

EUROPEAN COMMUNITY

THE facts

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Cover: The Berlaymont Building, headquarters of the Commission of the European Communities.

This is the European Community



SOME COMPARISONS

	<i>European Community</i>	<i>United States</i>
Area (thousands of square miles)	589	3,600
Population (millions, 1972)	255	208
Total Civilian Labor Force (millions, 1971)	104.4	84.1
<i>Percentage in Agriculture</i>	9.9	4.0
<i>Percentage in Industry</i>	43.7	29.0
<i>Percentage in Services</i>	44.3	61.1
<i>Percentage Unemployed</i>	2.1	5.9
Gross National Product (in billions of units of account ¹ (UA) at current prices, 1972)	776.9	1,092.4
Per Capita National Income (in units of account, 1973)	2,373	4,189
Exports (in billions of units of account, 1973)	84.6	71.3
Imports (in billions of units of account, 1973)	88.6	69.1
Foreign Aid (official only in billions of dollars, 1973)	4.1 ²	3.0
<i>Percentage of GNP</i>	.38	.39

1) One UA equals one 1970 dollar or \$1.20635 at current rates.

2) Excludes Luxembourg and Ireland.

SOURCES: The source of all figures in this publication is the Statistical Office of the European Communities, unless otherwise noted. The source of foreign aid figures is the Organization for Economic Cooperation and Development.

The source of the above US trade figures is the US Department of Commerce.

The European Community covers an area one-sixth the size of the United States. Within it live 46 million more people than in the United States. The Community members' combined gross national product (GNP) is one-third smaller than that of the United States. The Community is the world's largest producer of cars and a leading producer of farm goods. It is the world's largest trader and the major buyer of imports from developing countries. It is one of the world's most generous donors of foreign aid.

More than 90 countries have accredited diplomatic representatives to the Community. It has negotiated trade or association agreements with more than 50 countries in Europe and elsewhere.

The Community is not a "superpower," but its economic strength gives it a voice in world affairs.

WHAT?

The European Community is uniting the economies of nine nations:

Belgium	Denmark	France
Germany	Ireland	Italy
Luxembourg	Netherlands	United Kingdom.

The Community's six founding members—Belgium, France, Germany, Italy, Luxembourg, and the Netherlands—have established a customs union which the new members are now completing (pages 6-8). The "Nine" are laying the foundations of full economic and monetary union (page 14). They have agreed to form a European union by 1980 (page 25).

Legally there are three European Communities, but they share the same institutions (page 4). The three Communities are:

- The European Coal and Steel Community (ECSC), created by the Paris Treaty of April 18, 1951. It paved the way for further economic unity by joining the coal and steel industries in a single "common market."
- The European Economic Community (EEC), created by the Rome Treaty of March 25, 1957. On January 1, 1958, the EEC began to remove trade and economic barriers between its member countries and unify their economic policies.
- The European Atomic Energy Community (Euratom), created by a second Rome Treaty of March 25, 1957. Euratom promotes peaceful uses of nuclear energy.

WHY?

- To put an end to national prejudice, discrimination, and armed conflict which had culminated in two world wars.
- To open up the economic frontiers which divided Western Europe into small, protected markets.
- To harness the constructive energies of the European peoples to improve the quality of life.
- To make the Community a single economic area, promoting social and technological progress and the efficient use of resources in both agriculture and industry.
- To recover together some of the world influence that Western Europe's separate nations can no longer command alone.
- To become a strong force for peace and a generous provider of aid to the world's poorer nations.

- To contribute to world stability and the beginnings of international law and order.

HOW?

The Community differs from traditional international organizations in that it provides for an "ever closer union" of unlimited duration between member states. Its permanent institutions not only apply and administer the treaties, which are the Community's "Constitution," but also engage in a continuous process of legislation, making and revising policy as the integration process advances.

WHEN?

1945-50. For centuries, philosophers and statesmen advocated the union of European nations. The post-war movement toward unity arose from the suffering and devastation of World War II. Europeans were determined to prevent another conflict on the Continent. A way had to be found to end the animosities between France and Germany which had caused three wars in less than a century. Occupation or defeat had taught the Community's six founding members the dangers of unlimited national sovereignty.

Despite US aid, Europe's recovery lagged. Choked by narrow national boundaries, export-oriented European industry could not grow strong fast enough to compete with US companies, manufacturing for the vast US market and the world.

The Marshall Plan, which began in 1948, gave Europe the first glimmer of hope that the dream of unity might be realized. Massive US aid helped the European nations rebuild their war-torn economies. Moreover, the Organization for European Economic Cooperation (OEEC), born as a result of the Marshall Plan, enabled these nations to administer the US aid collectively. It was a first step toward economic unity in Europe.

But the OEEC was an international organization of limited scope. It suffered the flaw of all such bodies—the rule of unanimity. This meant that decisions (lacking majority vote) frequently were taken at the level of the lowest common denominator.

Thus, the European Coal and Steel Community (ECSC), Europe's first twentieth century attempt to pool economic resources under federal type institutions, was launched on May 9, 1950. Inspired by the ideas of Jean Monnet, the person responsible for the

French national economic plan, and proposed by French Foreign Minister Robert Schuman, it was designed to lay the foundations of a "European federation" and unite France and Germany in a common endeavor. Pooling coal and steel resources in a large market under a common authority would create the *de facto* solidarity "indispensable to the preservation of peace." Belgium, Germany, Italy, Luxembourg, and the Netherlands accepted the French invitation. On April 18, 1951, the ECSC Treaty was signed in Paris.

In the United States, the ECSC was widely hailed as the first step toward a European federation on the American model. In August 1952, Ambassador David K. E. Bruce became the Special American Representative to the ECSC and the first diplomat to be accredited to the High Authority, the ECSC's Executive Branch, in Luxembourg.

1950-58. Similar efforts during the Fifties to form defense and political communities (page 25), based on the ECSC's structure, failed, but the ECSC succeeded. The Six decided to apply the same approach to the entire European economy. A June 1-2, 1955, conference in Messina, Italy, produced plans for two new communities, the European Economic Community (EEC) and the European Atomic Energy Community (Euratom).

The ECSC had shown the advantages of a large market where goods could move as freely between Rome and Luxembourg as between New York and San Francisco. The EEC would extend this arrangement to all goods and agricultural products. Within Euratom, the "Six" would do joint research into a new source of fuel and develop a common industrial base for the peaceful use of nuclear energy. Further "concrete achievements" would lead the Six toward the "ever closer union among the European peoples" mentioned in the EEC Treaty's preamble.

The United States played no direct role in negotiations for the new treaties but, as a show of support in February 1957, offered to sell nuclear fuel to Euratom and give technical assistance.

1958-73. The Common Market was to be created in stages over 12 years. By July 1, 1968, 18 months ahead of the treaty timetable, the Community had achieved free trade in industrial goods and most farm products. The Six had eliminated tariffs on intra-Community trade and had established a common tariff on imports from non-member countries. The policies that had not been completed when the transition period ended on December 31, 1969, are still being forged.



Signing of the Treaties creating the European Economic Community and the European Atomic Energy Community, Rome, March 25, 1957. The Community's six founding members pledged to achieve "ever closer union among the European peoples."

During its emergence as an economic power, the Community demonstrated openness toward the outside world, signing trade and aid agreements with many developing countries (pages 8,24) and cutting tariffs within the General Agreement on Tariffs and Trade (GATT). In the Kennedy round of GATT talks which ended on May 15, 1967, industrial tariffs were reduced by an average of 35-40 per cent. In these negotiations, the Community "spoke with a single voice," as it had in the 1960-61 Dillon Round.

In addition to its economic accomplishments, the Community has brought about a new relationship between countries, extending into fields not specifically covered by the treaties. Thus, at their "Summit" meeting, in The Hague on December 1-2, 1969, the six heads of state and government agreed to move from customs union to full economic and monetary union. They reaffirmed their commitment to a united Europe and began political consultations that would lead to frequent Summit meetings and common foreign policy stands (page 25). They also agreed to open membership negotiations with the United Kingdom, Ireland, Denmark, and Norway.

On January 22, 1972, the 10 nations signed the Treaty of Accession which gave the Community three new members on January 1, 1973. Norway's voters rejected the terms of membership in a referendum.

The Six, together with the four candidates for membership, next met at the Summit in Paris on October 19-20, 1972, to pledge their determination to continue progress while adjusting to new members. The "Ten" recognized new international duties added by size and said they would make "an original contribution commensurate with [their] human, intellectual, and material resources." They called for a voice in world affairs and offered their cooperation in the 1973 round of GATT negotiations and the monetary reform talks within the International Monetary Fund (IMF).

The Copenhagen Summit of December 14-15, 1973, focused on the need for a European identity in international relations, the energy crisis, and the backlog of Community work that had accumulated during the first year of expanded membership.

Institutions

The Community's institutions and decision-making process distinguish it from traditional international organizations. The institutions have legal status and extensive powers in fields covered by common policies. The institutions are the motor of the integration process leading toward a federal system.

The Community has a dual executive:

- The Commission proposes and supervises the execution of laws and policies.
- The Council of Ministers enacts laws and programs, based on Commission proposals.

The other main Community institutions are: the European Parliament, the Court of Justice, the Committee of Permanent Representatives, and the Economic and Social Committee. Many specialized committees assist the Commission and the Council.

Before July 1, 1967, each Community had its own executive institutions. (The ECSC's Commission was called the "High Authority.") Since that date, a single Commission and a single Council have governed Community policy. The merger enabled policy coordination in sectors, such as energy, covered by all three treaties (page 19).

COMMISSION

The Commission is a collegiate body of 13 members (two each from France, Italy, Germany, and the United Kingdom and one each from Luxembourg, the Netherlands, Belgium, Denmark, and Ireland). The national governments appoint members for four-year renewable terms, with the President and four Vice Presidents holding office for two-year renewable terms. Although appointed by member states, the Commission must act independently of them, considering the interests of the Community as a whole rather than of any of its individual members.

The Commission's duties are

- to present the Council of Ministers with policy proposals
- to supervise the execution of the treaties and call member countries and companies to account if they fail to observe them
- to administer the operation of the Community
- to act as conciliator of national viewpoints at Council meetings to secure acceptance of measures in the Community's interest.

Each member of the Commission is responsible for one or more Community activity. The Commission's

administrative organization consists of departments called "directorates general." The directorates general prepare proposals for the Commission and may consult experts from national governments or trade, management, agricultural, and labor pressure groups.

A collegiate body, the Commission is responsible as a group for its acts. It makes decisions by a simple majority vote of its members.

COUNCIL OF MINISTERS

The Council of Ministers is the Community's main decision-making body. It consists of one minister from each member country and represents the national viewpoint in the legislative process. Ministers with various responsibilities attend Council meetings, depending on the topics under discussion. The Council presidency rotates every six months between member countries in the following order: Belgium, Denmark, Germany, France, Ireland, Italy, Luxembourg, the Netherlands, and the United Kingdom.

A permanent Secretariat and the Committee of Permanent Representatives help the Council prepare for meetings. The Council generally meets three or four times monthly.

The Council can make most decisions by a simple or "weighted majority" vote but usually tries to achieve unanimity. Some decisions, such as on the acceptance of a new member, must be made by unanimous vote. In a weighted majority vote, Germany, France, Britain, and Italy each have 10 votes; Belgium and the Netherlands, five votes each, and Denmark, Belgium, and Luxembourg, two votes each. Forty-one votes, cast by at least six members, are needed for a majority. Thus, the large countries, voting en bloc, cannot dominate the smaller nations on any issue.

All Council decisions must be based on Commission proposals which can be amended only by a unanimous Council vote.

EUROPEAN PARLIAMENT

The European Parliament consists of 198 members appointed from and by the national legislatures (36 members each from France, Germany, Italy, and the United Kingdom; 14 each from Belgium and the Netherlands; 10 each from Ireland and Denmark, and six from Luxembourg. This procedure is similar to the method of appointing members of the US Senate before the passage of the Seventeenth Amendment. Parliament seeks to have its members popularly elected.

The Parliament can oust the Commission by a vote of censure and has limited, but gradually increasing, budgetary powers. It is still mainly a consultative body, passing on most Community legislation. Numerous specialized committees meet to prepare for parliamentary debates and to write opinions on laws under consideration. A censure motion has been introduced only once, in December 1972, but it was withdrawn because a new Commission took office in January 1973.

COURT OF JUSTICE

The Court of Justice, the Community's "Supreme Court," consists of one judge from each member state. The Court's decisions are final and cannot be appealed in national courts. The Court ensures the observance of law and justice in the interpretation and application of the treaties and laws passed to execute them. The Court may give judgment on appeals brought by a member state, the Council, the Commission, or any person or company affected by a Community decision. Four advocates general help the Court reach decisions. Judges are appointed by the member states for terms of six years.

PERMANENT REPRESENTATIVES COMMITTEE

The Committee of Permanent Representatives consists of the nine member countries' ambassadors to the Communities. The Committee does the groundwork for Council meetings by reviewing Commission proposals and indicating areas of agreement among national viewpoints.

ECONOMIC AND SOCIAL COMMITTEE

The Economic and Social Committee consists of 144 members (Germany, France, Italy, and the United Kingdom, 24 members each; 12 each from Belgium and the Netherlands; nine each from Denmark and Ireland, and six from Luxembourg). Committee members are selected from labor, management, agricultural, consumer, and family organizations. The Commission and the Council must consult the committee on most major policy proposals. Although the committee has no powers of decision, it does influence policy-making. It is one of the Community's main points of contact with the public in the decision-making process.

A similar "Consultative Committee" advises the Council and the Commission on ECSC affairs.

WORKING METHODS

Community Law

The ECSC, EEC, and Euratom Treaties are the Community's "Constitution." They provide a policy framework and empower the Commission and the Council of Ministers to pass laws to carry out Community policies. The Community uses three types of legal instruments:

- *Regulations* bind the member states directly and have the same strength as national laws.
- *Directives* also bind the member states but allow them to choose the means of execution.
- *Decisions*, addressed to a government, an enterprise, or an individual, bind the parties named. The Commission and the Council also render non-binding *recommendations* and *opinions*.

The EEC Treaty's Article 235 outlines a procedure for action in areas unforeseen by the drafters of the three treaties. This article allows the Community to act as new situations arise.

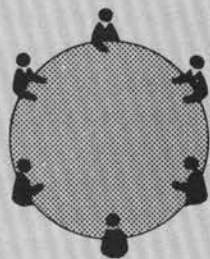
National courts must enforce Community law. Disputes about interpretation of Community law go to the Court of Justice. National courts retain juris-

THE EUROPEAN COMMUNITY INSTITUTIONS

EXECUTIVE ACTION

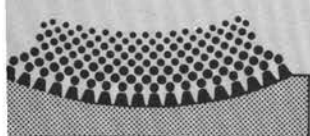


European Commission



Council of Ministers

DEMOCRATIC CONTROL



European Parliament

JUDICIAL CONTROL



Court of Justice

Customs Union and Commercial Policy

diction over criminal cases. A convention which came into force in February 1973 ensures that civil and commercial judgments affecting parties in more than one member state can be enforced in any of them without review by a court in the country where the complying party is located.

Community Budget

The Community spends almost UA 6 billion a year, three-quarters of it on agricultural price supports and farm modernization (page 9). The remainder pays administrative costs and finances other common policies and joint research projects (pages 18).

Until January 1, 1971, Community activities were financed by contributions from the member states and a tax on coal and steel production. A new system to give the Community its own revenue is gradually being introduced, to be completed by the end of 1977 by the Six and by the end of 1979 by the three new members. Revenue will come from levies on agricultural imports, customs duties, and up to 1 per cent of the turnover tax assessment basis (page 11).

Community Civil Service

More than 9,000 people work for the Community. "Eurocrats," recruited by competitive examination, must have a working knowledge of one Community language besides their own. There are six official languages: English, Danish, French, German, Italian, and Dutch. English, French, and German are the main working languages.

The Community operates six "European Schools" for the children of its civil servants. Their curriculum is designed to prepare students for life in a multinational Community. Each child studies his mother tongue and a second Community language. The national bias has been removed from subjects such as history. A diploma from a European School admits the graduate to universities in any Community country, Switzerland, and to many universities in the United States.

No final decision has been made on the Community's permanent headquarters. The Commission's administrative center is Brussels but its statistical office, financial services, document sales office, and the Court of Justice are in Luxembourg. The Council of Ministers meets in Brussels, except in April, June, and October when it meets in Luxembourg; its Secretariat is in Brussels. The European Parliament meets in Strasbourg, France, and in Luxembourg, the site of its Secretariat. The Economic and Social Committee meets in Brussels.

Europeans from Alexis de Toqueville on, impressed with US prosperity, have attributed it partly to the size of the domestic market and free trade between the states. The large US market served as a model for the Community's most characteristic feature, the customs union for industrial trade. The common agricultural policy (pages 9-10) covers trade in farm products.

The customs union entails

- the removal of customs duties and other barriers to free trade between member countries
- the replacement of national tariffs with a single common tariff on imports from non-member countries and the development of a common commercial policy toward them
- the harmonization of customs rules and enforcement procedures so that duties will be assessed in the same way.

The Common Market goes beyond a mere customs union. It includes free movement of labor and capital and freedom to offer services anywhere in the Community (page 10). Its members have common policies in every field affecting the economy. The "Nine" plan to achieve full economic and monetary union, possibly including a common currency (page 14).

TARIFFS AND QUOTAS

The Community's founding members removed the last quota restriction on trade between them on December 31, 1961. They introduced the common customs tariff on imports from non-member countries in three stages which ended on July 1, 1968.

The common customs tariff level was reduced in the Dillon and Kennedy Rounds of negotiations within the General Agreement on Tariffs and Trade (GATT). Since the last Kennedy Round tariff cut, on January 1, 1972, the Community has had one of the world's lowest tariff schedules. Its industrial tariffs average 6 per cent, compared with the US average of 7.1 per cent. Only 13.1 per cent of EC tariffs on industrial goods exceed 10 per cent and 2.4 per cent exceed 15 per cent. For comparison, 38.3 per cent of US industrial tariffs exceed 10 per cent and 23.7 per cent exceed 15 per cent.

Britain, Ireland, and Denmark are gradually being assimilated into the Community's customs union. Industrial tariffs between new and old member states will be removed in five cuts of 20 per cent each. The first reduction was made on April 1, 1973. The last is scheduled for July 1, 1977. Import and export quotas on intra-Community trade (except for a few

"sensitive" products) were removed on January 1, 1973. Measures equivalent to quantitative restrictions are to be removed by January 1, 1975. Agricultural alignment, a six-stage process, is scheduled for completion by December 31, 1977.

The new members take on the common customs tariff toward third countries in four steps. They made a 40 per cent alignment on January 1, 1974, and are scheduled for three more alignments, of 20 per cent each, on January 1, 1975, on January 1, 1976, and on July 1, 1977. The assimilation of Britain, Ireland, and Denmark into the Community customs union will lower many tariffs for American and other exporters to those countries.

CUSTOMS RULES

The Six are standardizing customs laws and administrative procedures. They have a common liberalization list of more than 900 products that can be freely imported, a common procedure for administering quantitative quotas and imports from state-controlled economies, and a common system, including safeguards, for exports to and imports from non-member countries.

They have a common definition of the "origin of goods" and a uniform method of determining customs value of imports. Community criteria for imposing anti-dumping duties are the same as those embodied in the GATT's Article VI. Other common rules cover goods in transit, storage of goods in

Cars awaiting exportation, Liverpool, England. The formation of the Common Market stimulated trade both between members and with the rest of the world; its enlargement is expected to bring further expansion. Courtesy British Information Services, London.



bonded warehouses, and goods temporarily imported for processing and re-exportation, "inward processing traffic." Export credit terms are being synchronized, and common rules on travelers' import allowances are in use.

The new members will apply these rules by the end of the transition period to full membership, December 31, 1977.

COMMERCIAL POLICY

The Community has emerged as a distinct entity in international trade. It has trade or association agreements with more than 50 countries. Some EC associates also receive financial development aid (page 24). The Community is negotiating as a unit in the Tokyo Round of GATT trade talks which opened on September 12, 1973.

ASSOCIATION AGREEMENTS

The EEC Treaty provided for the economic interests of Belgian, French, Italian, and Dutch overseas territories and dependencies, mainly in Africa and the Caribbean. These provisions still apply to overseas territories.

The African countries have been covered by five-year conventions since the early Sixties, after achieving independence. The current and second "Yaoundé Convention" went into force on January 1, 1971. Mauritius joined the original 18 Yaoundé associates on January 1, 1973. The original associates are: Mauritania, Mali, Voltaic Republic, Niger, Senegal, Ivory Coast, Togo, Dahomey, Cameroon, Chad, Centrafrikan Republic, Gabon, Peoples Republic of the Congo, Zaïre, Rwanda, Burundi, Somalia, and Madagascar.

As Community associates, Yaoundé countries have free access to the Community market. Conversely, exports from Community member countries have free access to the associates' domestic market. Although this arrangement is a free trade area, associates may impose tariff and other trade barriers on Community products to protect infant industries. They may not, however, discriminate against goods from any particular Community state.

Other Community associates are: Greece, Turkey, the East African Community (Kenya, Uganda, Tanzania), Tunisia, Morocco, Malta, and Cyprus.

On joining the Community, Britain agreed to phase out Commonwealth tariff preferences. As a result, underdeveloped Commonwealth countries in Africa and in the Indian, Caribbean, and Pacific

Oceans were invited to seek preferential trade ties with the Community either by trade agreements or by the Yaoundé Convention. The Commonwealth "associables" and the Yaoundé associates are participating in negotiations for new arrangements which opened in Brussels in September 1973.

TRADE AGREEMENTS

The Community has had the authority to negotiate all trade agreements since January 1, 1973.

Britain, Ireland, and Denmark agreed to accept the Community's trade and association agreements as a result of their EC membership.

Non-Preferential Agreements

Preferences extended by non-preferential agreements are given to all GATT members. The Community has non-preferential trade agreements with Yugoslavia, Brazil, India, Argentina, and Uruguay. Exploratory talks have begun with Iran to replace a non-preferential agreement which expired on December 1, 1973. Bangladesh has requested negotiations for a non-preferential agreement.

Preferential Agreements

Preferential agreements lead to free trade areas. The Community has preferential agreements with Spain, Israel, Egypt, and Lebanon. To prevent the reestablishment of trade barriers after Britain and Denmark joined the Community, the Community signed free trade agreements with their former partners in the European Free Trade Association (EFTA): Iceland, Sweden, Finland, Portugal, Switzerland, Austria, and Norway.

Product Agreements

The Community also has agreements with developing countries opening duty-free quotas for products of particular interest to those countries. These products include handicrafts, jute, copra, cotton textiles, and handwoven fabrics.

GENERALIZED TARIFF PREFERENCES

On July 1, 1971, the Community became the first trading power to extend generalized tariff preferences to the "Third World." The offer was made to the 96 developing countries in the United Nations Conference on Trade and Development (UNCTAD). By February 1974, 110 countries and 43 dependencies were participating in the system. The arrangement covered trade worth UA 3 billion.

Britain and Denmark adopted the Community's



Department store, Brussels, Belgium. The Common Market has helped to raise living standards and has given the consumer a wide choice of goods from around the world.

generalized preference system on January 1, 1974. Ireland agreed to join by December 31, 1975.

The Community's system exempts manufactured and semifinished goods from duties up to a ceiling enlarged annually for each product.

EFFECTS OF CUSTOMS UNION

The formation of the Community's customs union stimulated trade both between members and with the rest of the world.

From 1958 to 1972, the trade of the Six with each other rose 724 per cent, from UA 6.8 billion to UA 56 billion. Traditionally protectionist countries, France and Italy, with little previous experience with foreign competition, recorded the largest trade increases.

Each year the Six have traded more and more with each other. In 1958, 27 per cent of their total trade was intra-Community, compared with 52 per cent in 1972. (Trade growth figures are not valid for the Nine.)

Despite the rise in trade between members, the Six increased both their imports from and exports to the rest of the world. From 1958 to 1972, imports rose by 225 per cent, exports by 256 per cent. During this time, world exports rose by 273 per cent, world imports by 287 per cent.

The Community consistently ran a deficit on trade with the United States from 1958 through 1972, the latest year for which Community figures are available. In 1972, exports of the Six to the United States amounted to UA 8.3 billion, compared to UA 8.6 billion of imports from the United States.

CUSTOMS UNION TO COMMON MARKET

The customs union brought about these trade gains and accompanying rises in production and the standard of living (pages 20, 21). Nevertheless, the Community has not yet reached its goal of forging a unified common market like the United States. The dissimilarity of its members' tax systems (page 11) and technical standards (page 16) still hinder free trade. Customs agents at the borders between Community countries still collect taxes. Manufacturers in Hamburg still have to make sure that "pure wool," which could mean 85 per cent wool content at home, for example, means the same thing in Rome.

Agricultural Policy

If there was to be a Common Market, agriculture had to be part of it. The common agricultural policy was sought by the major farming countries in return for opening their markets to the other member countries' industrial goods.

The Community's six founding members had vastly different farm policies with an infinite variety of internal supports and import restrictions when the EEC Treaty was drafted. The Six thus decided to abolish national policies and to devise a Community policy, jointly financed, and with a common policy toward the rest of the world.

Under the common agricultural policy, Community members have

- eliminated barriers to farm trade between them for almost every agricultural product
- increased agricultural trade with each other and with non-member countries
- applied common prices for farm products and a common policy to trade with non-member countries
- taken joint financial responsibility for all market management decisions.

There are common markets for: grain, pork, eggs and poultry, oil and fats, rice, sugar, plants and flowers, processed fruit and vegetables, wine, flax and hemp, tobacco, and fish.

Britain, Ireland, and Denmark will fully apply the common agricultural policy by December 31, 1977.

Agriculture is especially important for the Community. In the EC of Nine, 9.9 per cent of the labor force works in agriculture, compared to 4.0 per cent

Egg gathering at an agricultural cooperative in Blois, France. The common agricultural policy covers 96 per cent of the products raised on farms.



in the United States. In parts of southern Italy, more than half the workers are on the land.

The common farm policy's goals are: to assure Community farmers incomes comparable with those of industrial workers, to stabilize markets, to increase productivity, and to ensure reasonable consumer prices.

FREE TRADE

Like the customs union, the common agricultural policy has stimulated trade. Between 1958 and 1972, farm trade between the Six rose by 683 per cent. In 1972, it amounted to UA 9.4 billion.

During this period, food imports from non-member countries rose by 90 per cent. These imports amounted to UA 14 billion in 1972. US farm exports to the Community grew by 135 per cent from 1958 to 1972 when they reached UA 2.1 billion.

PRICE SUPPORT

Most countries protect agriculture. The Community system, unlike that of the United States, does not use direct income supports or import quotas. Official prices form the center of the Community's market support system. This arrangement maintains market prices to farmers in two ways:

- A variable levy system at the Community's borders ensures that imported food does not undercut domestic prices.
- There are intervention arrangements to tackle a situation in which overproduction at home threatens to depress prices.

The Council of Ministers, acting on Commission proposals, sets official prices each year. The Commission makes day-to-day decisions on import levies and other agricultural operations. The Commission works closely with management committees, composed of officials from the national ministries of agriculture.

Prices are set in units of account (UA) related to gold and are equivalent in value to one 1970 dollar (\$1.20635 at current rates).

FARM FUND

The European Agricultural Guidance and Guarantee Fund (EAGGF) finances the common agricultural policy. Its guidance section contributes to the cost of projects to modernize farms or improve distribution of farm produce. It also runs a pension plan to en-

Free Movement . . .

courage small farmers to retire early, freeing land for incorporation into larger farming units. The guarantee section finances support buying of farm produce and pays export rebates when Community prices rise above world prices. The fund's revenue comes mainly from the Community's "own resources" (page 6).

In 1973, the Community allocated UA 350 million for agricultural improvements. The Community spent UA 3.8 million on market support and export rebates. The Council of Ministers is reviewing Commission proposals for changes in rules which could save UA 1 billion in price supports by 1978.

FARM REFORM

New techniques have raised productivity in some parts of the Community, but European agriculture is still backward by US standards. Too many farmers still work farms too small for today's modern methods. In 1972, the Nine's farm size averaged 37 acres, compared to 381 acres in the United States.

For the first 10 years, the Community relied mainly on the common market organizations and price supports to deal with these problems. Today, the Community is trying to dovetail agricultural policy with social, regional, tax, environmental, economic, and consumer policies. Agricultural reform's triple goal is to reduce imbalances among the markets for different products, to simplify the farm policy's administrative machinery, and to lower the cost of price supports. Vocational training for ex-farmers is one of its important features.

CURRENT STATE OF FARM POLICY

Though criticized for over-protecting Community farming and causing high food prices, the common agricultural policy stabilizes the domestic market during world food shortages. Its export levies protect consumers against sudden world market price hikes and guarantees food supplies. Toward the end of 1973, for example, the world durum wheat price was twice as high as the Community price.

Continuous monetary instability since 1969 has shaken the common farm policy. Common prices could not be maintained when the relative values of member countries' currencies changed constantly. To compensate for these changes and to protect farm income, the Community temporarily introduced levies, called "compensatory amounts," on agricultural trade between members. With the return of monetary stability, these levies will be removed.

Besides free trade, a common market means free movement of labor and capital and freedom to offer services anywhere in the Community.

OF LABOR

Laws passed between 1961 and 1968 made free movement of labor a reality. Later laws improved Community migrants' rights in partner countries.

Since 1968, nationals of EC countries have been able to go to another member country to look for or to accept a job without work permits, merely by presenting a passport or identification card. Community migrants must be given the same employment opportunities as a citizen of the host country has, except for government employment. They are also entitled to equal treatment in salaries and wages, working conditions, vocational training and retraining, social security, union rights, and access to housing and property. Employers must give Community nationals preference over foreign workers in hiring.

The right to free movement does not apply to workers from other Community countries' dependencies, to associated countries' nationals, or to migrants from non-Community countries.

The Community runs a job brokerage service through its European Coordination Office. EC member countries' employment services report to this office each month jobs that cannot be filled at home. The office matches jobs with job hunters.

Labor mobility within the Community paradoxically diminished while barriers to free movement were being dismantled. In 1965, 261,000 EC nationals left their homes for first jobs in other EC countries, compared with 204,500 in 1970, and an estimated 225,000 in 1973. Most movement has been from Italy to Germany because of unemployment in Italy. Thus, economic and social conditions seem to influence the Community's labor mobility more than does the removal of restrictions.

The Community has been traditionally short of labor. About 6,000,000 non-Community migrants now work there. Most of these workers entered the Community under bilateral arrangements. Most migrants return to their countries in two to three years. They come mainly from Turkey, Greece, Spain, Portugal, Yugoslavia, and North Africa.

The rules on free movement of labor apply only to blue collar workers. Other members of the labor force are covered by the EEC Treaty provision on the right of establishment and freedom to offer services. The right of establishment and freedom to offer services



Migrant workers in Milan, Italy, wait for the train that will take them to new jobs in Germany. The Community has achieved "free movement of labor," meaning that citizens of any of the nine member countries can work in any of them without losing social security benefits.

allow companies and individuals to do business or practice a profession anywhere in the Community. They do not yet apply to every type of business, profession, or service. Here, the main obstacle to progress has been disagreement over "equivalency of diploma," over whether a German engineer's diploma guarantees training at least as complete as a Belgian diploma, for instance.

So far some 40 directives are in force. They have removed restrictions on wholesale, retail, and intermediary trade (except tobacco, and toxic products), manufacturing, and on part of the film-making, banking, and insurance industries.

The Council of Ministers has a backlog of Commission proposals dealing with professionals, including architects, physicians, engineers, lawyers, journalists, and veterinarians.

OF CAPITAL

Free movement of capital is essential for a common market's balanced growth and equal competition between member countries. Thus, the Community

has tried to end discrimination based on an investor's nationality, place of residence, or place of investment. This goal has proven elusive. Member governments traditionally control capital movements to prevent harm to the balance of payments, economic growth, and employment. In addition, international monetary instability has hindered the Community's efforts to free capital movements. Only two directives on capital movements are in force, one enacted in May 1960, the other in December 1962.

Taxation

The Community is aligning its members' indirect taxes and excise duties. When this work is finished, tax controls at the internal borders can end.

Perhaps the Community's biggest achievement in the field of taxation has been the replacement of national turnover and cascade taxes with a common system taxing the value added to goods at each stage of production and distribution (VAT). Hairdressing, restaurant service, and other services are also subject to VAT.

Britain, Ireland, and Denmark all applied VAT by April 1973.

As customs duties disappeared, taxes became a larger part of the export price of goods. The VAT neutralizes tax differences by enabling refunds of the exact tax paid in the exporting country and allowing the importing country to collect its VAT on the goods. The Commission sent proposals for a uniform VAT assessment base to the Council of Ministers on June 29, 1973. Eventually, tax rates will be aligned.

The VAT has to be harmonized both because it affects trade and because it will constitute part of the Community's own revenue by January 1975 (page 6).

Commission proposals to harmonize excise duties on hydrocarbon combustibles, oil, beer, wine, alcohol, non-alcoholic drinks, and tobacco await Council decision.

The Community is trying to harmonize corporate tax laws because differences interfere with free movement of capital. The Commission has made proposals for harmonizing taxes on distributed profits, on withholding taxes on dividends and bond interest, and on joint assets in mergers between companies located in different member states. It has also made proposals for taxing parent companies and subsidiaries located in different member states.

Banking

To enable banks to compete throughout the Community, joint rules are being developed here, too.

Transport Policy

Beginning in 1975, EC-nationality banks and other financial institutions will be able to open branches anywhere in the Community under the same conditions as local banks. Their activities will, however, be limited to international banking services involving capital movements.

The Community is trying to align regulations affecting bank liquidity, solvency margins, and bankers' qualifications.

Insurance

Insurance laws are being harmonized. Member states are forbidden to discriminate against reinsurers in partner states. Laws on motor vehicle insurance have been aligned. Policies must now include any coverage compulsory in any member country. As a result, "greencard" insurance checks at borders between member countries ended in July 1973.

Non-life insurers of EC nationalities can offer their services anywhere in the Community if they comply with common rules on solvency margins and reporting on their activities. The Community now plans to coordinate national laws so that life insurance companies' branches and agencies have the same freedom.

When insurance companies can operate across internal borders without opening offices in the policyholder's country, the common market in insurance will be complete.

The Adriatica Highway between Bologna and Canosa, Italy. The Commission's transport program for 1974-76 would remove highway transport's competitive advantage over other forms by including the cost of highway construction, now paid by governments, in the freight rate. Courtesy Italian Information Service, Rome.

Europe's transport systems were developed to serve domestic traffic, not international. Unlike the US transport network, continental in thrust from its earliest days, defense-conscious Europe's systems thinned out near national borders and focused on national capitals. A host of discriminatory practices and charges stifled competition. The Community's founders foresaw that goods could not move freely through such a tangle. The EEC Treaty provided for a common transport policy for railroad, highway, and inland waterway traffic. The treaty said air and ocean transport could be included later. It banned discrimination based on nationality between carriers and by carriers based on a shipment's origin or destination. It permitted government subsidies only for public service requirements or for coordinating different types of transport.

Early transport policy stressed free competition and standard working conditions. Common rules were passed: describing permissible government subsidies to railroads; limiting drivers of big trucks to 48 hours a week behind the wheel; requiring member countries to consult each other about major infrastructure investments, such as superhighways.

Despite the economic importance of these and other rules passed, the common transport policy features more goals than achievements. Action has been piecemeal, and policy lacks continuity.

Thus, in October 1973, the Commission outlined a transport program for 1974-76. The new policy stresses competition among different forms of transport. The Commission thinks including all costs in the price of each type of transport could relieve urban traffic, improve land use, and obtain the best value from investments in infrastructure. The Commission would also bring air and ocean transport under the policy.



Competition Policy

The Community's competition policy borrowed many features of US antitrust law. Until the ECSC Treaty, competition rules were rare in Europe. During the postwar occupation of Germany, antitrust laws were introduced to prevent recartelization of the Ruhr's coal and steel industries. The ECSC Treaty incorporates a strict competition policy which still applies to the coal and steel industries. The treaty's drafters believed that forming a common market would be pointless if individual manufacturers could make arrangements which effectively protected their markets from outside competition. The advantages of price competition and size would have been lost.

The ECSC Treaty gives the Commission (known as the "High Authority" in 1951) power to decide whether a merger may occur and to fine companies for practices which distort competition. It allows the Commission to authorize restrictive agreements which improve production or distribution and which contain no unessential restrictions.

The EEC Treaty covers trade in all products not under the ECSC Treaty. The EEC Treaty bans such restrictive practices as market sharing, quota fixing, exclusive dealing, voluntary pacts to control imports, and abuse of a dominant position. Like the ECSC Treaty, the EEC Treaty allows the Commission to impose fines for infringements and to exempt restrictive agreements which improve production or distribution and which contain no unessential restrictions. To those provisos, the EEC Treaty adds that restrictive agreements must benefit consumers and have little effect on the industry involved.

The ECSC Treaty gave the Commission broad power over a narrow field to act on its own without further authorization. The EEC Treaty outlined the principles of competition policy and stipulated that the Council of Ministers, acting on a Commission proposal, must pass laws to put those principles into effect.

The first such regulation, in February 1962, activated the treaty's competition clauses and filled in details. It gave the Commission powers of inspection and enforcement. It required companies having agreements that could affect trade between member countries to submit their agreements to the Commission for clearance. The Commission could clear an agreement, ban it, or request changes. This regulation empowered the Commission to impose fines of up to UA 1,000,000 or 10 per cent of a company's turnover for violations. It also gave companies immunity from fines until the Commission could rule on the legality of their agreements.

The Commission was deluged with agreements. A

March 1965 Council regulation enabled the Commission to declare "block exemptions" for some types of agreements by issuing regulations. The largest group involved simple exclusive dealing rights between manufacturers and distributors. Such agreements are permitted if they are regional, within a single country, and do not affect imports or exports. Other permitted agreements involve specialization, joint research and development, joint advertising, joint use of quality labels, standardization, joint participation in trade fairs, and joint purchasing.

Decisions by the Commission and the Court of Justice have laid the base of a case law further defining competition policy. The Court has held that patents, trademarks, copyrights, and know-how licenses cannot be used to guarantee absolute territorial protection.

DOMINANT POSITIONS

The EEC Treaty prohibits the abuse of a dominant position. The Commission first tested this provision when it decided that Continental Can's very acquisition of a Dutch company constituted an abuse, without any of the trade restraints mentioned in the treaty. The Court of Justice upheld Continental Can's appeal, in February 1973, on the grounds that the company did not have a dominant position but supported the Commission's contention that the treaty empowered it to regulate mergers across the Community's internal borders.

The Continental Can decision covered only mergers in which one company already had a dominant position. A July 1973 Commission proposal would allow the Commission to control major mergers. Companies would have to notify the Commission three months before any move that would result in a "major concentration."

STATE MONOPOLIES AND STATE SUBSIDIES

Competition rules also apply to state monopolies and state subsidies.

State monopolies have to give up exclusive import rights. The French and Italian national tobacco monopolies now buy and sell cigarettes, cigars, and tobacco from other Community countries. The Commission has made recommendations for reorganizing other state monopolies, mainly in France and Italy.

State subsidies to poor areas and depressed industries, such as shipbuilding, are also regulated so that cutthroat outbidding does not distort competition.

Economic and Monetary Union

Economic and monetary union is both the logical outgrowth of a customs union and the cement needed to hold it together.

As early as 1964, the six founding members discovered that their fledgling Common Market had an existence of its own. Trade had bound the six economies so closely that inflation in one country quickly spread to the others. Some economic policy decisions had to be made jointly, since each member country's policy affected all.

The EEC Treaty committed member states to view cyclical policy and exchange rates as matters of common concern and to designing economic policies for balance-of-payments equilibrium. It provided for a Monetary Committee to help coordinate members' economic policies, to review their monetary and financial position, and to deliver opinions at the request of the Commission or Council of Ministers. In 1964, the Committee of Central Bank Governors was formed to coordinate policy at the operational level.

Beginning in 1969, repeated currency crises argued for tightening economic and monetary policy coordination. Revaluations and devaluations threatened the Common Market, based on free trade in stable monetary conditions.

Various Commission and member state proposals led to a preliminary report, in May 1970, on ways of achieving economic and monetary union. A month later the Council of Ministers adopted the conclusions of the "Werner Report," named after Luxembourg Premier and Finance Minister Pierre Werner who had presided over the group of experts who had drafted it. The Council resolved that by 1980 the Community should

- comprise an area where persons, goods, services, and capital move freely—but without distorting competition or causing structural or regional imbalances—and where economic activity could develop on a Community scale
- develop a single monetary personality within the world monetary system, characterized by complete and irreversible currency convertibility
- hold economic and monetary powers to allow its institutions to administer economic union.

The final Werner Report and formal Commission proposals were finished in October 1970. The first stage of economic and monetary union began in March 1971. During the first stage, 1971 through 1973, the Six agreed to

- narrow the exchange-rate margins between their currencies

- form a UA 2 billion medium-term aid pool to support members' currencies under exchange market pressures because of balance-of-payments deficits. (This medium-term aid was in addition to a UA 2 billion short-term pool created in February 1970.)

- coordinate short- and medium-term economic and budgetary policies
- hold regular meetings of finance ministers and central bank governors.

Exchange rate fluctuations were narrowed in April 1972. A 2.25 per cent Community band or "snake" moved within the 4.5 per cent world "tunnel." After further monetary storms at the beginning of 1973, six member countries' currencies repegged and jointly floated against the dollar. Britain, Ireland, and Italy floated separately. In January 1974, France also floated.

The European Monetary Cooperation Fund was created in April 1973 for medium-term balance-of-payments support (two to five years). It also began managing short-term aid (two to three months). With the addition of the three new members, both short- and long-term credit resources expanded to UA 2.725 billion each. An additional UA 1.5 billion could be raised from and lent to each member state. The fund will be capitalized at UA 500 million. Gradually, the Nine plan to pool part of their gold and foreign exchange reserves in the Monetary Cooperation Fund.

Member states have intensified economic policy coordination. They held three special Council meetings on economic policy in 1973. Quantified guidelines for price increases, growth rates, unemployment, and balance of payments were set in the third Medium-Term Economic Policy Program, covering 1971-75.

In February 1974, the Short- and Medium-Term Economic Policy Committees and the Budgetary Policy Committee were merged into the Economic Policy Committee. This merger streamlined the decision-making process in overlapping areas. The committee consists of four Commission representatives and four experts from each member country.

During the second stage of economic union, from 1974 through 1976, member states plan to continue working out conflicts in their economic policies and to consolidate other common policies. Employment and other social policies (page 20) and regional policy have been marked for close attention during the second phase. Disagreement about the size and the operation of the European Regional Development Fund delayed the start of the second stage of economic and monetary union, scheduled for January 1974.

Regional Policy

To narrow the gap between the Community's prosperous areas and backward regions was a main goal set by the EEC Treaty. Most underdeveloped areas depend on farming or on old-fashioned industries for their peoples' livelihoods. These areas include southern Italy, western and southwestern France, northern Holland, Germany's eastern border, half of Ireland, and parts of northern England, Wales, and Scotland.

The Community's regional aid antedates the EEC Treaty. The 1951 ECSC Treaty authorized the Community to give loans to attract new industries into declining coal and steel regions and to retrain workers for new jobs (page 20). By the end of 1973, UA 225 million had been spent on vocational rehabilitation. ECSC reconversion loans totaling UA 228.5 million had created new jobs in former coal and steel centers.

Unlike the common agricultural policy, which the EEC Treaty set forth in great detail, what has become regional policy today, was described only in general terms of "reducing the differences existing between the various regions." The treaty did, however, give the Community three instruments which could be used for regional aid: the Social Fund, the farm fund's guidance section, and the European Investment Bank.

SOCIAL FUND

The Social Fund has eased regional difficulties by providing UA 563 million by the end of 1973 to retrain and resettle 1.7 million workers. Shipbuilding, the textile industry, and Italian sulphur mines have been among the industries receiving special aid from the fund. The fund's 1974 budget is UA 327.8 million.

FARM FUND'S GUIDANCE SECTION

The farm fund's guidance section had committed UA 933 million by the end of 1973 for modernizing farming and raising living standards in poor agricultural areas. A December 1973 Council directive allows member countries to vary aids according to the needs of the region. A second 1973 Council directive permits member countries to give special aids to keep farmers on the land in especially backward rural areas to protect the countryside.

EUROPEAN INVESTMENT BANK

The European Investment Bank (EIB) is an independent non-profit public body. It lends money to financial institutions, autonomous public authorities, pub-



The Bonne Espérance-Logdoz factory in Chertal, Belgium, was built on the ruins of the Bonne Espérance mine which closed down. Construction of the plant was partly financed by a loan from the European Coal and Steel Community under its program for bringing new industry into declining coal and steel regions.



lic enterprises, and private companies for projects

- to develop backward areas
- to modernize or convert undertakings or develop new activities too large or expensive to finance in individual member countries
- to benefit several member countries and too large or expensive to finance in individual member countries.

EIB loans are seed money, paying only part of the cost of each project. Investors and other institutions furnish the rest of the capital needed.

Seventy-five per cent (UA 1.83 billion) of the bank's loans and guarantees from 1958 to 1972 involved regional development. The bank also gives financial aid to Community associates (page 24).

Typical EIB-financed regional development projects include port and telecommunications improvements and highway construction.

All EC member countries belong to the EIB. The bank's subscribed capital is UA 2.025 billion. The bank can also raise money by bond issues, which amounted to UA 479.5 million in 1972.

REGIONAL DEVELOPMENT FUND

Member countries have agreed to create a European Regional Development Fund. The fund would help finance investments in areas receiving national aid and which have per capita incomes below the Community average. The Nine failed to keep the December 31, 1973, deadline for agreeing on the size of the fund, operating rules, and the size of each country's contribution. The transfer of resources from rich to poorer countries was the main political issue under discussion.

Industrial Policy

Industrial policy monitors the health of industry and plans for the industries of tomorrow. It is closely tied to regional policy as well as labor and competition policies (pages 20, 13). It sets goals for the Community's overall industrial growth in the attempt to reap full benefit from productive resources. It eliminates technical barriers to trade, such as differences in safety standards, so that manufacturers receive every advantage of a common market with 255 million consumers. It encourages the formation of companies of continental size and able to compete with the United States and Japan at home and abroad.

The ECSC Treaty empowered the Commission to authorize and fund joint research and development in the coal and steel industries. The Community also helps finance vocational rehabilitation programs for miners and steelworkers whose jobs disappear because of technological progress. The Euratom Treaty gave the Community similar powers in the nuclear industry.

The EEC Treaty did not provide for an industrial policy as such. An outline came only in March 1970 with a broad Commission plan for removing legal, fiscal, political, and social barriers to the development of European multinational companies. In December 1973, the Council of Ministers approved a flexible timetable for completing the following industrial policy priorities by 1978:

- removing remaining technical barriers to trade in foodstuffs and industrial goods
- initiating open bidding for public works contracts
- removing fiscal and legal barriers to transnational mergers
- making proposals for developing capital intensive industries, such as data processing
- making rules for the formation of "European" companies and their statutes. This legal form would co-exist with national law. It would allow mergers between companies of different nationalities without the choice of a single nationality for the new company (page 18).

REMOVING TRADE BARRIERS

Differences in member countries' safety and quality standards mean that a manufacturer who wants to sell throughout the Community may have to comply with up to nine norms. To save companies the expense of small production runs and expensive retoolings this situation entails, the Council of Ministers enacted a program to "approximate" standards, in May 1969. By February 1974, the Council had passed

more than 40 directives setting common standards for products ranging from scales to detergents. The Community plans to complete the original program and an additional one adopted in May 1973 before the end of 1977.

OPENING PUBLIC MARKETS

Purchases by member states' government agencies and public utilities represent a growing share of the market for manufactures, about 17 per cent. Yet only 5 per cent of public orders go to suppliers in other member states. Advanced technology and heavy industries, which depend on public purchases, have scarcely benefited from economies of mass production for a large common market.

The Commission has drafted directives to open major public contracts to bidders from every member country. To change public buyers' discriminatory attitudes, the Commission wants hearings on public tenders, added contacts between public buyers, and statistics on bids.

Discrimination by nationality in public works contract awards has been banned since August 1972. Invitations to bid on public works in the civil engineering and building industries must be advertised in the Community's *Official Journal* if they involve UA 1 million or more. The authorities must also consider tenders from every other member country.

TRANSNATIONAL EUROPEAN COMPANIES

To help European companies grow to Common Market size, the Community encourages transnational intra-Community ventures. In May 1973, the Commission opened a Business Liaison Office which had answered nearly 1,000 inquiries about joint ventures and other commercial questions by the year's end. To promote Community-sized, advanced technology companies, the Community plans to initiate development contracts. These contracts would go to companies participating in transnational research or working on projects of Community interest.

To provide capital for transnational mergers and to promote joint exports, eight major national finance institutions joined forces with the European Investment Bank (page 15) in November 1973. Projects to be financed would involve more than one credit institution and be so large as to need some external financing.

The EIB also finances projects to spur the Community's industrial growth. Between 1958 and 1972, the



Core Memories, Ltd., Dublin. The Community's industrial policy encourages the formation of companies large enough to compete throughout the Nine and to invest in the research necessary to develop tomorrow's technology.

bank spent UA 59.3 million on partial financing of such projects. The bank gives special consideration to transnational projects when deciding upon its financing activities.

Member states plan to iron out differences in their company laws discouraging transnational links between companies. Common rules are planned for company formation, accounting methods, increases in capital, and mergers.

In addition to "European companies," the Community is working on legal forms to encourage business regroupings under EC, not national, law. These forms include

- a *European cooperation group*, a non-profit association of companies with common interests working together toward specific goals. This arrangement would help small and medium-sized companies by providing joint services, such as sales offices, centralized accounting services, and research.
- a *joint undertaking*. This status, conferring tax and other advantages, is now reserved for companies in the nuclear industry that provide a public service or do major technological projects of Community interest.

The industrial policy program also calls for alignment of national systems for taxing parent companies and subsidiaries in different member countries and joint capital in mergers between companies in different member states.

SPECIAL PROBLEM INDUSTRIES

The Community's industrial policy pays close attention to industries with special problems, such as the technology and capital intensive data processing and aeronautical industries, the recession sensitive ship-building industry, and the backward paper industry. Future proposals will address the textile, nuclear, and heavy mechanical and electrical engineering industries. Efforts to reach a common policy on raw material supplies, especially non-ferrous metals, also form part of the common industrial program.

In January 1965, the Community began a consultation procedure on export guarantees and credit insurance which so heavily influence the selling price of capital goods, such as locomotives, and the construction price of large plants. A Council decision in December 1973 tightened the consultation procedure, designed to prevent member countries from outbidding each other on export credit and guarantees.

MULTINATIONAL COMPANIES

The Community is considering laws to make sure that multinational companies do not restrict competition or harm workers. Multinationals' size frees them of many traditional checks imposed by public authorities and labor unions, which have not consolidated to worldwide or Community-wide dimensions. Their financial weight raises problems in taxation and currency dealings. Some multinationals' annual turnovers exceed the smaller EC member countries' national budgets.

According to ideas outlined by the Commission in November 1973, the Community plans no discrimination against multinationals. Some of the Commission's suggestions would facilitate international activity, while others would curtail companies' freedom. Suggestions include

- a good conduct code for takeovers, requiring publication of ample information, including the source of funds used and the bidder's identity
- intergovernmental cooperation to minimize tax evasion and keep an eye on inter-company sales and license agreements
- publication of companies' consolidated accounts broken down by country to show the flow of investment money, profits and taxes as a percentage of sales, research costs, and licensing revenue.

Science and Technology Policy

INDUSTRIAL PROPERTY

The European Patent Office, based in Munich, plans to open in 1976, following the October 1973 signature of the European Patent Convention. A single application to the office will give inventors patent protection in 21 countries—the Nine, plus Austria, Finland, Greece, Liechtenstein, Monaco, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, and Yugoslavia. This system was designed to overcome the advantage large companies have over smaller competitors in arranging for patent coverage throughout Europe.

The International Patent Office in The Hague will conduct the patent search to test originality, patentability, and commercial worth.

Community members are to sign a convention to unify their patent laws. The convention would make any EC country's act, such as revoking a patent, valid throughout the entire Community. The treaty would also prohibit market sharing, licensing a patent in only one EC country.

The Commission has published a draft European trade mark convention whereby companies could obtain trademark protection throughout the Community by registering once with a European trademark office.

COMPANY LAW

Economic union involves the alignment of company laws on business practices, such as mergers and disclosure of information to stockholders. So far, two alignment directives have been enacted.

A March 1968 directive provides for common rules to protect stockholders and third parties. It requires companies to publish their articles of incorporation and an annual statement of accounts and to give information about their directors and conditions for dissolving the company. The Community also plans to unify bankruptcy laws.

A September 1973 directive specifies minimum capital requirements for companies and gives harmonized guidelines for increasing or decreasing stock capital.

Three other draft directives await Council action. They would

- align rules for protecting parties affected by mergers
- harmonize disclosure requirements for balance sheets and profit and loss statements
- give workers a voice in corporate management by seating them on the company's supervisory board.

Science and technology hold the key to tomorrow's healthy industries. Here, too, Community members pool their efforts, acknowledging that individually they cannot finance the wide range of advanced technology projects needed today.

ECSC

The ECSC does research into health and pollution problems found in the coal and steel industries. Working through the national research institutes, the ECSC had spent more than \$120 million on research by February 1974. Projects have included studies of coalminers' "black lung" disease and of ways of limiting air pollution by sulphur dioxide released in steelmaking.

EURATOM

Euratom does nuclear research at the Community's Joint Research Center with facilities in: Ispra, Italy; Karlsruhe, Germany; Geel, Belgium, and Petten in the Netherlands. By February 1974, Euratom had spent UA 1.03 billion on research. Its work has resulted in 1,463 patents and 5,000 scientific articles. Projects have included studies of the effects of radiation on plants, animals, and insects and a program on controlled thermonuclear fusion.

EEC

The EEC Treaty does not specifically provide for research, but at the Paris Summit member countries decided that their joint research activities should be extended into key technologies. Data processing, telecommunications, metallurgy, pollution control, oceanography, new means of transport, and meteorology were designated priority areas of research. On January 14, 1974, the Council of Ministers accepted the Commission's proposed guidelines for a broad science and technology policy involving

- coordination of every aspect of national research and development not excluded by military or industrial property considerations
- promotion of basic research within a European Science Foundation
- forecasts of long-term research needs
- joint projects for research in each priority field.

The Community often opens research projects to other countries. In October 1973, for example, 15 European countries signed a convention for a medium-range weather forecasting center in England. The European Science Foundation will be open to non-member countries.

Energy Policy

The European Community uses half as much energy as the United States, 840 million tons petroleum equivalent in 1971. Unlike the United States, which can fill all but 9 per cent of its energy needs domestically, the Community imports 63 per cent of its needs. The economic importance of energy and the Community's vulnerability to shifts in sources of supply have made energy policy a Community priority.

The energy policy has been slow to develop, partly because the Community treaties split up responsibility for energy. The ECSC Treaty covered coal and coke; the Euratom Treaty, nuclear energy, and the EEC Treaty, oil, natural gas, and petroleum. The merger of the three Communities' executive institutions in 1967 ended this inconvenience by creating a single Commission and a single Council of Ministers which could discuss every type of energy at the same time.

Today, wide differences in member countries' needs, policies, and policy administration still impede progress toward a common policy. Different authorities handle prices, taxation, investment, and commercial policies. Different types of fuel are more or less important in various member states' consumption patterns. Coal-poor Denmark, for example, relies on petroleum for 95 per cent of its consumption, while coal-rich Luxembourg consumes only 31 per cent of its energy in the form of petroleum and 53 per cent in the form of coal. Government involvement in energy administration also differs. In France, for example, the state controls oil imports while other member countries leave import management to private enterprise.

Unloading of petroleum, Antwerp, Belgium. Community members are trying to reduce their dependence on petroleum, which now supplies 60 per cent of their energy needs, by promoting the use of natural gas and nuclear energy.

Despite the priority given verbally to the development of a common energy policy, member countries' reactions to Arab oil embargoes after the October 1973 Arab-Israeli war showed how far off a common energy policy still was. In April 1973, the Commission made proposals for comprehensive energy guidelines, but so far Council action has been piecemeal. Measures enacted include common rules on

- subsidies to promote coke and coal deliveries to Community steel mills
- minimum oil stocks of 65 days, to be raised to 90 days by January 1965
- reports to the Commission on investment plans for oil, natural gas, and electricity and on oil and natural gas import programs
- Community aid to development of new techniques of oil and natural gas prospection
- petroleum rationing, price controls, and management and distribution of emergency oil stocks by July 1, 1974.

The Council is still considering Commission proposals to

- build a uranium enrichment plant by 1985 to fuel nuclear power stations
- align excise duties on heating oils and apply common rules on oil imports
- ban discrimination by operators of pipelines that cross intra-Community borders.

The Commission thinks a common energy policy should also include cooperation with both energy importing and energy exporting countries and joint action on pollution control and nuclear reactor accident prevention.



Quality of Life

In addition to raising living standards through economic growth, the Community is committed to improving its peoples' quality of life by programs to better living and working conditions, promote education, protect consumers, and cleanse and preserve the environment.

SOCIAL AND LABOR POLICY

The ECSC Treaty set the precedent for social action later expanded in the EEC Treaty. Both treaties protect workers' rights to move to partner countries for new jobs without losing social security benefits (page 10). Both treaties recognize that workers have to be shielded from abrupt economic changes and helped to adjust to new jobs. The idea of the Community's innovative adjustment assistance program was borrowed by the United States in the drafting of the Trade Expansion Act of 1962.

Between 1952 and 1973, the ECSC spent UA 225 million to retrain and re-employ coal and steel workers. Redevelopment loans to bring new jobs to coal and steel centers amounted to UA 228.5 million. By the end of 1973, UA 153.7 million had been granted to help build 126,000 houses for coal and steel workers.

The EEC Treaty provided for a European Social Fund to help retrain workers in industries besides coal and steel. The fund repays up to half member state expenditures on Commission-approved projects to retrain and resettle workers hurt, or likely to be hurt, by economic change. By the end of 1975, the fund will have allocated UA 691 million to help more than two million workers. Its 1974 budget is UA 225 million, financed from the Community's own revenue.

A Standing Committee on Employment, created in June 1970, helps coordinate national employment policies and gives labor unions a voice in Community employment policy.

In other social policy action, the Community has undertaken to

- develop a common vocational training policy, including minimum qualification standards for machine tool operators, lathe operators, and other tradesmen
- secure equal pay for women
- compile comparable data on social security, working hours, on-job accidents, and labor disputes.

Responding to social and labor discontent about the consumer society and mindless work in the early Seventies, the Community unveiled a social reform program in January 1974. The program stresses: job enrichment; involvement of workers in corporate



Danish bricklayers. Equal pay for men and women performing the same job is a main objective of the Community's social and labor policy. Courtesy Danish Information Office, New York, NY.

and Community decisions affecting them, and the promotion of centers to deal with the special employment problems of migrants, women, school drop-outs and elderly and handicapped workers. It also prescribes increased intra-Community exchanges of young workers. A 40-hour work week and four weeks' paid vacation for all are goals for 1976. Long-range goals include improvements in the distribution of income and wealth, on-job safety, and public housing, especially for migrant workers.

EDUCATION POLICY

Community education policy accents the need for continuing or "permanent" education of people who will have more than one career during their working lives and who live in a multilingual Community. The Community's novel European School experiment (page 6) could well be extended throughout Europe.

Until the 1969 Paris Summit, Community activities in the field of education were limited to the European Schools, vocational training, and mutual recognition of diplomas of physicians, architects, and many other professions. In accordance with the wishes expressed by member governments at the Paris Summit, the six founding members' ministers of education first met as the Council of Ministers in November 1971.

A fully fledged education policy is in the planning stages. A convention for the creation of a European University Institute, a postgraduate institution specializing in European integration, awaits ratification. Faculty recruiting began in February 1974.

CONSUMERS

Free trade has widened consumers' choice of food and goods and heightened the need for consumer information and protection.

In December 1973, the Commission sent to the Council of Ministers a preliminary consumer information and protection program. It set the following priorities for action over the next three years:

- tightening health and safety standards for foodstuffs, dangerous products, and other goods
- eliminating unfair and misleading sales practices, such as supplying unsolicited goods, false advertising, and unfair contracts
- increasing protection for consumer credit and lease purchases
- providing comparative price statistics and improving labeling.

Competition policy (page 13) also helps consumers. For example, the Community has fined sugar producers UA 9 million for depriving consumers of the benefits of free imports. The Community has also condemned agreements in the record industry that made identical records cost much more in Germany than in France.

Competition policy has helped to narrow certain consumer price differences from member country to member country, but retail prices of many goods still vary widely. Differences in transport costs and tax rates partly explain this situation, but administrative complexities at internal borders are a main culprit. Some mail order houses add 20 per cent to catalogue prices to cover these extra costs. The Commission is working with the national administrations to cut this red tape.

ENVIRONMENT

Some Community work has helped to improve the environment, but it was not until July 1973 that an environmental program was established. Before then, programs to reduce technical barriers to trade, by writing common product standards, indirectly benefited the environment. Now Community law sets common restrictions on such diverse matters as pollution from auto exhaust and non-biodegradable detergents.

The Community environmental policy tries to "improve the setting and quality of life and the surroundings and living conditions of the Community population." The policy, based on the principle of "the polluter pays," was designed to

- prevent, reduce, and eliminate pollution where possible
- maintain the ecological balance and protect the biosphere
- tap natural resources without damaging the ecological balance unnecessarily
- persuade policy-makers to consider the environment when formulating other policies.

Coordination of member state environmental action is the Community's main role. The Community also works with such international organizations as the International Commission for the Protection of the Rhine Against Pollution, the Organization for Economic Cooperation and Development, and the United Nations.

Munich, Germany, has closed its center to vehicular traffic, freeing it for pedestrians. By putting people first, the Community's environmental policy tries to improve the quality of life.
© Max Prugger, Munich. Courtesy Organization for Economic Cooperation and Development, Paris.



The Community and the World

The Community's economic size and dependence on imported raw materials and export outlets make good relations with the rest of the world imperative. In addition to following a common trade policy toward non-member countries (pages 6-8), the Community and its member states practice active economic and technical aid policies toward the developing world (page 24).

More than 90 non-member countries, including the United States, have diplomatic representatives accredited to the Community. The Community has delegations accredited to the United States, Chile (for Latin America), the OECD in Paris, and the international organizations based in Geneva, such as the GATT.

Every EC country belongs to the International Monetary Fund (IMF), the OECD, the GATT, and the Council of Europe. Every Community country but Ireland belongs to the North Atlantic Treaty Organization (NATO). The Nine maintain close relations with many other international bodies, such as the United Nations' specialized agencies.

For international conferences and negotiations, the Nine develop common positions, as they have done for the Conference on Security and Cooperation in Europe (CSCE) and the GATT trade talks which opened in Tokyo in September 1973. They are working on a common position for monetary negotiations within the IMF. The Commission conducts negotiations for the Community on the basis of a Council mandate.

WORLD IMPACT

The Community's impact on international relations can be judged by the number of countries that have asked for

- full membership, open to European countries
- association leading to membership, open to less-developed European countries
- association leading to customs union or free trade area, open to developing countries
- trade (page 8) and technical aid agreements (page 24).

The Council of Ministers unanimously approves the opening of membership negotiations and, on their conclusion, the terms of entry. The national legislatures ratify the terms of entry.

Association agreements are unanimously approved by the Council. Trade agreements can be approved by a weighted majority vote of the Council.

The Community negotiates as a unit with countries seeking membership, association, or bilateral trade agreements. The Commission conducts negotiations on the basis of Council mandates.

EXTERNAL RELATIONS BY AREA

Western Europe

The Community has extended an open membership invitation to any democratic West European country with a similar economy. The Community has free trade agreements with Britain's and Denmark's former EFTA partners (page 8). It also has international transport agreements with Austria and Switzerland.

United States

All postwar US Administrations have strongly supported European unity as a cornerstone of the Atlantic alliance. They have viewed the Community as the instrument of European unification.

Every Commission and High Authority President since Jean Monnet has paid an official visit to the White House. Twice a year, once in Brussels and once in Washington, Community representatives and members of the US Administration meet to discuss common concerns, ranging from trade and monetary affairs to the energy crisis. The Delegation of the Commission of the European Communities handles day-to-day business. Trade disputes are aired and often settled in these two forums and in the GATT. Regular exchanges of members of the European Parliament and of the US Congress provide further opportunities for transatlantic dialogue.

Euratom and the US Atomic Energy Commission (USAEC) have a cooperation agreement which provides for exchanges of scientific information and supply of fissile materials to Euratom. In 1973, Euratom's payments to USAEC for nuclear fuel amounted to \$52.3 million.

US direct investments in the Six amounted to \$15.7 billion in 1972, compared with EC investments of \$3.9 billion in the United States. The two devaluations of the US dollar have made investments in the United States attractive to European companies, so that the disparity in the size of each partner's investments on the other side of the Atlantic may narrow. In 1972, investments in the Six and Britain returned \$2.3 billion to the United States in repatriated profits.

Japan

A similar dialogue developed between the Community and Japan in 1973 after both sides agreed to postpone negotiations for a bilateral trade agreement so that it could reflect the results of the current GATT talks. EC-Japan negotiations had bogged down in mid-1972 over safeguard clauses.

State-Trading Countries

The persistence of national agreements with China and the East Bloc countries stems largely from their reluctance to deal with the Community as an entity. However, in 1972, Soviet Party Secretary Leonid Brezhnev admitted that the Community is a "fact of life." Shortly thereafter, Romania applied directly to the Community for inclusion in its system of generalized tariff preferences and was admitted on January 1, 1974.

At the Copenhagen Summit, the Nine resolved to promote detente and cooperation with the Soviet Union. On August 27, 1973, Secretary General of COMECON Nikolai Fadeyev held unofficial talks on these subjects with Ivar Noergaard who was then President of the Council of Ministers.

Despite Eastern Europe's reticence about treating the Community as a unit, Bulgaria, Hungary, Poland, and Romania have technical and agricultural agreements with the EC.

The Community has no formal relations with China, but every member state has a diplomatic mission to Peking. Chinese officials have voiced support for the Community whose leaders, at the Copenhagen Summit, said they would intensify their relations with China.

Africa

Yaoundé Convention

Right from the beginning, the Community has given close attention to relations with developing countries, especially those linked by tradition to its members. After Britain joined the Community, 20 devel-

Laying rails for the Transcameroon Railroad, partly financed by the European Development Fund. Both the Community and its member states extend economic and technical aid to the developing world.



oping Commonwealth countries were invited to share the close relationship developed with other members' former colonies and dependencies, under a new Yaoundé Convention (page 8) or other arrangement. Negotiations for this new arrangement opened in Brussels in September 1973.

East Africa

The Community also has an association agreement with three East African countries: Kenya, Uganda, and Tanzania. The convention was signed in Arusha on July 26, 1968, renewed on September 24, 1969, and expires on January 31, 1975. Unlike the Yaoundé Convention, the Arusha pact provides no aid, only trade preferences. On its expiration, the East African countries will be eligible to participate in arrangements replacing the current Yaoundé Convention.

Mediterranean Countries

The Community has always considered its relations with Mediterranean countries important. Trade pacts have been made with individual countries, resulting in a great variety of agreements with countries in the area.

In September 1972, the Community began to consider a global approach to the entire area. Proposals under discussion would improve Mediterranean countries' access to the Community market, provide financial and technical aid to the least developed countries, and institute cooperation on economic development, migrants' living and working conditions, and environmental protection, especially of the Mediterranean Sea.

Latin America

The 1970 Buenos Aires Declaration marked a turning point in the Community's relations with Latin America. The Latin American countries asked the Community to strengthen commercial and financial ties with them, make special arrangements on agricultural trade, increase technical cooperation, and reduce ocean transport costs. In 1971, the Community and 22 Latin American countries formed the Latin American Coordination Committee, which meets regularly.

The Central American Common Market, the Andean group, and the Latin American Free Trade Area have studied the Community as a model customs union.

The Community has trade agreements with only three Latin American nations: Argentina, Uruguay, and Brazil. However, Latin American countries benefit from EC generalized preferences (page 8).

DEVELOPMENT AID

The member states, through foreign aid programs, and the Community, through the European Development Fund (EDF) and the European Investment Bank (EIB), aid the growth of the "Third World" by financial, technical, and food aid as well as tariff preferences (page 8).

World

In 1973, the governments of Belgium, Denmark, France, Germany, Italy, the Netherlands, and Britain gave \$4.1 billion in foreign aid, compared with \$3.0 billion provided by the United States. (These statistics exclude Ireland's and Luxembourg's foreign aid programs because neither country belongs to the OECD's Development Assistance Committee, the source of these figures.)

The Nine have decided to increase their aid to the Third World, develop common policies on raw materials, improve their generalized tariff preference system, grant technical assistance to regional integration, and ease the developing countries' debt burdens.

Associated Countries

Yaoundé Associates

The Community created the EDF in 1958 to aid its members' overseas territories' social and economic development. The first EDF paid out \$581 million. After many of these territories had achieved independence and the signature of the Yaoundé Convention, the second EDF was formed. It was endowed

with \$800 million to spend over five years. The third EDF has \$1.2 billion to spend over the same period. Nearly all EDF aid to the Yaoundé associates is given in the form of outright grants.

Between 1958 and 1972, the Community also made available UA 142.3 million for loans to the Yaoundé countries through the European Investment Bank (page 15).

Turkey and Greece

Aid to Turkey is in the form of loans from the EIB at reduced rates of interest. Between 1958 and 1972, Turkey received UA 175 million in EIB loans.

Similar aid to Greece was terminated after the military coup in 1967. Up to the coup, Greece had received UA 69.2 million in EIB loans.

Community aid helps associates fill basic economic and social needs. It helps build roads, schools, and hospitals. It is also used to diversify and improve industrial and farming efficiency so that the associates' exports can compete on world markets.

FOOD AID

To alleviate hunger in famine or disaster stricken countries, the Community has given food aid since 1968. After the Kennedy Round (page 6), the Six agreed to supply 1,035,000 metric tons of grain a year as part of the 1967 International Food Aid Convention. In 1973-74, the Nine will supply 1,287,000 tons of grain. Without any international commitment, the Community also contributes powdered skim milk, butteroil, sugar, and powdered eggs.

This new bridge over the Bosphorus Strait, linking Europe with Asia, was partly financed by a loan from the European Investment Bank. Courtesy British Information Services, London.



Political Union

The goal of political union was present from the Community's earliest history. The ECSC Treaty spoke of using an economic community "as the basis for a broader and deeper community among peoples long divided by bloody conflicts" and of "a destiny henceforward shared." The EEC Treaty expressed the determination of the Six "to lay the foundations of an ever closer union among the peoples of Europe."

The six heads of state and government held their first Summit meeting in Paris on February 10-11, 1961, to discuss French President Charles de Gaulle's proposal for consultations on political, economic, cultural, and defense questions. An intergovernmental committee was appointed to study and report on the French proposals by the next Summit meeting, in Bonn on May 19. The committee's chairman was Christian Fouchet, the French delegate.

At a second Summit meeting in Bonn, on July 18, the Fouchet Committee was asked to screen any new proposals from other governments and to suggest the means by which "statutory form can be given . . . to the union of their peoples." On October 19, France sent the committee a draft treaty for a "Union of States" whose members would cooperate on scientific and cultural affairs and develop common foreign and defense policies. After eight months, in April 1962, treaty-drafting negotiations broke off, mainly because the Six could not agree on whether or not to invite the United Kingdom (then exploring the possibilities of Community membership) to participate in the committee's work.

Europe will not be built all at once, or through a single comprehensive plan. It will be built through concrete achievements, which will first create a de facto solidarity. . . . These proposals will build the first solid foundations of the European federation which is indispensable to the preservation of peace. French Foreign Minister Robert Schuman, Declaration, Paris, May 9, 1950

A period of political stagnation followed this unsuccessful attempt to institutionalize political cooperation by treaty. After 1962, the thrice-yearly political consultations between foreign ministers, agreed upon in November 1959, were discontinued. The rift between the Six widened further after exploratory talks with the United Kingdom about EC membership broke off in January 1963.

The Six did not hold another Summit meeting

until May 29-30, 1967, in Rome. This meeting renewed the political dialogue. The heads of state and government also decided to: have their foreign ministers consider the membership application the United Kingdom had made in May 1967; to merge the Community's executive institutions on July 1, 1967, and to resume discussion of an Italian proposal to open a European University in Florence.

Political unification was mentioned for the first time since 1961 in the communiqué issued after the December 1-2, 1969, Summit meeting in The Hague. The six foreign ministers were instructed to report

Resolved to substitute for historic rivalries a fusion of their essential interests; to establish, by creating an economic community, the foundations of a broader and deeper community among peoples long divided by bloody conflicts; and to lay the bases of institutions capable of guiding their future common destiny . . . ECSC Treaty, Paris, April 18, 1951

on "the best way of achieving progress in . . . political unification within the context of enlargement" to include Britain. This broad mandate began the Community's third move toward political unity.

On July 20, 1970, the foreign ministers, meeting in Luxembourg, adopted the report which had been drafted by the political directors of the six ministries of foreign affairs under the chairmanship of Etienne Davignon of Belgium. Since the "Luxembourg Report," political cooperation has been pursued pragmatically, without any attempt to formalize it by a treaty. The report said that foreign policy concertation should enhance the Community's development and make Europeans aware of their collective responsibilities. It outlined a consultation procedure:

- Foreign ministers meet at least twice a year, but a Summit conference can replace a meeting.
- The Political Committee, consisting of the foreign

Determined to establish the foundations of an ever closer union among the Europeans peoples . . . Resolved to strengthen the safeguards of peace and freedom by combining their resources in a single unit, and calling upon the other peoples of Europe who share their ideal to join in their effort, have decided to create a European Economic Community. EEC Treaty, Rome, March 25, 1957

ministries' political directors, prepares for meetings of the foreign ministers. This committee, sometimes called the "Davignon Committee" after its first chairman, meets at least four times a year.

- Consultations cover "all major questions of international politics" and "all important matters in the area of foreign policy."

The foreign ministers first met twice a year after November 1970 and now meet four times a year. (The Davignon Committee holds more than the prescribed number of meetings.)

Entry upon the final stage of the Common Market not only means confirming the irreversible nature of the work accomplished by the Communities, but also means paving the way for a united Europe capable of assuming its responsibilities in the world of tomorrow and of making a contribution commensurate with its traditions and its mission. Summit Communiqué, The Hague, December 1-2, 1969

The best known result of political concertation to date was the foreign ministers' November 6, 1973, resolution on the Middle East. The resolution supported the right of every state in the area to live in peace within secure and recognized boundaries and said that Israel should return to its pre-1967 borders. It was the first time the Nine had publicly taken a common position on a major world issue.

The foreign ministers have also taken joint stands on: the Conference on European Security and Cooperation, where the Commission participates in any discussion involving the Community treaties; on relations with the United States, and on issues debated in the United Nations.

At the October 19-20 Summit meeting in Paris, Community leaders said that Europe should make its voice heard in world affairs and contribute to worldwide stability during the current negotiations on

The heads of state or government, having set themselves the major objective of transforming, before the end of the present decade and with the fullest respect for the treaties already signed, the whole complex of the relations of member states into a European union, request the institutions of the Community to draw up a report on the subject before the end of 1975 for submission to a Summit conference. Summit Communiqué, Paris, October 19-20, 1972



The movement toward political unification was revived at this Summit meeting in December 1969 at the Knights' Hall, The Hague.

trade, defense, monetary affairs, and European security. They also asked their foreign ministers to report on ways of improving political cooperation.

This report, approved by the foreign ministers in July 1973, said that the flexible, pragmatic approach had been effective. Member states had introduced an original European technique into international relations.

To define their relations with other countries and their responsibilities in world affairs, Community leaders released a statement on "European identity" at their December 14-15, 1973, Summit in Copenhagen. In it, member states resolved to develop the political cooperation system further so that they could "tackle with confidence and realism further stages in the construction of a united Europe, thus making easier the proposed transformation of the whole complex of their relations into a European union."

The Europe of the Nine is aware that as it unites, it takes on new international obligations. European unification is not directed against anyone, nor is it inspired by a desire for power. On the contrary, the Nine are convinced that their union will benefit the whole international community since it will constitute an element of equilibrium and a basis for cooperation with all countries, whatever their size, culture, or social system. The Nine intend to play an active role in world affairs and thus to contribute, in accordance with the purposes and principles of the United Nations Charter, to insuring that international relations have a more just basis, that prosperity is more equitably shared, and that the security of each country is more effectively guaranteed. In pursuit of these objectives, the Nine should progressively define common positions in the sphere of foreign policy.

Summit Communiqué, Paris, December 14-15, 1973

Calendar of Events in European Unification

1946

September 19. Winston S. Churchill, in Zurich, Switzerland, urges Franco-German reconciliation within "a kind of United States of Europe."

1947

June 5. US Secretary of State George C. Marshall offers economic aid for a collective European recovery program.

1948

April 18. Treaty is signed in Paris creating the Organization for European Economic Cooperation (OEEC) for the joint administration of Marshall Plan aid.

1949

May 5. Council of Europe Statute signed.

1950

May 9. French Foreign Minister Robert Schuman makes proposal to place Europe's coal and steel economies under a common European authority.

1951

April 18. Treaty creating the European Coal and Steel Community (ECSC) signed in Paris.

1952

August 10. ECSC executive body, the High Authority, begins functioning in Luxembourg with Jean Monnet as its first President.

1953

February 10. Opening of ECSC common market for coal, iron ore, and scrap.

May 1. Opening of ECSC common market for steel.

1955

June 1-2. Messina Conference: Foreign ministers of the "Six" decide on further economic integration as the basis for future political unity.

1956

May 29. Venice Conference: Foreign ministers of the Six give go ahead for treaty-drafting conference.

1957

March 25. Rome Treaties creating the European Economic

Community and the European Atomic Energy Community signed.

1958

January 1. Rome Treaties go into force. Walter Hallstein becomes EEC Commission's first President; Etienne Hirsch becomes Euratom Commission's first President.

1959

January 1. First EEC tariff reductions and quota enlargements.

1960

May 3. Convention creating the European Free Trade Association in force.

1961

July 9. Association agreement with Greece signed in Athens.

August 1. Ireland applies for Community membership.

August 10. Britain and Denmark request negotiations aimed at Community membership.

November 8. Negotiations on United Kingdom's possible membership open.

December 15. Three neutrals — Austria, Sweden, and Switzerland — apply for association with the Community.

1962

January 14. Community fixes basic features of common agricultural policy and enacts regulations for grains, pork, eggs and poultry, and fruit and vegetables.

April 30. Norway requests negotiations for Community membership.

July 30. First common agricultural policy regulations go into effect.

1963

January 14. French President Charles de Gaulle declares that Britain is not ready for Community membership, thus exercising a *de facto* veto.

January 22. Franco-German Treaty of Cooperation signed in Paris.

January 29. Negotiations between the Community and Britain break off.

September 12. Association agreement with Turkey signed in Ankara.

December 23. Common farm policy regulations agreed upon for rice, beef, and dairy products to take effect November 1, 1964.

1964

May 4. Kennedy Round of negotiations within the General Agreement on Tariffs and Trade (GATT) opens in Geneva.

June 1. First Yaoundé Convention in force associating 17 African states and Madagascar with the Community.

September 23. EEC Commission bans the Grundig-Consten exclusive sales agreement for violating competition rules.

November 30. Association with Turkey in effect.

December 15. Common grain prices adopted.

1965

March 31. Common Market Commission proposes that, as from July 1, 1967, all Community countries' import duties and levies be paid into Community budget and that powers of European Parliament be increased.

April 8. Six sign treaty merging Community executive institutions.



The "Schuman Declaration" of May 9, 1950, launched the first European Community, for coal and steel.

July 1. Council fails to reach agreement by deadline fixed on financing common farm policy; French boycott of Community's Council of Ministers begins seven-month crisis.

1966

January 29. Foreign ministers agree to resume full Community activity.

May 11. Council agrees that on July 1, 1968, all tariffs on trade between Member States shall be removed and that the common external tariff shall come into effect, thus completing the Community's customs union. It agrees also to complete common farm policy by same date.

July 24. Common prices for beef, milk, sugar, rice, oilseeds, and olive oil agreed by Council, enabling free trade in agricultural products by July 1, 1968.

1967

February 8-9. Council of Ministers accepts first five-year economic program and agrees to introduce a value-added turnover tax system in all six member countries.

May 10-11. Britain, Ireland, and Denmark formally apply for EC membership.

May 15. Kennedy Round ends in agreement to cut industrial tariffs by an average of 35-40 per cent.

July 1. Merger of Community's executive institutions. Achievement of free trade for grains, oilseeds, and products such as pork, eggs, and poultry whose production costs depend on grain prices.

July 28. Single market introduced for dairy and beef.

November 27. De Gaulle, in a news conference, objects to EC membership for United Kingdom.

December 19. Council reaches deadlock on UK and other membership applications.

1968

July 1. Customs union completed 18 months early. Remaining industrial tariffs between the Six abolished. Common external tariff operates around Common Market. Community makes first Kennedy Round tariff cuts.

July 18-19. Six adopt basic common transport policy regulations.

July 20. Community applies Article 108 (mutual aid) of the Rome Treaty for the first time. Community authorizes France to impose some quotas to overcome balance-of-payments difficulties.

July 26. Signing of association agreement with Kenya, Uganda, and Tanzania in Arusha, Tanzania.

July 29. Six decide to remove last remaining restrictions on free movement of workers and the last national discriminations between member states' workers in employment, pay, and other conditions.

December 9. Six adopt common foreign trade policy for most imports.

December 10. Announcement of "Agriculture 1980," a 10-year plan for modernizing farming. Six agree on technological cooperation with other interested European states.

December 18. Commission submits guidelines for common energy policy.

1969

February 12. Commission urges Six to coordinate economic and monetary policies more closely and advocates creation of a joint mutual aid system to help member countries in

balance-of-payments difficulties.

March 25. Six adopt program to align legislation on technical standards for industrial goods and food.

April 25. Commission draft 1970-74 Euratom program urges Six to let Euratom extend its activities to non-nuclear scientific research.

May 31. Yaoundé Convention expires.

July 16. Commission proposal for financing Community activities from own resources by 1974 and for increasing the European Parliament's budgetary powers.

July 17. Six agree to principle of short-term mutual monetary aid system and decide to hold prior consultations on proposed major short-term economic policy measures.

July 29. Second Yaoundé Convention signed.

September 1. Community agreements with Morocco and Tunisia in effect.

September 24. Kenya, Uganda, and Tanzania renew association agreement with EEC.

September 29. Germany "floats" the D-mark.

October 15. Commission proposals to harmonize national regional policies and to create an interest rebate fund for, and permanent committee on, regional development.

December 1-2. The Hague Summit meeting: agreement to complete, enlarge, and strengthen the Community.

December 6. Six agree to reorganize Euratom.

December 19-22. Marathon Council session agrees on permanent arrangements for financing common farm policy, providing the Community with its own resources from 1978, and strengthening the European Parliament's budgetary powers.

December 31. Community's 12-year transition period ends.

1970

January 1. Common foreign trade policy comes into operation.

January 26. Six agree on steps to define medium-term economic policies jointly and to create short-term mutual-aid system.

February 9. Community central banks activate \$2 billion short-term mutual monetary aid system.

March 4. Commission submits three stage plan for full monetary and economic union by 1980.

March 19. Trade agreement signed with Yugoslavia.

March 21. Commission outlines steps needed for common industrial policy.

May 1. Association with Yugoslavia in effect.

June 9. Six set 1980 as target-date for monetary and economic union.

June 24. Commission calls for European company statute.

June 30. Membership negotiations open in Luxembourg between the Six and Britain, Denmark, Ireland, and Norway.

July 1. Commission reduced from 14 to nine members; Franco-Maria Malfatti succeeds Jean Ray as President.

July 27. Six agree to increase European Social Fund's powers to retrain and resettle workers.

July 31. Six agree on twice yearly ministerial meetings on political cooperation.

October 1. Trade agreements with Israel and Spain come into force.

November 19. Foreign ministers of the Six meet for the first time, in Munich, Germany, to concert their views on foreign policy.

1971

January 1. Second Yaoundé and Arusha Conventions come into force. Community's "own revenue" system comes into operation.

February 1. Common fisheries policy takes effect.

February 9. Six launch three-stage 10-year plan for full economic and monetary union.

March 24. Six take first steps to carry out Mansholt Plan to modernize farming.

April 1. Association with Malta in effect.

July 1. EC introduces generalized tariff preferences for 91 developing countries.

August 15. United States imposes temporary 10 per cent surcharge on imports and suspends convertibility of dollars into gold.

October 28. House of Commons accepts principle of entry into Community by 356 votes to 244.



Prime Minister Edward Heath signs the treaty by which Britain became a member of the European Community. He is flanked by his Minister for European Affairs Geoffrey Rippon (right) and Foreign Secretary Alec Douglas-Home.

1972

January 22. "Ten" sign Accession Treaty.

March 20. Leonid Brezhnev, First Secretary of Soviet Communist Party, "recognizes existence" and development of Community.

March 21. Six relaunch economic and monetary union.

March 22. Sicco L. Mansholt becomes Commission President.

April 17. Council issues directives on farm modernization measures.

April 19. Six sign agreement for European University Institute in Florence, Italy.

April 23. French electorate, voting in a referendum, approves Community's enlargement.

May 10. In referendum, large majority of Irish electorate votes for Community membership. Association agreement signed with Mauritius.

May 31. Commission proposals for a common policy for scientific research and technological development.

June 23. Britain "floats" the pound. UK, Ireland, and Denmark temporarily withdraw from EEC agreement to maintain narrow margins of currency fluctuation.

July 14. Court upholds Commission's fines of 10 chemical firms for fixing price of aniline dyestuffs.

July 22. Community signs free trade agreements with Austria, Iceland, Portugal, Sweden, and Switzerland.

September 26. Norwegian entry to Community is rejected by referendum.

October 2. Danish electorate approves Community membership by referendum.

October 19-20. Community leaders at a Summit meeting in Paris decide on a timetable for the Community's work.

December 18. Trade agreements with Egypt and Lebanon signed.

December 18. Association with Lebanon in effect.

December 19. Association agreement with Cyprus signed.

1973

January 1. Britain, Ireland, and Denmark join the Community.

January 6. Thirteen-member Commission, headed by François-Xavier Ortoli, takes office.

February 1. Convention making civil and commercial judgements enforceable throughout the original six Community members comes into force.

February 6. Council adopts long-term Euratom program.

February 21. Court upholds Continental Can's appeal against Commission ruling that it abused its "dominant position" in Common Market, but supports Commission's contention that EEC Treaty empowers it to control mergers and monopolies.

March 12. Community currencies (except those of Britain, Ireland, and Italy) float jointly within "snake" against dollar.

April 2. Trade agreement signed with Uruguay.

April 6. European Monetary Cooperation Fund set up in Brussels.

May 1. Community opens office to help small firms cooperate.

May 14. Community signs free trade agreement with Norway.

May 23. Association with Cyprus in effect.

July 3. European Conference on Security and Cooperation opens in Helsinki.

July 19-20. At first Council session on environmental questions Nine agree on guiding principles.

September 1. Trade agreement with Yugoslavia in effect.

September 12. GATT world trade talks open in Tokyo.

October 5. Twenty-one countries endorse European Patent Convention.

October 17. Community opens negotiations with associated and "associable" developing countries.

October 22-26. Commission holds first public hearings on mutual recognition of diplomas for medical profession.

November 1. Association with Egypt in force.

November 6. Community foreign ministers issue joint declaration on the Middle East.

December 14-15. Community Summit in Copenhagen adopts statement on Europe's identity.

December 17. Trade agreement signed with India.

December 19. Trade agreement signed with Brazil.

1974

February 11-13. The Community attends the first Washington Energy Conference. France refuses to endorse the conference conclusions.

Glossary

CAP. Abbreviation for the EC's common agricultural policy, which is designed to rationalize agricultural production and establish a Community-wide system of supports and import controls. It now covers over 95 per cent of the Community's agricultural production.

COMECON. Council for Mutual Economic Assistance. Members are the Soviet Union, Czechoslovakia, Poland, East Germany, Hungary, Romania, Bulgaria, and Outer Mongolia.

COMMUNITY OF SIX. European Communities. See EC below.

COMMUNITY OF NINE. The six founding members and the three new members, the United Kingdom, Ireland, and Denmark. See EC, below.

COMMON MARKET. Popular name for the European Economic Community. See EC below.

CUSTOMS UNION. Group of countries that eliminates tariffs on trade between its members and adopts a common tariff on imports from the rest of the world.

DAC. Development Assistance Committee of the Organization for Economic Cooperation and Development.

EAGGF. European Agricultural Guidance and Guarantee Fund (page 9).

ECSC. European Coal and Steel Community. See EC below.

EEC. European Economic Community. See EC below.

EC. European Community or European Communities. The collective name for the European Coal and Steel Community, the European Economic Community, and the European Atomic Energy Community. Founding members were Belgium, France, Italy, Germany, the Netherlands, and Luxembourg. The United Kingdom, Ireland, and Denmark joined on January 1, 1973.

EDF. European Development Fund (page 24).

EFTA. European Free Trade Association. Members are Norway, Sweden, Switzerland, Austria, Portugal, and Iceland. Denmark and the United Kingdom withdrew after deciding to join the Community.

EIB. European Investment Bank (pages 15, 24).

FREE TRADE AREA. Group of countries that eliminates tariffs on trade between its members but which does not adopt a common tariff on imports from the rest of the world.

GATT. General Agreement on Tariffs and Trade. An international accord signed in 1948 to foster growth of world trade. Provides a forum for multilateral tariff negotiations and, through semiannual meetings, a means for settling trade disputes and for discussing international trade problems. Has more than 80 members.

GNP. Gross national product, usually defined as the sum total of goods and services produced in an economy and net foreign investments. This term is not to be confused with gross domestic product which is the sum total of final goods and services, excluding intermediary production, produced within national borders, plus import taxes.

IMF. International Monetary Fund.

KENNEDY ROUND. Trade negotiations which took place in the GATT from 1964 to 1967. The impetus for the negotiations and US participation were made possible by the passage of the 1962 Trade Expansion Act. Resulted in lowering duties by some 35-40 per cent in industrial products, and somewhat less in agriculture, through agreements covering some \$40 billion in world trade.

MFN. Most-favored-nation. The policy of non-discrimination in international trade which provides to all nations the same customs and tariff treatment as given the so-called "most-favored-nation."

NTB'S. Nontariff barriers. Provisions such as quotas, import regulations, buying policies, and freight rate differentials which restrict the flow of goods by means other than tariffs.

OECD. Organization for Economic Cooperation and Development.

UA. Unit of account. One unit of account equals one 1970 US dollar, 1.0857 1972 dollars, or 1.20635 1973 dollars. Units of account are the Community's basic accounting unit. They are defined in terms of the gold weight of a 1970 dollar. The Community did not change its definition after the US devaluations.

UNCTAD. United Nations Conference on Trade and Development.

VAT. Value added tax. An indirect tax which has the effect of a retail sales tax. Tax is collected on the value added to a product at each stage that the product passes before reaching the consumer.

YAOUNDE CONVENTION. Convention joining the Community to Madagascar and 18 African States which are former colonies of Community member states.

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