poor quality wines;
- to envisage the uprooting of certain vineyards.

In short, the Commission has opted for quality as the answer to quantity.

And, in today's world, quality seems an appropriate answer to the question of quantity, of how to close the gap between production and consumption. With rising incomes, palates become more discriminating or/and pretentious. Aspirations to a Chateau Lafite, reputed to be the best of red wines, are unconstrained by such mundane considerations as price. Similar considerations apply to any wine bearing one of the hallmarks

Petrus J. Lardinois gets tough: At a September Brussels news conference the Commissioner responsible for the common agricultural policy announces Commission action in the wine sector.

of authenticity. The producers of AC wines are not averse to producing more than their quota and marketing it under the same name, but without that sought-after hallmark that commands a premium price. For the discerning consumer there is a chance to get a pedigree wine at a discount. The faithful connoiseur has the pleasure and satisfaction of the limited edition at a lower price than he would otherwise have to pay if producers of the finest wines were obligated to honor the quota system in terms of volume rather than just on their labels. This practice imposes a considerable constraint on the marketing opportunities for the producers of mere commoners amongst wines, if they can upgrade its quality.

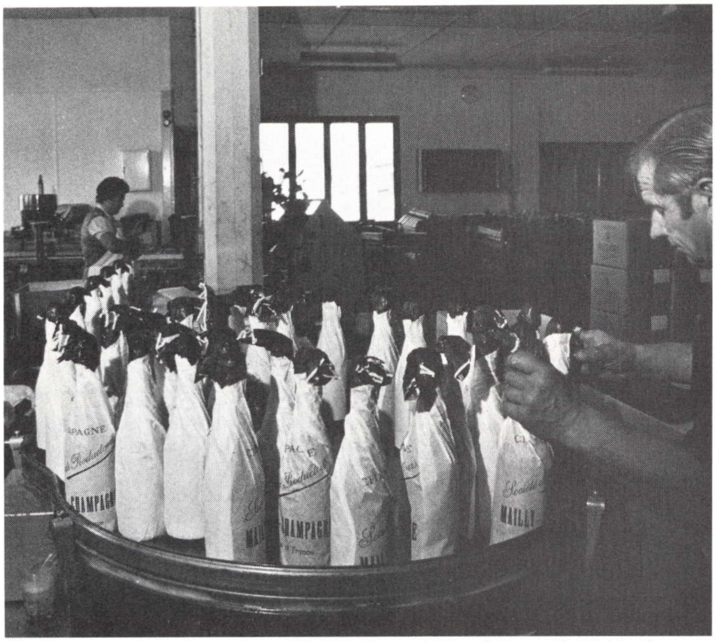
While cheap French table wines do not enjoy a flattering reputation, German and Italian wines continue to prosper by their respective qualities, both within the Common Market and in overseas export markets. French exports have recently suffered from being overpriced. How much damage the recent Bordeaux fraud case has done to the hitherto untarnished record of the trade remains to be seen. Exposed at the end of 1973, this case involved one of the most reputable families in the Bordeaux wine trade accused of selling plonk under AC labels. The quantities fraudulently labeled amounted to nearly 2 million bottles—that is, nearly 6 per cent of total wine production in the Bordeaux region. French exports to the lucrative American market slumped dramatically. Quantities shipped fell 40 per cent compared with 1973 to just under 6 million gallons.

But this probably reflected burgeoning stocks held by American importers from previous seasons, rather than a horrified reaction to trade malpractices. On the whole, overall wine exports from the European Community have stood up well to detrimental effects of world recession in the spirit of "be merry, and be damned."

A sensational attempt earlier this year to open up new export markets for Common Market wines appears to have failed. Whilst disappointing to the producers, there were, surprisingly, sighs of relief in Brussels. French Communist import-exporter, Jean Doumeng, had held out the prospect of a massive long-term deal with the Soviet Union for 125 million gallons of white wine a year. To conclude Doumeng, who successfully disposed of the EC butter mountain in 1973 to the Community's subsequent embarrassment, needed an export subsidy for which the French Government duly applied to Brussels. Neither the Federal German Government, with its tight grip on the purse strings, nor the British Government, with the referendum on Common Market membership in the offing, was ready to expose itself to criticism for wasting money selling cheap booze to the Russians—however much it might have contributed to détente.

By rejecting an easy solution to disposal of excess supplies, the Nine indicated a determination to try and tackle the structural problems of the common agricultural policy at root. In the case of wine that is, on surface, a relatively simple task: Few member states have a direct vested interest in the status quo. (The converse is true for other products such as dairy

Warring friends: French Agricultural Minister Christian Bonnet (left) and Italian Agricultural Minister and EC Council President Giovanni Marcora at the September 9 Council of Agricultural Ministers meeting in Brussels.



"Champagne by any other name. . . ." Here the real thing being packaged in France.

produce, in which every member state has a substantial interest, and thus which makes changing the present policy extremely difficult.)

CHAMPAGNE IS CHAMPAGNE

Some Continental producers, fed up with the constraints imposed on production nationally and within the EC framework, are following the example of their forebears and setting up in the United States. The biggest French champagne producer, Moet-Hennessy, started up a massive $8 million project in the Napa Valley in California, which in full production would make it one of the biggest "champagne" producers in the United States. When announced in 1973, the project provoked an immense chuckle amongst Californian producers. French champagne producers have been arguing for generations that foreign competitors had no right to call their sparkling white wines "champagne." Recently they successfully fought a case through the High Court in London against Spanish imitators. So the question is what will Moet-Hennessy's American subsidiary call its Californian "champagne"? The market launch is scheduled for later this year.

The hyper-sense of propriety of European wine producers is causing considerable strains in EC-US relations. EC labeling regulations are extremely strict. Following the example of French national regulations, wines have to come from the place they are purported to have been produced—champagne is a case in point. The Brussels authorities expect exporters to the Common Market to respect these regulations. American exports to the center of the wine world are very small—amounting to no more than a million bottles a year—but growing.

Nevertheless, American endorsement of the rules that EC producers are obliged to respect is proving difficult to obtain. So far there have just been threats of new US regulations, some of which even US wine producers do not want to know about. With EC exports to the States worth over $40 million a year, EC officials in Brussels are treading very warily to avoid exacerbating the wine industry's problems.

This year, 1975, is marked by a centenary that poses the question: "Have the Europeans any right to be so possessive about the names of their wines?" A century ago the existence of the French wine industry was threatened by a little bug of the genus *phylloxera*. Named in 1868 by its discoverer, a Professor Planchon, as the "destroyer," hordes of these tiny insects were literally sucking the vineyards dry. An American entomologist, C. V. Riley, confirmed its identity. Planchon knew that the "destroyer" was of American origin and deduced that it had been introduced into France with imported plants. He also noted that American vines flourished in spite of the bug. Assisted by Riley, this intrepid French scientist studied vines in the United States and concluded that French vines would have to be replaced with American stock. This approach was shown to work in 1875 by a grower with a small vineyard near Arles at the mouth of the Rhone. However, American vines produced inferior grapes and were unsuited to local soil conditions. These problems were not definitely remedied for another 8 years, when the London firm of W & A Gilbey, which had acquired vineyards in the Medoc, northwest of Bordeaux, also in 1875, successfully replanted using American root-stock, grafting on local strains of vine.

Not surprisingly this remedy was accepted with some reluctance by proud, unscientific French growers. But over a period of 20 years from the mid-1860's it was estimated that 40 per cent of French vineyards were destroyed. It was a desperate situation of "replant or go bust." Eventually American rootstock was used to replant 2.86 million acres throughout France. French pride in delaying adoption of the scientifically established remedy, however, cost the country an estimated 12 billion francs in lost earnings.

Today the bill for reluctance to sort out the wine industry's problems will be paid for not by the producers themselves, but by EC taxpayers. The immediate danger is that French-Italian rivalry will delay the introduction of new regulations to control the industry Community-wide, provoking an open clash between the French Government and the Brussels authorities and possibly a trade war between two member countries. The stakes have been pitched extremely high. Although France stands to lose more from a trade war than Italy, the gains for political parties in the Midi from appearing to be tough with Brussels are substantial in an area traditionally dominated by the French left and now influenced by growing regionalist sentiment reflecting disaffection with Paris.

That is the sort of brinkmanship that occasionally surfaces in Common Market affairs. But it reflects the typical undercurrents of EC business. What is evident is that the wine policy is a far cry from the popular romantic image of the noble art of wine-making. It is just a pity that when the cup overflows, those hard-nosed politicians in Brussels have been unwilling to consider more exciting methods of disposal other than boiling it down into industrial alcohol. Euro-Bacchanalia remains unhappily a frippery of an overripe memory.

China Comes to Brussels

Accreditation of People's Republic Ambassador Reflects Changing Attitudes

DICK WILSON, *British writer specializing in Asian Affairs*

On September 15-16 the People's Republic of China became the 103rd country, and the first communist country (besides Yugoslavia), with an accredited ambassador to the European Economic Community, as Ambassador Li Lien-pi presented his letters of credentials to the presidents of the EC Commission and the Council of Ministers. There follows an analysis of China's attitudes toward the European Community. The author, whose most recent books are The Long March *and* The Future Role of Singapore, *is the former editor of the* Far Eastern Economic Review *in Hong Kong and the former financial editor of the* Straits Times *in Singapore. He now is editor of the British magazine* China Quarterly.

Ambassador Li Lien-pi (left) presents his letters of credentials to EC Commission President François-Xavier Ortoli.

"Both of us a people of yesterday, both of us a people of tomorrow." EC Commission Vice President Christopher Soames' words before the European Parliament this summer described the similar base from which China and the European Community now approach their new relationship. Unlike America and Russia, both are ancient centers of civilization which have lost their former power and cannot expect to rebuild it within this century.

China's recognition of the European Community on May 8 set the seal on a change in policy which had been developing since 1970. China has swung from guarded hostility against the Community (in 1969 it was still being variously portrayed by Peking as the "center of imperialist contradictions" and an "American machination") to an almost embarrassingly fulsome support for it. This message has been spelt out in an unprecedented series of welcomes for visits from European political leaders, both government and opposition, over the past five years.

And the Chinese came to Europe as well. The then Chinese foreign minister made an official visit to London and Paris in 1973, and Vice Premier Teng Hsiao-ping (now the senior Chinese leader fit for foreign travel, who is effectively deputizing for Chou En-lai) made an official visit to Paris in May of this year. Both visits were unprecedented. The Chinese loudly exhorted Britain to vote "yes" in its EC referendum and openly criticized the Europeans for dilly-dallying on their road to full political, economic, and military unity.

All this built up to fever pitch over the past year with visits to Peking by the then Danish Prime Minister Poul Hartling, Belgian Prime Minister Leo Tindemans, and Dutch Foreign Minister Max van der Stoel. Finally, Commission Vice President Soames went in May to secure the formal establishment of official relations and China's commitment to accredit a representative to the Community.

EUROPEAN HONEYMOON

Why has China become so enamoured of the European Community? The obvious and most popular explanation is the common factor of the Soviet threat. As long as Russion divisions are poised alarmingly on the Sino-Soviet (and Sino-Mongolian) border, it is obviously in the Chinese interest that a counter-distraction exists around the Soviet Union's western frontiers, which would then inhibit possible "adventurism" *á la Czechoslovakia* in the east.

But the Chinese do not rest their case for the European Community on so crude and nationally selfish a plea. They have instead constructed a most elaborate international justification for their West European honeymoon, one which now challenges the ideology of the capitalist-communist dichotomy for priority in guiding world affairs.

This is the concept of a worldwide alliance against the hegemonistic tendencies of the two superpowers, the United States and the Soviet Union. The theme was most authoritatively stated by Premier Chou En-lai in his report to the National People's Congress in Peking on January 13 this year:

"The contention for world hegemony between the two superpowers, the United States and the Soviet Union, is becoming more and more intense. Their contention has extended to every corner of the world, the focus of their contention being Europe. Soviet social-imperialism 'makes a feint to the east while attacking in the west.' ... We should ally ourselves with all forces in the world that can be allied with to combat colonialism, imperialism, and above all superpower hegemonism. ... We support the countries and people of the 'Second World' in their struggle against superpower control, threats, and bullying. We support the efforts of West European countries to get united in this struggle. ..."

The Economist, the London weekly, has unkindly reduced this philosophy to the formula that in a world of "goodies and baddies," China characterizes Europeans as "the in-betweenies." The conceptual pedigree for this goes back to the early Sixties, after the Sino-Soviet monolith had irretrievably cracked. Chairman Mao then identified two separate international zones standing between the "good" socialists and the "bad" capitalist-imperialists.

The first was what we now call the "Third World" of developing countries. The second was the group of smaller capitalist states suffering from American economic "imperialism" and political "bullying"—that is, Western Europe, Canada, Australia, and Japan. Now in the Seventies the scenario has been more radically revised. The socialist bloc no longer exists, in the Chinese analysis. There are still three worlds, but the "baddies" are now overtly named as Russia and America. Vice Premier Teng spelled it out for the world in his famous address to the United Nations (UN) General Assembly on April 10, 1974:

"The world today actually consists of three parts, or three worlds, that are both interconnected and in contradiction to one another. The United States and the Union of Soviet Socialist Republics make up the First World. The developing countries in Asia, Africa, Latin America, and other regions make up the Third World. The developed countries between the two make up the Second World. ... The case of the developed countries in between the superpowers and the develop-

EC-China Trade Trends

EC-China trade, with its tremendous development potential, is the chief focus of the Commission's sinologists in the wake of the diplomatic thaw stemming from China's *westpolitik.* Understandably so. For a Community whose *cause célèbre* has become raw materials, the prospect of economic links with a country which alone possesses an estimated 25-30 per cent of the world's main minerals concentrates the mind. Chinese resources include in particular coal, iron ore, manganese, oil, uranium, bauxite, tin, tungsten, and antimony—indeed for the last two items it is already the Community's major supplier. Guaranteeing EC supplies of primary products was a major consideration for the "Nine" when, in 1974, they approved the outline agreement which could well be the basic framework for developing Community trade with the People's Republic.

For the moment, however, overall trade between the two sides is limited. Provisional Commission figures for 1974 indicate that total turnover between the two amounted to no more than 1.4 billion units of account (UA) —a fairly modest level in the perspective of the European Community's overall turnover with the countries of Eastern Europe (UA 17.1 billion). Of this figure the Community exported rather more than it imported, as indeed it has in the last two years for which trade figures are available. (One UA equals one 1970 dollar.)

Yet the Community share in China's external trade, although showing signs of easing off in recent years, is not to be underestimated. In 1973 the European Community was second only to Japan in its contribution to Chinese foreign trade, with 12.3 per cent of the total turnover of nearly UA 9 billion. While in 1974 the EC contribution dropped behind Hong Kong —China's shop-window on the world —a more encouraging sign is the increasing emphasis that the Peking Government now appears to be giving to external trade: From UA 5.7 billion in 1972, overall turnover rose by 57 per cent to UA 9 billion in 1973, and—if initial forecasts are borne out—was up again by 50 per cent to UA 13.5 billion in 1974. Taken in conjunction with this newly dynamic trade trend, official confirmation in May of China's interest in a commercial pact with the European Community leads to optimism about the development of the Nine's economic links with the Asian giant.

But such optimism is bound to be qualified by uncertainties. China remains very much an unknown quantity for the European Community both as a market and in terms of the policy options which will influence its growth. When Commission Vice President Christopher Soames, speaking to the European Parliament on June 18, stressed the long-term potential of Europe's economic links with China, he was also giving a warning not to expect too much too soon. True, exploratory talks between the two sides will no doubt serve to make both more aware of each other's interests. But it may take several years of acquaintanceship institutionalized by the ing countries is a complicated one. Some of them still retain colonialist relations of one form or another with Third World countries, and a country like Portugal even continues with its barbarous colonial rule. An end must be put to this state of affairs. At the same time, all these developed countries are in varying degrees controlled, threatened, or bullied by the one superpower or the other. Some of them have in fact been reduced by a superpower to the position of dependencies under the signboard of its so-called 'family.' In varying degrees, all these countries have the desire of shaking off superpower enslavement or control and safeguarding their national independence and the integrity of their sovereignty."

In other words, the European Community is still capitalist, but in circumstances where, even for the survival of world socialism, it is more significant that it is independent-minded enough to resist superpower pressures. An article in the Chinese economic press in 1973 explained the reasons for the European Community's enlargement on three grounds: "First, modern technical skills and organization are getting more powerful every day, and they can only be developed if they go beyond the old national markets and political structures; second, if the European countries want to regain their past position and influence, they must pool their resources; third, the European countries individually profit from their unity in their struggle against the threat of hegemony by the two superpowers."

Vice Premier Teng congratulated his hosts in Paris this spring because the French "deeply understand that, without national independence, the people will have nothing." National integrity is a precondition of socialism, even if that integrity happens for the moment to be protected by capitalist rather than socialist forces. And, indeed, to Chinese eyes European capitalists are more effective and realistic in this matter than European socialists.

When Foreign Minister Chiao Kuan-hua toasted West German Christian Democrat leader Franz-Josef Strauss in Peking in January, the former explained, "Our two states have different social systems, but it is quite possible for us to be friends. What is important is that we both stand for independence, that we will neither dance to other people's tune nor be led up the garden path, and allow neither of the superpowers to sit on our backs. . . ."

trade agreement itself before Europeans and Chinese can begin to act in consequence of their mutual interests.

Before this can happen, a lot of questions need to be answered. Are the new trends in Chinese trade over the last two years really indicative of a shift in emphasis in Peking's economic policy, which has kept external trade in a position of marginal significance in the country's overall economic framework (traditionally around 6 per cent of GNP, but perhaps as much as 9 per cent in 1974)? What is to be the impact on the Chinese economic policy of tomorrow of Chairman Mao's dictum "rely mainly on our own efforts while making external assistance subsidiary?" Similarly, is Peking prepared to run commercial deficits (importing machinery and technology) in the interests of domestic economic development? And directly related to this question: Can Chinese exports really compete effectively on the markets of the Nine without some element of industrial and economic cooperation? Finally, what are the needs of the Chinese market, and how may European businessmen go about locating and meeting them in a country where foreign trade is a state monopoly?

A framework supplying some of the answers to these questions was provided by the Council of Ministers in November 1974 when they approved a prototype trade agreement for EC links with the communist state-trading countries. This so-called "outline agreement," which has been passed on to the Chinese authorities, calls for the creation of joint committees for a regular dialogue on trade matters. In addition, the framework accord (of a non-preferential nature valid from five to ten years) pays special attention to selective quota concessions and most-favored-nation treatment on traff questions, and alludes to the possibility of export credit finance.

This, together with the possible extension of the EC generalized preference plan, seems certain to be the basic framework within which EC-China trade links will be developed in the years to come. But the actual commercial growth rate may depend just as much on the success of industrial and technological cooperation carried out by the Nine individually. The fruits of such cooperation could be increased Community imports from China. This development is seen as essential by those who feel that unless Chinese exports to Europe can be boosted, then Peking may feel compelled to cut back on its imports from Europe.

The future challenge on trade remains a matter for speculation whose accuracy is certain to be affected by broader and determining political considerations. In this respect the omens are good. China has, for instance, welcomed several of the Community's major external initiatives, in particular the EC search for dialogue with the oil producers, its development strategy (specifically, the Lomé Convention), and Community agreements with the developing countries of Asia. This reaction is no doubt dictated by overall strategic priorities. But the overlapping of Peking's international attitudes with those being developed by the Nine—however differently motivated—is grounds for reasoned optimism on future political and economic links.

—**John Robinson,** *editor of the Brussels newsletter* European Report

The tea and conversation are good: EC Commission Vice President Christopher Soames (right) on his May visit to China meets with Chinese Premier Chou En-lai.

China does not pretend that Europe is not capitalist, and there are periodic items in the Chinese press pointing to the alleged shortcomings of the Western European capitalist system—one which is doomed eventually to failure even if it does achieve some useful things in the meantime. But these reports are played down.

Hence the irritation of the majority of West European Communists, typified by the retort of French Communist Party leader George Marchais to Vice Premier Teng during the latter's recent visit to Paris: "He is defending a Europe of trusts and monopolies, an aggressive Europe. These are indeed curious communists. They have abandoned the line of the Marxist-Leninist proletarian revolution. The Europe we conceive is not that of which Teng Hsiao-ping is dreaming."

A small minority of European Communists is more tolerant of the Chinese analysis, but Foreign Minister Chiao is reported to have assured European visitors that China maintained no contact with the so-called Maoist groups in Europe, which in fact have nothing in common with Mao's teaching.

Europeans are, of course, somewhat put out by Chinese patronage, especially in its less sophisticated version of "don't trust the Russians in détente." They patiently explain why they need Soviet détente, and defend their measurement of its safe and realizable scope. They also give good reasons for the delays in European unity. The Chinese take these points but continue to warn of the imminence of a conventional (not nuclear) war in Europe triggered by American-Soviet rivalry.

Meanwhile, the other factors in the new China-EC relationship must be mentioned. Trade is an important one, since China hopes to build its next phase of heavy industrial development on a selective import of plants and technology. The imports would come from a variety of sources, among which Europe is the most important (the United States being still under some suspicion as a superpower, despite the Nixon opening to Peking; and Japan being a little too close, in geography as well as history, for comfort). There will be 1000 French and German engineers and technicians resident in China (and a corresponding number of Chinese trainees in France and Germany) over the next decade in connection with only two key contracts for a petrochemical complex and a steelmill.

The European Community accounts for about 15 per cent of China's world trade, but its significance is far greater. To pay for plants and technology, China must expand her exports to the European Community, and herein lies the importance of the trade agreement which Ambassador Li Lien-pi is about to negotiate with the EC Commission.

Another common interest between Peking and Brussels is the Third World. The Lomé Convention was hailed in China as a model of what the Second and Third Worlds could do by negotiation, as distinct from the confrontation which comes as second nature to the superpowers. Prime Minister Dom Mintoff of Malta was singled out for praise in Peking at the beginning of this year for his role in "strengthening the unity between European and Third World countries on the basis of equality and mutual benefit, thus making a useful contribution to the struggle of the people of the world against hegemonism." China has supported the Organization of Petroleum Exporting Countries (OPEC) and calls for a new international economic order, but in a context of gradualistic reform of world economic relationships which would meet the minimal national interests of both the Second and the Third Worlds—not in a context of revolutionary change.

North and South Meet Half Way

IMF and UN Meetings Demonstrate a United Europe

Hard to imagine not too long ago, but the European Community "spoke with one voice" in two international meetings held in the United States in September—the thirtieth annual meeting of the Board of Governors of the International Monetary Fund (IMF) and of the International Bank for Reconstruction and Development (IBRD, or World Bank) in Washington and the seventh special session of the United Nations (UN) General Assembly in New York.

For the first time a coordination meeting at ministerial level was held *sur place* in New York, at which the "Nine" reaffirmed their intention to maintain a common position throughout the UN special session. A subsequent press release by the EC Council Presidency, now held by the Italians, underlined the fact that this was an important demonstration of the EC identity within the UN framework.

Topics common to both meetings were the problems of development and cooperation and the fate of the world's poorest countries. The special session was convened specifically to discuss the "major themes of the development process" and arose directly out of the declaration on the establishment of a new economic order, adopted unanimously at last year's sixth special session. The IMF-World Bank meeting, for its part, gave special attention to the problems of the developing countries and stressed increasing economic interdependence.

The Washington meeting brought together the finance ministers of 127 member countries, almost all in the same boat with problems of inflation, recession, and balance of payments difficulties. Two of the principal issues on the agenda were resolved by the IMF's policy reform Interim Committee before the session's official opening. The committee decided to abolish the official price of gold and do away with all requirements for countries to use gold in official dealings with the IMF. It also decided that one-sixth of the Fund's 150 million-ounce stockpile of gold would be sold at free market prices, the profits going to the neediest countries. This sale could yield a profit of about $2.5 billion, which would then be used by the IMF for loans and other forms of aid to developing countries. Another sixth of the Fund's gold would be returned to those member nations that originally contributed it.

In response to the demands of the newly powerful oil exporting nations, the share of the voting power of the OPEC countries was increased from 5 per cent in both the IMF and the World Bank to 10 per cent in the IMF and 15 per cent in the World Bank. However, the percentage needed for an affirmative vote was raised from 80 to 85 per cent, allowing the United States, with more than 15 per cent of the total votes, to retain veto power.

The third major topic discussed—that of floating versus stable exchange rates—was not resolved and will be taken up again when the finance ministers meet in Jamaica in January.

The burden of stimulating economic recovery has fallen to those industrialized nations least hard hit by current world economic troubles. In his opening statement to the meeting, IMF Managing Director Johannes Witteveen called on the United States, West Germany, and Japan, to "take measures to assure a solid and sustained recovery of their domestic economies." This would assure developing countries of a market for the exports which provide their revenue.

However, US Treasury Secretary William E. Simon "respectfully disagreed" that the United States should lead the rest of the world out of a recession by more stimulative fiscal and monetary policies. "Expanded world trade should not be regarded as the source but as the product of recovery," Simon stated. "Our highest responsibility as finance ministers . . . is to pursue sound, balanced policies which promote economic growth without encouraging renewed inflation," was Simon's prescription for action.

President Gerald R. Ford said in his speech on the second day that recovery from the recession is "well under way" in America, although there were inevitable time lags. European finance ministers agreed that the recovery is "well established in the US economy, but threatens to fall behind schedule in other industrialized nations." Italy's Emilio Colombo had doubts "about whether world demand will show substantial recovery before spring of next year," and Ireland's Richie Ryan complained that "as yet, we have inadequate assurance of the arrest of economic decline, still less of early renewal of economic expansion."

Though industrialized countries are feeling the pinch of rising oil prices, the meeting estabilshed that it is the developing countries that are the real sufferers. Henri Konon-Bedie, the Ivory Coast's finance minister and first chairman of the new 20-nation "development committee" of finance ministers, set up by the IMF and World Bank last year to spotlight the poorest countries' problems, said that the "debt problem is the most serious matter we face."

Efforts—both recently proposed and currently in operation—by both the IMF and World Bank to cope with the hardest hit developing countries' debt problems include:

- The IMF's special "oil facility," started last year, which gives member countries extra resources to cope with rising oil costs;
- A new "subsidy account" to help reduce the interest on loans made under the IMF's oil facility to countries hardest hit by oil price rises;
- A "third window"—the "interest subsidy fund"—of the World Bank to furnish loans at reduced interest rates;
- Direct distribution, to developing countries alone, of part of the profit from the sale of one-sixth of the IMF's gold at free market prices;
- A new trust fund, financed by the remaining profits of the IMF gold sale to help the poorer countries' balance of payments;

Italian Foreign Minister and EC Council President Mariano Rumor: "We welcome the successful outcome of the seventh special session and look forward as a Community to participating in the action that will follow."

- An expansion of the fund's existing compensatory financing facility to cover the unexpected drops in member countries' export earnings;
- Re-evaluation of the fund's rules for borrowing to allow greater credit to needy countries;
- A compromise agreement for increasing the IMF resources by increasing member nations' quotas to about $47 billion;
- An extended fund facility, intended for the use of developing countries, which provides loans over a three-year period, to be repaid within six to eight years.

If these agreements were a plus for the IMF, the UN General Assembly's seventh special session equally scored a success in bringing together the views of the developed and developing countries on the ways of establishing a more equitable world economic order. The session climaxed on September 15 after a night marathon of its ad hoc committee acting under the chairmanship of Jan P. Pronk, the Dutch minister for development The compromise contained specific measures in the following areas: international trade; transfer of real resources for financing the development of developing countries and international monetary reforms; science and technology; industrialization; food and agriculture; cooperation among developing countries; restructuring of economic and social sectors of the UN system.

At the conclusion of the ad hoc committee's work, Chairman Pronk remarked that not all issues had been solved, but the session had recognized the need for international economic change in concrete terms. "We have spoken with each other," he said, "rather than to each other." Indeed, the fear of confrontation between the Third World and the developed countries, spurred by the memory of the intransigence of many a representative of the former during the earlier special session, was not absent just before the beginning of this session and hovered again threateningly shortly before the concluding weekend's marathon consultations among the regional groups. But a constructive dialogue had definitely been engaged, notably between the "Group of 77," the EC camp, and the United States, following the comprehensive statements of the latter two as early as the opening of the session on September 1.

The refusal by the United States to let itself be cornered by the systematic demands of the Group of the 77 aimed at thwarting the free market system and creating a new international economic order conceived exclusively as a function of development was tempered by the US tactical concession of accepting the conceptual framework of that group as a basis of discussion.

The European Community came into the arena with a package—well agreed among the Nine and compactly negotiated throughout the session—which benefited already from the left-of-center general attitude of the European Community vis-a-vis developing countries, aided by such concrete achievements as the Lomé Convention, EC generalized preferences, and the Tokyo Declaration anticipating priorities in favor of developing countries in the multilateral trade negotiations. The European Community also scored a prestige point in that it kept its reservations to a minimum, compared to the United States, on the final version of the compromise.

On trade, compensatory financing and the international monetary system, it was agreed that a concerted effort should be made in favor of developing countries toward expansion and diversification of their trade, improvement of their access to developed countries' markets, notably of manufactures and semi-manufactures (something the EC generalized preferences already contribute to), the improvement of market structures in the field of raw materials (taking into account, however, the distinctive features of individual raw materials and commodities), and the stabilization of export earnings. In this regard, the United States proposed the creation of a development security facility, which would earmark a substantial amount of IMF resources for stabilization of export earnings.

However, unlike the European Community, which only stated reservation on the capacity of individual member states to go beyond existing commitments in respect to aid targets (0.7 per cent of GNP), the United States explicitly voiced its opposition to "indexing," though it would join in the agreement to study this problem. The United States was equally explicit against setting specific targets in official development aid, the linking of special drawing rights to development assistance in the reform of the international monetary system, and enhancing the role of developing countries in decision-making within international financial institutions. The European Community's only reservations in the monetary and financial field were individual member countries' difficulties regarding "untying" of aid and the debt burden of developing countries. On industrialization, the Community explicitly stated that this section of the resolution was a valuable follow-up to the Lima Declaration of the UN Industrial Development Organization.

The EC stance was facilitated not only by its being effectively on record as holding a relatively advanced posture regarding trade and aid in favor of developing countries, notably the poorest among them, but also by the willingness of the Group of 77 to allow for greater flexibility of means and instruments to suit individual problems, compared to their initial, intransigent positions. Ultimately, the flexible, "overall" approach to the vast array of problems under discussion and the prevailing atmosphere of constructive dialogue played a role in enhancing EC cohesion throughout the session.

The ABC's of the MTN's

Multilateral Trade Negotiations Show US and EC Commitment to Economic Interdependence

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The thicket of arcane technical issues which surrounds the multilateral trade negotiations now underway in Geneva tends to obscure their larger political significance—the negotiations as a measure of the cohesion, cooperation, and accommodation in the world economy in general and in the Atlantic community in particular. The trade experts of some 83 countries participating in the "Tokyo Round" of multilateral trade negotiations (MTN's) are engaged in the immediate task of reducing and eliminating governmentally-imposed barriers and distortions to the flow of international commerce. Underlying this objective is the belief in the economic maxim that the international specialization of production leads to a maximization of real income and hence to an improved standard of living in all trading countries.

Beyond this level, however, three factors collectively have caused the negotiation of a more liberal and equitable international trading system to become one of the more important dimensions of international relations rather than merely a minor commercial exercise. These factors are the major changes in the international economy which have occurred since the beginning of this decade, the sheer growth in the volume of world trade (world exports increased from $188 billion in 1965 to $806 billion in 1974), and the close relationship between current trade barriers and politically sensitive domestic policies.

Seen in this light, the MTN's become a metaphor for the continued transition of international diplomacy from an emphasis on national security issues to international ecoomic relations. This trend, already far advanced in the Atlantic community (including Japan), has suddenly become a major component in developed-developing country (North-South) relations and is an emerging force in East-West relations.

The Tokyo Round is far more ambitious than any of its predecessors. The latter generally limited themselves to reducing tariff duties; but the current MTN's have the full gamut of trade barriers on the agenda. All aspects of trade policies and measures, including agriculture, are under consideration. In addition, the Tokyo Round is addressing itself specifically to reducing import barriers on raw materials and semi-processed and non-technology-intensive manufactured goods, the principal exports of the developing countries. (Previous tariff negotiations have been criticized as benefiting only the wealthy, industrialized countries.)

The objectives of the trade negotiations are succinctly stated in the so-called Tokyo Declaration of September 1973, which officially launched the negotiations (hence the name Tokyo Round): "[To] achieve the expansion and ever greater liberalization of world trade and improvement in the standard of living and welfare of the people of the world . . . through the progressive dismantling of obstacles to trade and the improvement of the international framework for the conduct of world trade. [And to] secure additional benefits for the international trade of developing countries. . . ."

To accomplish these straightforward goals will require more than straightforward compromises: The MTN's transcend a technical exercise in horse-trading. They are in fact a political test of will and cooperation. Because of two fundamental differences in the international economic order, the current round of trade negotiations are radically different from the six rounds of tariff-cutting exercises which have occurred in the postwar period. There differences are extensive structural changes in the international economy and the relative decline of tariffs as meaningful obstacles to trade.

By comparison to the current MTN's the Kennedy Round negotiations of the mid-1960's transpired in a period of tranquility and stability. Consider the present turbulence in international economic relations:

- A simultaneous and ubiquitous swing in the world business cycle—first an orgy of inflation and now a mutual deflationary spiral downward into lost production and unemployment.
- The termination of fixed exchange rates: The international monetary system now is seeking both short-term rules on how exchange rates should float and long-term rules on exactly how exchange rates should be adjusted. Furthermore, the current float has followed in the wake of a massive realignment of the US dollar vis-a-vis most of the European currencies as well as the Japanse yen. The resulting effects on the international competitiveness of these countries have yet to be fully assessed.
- A sharp increase in the cost of petroleum, a result of which has been a whopping new balance of payments burden for the oil-importing countries and a subsequent impulse to increase exports relative to non-oil imports.
- The emergence of Western Europe and Japan as mature competitors with the United States in world markets, one result of which has been the rise of political pressure within the United States to alter or abandon the traditional American commitment to championing a liberal world trading order.
- The debut of export controls and access to supply as trade issues in a system previously concerned solely with import barriers.
- The continuing international digestion of the European Community's recent expansion to include Great Britain, Denmark, and Ireland as full members.

Just as the setting for the Tokyo Round is unique, so too is its agenda. The MTN's cannot be viewed as a simple extension of the six previous tariff-cutting talks held under the auspices of the General Agreement on Tariffs and Trade (GATT). The latter was organized in 1948 to serve as a central repository for national commitments to international trade principles, rights, and obligations. Each of these previous rounds was fathered by the Atlantic community's belief that reductions in tariffs were desirable ends in themselves since they produced mutual economic benefits at a politically nominal cost. As time-consuming as the earlier tariff-cutting talks were, their agenda was far more simple, homogeneous, and non-political than the current negotiations.

The current MTN's confront the economic reality that tariffs are no longer the principal culprit in imposing trade barriers. Today nontariff barriers (NTB's), such as quotas and government procurement policies, are sufficiently important relative to tariffs that the former demand a major place in any negotiations aimed at trade liberalization. The movement outside of the tariff question also means a movement outside of the traditional preoccupation with industrial products so as to include agricultural products, a matter of great controversy between the United States and the European Community.

The increased negotiating leverage of the less developed countries (LDC's)—resulting from recent commodity shortages and the fear of further cartelizations in the mold of OPEC—already have assured North-South trade issues a major priority in the new MTN's. Furthermore, it is not inconceivable that East-West trade issues could be added to the agenda if the Soviet Union and additional Eastern European countries join the still young Tokyo Round.

The first preparations for the MTN's were begun by the GATT Secretariat in 1967, shortly after the conclusion of the Kennedy Round. The Secretariat concentrated its initial research into three areas—barriers to trade in industrial goods, problems of agricultural trade, and the developing countries' trading problems. By 1973 this effort had produced a wealth of updated data on post-Kennedy Round tariff levels, nontariff barriers, and possible negotiating rules and techniques for a new round of trade negotiations. And by early in the same year, the public declarations of commitment to trade negotiations by the European Community, the United States, and Japan had led to the creation of a Preparatory Committee for Trade Negotiations. Its purpose was to design an agenda acceptable to all of the major trading countries.

The formal beginning of the MTN's was heralded by the Tokyo Declaration signed in September 1973 by 105 countries. Organizationally, the most important effect of the Tokyo Declaration was the creation of the Trade Negotiating Committee (TNC, yet another acronym in the acronym-oriented parlance of the trade community). The main forum of the MTN's, the TNC, according to the Declaration, was to "elaborate and put into effect detailed trade negotiating plans and to establish appropriate negotiating procedures" and also to supervise the negotiations' progress. To encourage participation by non-GATT countries (mainly LDC's and Communist bloc countries), the TNC is not an instrumentality of the GATT. It is an entirely independent phenomenon created especially to manage the MTN's. It is open to any interested country. Still, the Tokyo Round is physically being conducted in the GATT's headquarters in Geneva to take advantage of its facilities and tap the expertise of the GATT Secretariat.

GROUPS AND MORE GROUPS

The first meeting of the TNC in February 1974 spawned six working groups that form the framework of the negotiating process. "The Tariffs Group," the only formal link with previous trade talks, is charged with furthering the tariff reductions, averaging 35 per cent, implemented in the Kennedy Round. Today it is estimated that the average level of tariff duties in the European Community and the United States is about 9 per cent, with Japanese duties averaging about 11 per cent. Lest anyone think the Tariffs Group's task is simple, it must be understood that these averages obscure the continued presence of relatively high duties on a limited number of products—especially in the United States—and the high protection afforded finished manufactures relative to semi-processed goods.

The principal technical question currently facing the Tariffs Group is which of two broad tariff-cutting formulas should be utilized. The European Community favors the harmonization approach which seeks to "harmonize" the size of tariff duties by implementing larger cuts in the higher duties than in the lower duties. The American preference is for linear cuts, i.e. for uniform percentage reductions in tariffs on an across-the-board basis for all countries, as was done in the Kennedy Round. Other unresolved technical questions include the timing for phasing in the agreed-upon tariff cuts, as well as the base period and base rates on which the agreed-upon concessions are actually to be calculated. In sum, the Tariffs Group is still far from completing the technical, or analytical, phase of its work.

"The Nontariff Barriers Group" has the immediate task of sifting through the list of 800-plus currently employed NTB's that the GATT Secretariat compiled into five broad and 27 specific categories. The five categories in the so-called illustrative list are: government participation in trade (export subsidies, government procurement, countervailing duties, etc.); customs and administrative entry procedures (duty valuation, customs classification, consular and customs formalities, etc.); standards and packaging regulations; specific limitations on trade (quotas, export restraints, licensing, etc.); charges on imports (prior deposits, variable levies, etc.).

No one expects that solutions to all of these NTB's can be found during the course of the current MTN's. The first move to rationalize the workload came with the creation of four subgroups to give priority attention to four types of NTB's: quantitative restrictions; subsidies and countervailing duties; standards, packaging, and labeling; customs valuation, documentation, and procedures. When sufficient progress has been made on these priority issues, the NTB Group has indicated that it is prepared to establish a second series of subgroups to concentrate on other NTB's. But given the technical difficulty in calculating the trade impact of most NTB's, no breakthroughs have yet been made.

"The Agriculture Group" is charged with examining the complex network of policies and measures instituted around the world in response to the universal political clout of farmers and to the equally widespread reluctance to become overly dependent on foreign food sources. This group has the highly sensitive responsibility of reconciling the American demand for greater access to the European Community's agricultural market with the operation of an inherent component of the Community, its common agricultural policy. While the agricultural question ended to be skirted at previous trade negotiations, the Tokyo Round will represent an irresistible force meeting the immovable object of the heretofore sacrosanct agricultural sectors of the Atlantic community countries. The resulting give-and-take will be one of the key determinants of the success of the MTN's.

The Agricultural Group has so far reached agreement on two procedural issues. The first is that it is to have primary, but not exclusive, jurisdiction over trade barriers affecting agricultural products. For example, a tariff question affecting a farm commodity could conceivably be discussed in the Tariffs Group. The second agreement involved the formation of three subgroups to examine trade barriers in grain, meat, and dairy products.

"The Tropical Products Group" was estabilshed to handle a major issue in North-South trade relations—improved access to the industrialized countries' markets for such tropical products as cocoa, processed spices, and certain vegetable oilseeds and oils. Having examined the relevant data in this area, the Group is now about to discuss the specific commodity requests of LDC's for unilateral liberalization of tariff and nontariff barriers by the industrial countries.

"The Safeguards Group" is examining the systems under which countries which perceive that increased imports of a given commodity are injuring or threaten to injure domestic producers may take temporary, unilateral action to restrain the inflow of such imports. It is common agreement that GATT Article XIX, which permits this remedial action, is too nebulous. The Safeguard Group is studying the feasibility of negotiating a more specific and effective system which would be universally adhered to.

"The Sector Group" is pursuing the question of to what extent the trade negotiations can be narrowed or compartmentalized so that all of the trade issues in a specific industrial sector are examined collectively and simultaneously. The first sector which is being studied for possible sectoral negotiation is ores and metals (including iron, steel, and aluminum). Under the sectoral approach, all trade barriers occuring anywhere during the processing stage of ores and metals would be discussed. The American delegation has suggested that chemicals, electronics, and heavy electric machinery are other sectors that lend themselves to this approach.

The Tokyo Round begins where the Kennedy Round ended. All smiles from the US and EC delegations, shown here together in May 1967 in Geneva, signaled the successful conclusion of the Kennedy Round.

The ultimate outcome of the MTN's will be determined by whether there is to be an agreement between the United States and the nine EC countries (that are collectively represented at the negotiating table by the Commission). The increased importance of Japan and the developing countries nothwithstanding, the key to a successful Tokyo Round will be an accommodation of the external commercial policies of the United States and the European Community. Such an agreement will have to encompass everything from simple tariff rates to sacred cows, such as agriculture and other domestic policies and practices bearing on internal political sensitivities. To measure the prospects and problems of the MTN's it is necessary therefore to take a look at the objectives and areas of agreement and disagreement to be found in the European and American sides.

The first and most important area of agreement is that participation in a comprehensive series of negotiations is preferable to waiting out the turbulence in the international economic arena. The current worldwide recession, with its attendant unemployment, and the onerous import bills accruing to non-oil producing countries, normally would produce a textbook case of a reversion to new import barriers and an indisposition even to begin discussing further trade liberalization.

The onset of the MTN's reflects the fact that the disastrous lessons of the beggar-thy-neighbor policies of the Thirties are still vivid in policy-makers' minds everywhere. Indeed, the virtual absence of unilateral measures to compensate for the recent economic pressures has been a remarkable testiment to multilateral cooperation in the Atlantic community. That the negotiations could begin in such troubled economic times also reflects the sentiment voiced at the February 1975 TNC meeting by then head of the US delegation, Harald Malmgren: "The present world economic distress is temporary. But the work of this Trade Negotiations Committee will result in changes in the world's trading system that will last for decades—long after this present state of uncertainty has ended. Indeed, this current economic uncertainty makes it imperative for the nations of the world to work together to solve their problems collectively. The process of negotiation is needed not only to establish a better structure for conducting our trade relations in the future but to help us manage our mutual relations now."

The second critical area of agreement is a simple one, namely that the law of comparative advantage is still relevant and that a reduction of trade barriers would result in a more efficient allocation of resources, which would then increase everyone's real income. This, after all, is the rationale for trade negotiations in the first place.

TIME AND PRESTIGE

The relatively smooth transition of the talks from the exploratory phase into the procedural phase suggests that the outlook for the final or substantive phase is good. Despite the lack of immediate technical progress in the six working groups, there is already a high level of commitment of both time and prestige. With each passing month, the bureaucratic momentum builds toward a reconciliation of negotiating positions. To be sure, the trade negotiators have no shortage of important negotiating differences to reconcile. Since there is no real disagreement that improved market access must be afforded the developing countries, the real differences lie in the demands and concepts of the European Community and the United States regarding each other's trade practices.

On the subject of tariff reductions, there are two US-EC disagreements. The choice between the linear and the harmonization approaches, alluded to above, is primarily a technical question springing from the preponderance of very high US rates. It is an issue which seemingly could be compromised without too much difficulty. The second issue is the extent to which tariffs should be cut. The American delegation is anxious to utilize the full extent of the tariff-cutting authority granted to it by the Congress: reductions of up to 60 per cent in duties currently in excess of 5 per cent, and total tariff elimination where duties now are 5 per cent or below.

The complete elimination of tariffs on industrial products would pose problems to the European Community on two fronts. Such an eventuality would negate the impact of the Community's common external tariff (the backbone of any customs union) and the associate membership and preferential agreements signed with countries in the Mediterranean, Africa, Asia, and the Caribbean. Although the European Community has amply demonstrated its interest in the past towards trade liberalization, it paradoxically faces the political need to retain at least a nominal tariff duty on most—but not all—of its imports.

Another source of early US-EC contention concerns the timing and staging of agreements. On the one hand, the United States has been pressing the concept of an "early harvest" under which agreements would be finalized as they are reached by each of the six working groups. The US side has suggested that Congress would be better able to quickly approve a series of small agreements than it would a single package. The United States has identified a number of issues to be candidates for early agreement and disposition, a list which includes tropical products and a uniform product standards code covering health and safety requirements. The Europeans and Japanese have argued that each of the pieces of the package are interdependent, and consequently it would be preferable to tie them together simultaneously at the conclusion of the negotiations.

Agricultural trade questions pose the most difficult, explosive, and important differences between the European and American negotiators. As the world's most efficient producer of grains and feeds, the United States has a relatively straightforward position. It wishes to lower agricultural import barriers as extensively as possible, particularly in the attractive Western European and Japanese markets. Given Congressional pressures and the notion that it was short-changed in this sector in the Kennedy Round, the American delegation is convinced that it must bring home meaningful concessions to the farm bloc.

The EC delegation must contend with the political fact that its farmers form a critically important voting constituency, the organizational fact that the common agricultural policy is an integral part of both Community cohesion and domestic farm policies, and the economic fact that relatively free trade in agriculture would mean a dramatic shrinkage of their agricultural sector in the face of what would be a massive inflow of cheaper American commodities.

The EC position in the MTN's on agriculture emphasizes the concept of commodity price agreements. To begin with, a systematic and regular exchange of information on worldwide trends in the supply of and demand for agricultural goods would be instituted to minimize the need for sharp changes in policy, e.g. reduced buying or export controls. Additionally, a series of international commodity agreements for major agricultural goods (cereals, rice, sugar, etc.) would be negotiated.

Theodorus Hijzen, shown here signing the Kennedy Round's final act, again heads the European Community's negotiating team this time around.

The agreements would be adapted individually to the market characteristics of each product and would seek to reduce market imbalances and price fluctuations, primarily through a concerted stockpiling program. Formal price floors and price ceilings could also be negotiated in connection with an agreed method of stockpiling to absorb surpluses and offset shortages.

In the final analysis, the very breadth and width of the agricultural question may provide sufficient negotiating range that a mutually advantageous compromise could be reached: One that might include adjustment in the system of variable levies (which automatically raises the prices of EC agricultural imports to the internal support price) in return for modifications of US quotas on dairy products.

A final issue in the US-EC dialogue is a procedural one which might be dubbed the "two branches of government" syndrome. On the one hand, the American delegation at times will be facing a non-commital EC delegation which has not received an approved negotiating position from the nine member countries through the Council of Ministers. At other times, it will face an inflexible EC delegation which has just emerged from a long effort to establish a delicate consensus among the Nine. On the other hand, the European Community will be dealing with an American delegation which at times will adopt an inflexible posture on the grounds that it is limited by what Congress has demanded or is likely to approve.

During the negotiations, members of both Congress and representatives of the nine EC member countries will be present as "back-benchers," observing all aspects of the deliberations. Both delegations, therefore, will have the burden of walking the fine line between the need to accommodate one another with the need to avoid antagonizing and diverging from the sources of their negotiating mandates.

It would be fallacious to extrapolate the lack of any substantial progress during this past summer into a prediction that the Tokyo Round will fail. The lack of a precedent for such comprehensive trade negotiations has required a considerable amount of data collection and technical discussions on definitions and procedures. Individual positions at the early stages of a negotiation normally tend to be extreme and intransigent. As tough as the issues on the agenda of the MTN's are, nothing has yet transpired to suggest that the political will to reach a mutually agreeable trade agreement does not exist or that there are unsurmountable conceptual differences that would likely postpone agreement indefinitely.

In calculating what a successful Tokyo Round might produce, a final agreement presupposes a schedule of reciprocal tariff reductions, as in earlier trade talks. There will also be increased accessibility of the industrialized countries' markets to the exports of the LDC's. Beyond this, what is likely to emerge from a successful Tokyo Round are broad codes of conduct and guidelines for consultations to coordinate domestic economic programs and policies affecting trade. Collectively, this would mean that a series of follow-up negotiations for specific NTB's are likely to be required, as well as a continuing number of informal, limited talks designed to handle all contingencies which could adversely affect the flow of international trade, such as anticipated surpluses or shortages in agricultural stockpiles.

Tariffs will not be banished in their entirety, and the United States will not burst the common agricultural policy. But that is beside the point.

What is really important is an institutionalization of trade interdependence: further mini-rounds of talks concerning specific NTB's and an obligation for any country contemplating restrictive unilateral measures to first weigh them against a comprehensive international code of nondiscriminating trade conduct and then, as appropriate, to bring them before an international forum before imposing them. This is what a successful series of multilateral trade negotiations is all about. The virtue of such a multilateral system has already been proven in the last 18 months. The continued presence since 1974 of the world's trade policy specialists at the negotiating table surely is one of the prime reasons that so very few countries resorted to so few efforts to try to improve their employment situation and balance of payments by restricting imports.

It would not necessarily be a bad thing for the current MTN's to continue, in good faith, indefinitely. The real failure would be for a delegation to equate failure with an inability to secure concessions for immediate and large increases in its exports.

Community News

US-EC Relations

Eisenhower Exchange Program Continues

Joel Davidow casts a bewildered glance at some of the 120 EC lawyers who work around him in six languages and remarks: "I feel like a Yank in the RAF."

Davidow usually hunts down illicit trade practices for the foreign commerce section of the US Justice Department. But this summer he joined the EC competition division for a few weeks as part of the Eisenhower Exchange Program between the United States and the European Community.

Later this fall an EC lawyer will go to Washington to acquire a first-hand understanding of how the Justice Department applies its antitrust rules. EC and Justice Department officials are hopeful that active collaboration in the field of antitrust enforcement can take place in the near future.

Currently under study in a United Nations subcommittee is a proposal for an international convention on antitrust cooperation, which would permit authorities to exchange information and pursue certain cases together in the way that criminal law officials are now permitted to do. Willy Schlieder, director general of the EC competition section, hopes that the accord will be signed within two years.

Of his recent experience working within the Common Market, Davidow says that he was highly impressed with the "efficiency and capabilities" of the EC staff, despite what he describes as "enormous obstacles" in their work. "Their staff is only one-fourth the size of ours (the Justice Department's antitrust division with the Federal Trade Commission), and the language difficulties can be overwhelming sometimes," he said.

Statement Issued on EC Steel Exports

The EC Commission, according to a spokesman at a September 22 Brussels news briefing, has taken note of the petitions filed with the US Treasury on September 18 calling for countervailing duties to be imposed on Community steel exports to the Untied States.

"The United States Administration has informed the Commission that the Treasury is examining the complaints in order to determine whether a formal investigation should be initiated. In such a case, a preliminary determination must be reached within six months on the queston of whether Community steel products receive a bounty or grant which would require the imposition of countervailing duties."

"The Commission notes that this case is not an isolated one. Countervailing duties against Community cheese exports were threatened earlier this year. A countervailing investigation is currently taking place into Community exports of canned ham, and Community exports of motorcars to the United States are the subject of a separate investigaion into allegations of dumping and injury. Investigations into other products are also imminent. Over one-fifth of the Community's traditional exports to the United States are now liable to be affected in one way or another."

Continued the spokesman: "The Commission is concerned at the general drift of these developments. As regards the steel case, where the petitioners are complaining against the remission of value-added tax on exports, the Commission recalls that such remission of indirect taxes is expressly permitted by the GATT. In this case, as in the others, the Commission looks to the United States Administration to respect its international obligations and to exercise its general responsibility, with other members of the international community, to control the forces of protectionism."

EC Concern Over US Antidumping Probe

The US Treasury's September 8 decision to pursue its anti-dumping investigation against European carmakers following the advice of the US International Trade Commission was noted with concern by an EC Commission spokesman at a September 9 Brussels news briefing.

The Commission believes that imports in the United States of Community cars are reasonably priced and are manifestly not causing, or threatening to cause, material injury to the American automobile industry. In the Commission's view, the ongoing US investigations appear inconsistent with the antidumping code of the General Agreement on Tariffs and Trade (GATT), to which the United States is a party.

The Commission has made it clear to the US authorities that it takes a serious view of this "threat to a traditional and important market" and of the harassment, legal expense, and possible disruption to trade which continuation of the investigation implies.

EC Study on Auto Trade Released

Recent studies of the American car market completed by the EC Commission support the view that foreign car imports are "reasonably priced" and do not pose any serious threat of "material injury to the US automobile industry."

The prolonged recession has encouraged American customers to seek lower-priced compact cars that consume less fuel, suggests the EC study. While the US car industry adjusts to the changing demands of the American buyer, sales of smaller, low fuel-consumption foreign cars have jumped considerably. Over the last 15 months, foreign imports have increased their share of the US auto market from 15.1 per cent to 20.2 per cent, despite an overall decline in the number of cars sold in the United States.

The American market is still dominated by the "big three" US auto makers—General Motors, Ford, and Chrysler. GM accounts for about 40 per cent of total US car sales annually, while Ford holds 24 per cent, and Chrysler 14 per cent of the market.

Of the 20.2 per cent of the market shared by foreign car producers, one-third come from Canada (where the auto industry is fully controlled by US subsidiaries), one-fourth from Japan, and one-fourth from Germany, with five other European nations providing the remainder. EC figures also show that over the last three years, more than 13 per cent of the US car imports were produced by American-owned subsidiaries, such as the Ford plant in Cologne, Germany, and the GM factory in Antwerp, Belgium.

Some Europeans maintain that the current dumping allegations reflect "quick-strike" protectionist attempts by US authorities, who may want to achieve key concessions before moving on to the hard bargaining expected later at the multinational trade talks in Geneva.

Studies on Higher Education Launched

The European Cultural Foundation's Brussels-based institute for the study of future problems in education policy, inaugurated in January 1975, plans to collaborate extensively with American groups, such as the Carnegie Council on Policy Studies for Higher Education, so that research into the difficulties of higher education can be placed in an international scope.

President of the institute is Asa Briggs, vice chancellor of the University of Sussex, and director of research operations is Ladislav Cerych. Founding members of the board include the International Council for Educational Development (based in New York) and the European Commission, represented by Commissioner Guido Brunner.

The institute's initial research programs, launched this summer, include wide-ranging studies over the following topics:

- Educational leave in Europe (study sponsored by the Carnegie Council): An international working group composed of academics from five European countries is currently conducting a comparative analysis of the utility of sabbatical leaves in the educational policies of Germany, France, Italy, and Sweden.
- Toward zero-growth in higher education (financed by the Volkswagen Foundation): This program involves a statistical study into the reasons why some countries are experiencing rapid growth in the number of students pursuing university education while other countries, especially the United States and certain European nations, are undergoing a serious decline after the post-secondary educational boom of the Sixties.
- Educational problems of migrant workers and cultural minorities primarily directed toward the plight of minorities in the European Community: This project is studying the learning needs of disadvantaged groups and how education improvements can be incorporated into the EC regional policy.

Economy

Haferkamp Stresses Concerted Action

"There's no alternative—the Community must reactivate the economies of its member states together," said Wilhelm Haferkamp, EC Commission vice president responsible for economic and monetary affairs, at a September 19 Brussels press conference.

Reiterating the main conclusions of the August 24 EC finance ministers meeting in Venice, Haferkamp stressed that Community countries should take coordinated and simultaneous measures for economic recovery. Britain and Ireland, whose economic situation is especially grave, should, on the other hand, takes measures to stabilize their economies, Haferkamp said.

Drawing attention to positive elements on the world economic scene, Haferkamp remarked that signs of economic upswing in the United States and Japan should facilitate the Community's economic revival. Also, the meeting of the Board of Governors of the International Monetary Fund and the International Bank for Reconstruction and Development, September 1-5 in Washington, produced positive results in the realm of international cooperation, which the Community wholeheartedly supports.

Haferkamp applauded the concertation exercised by the nine member states in stimulating recovery. However, he warned that too great support measures might rekindle the flames of inflation and that the member states should be wary of a policy of "stop and go."

Turning to other matters, Haferkamp said that all that is left for the Swiss franc's membership in the EC currency "snake" is a political decision by the Community. He also announced that the Community is studying a "good neighbor" system for the Community countries not participating in the snake—Italy, Britain, and Ireland.

Finance Ministers Meet in Venice

The depressing and depressed economic situation in the nine EC member states was uppermost in the minds of EC finance minsters when they had an informal get-together in Venice on August 24 to examine the most urgent aspects.

The nine ministers expressed concern about the extent and duration of the current recession, and the joint communique stressed a decision to undertake coordinated actions supporting economic activity, fighting inflation, and improving long-term growth perspectives. The movement will be spearheaded by those member nations whose balance of payments, inflation rate, and state of public finances permit them to act immediately. Action was almost immediately taken by the French Government, which approved a package of investment credits, tax carry-forwards, and other measures designed to stimulate the French economy, and the Germans also adopted a relaunch plan.

Developing countries were another important topic of discussion at the meeting, and the participants declared themselves "deeply aware" of the "Third World's" particular difficulties. Appropriate international action is needed to protect the purchasing power of the developing countries, the communique said, and an effort by industrialized countries for economic recovery is a pre-condition to any solution to Third World difficulties.

At the same meeting ministers also prepared for discussions on the international monetary system, the role of gold, and floating exchange rates at the International Monetary Fund meeting in the United States in early September at which the "Nine" wanted to—and did—present a united front.

EC Double Digit Inflation Continues

Consumer prices climbed 14.3 per cent in the European Community from July 1974 to July 1975, according to the latest figures of the Organization for Economic Cooperation and Development (OECD).

Britain led the Community with a 26.2 per cent inflation rate for that period, followed closely by Italy with 24.4 per cent. On the other end of the scale, Germany registered a Community low of 6.2 per cent, substantially below Denmark, its nearest rival for low inflation, at 9.9 per cent.

The annual inflation rates for the other EC countries was set at: Luxembourg and the Netherlands (10.4 per cent); France (11.1 per cent); Belgium (12 per cent); Ireland (24.4 per cent). In Germany, Italy, Belgium, and Denmark, the rates are lower than the 1974 performance.

External Relations

Latin American Visit Taken by Soames

Commission Vice President Christopher Soames, responsible for EC external relations, spent September 17 through October 2 visiting Guatemala, Venezuela, Peru, and Brazil in an effort to strengthen EC ties with Latin America.

The first level on which the Commission hopes to reinforce relations concerns bilateral trade agreements such as those already concluded with Brazil, Mexico, Argentina, and Uruguay.

On another level, the Commission is looking for closer multilateral contacts through stronger relations with the regional organizations of the Central American Common Market (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua) and the Andean Group (Bolivia, Chile, Columbia, Ecuador, Peru, Venezuela). This led Soames to the two organizations' respective headquarters, Guatemala City, where talks were termed "frank and fruitful," and Lima.

Latin America's importance to the European Community is reflected by considerable European investments there, a volume of trade with the EC that exceeds that of Africa or Asia (excluding oil), abundant raw materials, and the Latin Americans' position in the "Group of 77."

EC Commission President Visits Asia

Commission President François-Xavier Ortoli, in Manilla on September 9, called for greater economic cooperation between the European Community and the countries of the Association of Southeast Asian Nations (ASEAN, comprising Malaysia, Indonesia, Philippines, Singapore, Thailand).

Ortoli was speaking at the close of the September 1-9 tour which took him to three ASEAN member states—Singapore, Indonesia, and the Philippines. During his visit, Ortoli met with Singapore's Prime Minister Lee Kuan Yew, Indonesia's President Suharto, and Philippine President Ferdinand E. Marcos, as well as with members of their respective governments.

The Community recognizes a special responsibility toward fostering these countries' development because two of them are Commonwealth countries covered by the "Joint Declaration of Intent" annexed to Britain's Treaty of Accession.

Textile Talks Break Down, Then Resume

Imports of a wide range of Korean textile products into the European Community are now subject to restraint for the rest of 1975.

The EC Commission found itself obliged to take unilateral emergency action in mid-August when a fourth round of talks on mutually agreed restraints broke down. The Community textile industry has been complaining loudly during the recession that it is being driven out of business by cheap imports.

Certain imports of gloves, socks and shirts from Korea were already subjected to emergency restrictions earlier this year. These have now been joined by knitted goods, shirts, vests, T-shirts, singlets, pullovers, slipovers, jerseys, bedjackets, sweaters, men's and boys' underwear, women's and girls' blouses, and woven fabrics of synthetic fibers.

Meanwhile, negotiations on a bilateral textiles pact between Korea and the European Community continue. Considerable progress was made in narrowing the two sides' differences during meetings held September 15-22. Talks were expected to resume soon.

Social Policy

Hillery Supports Tripartite Meeting

Soaring unemployment in the Community—recent figures show 4,675,000 registered as unemployed against 2,880,000 a year ago—prompted the European Council, at its July meeting, to call for a tripartite conference bringing together the economic ministers, the labor ministers, and "social partners" (labor, management, consumers).

The Commission welcomes this move and is working on a proposal for the conference's organization, according to Patrick J. Hillery, Commission vice president responsible for social policy. Hillery, speaking in Rome September 12 after meeting with Italian Labor Minister Mario Toros and State Secretary for Foreign Affairs Luigi Granelli, said that unemployment trends may not be as unfavorable in Germany and Denmark, but a general improvement of the situation couldn't be counted on. Coordination at Community level is needed, in conjunction with basically national measures.

The Commission feels that the tripartite conference is important in increasing the social partners' participation in the decision-making process, an objective adopted at the Paris summit of 1972.

Hillery cited the Community's Social Fund as the prime instrument in the Community's fight against unemployment. The fund helps train the unemployed in skills that will help them find work, has special programs for training migrant and handicapped workers, and is now concentrating on measures to alleviate the growing problem of unemployment of the young.

The Commission is currently working on a proposal to bolster employment in the sectors hardest hit by the current economic crisis. The Social Fund's budget this year is 355.9 million units of account (UA) up from UA 267.8 million last year. (One UA equals about $1.18 at current rates.)

Educating Migrant Workers' Children

Conscious of the plight faced by some 10 million migrant workers and their dependents in Europe (sometimes called "an unrecognized tenth member state" of the Community), the EC Commission has sent to the Council of Ministers a package of educational proposals designed to help the migrants' children adapt to their new surroundings while preserving contact with their cultural origins.

The Commission's plan involves a three-step approach. The first so-called "welcoming" stage resembles the American "Head Start" program. It would provide language and cultural instruction in the local country for the migrants' children so that they could begin their schooling without too many social handicaps.

The second part of the Commission's program would offer continuous instruction, through centers outside the domain of public schools, in the language, history, and social background of the migrants' original country. Thus, an Algerian child living in France would receive an extra-curricular education in the Arabic language and cutlure, along with his studies in French schools, so that links with his native country can be preserved.

The third stage provides for the education of teachers in the cultural centers and enables not only migrants but local Europeans to instruct the foreign children.

The European Parliament was to discuss the proposals during their session in October, and Commission officials hope that the Council will act before the end of the year to allow initial operations to begin in fall of 1976.

Equal Opportunity Begins at Home

The EC Commission—which last year proposed equal opportunity legislation for women throughout the European Community—is undertaking internal studies to see how it can put its own house in order.

Currently 45 per cent of the Commission's employees are women, but only 7 per cent of the most senior "A" grade is made up of women (and most of these are bunched at the bottom of the ladder). On the other hand, 83 per cent of those in the secretarial grades are women.

In the linguistic and clerical grades honors are a bit more even —45 per cent women in linguistic jobs and 41 per cent in clerical. But here again the more senior the job, the fewer the women. At the lower end of the linguistic ladder well over half the jobs go to women, but only 15 per cent of those on the top rung are women. Equivalent figures for the clerical grades are 55 and 21 per cent.

No women at all have posts with the highest possible classification —"A-1"—and there has never yet been a woman Commissioner.

Harmonization

Commission to Firm Jelly Standards

Fruit jams, jellies, marmalade, and chestnut purée are the subject of a new Commission proposal intended to make intra-EC trade in these products freer and competition less restricted.

The proposal calls for standardization of some of the regulations covering their manufacture and sale in line with norms worked out by the World Health Organization. More informative labeling is an important component of the proposals as are limits on the amount and type of coloring and preservative agents that manufacturers can use in jams.

As far as consumers are concerned, the proposal will broaden their range of choice of jams and marmalades by allowing free movement between member states for products conforming to the standards. Consumers will also benefit from informative labeling.

Science and Technology

Computer Development Program Proposed

As a means of furthering a viable European computer industry capable of competing with the Americans and the Japanese, the EC Commission has proposed the initial phases in a medium-term technology development program.

The Commission suggests spending 23 million units of account (UA) on standardization (developing a common program language), portability (developing software interchangeability between brands), security and confidentiality of data, increased performance, and practical applications. (One UA equals one 1970 dollar.)

By 1976 the Commission hopes to have ready a more general program involving support for the industry in assuring equal access to favorable sales financing terms and in concluding rationalization agreements to achieve economies of scale.

The new proposals complement earlier ideas presented to the Council in March on priority areas for action costing UA 4 million.

Member States

"Father of Modern Ireland" Is Dead

Eamon de Valera, the "father of modern Ireland," died August 29 in a nursing home near Dublin at the age of 92.

Born in New York City of an Irish mother and a Spanish father, de Valera spent his life fighting for Irish independence and promoting Irish nationalism. During his colorful political career, de Valera served as Taoiseach (Prime Minister) and Foreign Minister of Ireland.

In the latter capacity he became a prominent figure in the League of Nations, serving as President of the Council in 1932 and President of the Assembly in 1938.

In 1959 de Valera was elected President of the Republic of Ireland as a member of the Fianna Fail Party, which he founded. Reelected in 1966, he served in that post until his retirement in 1973.

Notice

In accordance with the US Securities and Exchange Commission regulations, the European Coal and Steel Community published its Balance Sheet as of December 31, 1974, and its Statement of Revenues and Expenditures for the period from January 1, 1974, to December 31, 1974.

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

A-16929	A-20452	A-24459
A-17648	A-23715	A-25274
A-19218	A-24049	B-4704-D

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

Publications Available

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

THE EUROPEAN UNION. *Special edition of Supplement 5/75, Bulletin of the European Communities,* Commission of the European Communities, Brussels, 1975, 42 pages .... free
Report of June 26 from the Commission to the Council. Outlines the Commission's views on the scope and nature of European Union, areas of competence, institutional structure, and efforts required to achieve it.

UNITING EUROPE: THE EUROPEAN COMMUNITY SINCE 1950. European Community Information Service, London, 1975, 18 pages .... free
Outlines the development of European integration since 1945, the Community's achievements up to the beginning of 1975, and the prospects for the future.

A SOCIAL POLICY. European Community Information Service, Dublin, 1975, 20 pages ...... free
Brochure on the activities of the Community in the social field. Covers the Social Fund, employment, vocational training, migrants, housing, industrial health and safety, social security, social services, and worker representation.

EUROPEAN COAL AND STEEL COMMUNITY FINANCIAL REPORT FOR THE YEAR 1974. *Report No. 20,* Commission of the European Communities, Brussels, 1975, 34 pages .... free
Outlines investment growth in the Community coal and steel industries. Discusses the borrowing and lending operations of the ECSC.

THE EUROPEAN COMMUNITY AND A NEW WORLD ECONOMIC ORDER. *Background Note No. 22/75.* European Community Information Service, Washington, D.C., July 17, 1975, 12 pages ...... free
Text of a speech by Commission Vice President Christopher Soames at the Oil Industries Club, July 1, in London. Covers the energy crisis, raw materials, and relations between industrialized and developing countries.

ENTRY INTO FORCE OF THE INTERIM ARRANGEMENTS FOR TRADE BETWEEN THE EEC AND ACP STATES. *Information Memo P-31,* Commission of the European Communities, Brussels, June 1975, 3 pages .... free
Summary of the interim trade regulations for exports from the ACP states pending entry into force of the Lomé Convention.

EVERDAY EUROPE: HOW THE EUROPEAN COMMUNITY HELPS CONSUMERS. Commission of the European Communities, Brussels, April 1974, 16 pages .... free
Brochure describing consumer-related aspects of the Community's agricultural, customs, antitrust, and technical and product standardization policies as well as the development of an overall consumer protection program.

THE COMMON MARKET & THE COMMON GOOD. European Community Information Service, London, 1975, 34 pages .... free
Brochure on the social policies of the Community, living conditions and standards, industrial relations and trade union movement, and social security. Includes statistical tables.

EUROPEAN INVESTMENT BANK ANNUAL REPORT 1974. European Investment Bank, Luxembourg, April 1975, 72 pages .... free
Describes the bank's loans, guarantees, and equity in 1974. Includes the balance sheet and profit and loss account. Covers the bank's activities under associations with Greece, Turkey, 19 African countries, and in certain overseas countries and territories.

THE PEOPLE'S REPUBLIC OF CHINA AND THE EUROPEAN COMMUNITY. *Information No. 106/75,* Commission of the European Communities, Brussels, 1975, 11 pages .... free
Summary of the development of relations and trade between the People's Republic of China and the Community. Contains an annex on the Chinese economy.

Teaching Aids

LATIN AMERICA-LINKS WITH THE COMMUNITY. European Community Information Service, London, 1975, 4 pages + map free

CANALS AND WATERWAYS IN THE EEC. European Community Information Service, London, 1975, 4 pages + tables and maps. . free

SECONDARY SCHOOLS IN EUROPE. European Community Information Service, London, 4 pages + table .... free

THE DEVELOPMENT OF SUMMIT MEETINGS. European Community Information Service, London, 1975, 4 pages .... free

CONSUMERS IN THE COMMON MARKET. European Community Information Service, London, 1975, 4 pages + chart .... free

EUROPE'S ARCHITECTURAL HERITAGE. European Community Information Service, London, 1975, 4 pages .... free

EDUCATION OF MIGRANT WORKERS' CHILDREN IN THE EUROPEAN COMMUNITY. *European Documentation, School Series No. 1/1975,* Commission of the European Communities, Brussels, 13 pages .... free

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