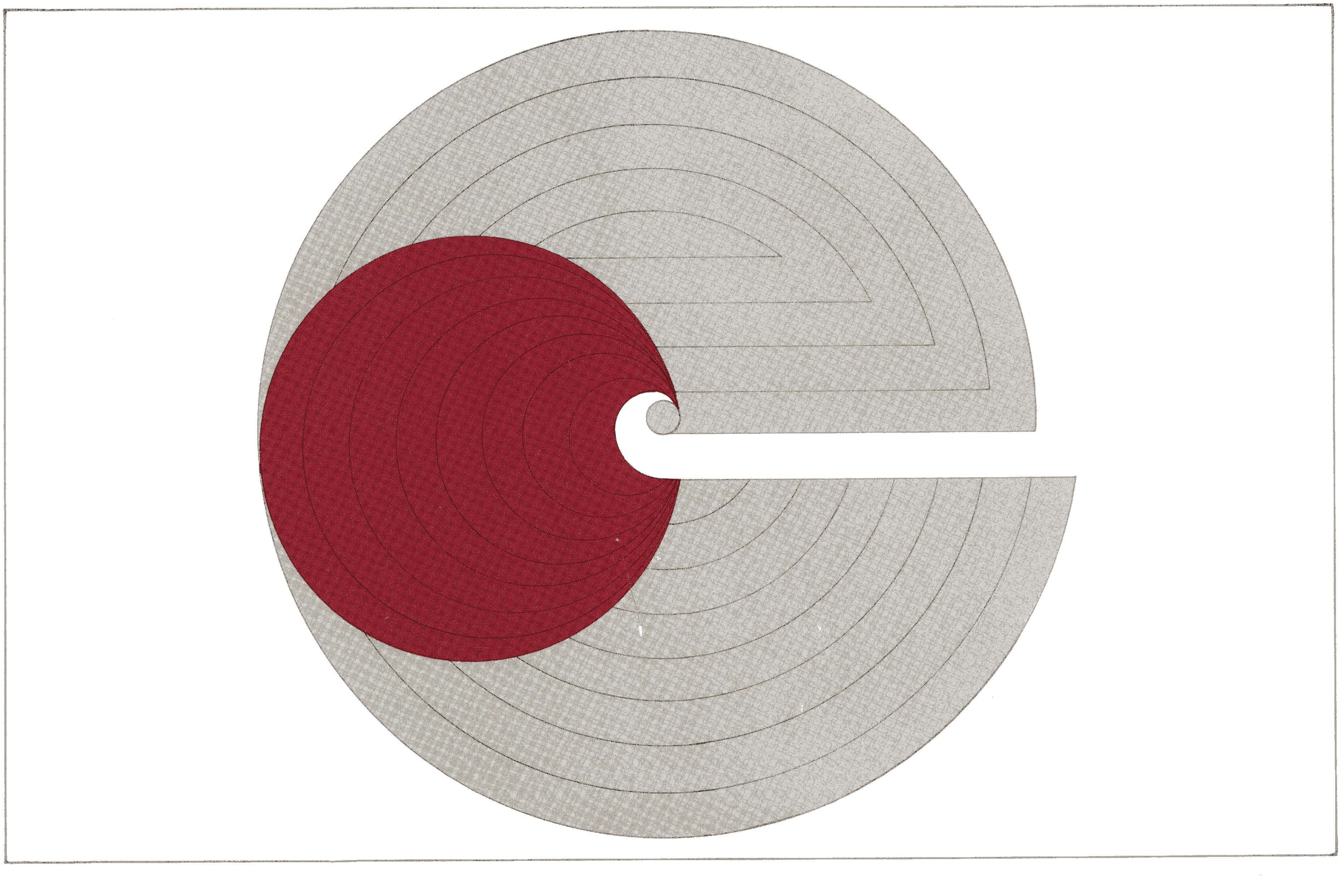
European Community: The facts



European Community: The facts

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6 What? Why? How? When?

8 Institutions

12 Customs Union

13 Agricultural Policy

15 Free Movement

17 Transportation Policy

18 Competition Policy

20 Economic and Monetary Integration

21 Regional Policy

22 Industrial Policy

25 Science and Technology Policy

26 Energy Policy

27 Quality of Life

30 The Community and the World

36 Closer Political Co-operation

37 Glossary

38 Calendar of Events

41 Selected Bibliography

The European Community covers an area almost one-sixth the size of Canada. Within it live 230 million more people than live in Canada. The combined gross domestic product (GDP) of community members is about nine times that of Canada. 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 100 countries have accredited diplomatic representatives to the Community. It has negotiated trade or association agreements with more than 70 countries in Europe and elsewhere.

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

Some Comparisons

	European Community	Canada
Area (thousands of square miles)	590	3,852
Population (millions, 1973)	256.6	22.1
Civilian labour force (millions, 1972)	103.2	8.9
Civilian employment by sector, 1972		
Percentage in agriculture	9.5	6.9
Percentage in industry	43.5	30.9
Percentage in services	46.9	62.2
Percentage of civilian labour force unemployed (1974)	2.6	5.4
Gross national product (1974, billions of dollars)	1,133	140
Per capita national income (1974, dollars)	4,393.00	4,804.00
Exports (1974, billions of dollars)	190.0	31.2
Imports (1974, billions of dollars)	124.9	31.5
Exports from Canada to the European Community (1974, billions of dollars)	4.0	
Imports to Canada from the European Community (1974, billions of dollars)	3.1	

Canada's Prime Minister Pierre Trudeau and senior Canadian Government officials confer with members of the Commission in Brussels.

What?

The European Community is uniting the economies of nine nations: Belgium, Britain, Denmark, France, Germany, Ireland, Italy, Luxembourg, the Netherlands.

The Community's six founding members — Belgium, France, Germany, Italy, Luxembourg and the Netherlands — have established a customs union that the new members are now completing. The "Nine" are laying foundations of full economic and monetary union. They hope ultimately to form a European union.

Legally, there are three European communities, but they share the same institutions.

The European Coal and Steel Community (ECSC), created by the Paris Treaty of April 18, 1951. It prepared 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 first Rome Treaty of March 25, 1957. On January 1, 1958, the EEC began to remove trade and economic barriers between its member countries and to unify their economic policies.

The European Atomic Energy Community (Euratom), created by the second Rome Treaty of March 25, 1957. Euratom promotes the peaceful uses of nuclear energy.

Why?

The European Community seeks to:
— put an end to national prejudice, discrimination and armed conflict, which have culminated in two world wars;
— make itself a single economic area, promoting social and technological progress and the efficient use of resources in both agriculture and industry;
— recover some of the world influence that Western Europe's nations can no longer command separately;
— become a strong force for peace and a generous provider of aid to the world's poorer nations;
— contribute to world stability and the beginning 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 progresses.

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."

When?

1945-50. For centuries, philosophers and statesmen advocated the union of European nations. The postwar movement towards unity arose from the suffering and devastation of the Second World War. Europeans were determined to prevent another conflict on the continent. A way had to be found to end the animosity 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.

The Marshall Plan, which began in 1948, gave Europe the first glimmer of hope that the dream of unity might be realized. Massive U.S. aid helped West European nations rebuild their war-torn economies. The Organization for European Economic Co-operation (OEEC), born as a result of the Marshall Plan, to which Canada also belonged, enabled these nations to administer the U.S. aid jointly. It was a first step towards economic unity in Europe.
The European Coal and Steel Community, 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, who had been 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 endeavour. 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 Canada and the United States, the ECSC was widely hailed as the first step toward a European federation on the North American models.

1950-58. Similar efforts during the Fifties to form defence and political communities, 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 and the European Atomic Energy Community.
The ECSC had shown the advantages of a large market where goods could move as freely between Rome and Luxembourg as between Montreal and Vancouver. 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 would develop a common industrial base for the peaceful use of nuclear energy. Further "concrete achievements" would lead the Six towards the "ever-closer union among the European peoples" mentioned in the EEC Treaty's preamble.

1958-75. 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 worked out.

During its emergence as an economic power, the Community demonstrated openness towards the outside world, signing trade and aid agreements with many developing countries and cutting tariffs within the General Agreement on Tariffs and Trade (GATT). In the Kennedy Round of GATT talks that ended on May 15, 1967, industrial tariffs were reduced by an average of 35 to 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 relation between member countries, extending into fields not specifically covered by the treaties. Thus, at their "summit" meeting in The Hague on December 1 and 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. They also agreed to open membership negotiations with Britain, Ireland, Denmark and Norway.

On January 22, 1972, the ten nations signed the Treaty of Accession, which gave the Community three new members on January 1, 1973; Norway's voters rejected the terms

Institutions

of membership in a referendum. Further summit meetings took place in Paris in 1972 and in Copenhagen in 1973. The last summit meeting to be called as such took place in Paris from December 1 to 10, 1974. Less formal meetings of Community heads of government, known as "European Councils", now take place three times a year to review the Community's progress and give it guidelines for further advances.

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. They are the motive power of the integration process.

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 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 administered Community policy. The merger permitted policy co-ordination in sectors, such as energy, covered by all three treaties.

COMMISSION

The Commission is a collegiate body of 13 members (two each from France, Italy, Germany and Britain and one each from Luxembourg, the Netherlands, Belgium, Denmark and Ireland). The national governments appoint members for renewable four-year terms, with the President and five Vice-Presidents appointed from among the members 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, based on provisions in the treaties or on decisions by heads of governments;
— supervise the execution of the treaties and call member countries and companies to account if they fail to observe them;
— administer the operation of the Community;
— 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 of the Community's activities. The Commission's administrative organization consists of departments called "directorates general". The directorates general prepare proposals for the Commission and consult experts from national governments or trade, management, agricultural and labour 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 usually meets three or four times a month. The Council presidency rotates every six months between member countries, in the following order: Belgium, Denmark, Germany, France, Ireland, Italy, Luxembourg, the Netherlands and Britain.

A permanent Secretariat and the Committee of Permanent Representatives help the Council prepare the meetings. The Committee of Permanent Representatives consists of the ambassadors of the nine member countries to the Communities. The Committee lays the groundwork for Council meetings by reviewing Commission proposals and indicating areas of agreement among national viewpoints.

The Council can make most decisions by a simple or "weighted-majority" vote but usually seeks unanimity on what a member state considers a vital national interest. 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 have ten votes each, Belgium and the Netherlands have five votes each, Denmark and Ireland three votes each, and Luxembourg two votes. 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 unanimous Council vote.

THE EUROPEAN PARLIAMENT
The European Parliament consists of 198 members appointed from and by the national legislatures: 36 members each from Britain, France, Germany and Italy; 14 each from Belgium and the Netherlands; ten each from Ireland and Denmark, and six from Luxembourg. Members sit according to party affiliation, not country. Community leaders have agreed to work out plans by which the Parliament's members will be popularly elected from 1978.

The Parliament can oust the Commission by a vote of censure and controls certain budgetary expenditures. It is still mainly a consultative body, giving its opinion on most Community legislation. Numerous specialized committees meet to prepare for parliamentary debates and to write opinions on laws under consideration.

COURT OF JUSTICE
The Court of Justice, the Community's "Supreme Court", consists of one judge from each member state. Its 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. It 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.

ECONOMIC AND SOCIAL COMMITTEE
The Economic and Social Committee consists of 144 members: Germany, France, Italy and Britain, 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 labour, 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 affairs relating to the European Coal and Steel Community.

WORKING METHODS
Community law
The ECSC, the 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 instrument:
—*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 *opin-*

ions. Commission proposals and the regulations, etc., that result are published in the Community's *Official Journal*.

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 jurisdiction over criminal cases. A convention that 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 courts in the other states.

Community budget
In 1974 the Community spent about $6.1 billion, 66 per cent of it on the common agricultural policy (agricultural price supports and farm modernization). The remainder covered administrative costs and financed other common policies and joint research projects.

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 already comes from levies on agricultural imports and customs duties; up to 1 per cent of the value-added tax-assessment basis will also be contributed to the Community when value-added tax rules have been standardized.

Unit of account
For accounting purposes the Community has devised the "European unit of account". It was originally defined as 0.88867 of a gram of gold, the equivalent until 1970 of a United States dollar. When the U.S. dollar was devalued in 1971, the unit's definition was not changed. The introduction of floating exchange-rates made it difficult to use the unit of account. The Community therefore decided in 1975 that it would introduce a unit defined in terms of a "standard basket" of Community currencies. Its application is being gradually extended to various Community financial operations. Each currency's "weight" is related to member countries' wealth and trade with Community partners.

The value of one unit was initially fixed at $1.20635 (U.S.) — the same as that of the International Monetary Fund's Special Drawing Right on the day the SDR was introduced, June 28, 1974. The unit's subsequent value varies according to exchange-rate fluctuations.

The unit-of-account value in any currency is equal to the sum of the equivalents in that currency — using daily market exchange-rates — of the amounts in the following table:

	Amounts in member states' currencies	Weights as percentages
German mark	0.828	27.3
Pound sterling	0.0885	17.5
French franc	1.15	19.5
Italian lira	109	14.0
Dutch guilder	0.286	9.0
Belgian franc	3.66	7.9
Luxembourg franc	0.14	0.3
Danish crown	0.217	3.0
Irish pound	0.00759	1.5
		100.0%

The value of the unit of account in Canadian dollars was fluctuating around $1.20 at the time this text was written (November 1975). In this booklet, Community expenditure is frequently expressed in units of account rather than in Canadian dollars. This has been done in the interest of accuracy, as exchange-rates are subject to variation. Up-to-date values of the unit of account in Canadian dollars and other currencies are published regularly in the *Official Journal* of the European Community, Information and Notice Section.

Community civil service
More than 12,000 people work for the Community. Recruited by competitive examination, "Eurocrats" 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 or her 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 Community countries, and to some universities in other countries.

No final decision has been made on the Community's permanent headquarters. The Commission's administrative centre is Brussels, but its statistical office, financial services and 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 its meets in Luxembourg; its Secretariat is in Brussels. The European Parliament meets in Strasbourg and Luxembourg, the site of its Secretariat. The Economic and Social Committee meets in Brussels.

An aerial view of the Commission headquarters (centre) in Brussels and the building (upper left) where the Council of Ministers meets.

Customs Union

Europeans from Alexis de Tocqueville to the present day, impressed with the prosperity of the United States, have attributed it partly to the size of the domestic market and to free trade between the states. The large U.S. market served as a model for the Community's most characteristic feature, the customs union for industrial trade. The common agricultural policy 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 towards them;
— the harmonization of customs rules and enforcement procedures so that duties will be assessed in the same way.

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 Community has emerged as a distinct entity in international trade. It negotiates as a unit in GATT trade talks. It has trade or association agreements with more than 70 countries (see *The Community and the World,* page 30).

The common customs tariff level was reduced in the Dillon and Kennedy Rounds of negotiations within the General Agreement of 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 7 per cent, the same as the Canadian average. Only 13.1 per cent of EC tariffs on industrial goods exceed 10 per cent; 2.4 per cent exceed 15 per cent. For comparison, 30.0 per cent of Canadian industrial tariffs exceed 10 per cent and 5.0 per cent exceed 20 per cent.

Britain, Ireland and Denmark are gradually being assimilated into the Community's customs union. Industrial tariffs between new and old member states are being 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 trade among the Nine (except for a few "sensitive" products) were removed on January 1, 1973. Measures equivalent to quantitative restrictions were 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 towards non-member countries in four steps. They made a 40 per cent alignment on January 1, 1974. Three more alignments, of 20 per cent each, take effect on January 1, 1975, on January 1, 1976, and on July 1, 1977.

CUSTOMS RULES
The Nine 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 bonded warehouses, and goods temporarily imported for processing and re-exportation, "inward-processing traffic". Export credit terms are being aligned, and common rules on travellers' 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.

EFFECT OF CUSTOMS UNION
The formation of the Community's customs union has 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 from $6.8 billion (27 per cent of their total trade) to about $61.0 billion (52 per cent). France and Italy, which were traditionally protectionist countries, with relatively little experience of foreign competition, recorded the largest trade increases. (Trade-growth figures are not valid for the Nine).

Agricultural Policy

Despite the rise in trade between members, the Six increased both their imports from and their exports to the rest of the world. From 1958 to 1972, Community imports rose by an annual average rate of 8.9 per cent, while world imports grew at a rate of 8.6 per cent.

CUSTOMS UNION TO COMMON MARKET
The customs union helped to bring about these trade gains and accompanying rises in production and the standard of living. Nevertheless, the Community has not yet reached its goal of forging a unified common market. The tax systems of its members are dissimilar. Customs agents at the borders between Community countries still collect taxes. Technical standards still hinder free trade — 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 in Rome.

The Common Market goes beyond a mere customs union. It includes free movement of labour and capital and freedom to offer services anywhere in the Community. Its members have common policies to many fields affecting the economy. The Nine plan to achieve full economic and monetary union, possibly including a common currency.

A shopper examines merchandise in a Belgian supermarket. The European Common Market has given consumers a greater choice of goods and helped, through increased competition and greater efficiency, to curb price rises.

The Community's major farming countries, France and Italy, sought a common agricultural policy in return for opening their markets to industrial goods from partner countries, especially Germany.

The Community's six founding members had vastly different farm policies, with a 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 jointly-financed Community policy that included common rules for farm trade with the rest of the world.

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

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 apply the common agricultural policy fully by December 31, 1977.

Agriculture is specially important for the Community. In the EC of Nine, over 9 per cent of the labour force works in agriculture, compared to 6.7 per cent in Canada. In parts of Southern Italy, more than half the workers are on the land.

FREE TRADE
Like the customs union, the common agricultural policy has stimulated trade. Between 1958 and 1972, farm trade among the Six rose by 683 per cent. In 1972, it amounted to about $10 billion.

During this period, food imports from non-member countries rose by 90 per cent. The Community is the world's largest importer of agricultural products, absorbing 43.9 per cent in 1973.

PRICE SUPPORT
Most countries protect agriculture. The Community system does not use direct income supports or import quotas. Official prices form the centre 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 aligns the price of imported food with domestic prices.
— When over-production at home threatens to depress prices, the authorities buy and stock surpluses. These may be sold on world markets.

The Council of Ministers, acting on Commission proposals, sets official prices in units of account 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.

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 encourage 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" — import duties, farm levies and a small percentage of value-added tax revenue.

In 1973, the Community allocated $435 million for agricultural improvements. The Community spent some $4.7 million on market support and export rebates.

FARM REFORM
New techniques have raised productivity in parts of the Community, but much European

British experts examine sheep before they are shipped to France. The Community has created a common market for most farm produce as well as for manufactured products.

Free Movement

agriculture is still backward by Canadian standards. Many farmers still work farms too small for today's methods. In 1972, the Nine's farm size averaged 37 acres, compared to 464 acres in Canada.

For the first ten years, the Community relied mainly on the Common Market organizations and price supports to deal with these problems. Today, the Community is trying to reduce market imbalances for different products, to simplify the farm policy's administrative machinery, and to lower the cost of price support. Vocational training for ex-farmers is an important feature of farm-reform plans.

CURRENT STATE OF FARM POLICY
Though it has been 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 guarantee food supplies. Towards 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 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 labour and capital and freedom to offer services anywhere in the Community.

OF LABOUR
Laws passed between 1961 and 1968 made free movement of labour a reality. Later laws improved the rights of Community migrants in partner countries.

Since 1968, nationals of EC countries have been able to go to other member countries to look for or to accept jobs without work permits, merely by presenting passports or identification cards. Community migrants must be given the same employment opportunities as citizens of host countries, except for government employment. They are also entitled to equal treatment with respect to salaries and wages, working conditions, vocational training and retraining, social security, union rights, and access to housing and property. In hiring, employers must give Community nationals preference over foreign workers.

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.

Paradoxically, labour mobility within the Community 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 to 204,500 in 1970 and an estimated 225,000 in 1973. Most of the movement has been from Italy to Germany, because of unemployment in Italy. Thus economic and social conditions seem to influence the Community's labour mobility more than the removal of restrictions.

The Community has been short of labour from the start. About 6,000,000 non-Community migrants now work there, most of them under bilateral arrangements. They come mainly from Turkey, Greece, Spain, Portugal, Yugoslavia and North Africa.

The rules on free movement of labour apply only to blue-collar workers. Other members of the labour force are covered by the EEC Treaty provision on the right of establishment and freedom to offer services. The directives put into force under this Treaty provision allow companies and individuals to do business or practice a profession anywhere in the Community. They do not apply to every type of business, profession or service. To date, restrictions have been removed on wholesale, retail and intermediary trade (except tobacco and toxic products) and manufacturing, and on part of the film-making, banking and insurance industries.

A major obstacle to progress has been disagreement over "equivalence of diploma" — whether, for example, a German engineer's diploma guarantees training equal to that guaranteed by a Belgian diploma. Among the most important directives in the professional field is one agreed to in 1975 (after being on the Community's agenda for 13 years) that will enable the Community's 500,000 doctors to practise in

Migrant workers in Germany. Community rules allow citizens of one member state to take jobs in other member states.

any member state from 1976. (Free movement of pharmaceuticals will begin at the same time.) Hailed as a test case for the "liberal professions", this accord is expected to lead to a "common market" for other professionals, including architects, dentists, nurses, engineers, lawyers, journalists and veterinarians.

The Community Court of Justice gave two precedent-setting judgments in 1974 that strengthened the Treaty provisions on freedom of establishment and freedom to provide services. One stated that, whenever a national of a member state wished to set up business in another member state, the host state might not apply any law that discriminated against foreigners.

The other judgment ruled that a member state might not require a person established in another member state to have a permanent residence in its territory as a condition for providing services there.

The Nine plan to introduce a Community passport that will make it easier for citizens to move from one member country to another.

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 enacted two directives in a bid to end discrimination based on an investor's nationality, place of residence or place of investment. Their effect has proved limited. Member governments generally retain control over capital movements to prevent harm to the balance of payments, economic growth and employment. International monetary instability has also hindered the Community's effort to free capital movements.

Taxation
The Community is aligning its members' indirect taxes and excise duties. When this work is finished, tax controls at 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 types of service are also subject to VAT.

As customs duties disappeared, taxes became a larger part of the export price of goods. The VAT neutralizes tax differences by permitting refunds of the exact tax paid in the exporting country and allowing the importing country to collect its VAT on the goods. The next step is to unify VAT assessment methods. Eventually, tax-rates should 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.

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, withholding taxes on dividends and bond interest, and taxes on joint assets in mergers between companies located in different member states. It has also made proposals for taxing patent companies and subsidiaries located in different member states.

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

Since 1975, EC-nationality banks and other financial institutions have been able to open branches anywhere in the Community under the same conditions as local banks. Their activities are 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 on reporting their activities. The Community now plans to co-ordinate national laws so that life-insurance company branches and agencies have the same freedom.

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

Transportation Policy

Europe's transportation systems were developed to serve domestic, not international, traffic. Unlike Canada's transportation network, continental in "thrust" from its earliest days, defence-conscious Europe's systems thinned out near national borders and focused on national capitals. 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 transportation policy for railroad, highway and inland-waterway traffic. The Treaty said air and ocean transportation could be included later. It banned discrimination based on the nationality of carriers and on a shipment's origin or destination. It permitted government subsidies only for public service requirements or for co-ordinating different types of transportation. So far, transportation policy has stressed free competition and standard working conditions. Common rules have been 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 super-highways, and transforming a increasing number of bilateral road-transport permits into multilateral ones.

Despite the economic importance of these and other rules passed, an overall common transportation policy is not in operation.

Transportation proposals now under consideration by the Commission stress competition among different forms of transportation.

Competition Policy

The Commission seeks the inclusion of all costs in the price of each type of transportation as a way of relieving urban traffic, improving land-use and obtaining the best value from investments in infrastructure. The Commission would also bring air and ocean transportation under the policy.

A modern Italian train. A common policy for railway, highway, and inland waterway traffic, envisaged by the EEC treaty, is still under development.

The Community's competition policy borrowed many features of U.S. 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 that 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 that distort competition. It allows the Commission to authorize restrictive agreements that improve production or distribution and contain no unnecessary restrictions.

The EEC Treaty covers trade in all products not under the ECSC Treaty. It 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 that improve production or distribution and contain no inessential restriction. 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 u.a. 1,000,000, about $1.2 million, or 10 per cent of a companies 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 agreement 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 basis for a case law further defining competition policy. The Court has held that patents, trademarks, copyrights, and know-how licences 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. In 1973, the Court of Justice upheld Continental Can's appeal, on the grounds that the company did not have a dominant position; but it 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. The Commission has proposed that it be authorized to control major mergers. Companies would have to notify the Commission three months before any move that would result in "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 Integration

Economic and monetary union is seen as the eventual outcome of a customs union and a major stride toward "European union".

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 viewing 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 co-ordinate members' economic policies, to review their monetary and financial positions, and to deliver opinions at the request of the Commission or the Council of Ministers. In 1964, the Committee of Central Bank Governors was formed to co-ordinate policy at the operational level.

Repeated currency crises since 1969 argued for tightening economic and monetary policy co-ordination. Revaluations and devaluations threatened the Common Market, based on free trade in stable monetary conditions.

In 1970 the Council resolved that the Community should ultimately form an economic and monetary union. This would:
— comprise an area where persons, goods, services, and capital moved freely — but without distorting competition or causing structural or regional imbalances — and where economic activity could develop on a Community scale;
— give the Community 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 first stage of economic and monetary union began in March 1971. During this stage, 1971 through 1973, the Six agreed to:
— narrow the exchange-rate margins between their currencies;
— form a u.a. 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 u.a. 2 billion short-term pool created in February 1970);
— co-ordinate short- and medium-term economic and budgetary policies;
— hold regular meetings of finance ministers and Central Bank governors.

In April 1972, member states agreed to restrain the exchange-rate fluctuations of their currencies within mutually-accepted limits but, after further monetary storms at the beginning of 1973, six member countries realigned their currencies in relation to each other and then jointly floated them as a unit against the dollar. Britain, France, Ireland and Italy have floated separately.

The European Monetary Co-operation Fund was created in 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 u.a. 2.725 billion — about $3.3 billion each. An additional u.a. 1.5 billion ($1.8 billion) could be raised from and lent to each member state. The fund will be capitalized at u.a. 500 million ($600 billion). The Nine plan to pool part of their gold and foreign-exchange reserves in the Monetary Co-operation Fund.

Member states have intensified economic policy co-ordination. They hold special Council meetings on economic policy and set quantified guidelines for price increases, growth-rates, unemployment and balance of payments.

In 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.

To help member countries to finance balance-of-payments deficits caused by higher oil prices, the Community has worked out plans to borrow up to $3 billion on world capital markets. The Nine would jointly raise and guarantee the money.

Despite the efforts of member states to control inflation and reduce unemployment, the co-ordination of their policies has not so far been a marked success. Reporting to the Commission in 1975, a group of experts concluded that the phased plan to achieve economic and monetary union had been unsuccessful.

Regional Policy

A narrowing of the gap between the Community's prosperous areas and backward regions was a main goal set by the EEC Treaty. Most under-developed 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 and Scotland.

To correct major imbalances caused by heavy dependence for jobs on agriculture, high unemployment and declining industries, a European Regional Development Fund came into effect in January 1975. The Fund is endowed with u.a. 1.3 billion (about $1.56 billion) for an initial three-year trial period. It helps finance investments in areas that receive national aid and have *per capita* income below the Community average.

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 train workers for new jobs. Over $250 million has been spent on helping some 544,000 workers prepare for other tasks. ECSC reconversion loans totalling more than $283 million have created new jobs in former coal and steel centres.

Unlike the common agricultural policy, which the EEC Treaty set forth in detail, what has become regional policy was described only in general terms, of "reducing the differences existing between the various regions". The Treaty did, however, give the Community three instruments that 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 over $970 million to retrain and resettle 2.9 million workers. Shipbuilding, the textile industry, and Italian sulphur-mining have been among the industries receiving special aid from the fund.

FARM FUND'S GUIDANCE SECTION: The Farm Fund's guidance section allocates u.a. 325 million (about $390 million) a year for modernizing farming and raising living standards in poor agricultural areas. Council directives allow member countries to vary aid according to the needs of the region and to protect the countryside, and to give aid to farmers to keep them on the land in particularly backward rural areas.

EUROPEAN INVESTMENT BANK: The European Investment Bank (EIB) is an independent, non-profit public body. It lends money — around $5,000 million between 1958 and 1974 — to financial institutions, autonomous public authorities, public enterprises, and private companies for projects:
— to develop backward areas;
— to modernize or convert undertakings or develop new activities that individual member countries on their own might find too expensive;
— likely to benefit more than one member state.

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.

About two-thirds of the Bank's loans and guarantees within the Community have involved regional development. The EIB also gives financial aid to Community associates, such as Greece and Turkey.

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 u.a. 3543.75 million (around $4,330 million). It has borrowed over $3,390 million by issuing bonds.

Industrial Policy

Member states are gradually introducing a common policy to create a single Community industrial base. The aim is to promote the Community's industrial growth in the attempt to reap full benefit from productive resources. Rules already in force eliminate technical barriers to trade, such as differences in safety standards, so that manufacturers receive every advantage of a common market with 255 million consumers. Moves are under way to encourage the formation of companies of continental size, able to compete with major firms 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 in 1970 with a broad Commission plan for removing legal, fiscal, political and social barriers to the development of European multinational companies. In 1973, the Council of Ministers approved a flexible timetable for:

— 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.)

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 as many as nine norms. To save companies the expense of the small production runs and expensive retoolings this situation entails, the Council of Ministers enacted in May 1969 a program to "approximate" standards. By February 1975, the Council had passed 48 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.

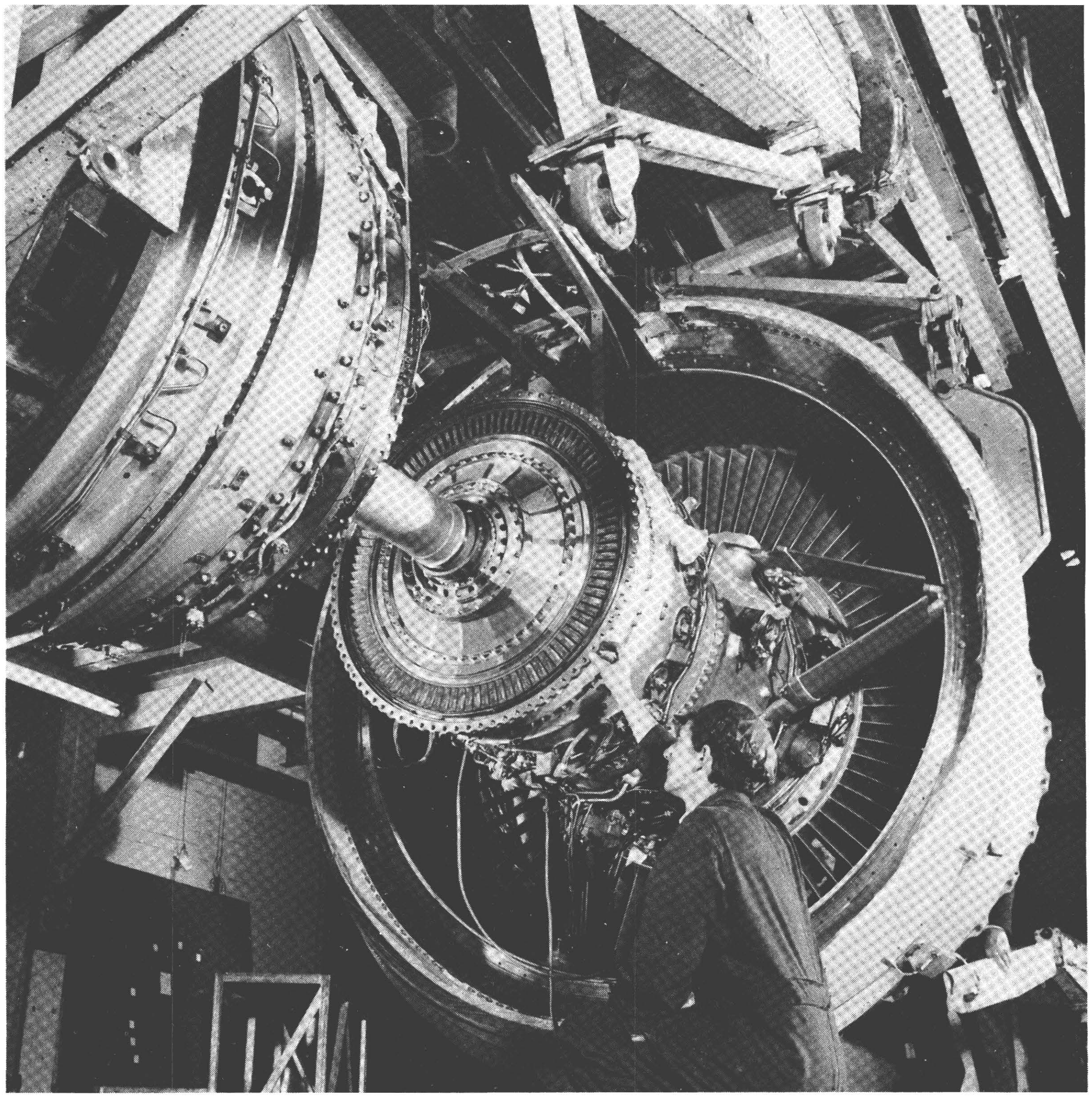
OPENING PUBLIC MARKETS
Purchases by member states' government agencies and public utilities represent a growing share of the market for manufactures, about 17 per cent. Yet only 5 per cent of public orders go to suppliers in other member states. Advanced technology and heavy industries, which depend on public purchases, have scarcely benefited from the economics 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 contracts between public buyers, and statistics on bids.

Discrimination by nationality in public-works contract awards has been banned since 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 u.a. 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 1973, the Commission opened a Business Liaison Office, which answers inquiries about joint ventures and other commercial questions. To promote Community-sized, advanced-technology companies, the Community plans to initiate development contracts. Such contracts will go to companies participating in transnational research or working on projects of Community interest.

The European Investment Bank also finances projects to spur the Community's industrial growth. Almost 40 per cent of its total lending has been on partial financing of productive enterprise projects. The Bank gives special consideration to transnational projects when deciding on 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 co-operation group, a non-profit association of companies with common interests working together towards 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.

A British mechanic works on a jet engine. The Community's industrial policy seeks to promote the joint development of the aeronautical and other advanced technology sectors.

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 shipbuilding 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 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 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. The size of multinationals frees them of many traditional checks imposed by public authorities and labour unions, which have not consolidated to work-wide or Community-wide dimensions. Their financial weight raises problems in taxation and currency dealings. The annual turnovers of some multinationals exceed the national budgets of the smaller EC members.

According to ideas outlined by the Commission in 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 co-operation to minimize tax evasion and keep an eye on inter-company sales and licence 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.

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 have signed 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 trademark convention by which 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 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 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;

Science and Technology Policy

— 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.

RAW MATERIALS
A long-term Community policy on raw-material supplies is likely to become an essential part of a common industrial strategy. The Community depends from 70 to 100 per cent on imports of raw materials, lacks diverse supply sources, and suffers from an insufficient willingness by firms to invest in mining and prospecting operations.

In the science and technology sectors, too, Community members seek to 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 has spent over $120 million on research. 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 Centre, with facilities in: Ispra, Italy; Karlsruhe, Germany; Geel, Belgium; and Petten, the Netherlands. Euratom has spent over $1 billion on research. Its work has resulted in some 1,500 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 member countries decided that their joint research activities should be extended into key technologies. Data-processing, telecommunications, metallurgy, pollution-control, oceanography, new means of transportation and meteorology were designated priority areas of research. In 1974, the Council of Ministers accepted the Commission's proposed guidelines for a broad science and technology policy involving:
— co-ordination of every aspect of national research and development not excluded by military or industrial property consideration;
— 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 opens some research projects to other European countries. In 1973, for example, 15 European countries signed a convention for a medium-range weather-forecasting centre in England. The European Science Foundation will be open to non-member countries.

Energy Policy

The total energy consumption of the European Community in 1972, expressed in units of oil-equivalent, was 815 million tons. During the same year, Canada consumed 139 million tons of oil-equivalent. Since Canada is a large producer of energy in various forms, it is less dependent on imports than the Community. The economic importance of energy and the Community's vulnerability to shifts in sources of supply have made energy policy a Community priority.

An 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 a single Commission and a single Council of Ministers, which could discuss every type of energy at the same time.
Today wide differences in the needs, policies and policy administration of member countries still impede progress towards a common policy. Different authorities handle prices, taxation, investment and commercial policies. Different types of fuel are of greater or lesser importance in various member states' consumption patterns. Denmark, for example, relies on petroleum for 95 per cent of its consumption, while Luxembourg consumes 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.

Quality of Life

Measures enacted include common rules on:
— subsidies to promote coke and coal deliveries to Community steel-mills;
— minimum oil stocks of 90 days;
— 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 exploration;
— petroleum rationing, price controls and management and distribution of emergency oil stocks.
The "energy crisis", however, impelled member states in 1974 to adopt a new strategy to cut the growth-rate of domestic consumption of oil, to encourage the development of local energy supplies, to consider protection of the environment as part of a common energy policy, and to act as a unit in international meetings on energy questions. The Community's energy goals for 1985 include:
— reducing EC dependence on imported energy sources to between 40 and 50 per cent;
— developing a 160-200 gigawatt annual nuclear-energy capacity;
— producing 180 million tons of oil annually and importing 420 to 540 million tons;
— reducing imported oil's share of total EC energy needs to between 28 to 38 per cent;
— stepping up natural-gas production to 175 to 225 million tons annually, importing 95 to 115 million tons.

A power dam in Belgium. The Community is implementing a common energy policy and has set energy production and consumption targets for 1985.

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

SOCIAL AND LABOUR POLICY
The ECSC Treaty set the precedent for social action later expanded in the EEC Treaty. Both treaties protect the right of workers to move to partner countries for new jobs without losing social-security benefits. Both treaties recognize that workers have to be shielded from abrupt economic changes and helped to adjust to new jobs.

Since 1952, the ECSC has spent over u.a. 357 million to retrain and re-employ nearly half a million coal and steel workers. Redevelopment loans to bring about 110,000 new jobs to coal and steel centres have passed u.a. 230 million. Over u.a. 350 million has been granted or otherwise mobilized to help build 132,000 houses for coal and steel workers.

The EEC Treaty provided for a European Social Fund to help retrain workers in industries other than 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. Since 1974, it has also helped migrant and handicapped workers. By the end of 1974, the Fund had allocated u.a. 968 million to help almost three million workers.

A Standing Committee on Employment, created in 1970, helps co-ordinate national employment policies and gives labour unions a voice in Community employment policy.

In other social action the Community is:
— developing a common vocational-training policy, including minimum-qualification standards for machine-tool operators, lathe operators, and other tradesmen;
— securing equal pay for women;
— compiling comparable data on social security, working hours, on-job accidents and labour disputes.

Responding to social and labour discontent concerning the consumer society and "mindless" work in the early Seventies, the Community unveiled a social action program during 1974. The program stresses job-enrichment, involvement of workers in corporate and Community decisions that affect them, and the promotion of centres 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 targets for 1978. Long-range goals include improvements in the distribution of income and wealth, on-job safety and public housing, especially for migrant workers. The Nine have so far agreed to set up a joint vocational-training centre in Berlin and a foundation in Dublin to improve working and living conditions. They have also adopted joint rules to protect workers involved in collective dismissals.

EDUCATION POLICY

Community education policy emphasizes the need for continuing or "permanent" education of persons who will have more than one career during their working years and who live in a multilingual Community.

Community activities in the field of education were at first limited to the European Schools (mainly for children of "Eurocrats"), vocational training and mutual recognition of professional diplomas. In 1974 a Council of education ministers resolved to tackle seven priority issues:
— better facilities for the education and training of nationals and the children of nationals of other member states of the Communities and of non-member countries;
— closer relations between educational systems in Europe;
— compilation of up-to-date documentation and statistics on education;
— increased co-operation between higher-education institutes;
— improved possibilities for academic recognition of diplomas and periods of study;
— greater mobility of teachers, students and research workers, effected particularly by the removal of administrative and social obstacles and the improved teaching of foreign languages;
— equal opportunity for access to all forms of education.
The Nine have set up in Florence the European University Institute, a post-graduate institution specializing in European integration. Arrangements between French-speaking and Quebec universities and between other Canadian and English-speaking universities ease the access of European graduates to Canadian universities.

CONSUMERS

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

The Council of Ministers has adopted a preliminary consumer information and protection program that sets the following priorities for action:
— 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 labelling.

Competition policy also helps consumers. For example, the Community has fined sugar-producers for depriving consumers of the benefits of free imports. The Community has also condemmed agreements in the phonograph-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 transportation costs and tax-rates partly explain this situation, as do administrative complexities at internal borders and marketing strategies. 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 indirectly helped to improve the environment, but it was not until 1973 that an environmental program was established. Before that, 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 exhausts and non-biodegradeable 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 "the polluter pays", seeks:
— to prevent, reduce, and eliminate pollution where possible;
— to maintain the environmental balance and protect the biosphere;
— to tap natural resources without damaging the environmental balance unnecessarily;
— to persuade policy-makers to consider the environment when formulating other policies.

The environmental-action program got under way in 1974 when the Council adopted guidelines for the uniform application of the "polluter pays" principle.

The Council also agreed on:
— a directive for standardizing the treatment of surface water to be used for drinking;
— a directive for recycling waste oil to prevent air, water and soil pollution;
— a resolution asking member states to observe environmental-protection requirements in carrying out energy policies and to promote the conservation and rational use of energy resources;
— future Community participation in the Paris Convention on Land-based Pollution and in the Strasbourg Convention on Fresh-water Protection.

Co-ordination of environmental action by member states 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 Co-operation and Development and the United Nations.

A canal in Utrecht, the Netherlands. The Community's policy for environmental protection emphasizes the need to clean up Europe's waterways.

The Community and the World

The Community is the world's largest trading unit, accounting for about 40 per cent of world trade, if trade between the Nine is included, or 25 per cent, if intra-EC trade is excluded.

As a leading industrial grouping and the world's largest trader, the European Community has international responsibilities, is outward-looking and seeks to develop close economic ties with other parts of the world. Its founding treaties pledge it to promote world trade, world development and world peace.

All the Community's member states are members also of the United Nations, the International Monetary Fund (IMF), the General Agreement on Tariffs and Trade (GATT), the Organization for Economic Co-operation and Development (OECD) and the Council of Europe.

More than 100 countries have diplomatic representatives accredited to the Community, which has its own delegations accredited to Canada, the United States, Chile (for Latin America), Japan, the OECD in Paris and international organizations based in Geneva, such as GATT. It has observer status at the United Nations and maintains close links with many other international bodies concerned with aspects of its work.

In international negotiations, the member states seek to develop common positions, as they have in the (East-West) Conference on Security and Co-operation in Europe (CSCE). In most economic negotiations, the Community acts as a unit, with the Commission as its negotiator, working on a mandate from the Council. Since January 1, 1973, non-member countries seeking trade agreements with the Community have had to negotiate with it instead of with individual member states.

Since its formation the Community has engaged in international negotiations for the reduction of customs tariffs as follows:
— The negotiations in GATT in 1960 and 1961 led to an average tariff reduction of 3 to 4 per cent.
— The Dillon Round in 1961 led to the reduction of most duties by 20 per cent, with a further 20 per cent reduction on about 500 items in the Community's tariff.
— The Kennedy Round reduced duties on industrial products by an average of 35 to 40 per cent.
— For the current multilateral trade negotiations in GATT, the Community has affirmed its wish to encourage further promotion and expansion of trade.

A survey carried out by GATT shows that, compared with major industrialized countries, the Community has the lowest weighted average of customs duties on industrial goods, a distinction that it shares with Canada:

Community 7.0%	Japan 9.8%
Canada 7.0%	Australia 15.8%
U.S.A. 7.5%	New Zealand 22.5%

The Community continues to be the world's largest importer of agricultural products, accounting for 43.9 per cent of world imports in 1973. World market prices for some important products (several types of cereal, sugar) have recently been much higher than the prices fixed under the common agricultural policy, so that there has been no import charge for these products. In certain cases, there have been Community import subsidies on imported agricultural products.

As a result of the Community's liberal trade policies, its total imports in the period 1958 to 1972 grew at an annual average rate of 8.9 per cent, more rapidly than total world imports, which grew at a rate of 8.6 per cent.

The Community was the first to introduce a system of generalized tariff preferences for products imported from developing countries. At present, 104 developing countries enjoy these preferences, which have been steadily improved and enlarged (*see below*).

The Community has negotiated a comprehensive convention, including important trade concessions with 46 countries in Africa, the Caribbean and the Pacific (*see below*).

Europe
Any European democracy may apply to join the European Community. Britain, Ireland and Denmark joined the original six members in 1973. With European countries that do not seek membership the Community has negotiated trade agreements.

The Community has associate agreements with Greece and Turkey. Each provides for the gradual establishment of a customs union as a preparation for possible Community membership. Greece applied for membership in 1975.

A non-preferential trade agreement with Yugoslavia provides for economic co-operation and special Community treatment for Yugoslav baby-beef exports.

The Community has a preferential trade agreement with Spain.

The European Free Trade Association
The Community was anxious to prevent tariffs having to be raised between those members of the EFTA that were joining the Community in 1973 — Denmark and Britain — and those members or associates that were not — Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland. It therefore concluded industrial free-trade agreements with each of the latter group.

By 1977, under these agreements, some 300 million consumers will benefit from free trade in industrial products throughout 16 nations of Western Europe.

Other Industrialized Countries
The Community seeks to establish a constructive dialogue with other industrialized countries.

Canada
Since the Community's enlargement, Canada has become the third most important non-European trade partner of the Community of the Nine (after the United States and Japan). Before 1973, Canada was not a major trade partner of the Community of the Six, ranking behind most of the EFTA countries. Since then, the accession of Britain and the continuing increase of Canadian trade with the Nine have fundamentally altered this position.

Canada is working to diversify its external relations in order to reduce its vulnerability to economic and political events abroad. In its search for new markets, Canada sees obvious opportunities in Europe. The Community of the Nine is Canada's most important trading partner after the United States, taking 13.1 per cent of Canada's exports and supplying 9.6 per cent of its imports in 1974. In Canadian dollars, Canada's exports to the Community were worth $3.96 billion in 1974, imports from the Community amounting to $3.04 billion.

Canada is a major supplier to the Community of industrial materials, especially wood pulp, foodstuffs such as cereals, oilseed and fish products, and minerals such as nickel, zinc, copper and iron. The Canadian market absorbs a wide range of machinery and other manufactured goods from the Community, as well as fabrics and alcoholic beverages.

Recognizing Canada's importance, Community heads of state and government, at their summit meeting in Paris in October 1972, called for the initiation of a "constructive dialogue" between the Community and Canada.

Canada and the Commission subsequently agreed to hold regular bilateral consultations, alternately in Ottawa and Brussels. These talks, begun in November 1972, cover bilateral and multilateral relations, particularly commercial-policy matters and co-operation in the industrial-energy sectors, as well as issues of mutual concern such as development aid, export credits and joint action to protect the environment.

In addition, Canadian Parliamentary delegations meet delegations from the European Parliament once a year. To give further impetus to the strengthening of Canada-Community relations, the Commission, with the full support of the Canadian Government, has opened a delegation office in Ottawa. (Canada has had accreditation to the Community since 1958 and a full-time ambassador to the Community since 1973.)

In April 1974, in order to provide a juridical basis for Community-Canada relations, the Canadian Government proposed that negotiations be started between Canada and the Community with a view to concluding a direct contractual arrangement.

Following this proposal, intensive discussions have gone on between Canada and the Community seeking to identify the shape a formal relationship might take. These discussions were highlighted by meetings between the Prime Minister of Canada and the President of the Commission of the European Communities. As a result of these discussions, the Community and Canada started negotiating a framework for economic and commercial co-operation in March 1976.

It is the hope and expectation of each of the parties that such an agreement will support existing arrangements for economic and commercial cooperation between them and, at the same time, create new opportunities for extending the scope of this co-operation — for example, in the industrial sector.

The United States
Postwar U.S. Administrations have consistently supported the unification of Europe and seen the Community as the means to that end. The Commission holds semi-annual consultations with the United States Administration covering bilateral economic and commercial relations between the Community and the U.S. and issues such as energy, investment, industrial policy, the environment, relations with developing countries and the supply of raw materials.

Japan
In 1973 a regular dialogue began between the Commission and Japan. Exchanges of views at all levels have taken place on commercial problems and the Commission seeks to extend these consultations to cover economic problems other than purely trade matters. Top-level discussions on the environment, for example, have already taken place between the Commission and Japan.

Australia and New Zealand
The Community has agreed with the governments of these two countries that a procedure for dialogue be set up similar to that already existing with the United States, Japan and Canada.

As a customary supplier of dairy products to Britain, New Zealand negotiated special arrangements to secure a guaranteed market for its butter in the enlarged Community.

Togo citizens read about the signing of the Lomé Convention. The Convention, signed in Togo's capital in 1975, created trade and aid links between the Community and 46 African, Caribbean and Pacific countries.

Co-operation with developing countries
The Community has embarked on a bold policy towards the Third World — the establishment of a new relation based on principles of fair and equal treatment.

Besides its granting of financial aid, it works for long-term economic co-operation. While respecting its partners' own objectives, it seeks to combine its technology and know-how, its markets, capital and products (in particular agricultural), with the resources of its partners and their desire to develop their countries.

The Community's development policy includes:
— a generalized system of tariff preferences for exports from less-developed countries;
— financial aid;
— food aid;
— a trade and aid convention with 46 countries in Africa, the Caribbean and the Pacific;
— trade agreements with countries in Africa, Asia, Latin America, the Mediterranean basin, and the Middle East.

Generalized preferences
The Community is the world's largest importer of goods from the less-developed countries, consistently buying more from them than it sells to them. To make it easier for developing countries to sell in Community markets, the Nine became in 1971 the first countries to adopt the generalized system of preferences proposed by the United Nations Conference on Trade and Development (UNCTAD). Under this scheme, they admit duty-free imports of manufactured and semi-finished products and some processed farm goods from the less-developed countries. The Community has regularly extended and improved the scheme. Today, over 100 countries benefit, and trade valued at more than $4 million is involved.

Financial aid
The Community and its member states are the world's largest source of aid for the less-developed countries.

The bulk of Europe's aid comes from the individual states. In 1973, seven EC states supplied $8.3 billion in government and private aid, or 0.93 per cent of the EC's gross national product. (Figures for Ireland and Luxembourg were not available).

The Community as such operates joint aid programs through the European Development Fund and the European Investment Bank for the benefit of developing countries associated with the Community.

In 1974, the Community resolved to grant financial and technical aid to non-associated developing countries as well. The first aid for non-associates went to help the poorest developing countries, which were suffering from severe balance-of-payments problems caused by higher prices for food and raw materials. The Community is allocating $500 million. An initial $150 million was contributed in 1974, $30 million to the special United Nation's emergency fund and the rest directly to 17 countries in Asia, Africa and Latin America.

Aid from the Community as such totalled $400 million in 1973, of which $294 million went to countries linked by trade and aid agreements and $106 million to other countries.

Food aid
Since 1968, the Community has taken part in international food-aid programs involving cereals. By 1974, 1,869,440 tons of grain had been supplied through central Community machinery. Independent of international programs, it supplies powdered milk, butter-oil, sugar, and dried eggs. It carries out emergency programs to fight famine, drought and other natural disasters. It helped the Sahelian countries when they were stricken by drought, delivering to them in 1974 130,000 tons of cereals, 14,000 tons of milk-powder and 6,000 tons of butter-oil.

Africa, the Caribbean and the Pacific
The EEC Treaty provided for a five-year association between the Community and Belgian, Dutch, French and Italian overseas dependencies, mainly in Africa. When these became independent states, the Community offered to renegotiate its association with them as equals.

A new five-year Association Convention was signed at Yaoundé, Cameroon, in 1963, and a second, also at Yaoundé, in 1969.

The Conventions provided for free-trade areas between the Community and 18 associated states in Africa, and Madagascar, while allowing the associates to apply fiscal duties or tariffs to protect their infant industries.

The EEC Treaty set up a European Development Fund of $581 million for Community grants to the associates from 1958 to 1963.

The First Yaoundé Convention provided $800 million for 1964-69, $620 million in grants, and the rest in loans. The Second Yaoundé Convention provided $1,200 million, including $748 million in grants. Between 1958 and 1972 the Community also lent $142.3 million to the Yaoundé associates through the European Investment Bank.

Mauritius signed the Yaoundé Convention in 1972.

Kenya, Tanzania and Uganda signed a separate Association Convention in Arusha in 1968. At the request of the three associates the instrument provided only for trade, not aid.

Lomé Convention
The Yaoundé and Arusha Conventions expired in January 1975, and have been superseded by a trade-and-aid pact linking the European Community and 46 developing countries. The Treaty was signed at Lomé, Togo, on February 28, 1975.

Following the Community's enlargement to nine nations on January 1, 1973, by the accession of Britain, Denmark and Ireland, the Community proposed an expanded Yaoundé-type agreement that would embrace the 19 Yaoundé countries, 21 Commonwealth countries in Africa, the Caribbean and the Pacific (ACP) areas, and six other independent sub-Sahara African countries. The 46 ACP countries are:
Bahamas, Barbados, Benin, Botswana, Burundi, Cameroon, Central African Republic, Chad, Congo-Brazzaville, Equatorial Guinea, Ethiopia, Fiji, Gabon, Gambia, Ghana, Grenada, Guinea, Guinea-Bissau, Guyana, Ivory Coast, Jamaica, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Swaziland, Tanzania, Togo, Tonga, Trinidad and Tobago, Uganda, Upper Volta, Western Samoa, Zaire, Zambia.

Negotiations began in July 1973 and were completed in January 1975.

The Lomé Convention links over a quarter-billion Europeans to 268 million people in the Third World. Eighteen of the 46 ACP countries are on the United Nations list of "poorest" countries. The average *per capita* GNP for the 18 was $148 in 1971. The 1971 average for the EC-Nine was $2,748. In 1970, the 46 ACP countries sent 54 per cent of their exports to the Nine, which provided nearly 44 per cent of their imports.

The Lomé Treaty runs for five years and has six main parts:

(1) *Terms of trade and commercial co-operation*
All ACP manufactured exports and 96 per cent by value of ACP agricultural exports (of which 12 per cent is sugar) enter the Community free of import duties and quotas. The remaining 4 per cent of ACP farm exports get Community preferential treatment.

The ACP countries do not give the Nine "reverse preferences", but give them most-favoured-nation (MFN) treatment and do not discriminate between EC member states.

The Community has liberalized the rules of origin for ACP products, notably by considering the 46 countries as a single exporting unit.

(2) *Export revenue stabilization*
The main innovation in the Lomé Convention is the export earnings stabilization plan "STABEX". Over u.a. 375 million is set aside to aid countries heavily dependent on the export of certain raw materials and agricultural items, to protect them against price- and production-level fluctuations. When receipts drop by a certain percentage, countries can request compensation. The poorest countries do not have to reimburse the fund. In principle, certain ACP associate states must repay these earnings when the price rises.

Products affected include peanuts, cocoa, coffee, cotton, coconuts, palm nuts and kernels, hides and skins, timber products, bananas, tea, raw sisal, and iron ore.

(3) *Sugar*
This section guarantees purchase and supply by both parties of fixed quantities of sugar. Each producing country has a quota, within an ACP maximum total of 1,400,000 tons. The Community guaranteed minimum price is negotiated annually and is related to the price guaranteed to the Community's own sugar-producers.

(4) *Financial and technical co-operation*
Community aid to the ACP countries during the life of the Treaty will total u.a. 3.390 billion — more than triple the amount provided under the Second Yaoundé Convention. This includes the u.a. 375 million export-stabilization fund and about u.a. 2.265

billion in financial aid — about u.a. 2.1 billion in grants, u.a. 430 million in special loans, and u.a. 95 million in risk capital. In addition, the Community provides u.a. 390 million in European Investment Bank loans.

The ACP countries help prepare and manage aid projects, which stress regional programs, the development of small and medium enterprises, and special measures for the poorest countries.

(5) *Industrial co-operation*
To help ACP countries develop and diversify their industrial capacity, an Industrial Co-operation Committee and an Industrial Development Centre promote the exchange of industrial know-how.

(6) *Implementation*
The Lomé Convention is managed by ministerial and ambassadorial councils — with the Community and the 46 ACP countries having equal representation — and a consultative assembly of parliamentarians from both sides, also on a basis of parity.

The Community's Mediterranean policy
For historical, geographical and cultural reasons, the Community has always considered its relations with its Mediterranean neighbours especially important. Besides its association agreements with Greece and Turkey, the Community has association agreements with Morocco, Tunisia, Malta and Cyprus, preferential trade agreements with Lebanon, Egypt, Spain and Israel, and a non-preferential trade agreement with Yugoslavia. It has also a trade and technical-co-operation agreement with Lebanon, and is negotiating an agreement with Algeria.

Negotiations based on a general approach are under way to replace this existing "patchwork" with a coherent series of agreements covering: economical and technical co-operation; free or preferential access to the Community market; financial aid to the region's least-developed countries; better living and working conditions for migrant workers and their families; and environmental protection, especially of the Mediterranean Sea.

All countries that border the Mediterranean, as well as Jordan, are eligible to negotiate under this "global" approach.

Latin America
In 1970, in a declaration at Buenos Aires, the Latin American countries asked the Community to strengthen its trade and financial ties with them, make special arrangements for agricultural trade, increase technical co-operation and reduce ocean-transportation costs.

In 1971, the Community and 22 Latin American countries formed the Latin American Co-ordination Committee. The Community maintains liaison offices in Chile and Uruguay.

The Community advises the Central American Common Market and Latin American Free Trade Area on the technicalities of economic integration.

The Community has trade agreements with Argentina, Brazil and Uruguay and has negotiated a commercial-co-operation agreement with Mexico. Latin American countries take part in its generalized preferences system.

Asia
The Community has a trade co-operation agreement with India and Sri Lanka and is negotiating similar agreements with Pakistan. It is likely to negotiate one with Bangladesh.

It has held exploratory talks with Iran about replacing an agreement that has expired with a broader commercial and economic one.

The Community supports the work of the Association of South-East Asian Nations (ASEAN) in furthering regional economic integration.

The developing countries of Asia are major beneficiaries of the Community's generalized preferences.

Relations with the Soviet Union, Eastern Europe and China
Community leaders have affirmed their determination to pursue and develop a policy of *détente* and co-operation in Europe. The Community countries have taken a common position in the Conference on Security and Co-operation in Europe (CSCE), which they regard as an important element in the evolution of relations between the Community and participating Eastern European countries.

Except for China and Yugoslavia, no East European Communist country has established diplomatic relations with the Community. Bulgaria, Hungary, Poland and Romania have arranged with the Commission to observe minimum prices for some of their agricultural exports to the Community, obviating import levies. Since January 1972, Romania has benefited from its generalized preference system. State-trading countries have come under the Community's common commercial policy since January 1975, which means that they must negotiate agreements with the Commission acting for all member states.

Eastern Europe's Council for Mutual Economic Assistance (COMECON) has approached the Community about developing closer co-operation, and in 1974 a Commission delegation visited COMECON in Moscow for talks.

All Community member states have established diplomatic relations with China, and Chinese spokesmen have long indicated support for the Community's aims. In 1975 the Chinese Government established diplomatic relations with the Community.

Closer Political Co-operation

The European Community's long-term aim has always been a politically united Europe, and its institutions are now preparing plans for the attainment of "European Union."

Political co-operation, which is outside the scope of the Community treaties, is conducted primarily on an intergovernmental basis. Besides the European Council meetings of heads of government, there are regular meetings of the foreign ministers of the Nine to concert their views on major questions of foreign policy. One of the best-known results of these political consultations is the resolution on the Middle East adopted on November 6, 1973 — the first time that the Community's nine member states had publicly taken a joint stand on a major foreign-policy issue.

Other issues handled in the political co-operation framework include the dialogue between European and Arab states, debates in the United Nations, the Conference on Security and Co-operation in Europe, and political developments in Portugal, Greece and Cyprus.

The Chinese Ambassador presents his credentials to the President of the Commission of the European Communities. More than 100 countries have accredited ambassadors to the Community.

Glossary

CAP. Abbreviation for the EC's common agricultural policy, which provides for a common market in farm goods based on common prices and a Community-wide system of price supports and import controls. 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, Outer Mongolia and Cuba.

COMMUNITY OF NINE. The six founding members and the three that joined in 1973 — Britain, Ireland and Denmark.

COMMON MARKET. Popular name for the European Economic Community.

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 Co-operation and Development.

EAGGF. European Agricultural Guidance and Guarantee Fund.

ECSC. European Coal and Steel Community.

EEC. European Economic Community.

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 Six). Britain, Ireland and Denmark joined on January 1, 1973.

EDF. European Development Fund.

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

EIB. European Investment Bank.

FREE-TRADE AREA. Group of countries that eliminates tariffs on trade between its members but 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. The Geneva-based body provides a forum for multilateral tariff negotiations and, through semi-annual meetings, a means for settling trade disputes and for discussing international trade problems. Has more than 80 members.

IMF. International Monetary Fund, in Washington, D.C.

LOME CONVENTION. Trade and aid convention joining the Community to 46 African, Caribbean and Pacific states.

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

NTB. Non-tariff barrier. Provisions such as quotas, health and safety rules, import regulations, buying policies, and freight-rate differentials that restrict the flow of goods by means other than tariffs.

OECD. Organization for Economic Co-operation and Development, based in Paris.

u.a. The Community's *unit of account*. One unit of account currently equals about $1.20.

UNCTAD. United Nations Conference on Trade and Development, with headquarters in Geneva.

VAT. Value-added tax. An indirect tax that 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.

Calendar of Events

1946 **1946 September 19.** Winston S. Churchill, in Zurich, Switzerland, urges Franco-German reconciliation within "a kind of United States of Europe".

1947 **1947 June 5.** U.S. Secretary of State George G. Marshall offers economic aid for a collective European recovery program.

1948 **1948 April 18.** Treaty is signed in Paris creating the Organization for European Economic Co-operation (OEEC) for the joint administration of Marshall Plan aid.

1949 **1949 May 5.** Council of Europe Statute signed.

1950 **1950 May 9.** French Foreign Minister Robert Schuman makes proposal to place Europe's coal and steel economics under a common European authority.

1951 **1951 April 18.** Treaty creating the European Coal and Steel Community (ECSC) signed in Paris.

1952 **1952 August 10.** ECSC executive body, the High Authority, begins functioning in Luxembourg, with Jean Monnet as its first President.

1953 **1953 February 10.** Opening of ECSC common market for coal, iron ore, and scrap.
May 1. Opening of ECSC common market for steel.

1955 **1955 June 1-2.** Messina Conference: Foreign ministers of the Six decide on further economic integration as the basis for future political unity.

1956 **1956 May 29.** Venice Conference: Foreign ministers of the Six give go-ahead for treaty-drafting conference.

1957 **1957 March 25.** Rome Treaties creating the European Economic Community and the European Atomic Energy Community signed.

1958 **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 **1959 January 1.** First EEC tariff reductions and quota enlargements.

1960 **1960 May 3.** Convention creating the European Free-Trade Association in force.

1961 **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 possible British membership open.
December 15. Three neutrals — Austria, Sweden and Switzerland — apply for association with the Community.

1962 **1962 January 14.** Community fixes basic features of common agricultural policy and enacts regulations for grains, port, 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 **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 Co-operation 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 **1964 May 4.** Kennedy Round of negotiations within the General Agreement on Tariffs and Trade 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 Grandig-Consten exclusive sales agreement for violating connection rules.
December 15. Common grain prices adopted.

1965 **1965 March 31.** Common Market Commission proposes that 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.
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

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 on by Council, making possible free trade in agricultural products by July 1, 1968.

1967

1967 February 8-9. Council of Minsters 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 to 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 Britain.
December 19. Council reaches deadlock on Britain and other membership applications.

1968

1968 July 1. Customs union completed 18 months early. Remaining industrial tariffs between the Six abolished. Common external tariff operated around Common Market. Community makes first Kennedy Round tariff cuts.
July 18-19. Six adopt basic common transportation-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.

1969

1969 February 12. Commission urges the Six to co-ordinate 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 harmonize legislation on technical standards for industrial goods and food.
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.
December 1-2. Summit meeting in The Hague; agreement to complete, enlarge and strengthen the Community.
December 6. Six agree to reorganize Eurratom.
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

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.
June 9. Six set 1980 as target-date for monetary and economic union.
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 Rey 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 co-operation.
October 1. Trade agreements with Israel and Spain come into force.

1971

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.
April 1. Association with Malta in effect.
July 1. EC introduces generalized tariff preferences for 91 developing countries.
October 28. British House of Commons accepts principle of entry into Community by 356 votes to 244.

1972

1972 January 22. "Ten" sign Accession Treaty.
March 22. Sicco L. Mansholt becomes Commission President.
April 17. Council issues directives on farm-modernization.
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.
June 23. Britain "floats" the pound. Britain, Ireland and Denmark temporarily withdraw from EEC agreement to maintain narrow margins of currency fluctuation.
July 14. Court upholds Commission's fines on chemical firms for fixing price of amiline 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 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 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 judgments enforceable throughout the original six Community members comes into force.
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 Co-operation Fund set up in Brussels.
May 14. Community signs free-trade agreement with Norway.
July 19-20. At first Council session on environmental questions, the Nine agree on guiding principles.
October 5. Twenty-one countries endorse European Patent Convention.
November 6. Community foreign ministers issue joint declaration on the Middle East.
December 14-15. Community summit meeting in Copenhagen adopts statement on Europe's identity.
December 17. Trade agreement signed with India.
December 19. Trade agreement signed with Brazil.

1974

1974 February 11-13. The Community attends Washington Energy Conference. France refuses to endorse Conference conclusions.
April 20. Canada proposes closer links with Community.
June 4. Britain presents its proposals for "renegotiation" of entry terms.
September 14. EC heads of government and Commission President Ortoli meet in Paris.
October 11. UN General Assembly unanimously approves observer status for Community, enabling it to participate in Assembly's sessions and committee work.
October 23-25. Canadian Prime Minister Trudeau visits Commission.
December 9-10. Meeting in Paris, Community heads of government set up Regional Development Fund.
December 17. Australian Prime Minister Whitlam visits Commission.
December 17. Energy ministers agree to reduce Community's dependence on foreign energy to 40-50 per cent of total by 1985.

1975

1975 February 28. The Nine and 46 African, Caribbean and Pacific countries sign a trade and aid convention in Lomé, Togo.
March 10-11. "Renegotiation" of British entry terms concluded at first "European Council" — gathering of Community heads of government in Dublin.
June 5. In a referendum, British electorate votes to remain in Community.

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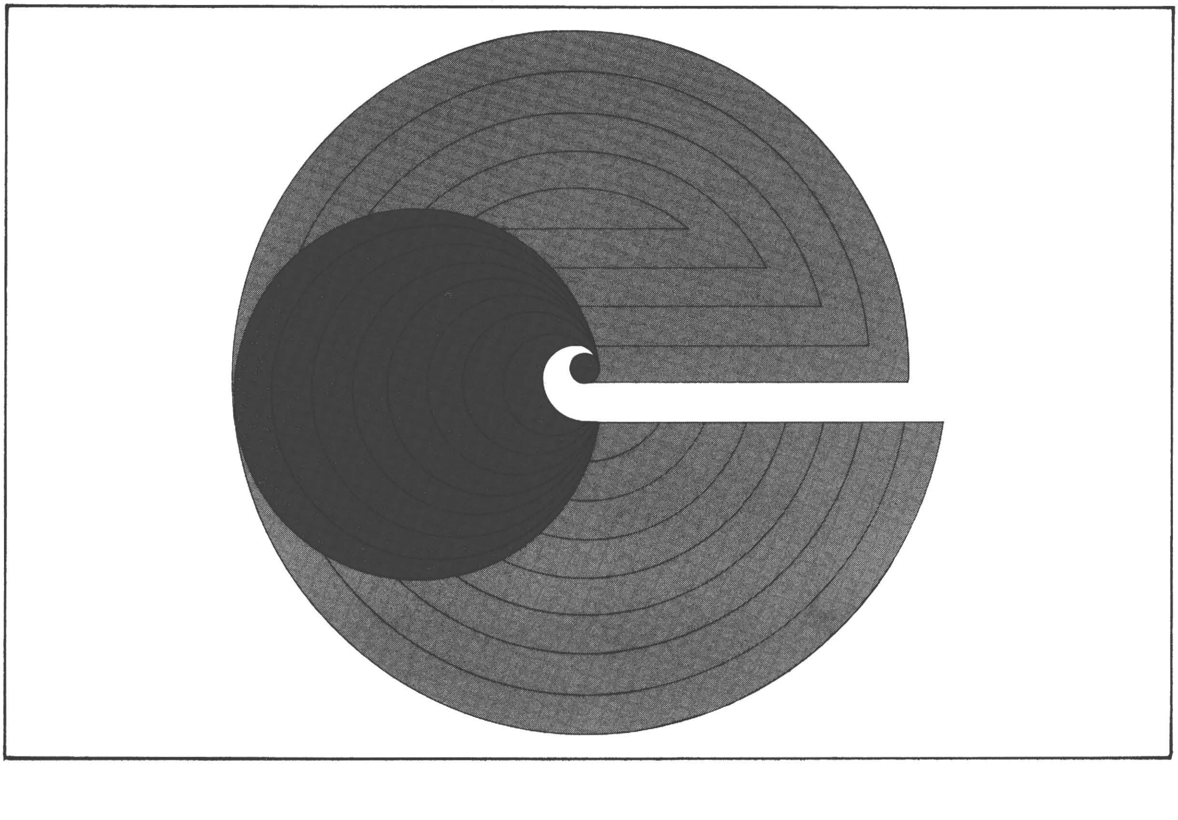

Canada, European Community signed agreement

On July 6, 1976, following negotiations earlier in the year, Canada and the European Community signed in Ottawa a framework agreement for commercial and economic co-operation.

The agreement reflects Canada's desire to diversify its external relations by adding a Community "dimension" to its relations with individual member states. It also reflects the complementarity and interdependence of the two partners.

Under the terms of the agreement, a joint committee is set up to develop co-operation. As private enterprise will be called on to play a significant role in carrying out the agreement, a major task of this committee will be to encourage closer links between European and Canadian industries, particularly in the form of joint ventures, greater two-way investments, scientific and technological exchanges and joint economic co-operation in third countries.

The agreement is non-preferential, in conformity with GATT rules, and is evolutionary. For the Community it is the first of its kind, covering wide-ranging economic co-operation as well as trade; it is also the Community's first agreement with an advanced industrial power outside Europe.

Signature d'un accord-cadre entre le Canada et la Communauté européenne

Le 6 juillet 1976, à la suite de négociations entreprises au cours de la même année, le Canada et la Communauté européenne ont signé à Ottawa un accord-cadre en vue d'une coopération économique et commerciale.

Pour le Canada, cet accord répond à un désir de diversifier ses relations extérieures et d'ajouter à ses relations bilatérales avec certains États membres de la Communauté des relations avec la Communauté en tant que telle. Il est également l'expression de la complémentarité des deux Parties et de leur interdépendance.

L'Accord institue un Comité mixte de coopération dont l'une des tâches essentielles sera de favoriser le resserrement des liens établis entre les industries européennes et canadiennes en promouvant, notamment, les entreprises conjointes, les investissements réciproques, les échanges scientifiques et techniques et la coopération des deux Parties dans les pays tiers. L'industrie privée doit, en effet, jouer un rôle de premier plan dans la réalisation des objectifs fixés par l'Accord.

Conformément aux règles établies par le G.A.T.T., l'Accord est non préférentiel. Par ailleurs, il est évolutif. Premier accord de ce genre conclu par la Communauté, il porte sur une coopération économique et commerciale d'envergure; il est également le premier qui lie la Communauté à l'un des pays les plus industrialisés situé hors de l'Europe.

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