



**European
community**

BACKGROUND INFORMATION

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"SIX" BECOMES "NINE"

On January 1, 1973, Britain, Denmark, and Ireland join the European Communities (EC). This date, culminating more than 10 years of discussion and negotiation, marks the first time the EC has expanded beyond its original six member countries of Belgium, France, Germany, Italy, Luxembourg, and the Netherlands.

Full British, Danish, and Irish membership in the Communities will, however, take place gradually through a transitional period. Industrial tariffs between the new and old member states will be eliminated in five stages by July 1, 1977. Agricultural alignment, a six-stage process, will be completed by December 31, 1977. The new member states' financial contributions to the Community will also be progressively increased until January 1, 1978, when each new member state will carry its full share of the EC's budget.

Impact on the United States

The enlarged EC of Nine will be the largest trading bloc in the world. Its share of world exports and imports (based on 1971 figures) will be 27.6 per cent and 24.3 per cent, respectively. The Nine will account for \$11.2 billion or 25.4 per cent of total US exports. The United States will import

\$10.4 billion worth of goods from the enlarged EC, accounting for 22.8 per cent of total US imports.

The EC's enlargement means an immense, single market of 253 million consumers not only for US exports but for US investments as well. Britain, one of the largest importers of US goods, had an average industrial tariff of 7.6 per cent before EC entry; the EC's tariff is 6 per cent. Also, most US agricultural exports to Britain will encounter less protection now that Britain is an EC member.

A united Europe has been one of the most consistent US foreign policy objectives in recent American history. Since the Marshall Plan, every US Administration actively supported efforts to form, strengthen, and enlarge the European Communities.

What EC Entry Means to the Three New Members

Over 20 years ago, Britain refused to participate in the Schuman Plan negotiations in 1950-51 setting up the first of the three European Communities -- the European Coal and Steel Community. Again in 1956-57, it rejected the opportunity for membership in the European Economic Community (the Common Market) and the European Atomic Energy Community (Euratom). But in 1961, the British Government along with Denmark, Ireland, and Norway decided to seek membership. Negotiations for entry, however, were abruptly cut off by a French veto in 1963. Finally at The Hague "Summit" meeting of chiefs of state and government of the Six, the go-ahead was given, and negotiations were successfully concluded in June, 1971.

The most apparent benefits to the new member countries are economic. For Ireland, where agriculture accounts for nearly one quarter of both the GNP and the labor force, the economic benefits will be immediate. The Community's common agricultural policy (CAP) will ensure increased farm income and higher Irish export earnings.

Industry, too, will be attracted to Ireland as an "inroad" into the Common Market, and the Community's regional policy will help develop Ireland's underdeveloped areas -- all of Ireland except Dublin. These factors no doubt played a large part in the almost five-to-one Irish vote last fall in favor of EC membership.

Danish voters also decisively approved Community membership and largely for the same reasons -- economic. During the first year of membership, Danish agricultural exports are expected to increase by about \$287 million over 1972. Although imports of industrial raw materials are expected to increase by \$45 million, the Danes are confident that their electronic components, precise measuring instruments, furniture, ceramics, and other quality manufactures will find a growing market in the other Community countries. Moreover, Denmark's huge foreign debt of \$2.4 billion -- a European record for a country of Denmark's size -- will be easier to balance now that the country is an EC member.

While agriculture provides one of the biggest benefits to Denmark and Ireland, this same economic sector is a minus for the United Kingdom in joining the Communities. For Britain is the largest net food importer in the world, and EC membership will mean higher food prices. But this and other short-term costs will be more than counterbalanced by long-run benefits -- more capital investment in Britain, increased competition, and booming industrial exports.

In the political equation, the cost-benefit ratio for the three new EC members is less clear. In the case of Norway, which had sought but later rejected EC membership, the political costs were perceived by the average Norwegian as too high. But Britain, Denmark, and Ireland chose to give up traditional independence to become a part of a Europe seen as an emerging economic superpower.

Impact on Europe

The EC's enlargement has meant institutional adjustments. The EC Commission now has 13 members, instead of the former nine: two each from Britain, France, Germany, and Italy, and one each from Belgium, Denmark, Ireland, Luxembourg, and the Netherlands. Voting rights in the new nine-member Council of Ministers are: Britain, 10; France, 10; Italy, 10; Germany, 10; Belgium, five; the Netherlands, five; Denmark, three; Ireland, three, and Luxembourg, two. The new European Court of Justice has nine judges and three advocates general. The European Parliament now has a total membership of 198, allocated proportionately among the nine countries.

But beyond these institutional adjustments, the question remains whether enlargement and integration will be compatible. If last October's "Summit" meeting of the heads of the Nine was any indication, the answer is "yes." At that Paris Summit, the Nine called for a transformation of "the whole complex of their relations into a European union by the end of the decade."

Whether "European union" will one day become the United States of Europe of which some of the European founding fathers dreamed is impossible to say. But it seems certain that the entry of Britain and Denmark, with their strong parliamentary traditions, will spell a strengthening of the European Parliament. The recent efforts to give the Community more human appeal will receive added emphasis, as the Irish push for a better regional development policy, the Danes for a more comprehensive social policy, and the British public for more democratic decision-making. Too, British entry seems to ensure that the enlarged EC will be outward-looking, quite simply because the United Kingdom's overseas interests are so considerable. It is a certainty that a new kind of Community of Europe will emerge as a result of enlargement. In the words of one observer, it has now achieved the "critical mass" which makes a European political identity possible.

THE ENLARGED COMMUNITY'S PROGRAM OF EVENTS -- JANUARY 1973

- Jan. 1 Denmark, Ireland, and the United Kingdom become full members of the European Communities.
- Jan. 5 The current nine-member Commission of the European Communities holds its last meeting, in Brussels.
- Jan. 6 The 13-member enlarged Commission of the European Communities holds its first meeting, in Brussels.
- Jan. 8 Tour of new building of the Communities' Court of Justice in Luxembourg and reception for guests and the press.
- Jan. 9 Members of the new Commission are sworn in before the Communities' Court of Justice in Luxembourg.
- Jan. 15 The nine-member Council of Ministers of the European Communities holds its first meeting, in Brussels.
- Jan. 16 The 198-member European Parliament meets in Strasbourg, France.

MEMBERS OF THE NEW COMMISSION OF THE EUROPEAN COMMUNITIES

<u>Office</u>	<u>Name</u>	<u>Last Post</u>	<u>Country</u>
President	Francois-Xavier ORTOLI	Minister of Finance	France
Vice President	Wilhelm HAFERKAMP	EC Commission Vice President	Germany
Vice President	Patrick J. HILLERY	Minister for Foreign Affairs	Ireland
Vice President	Carlo SCARASCIA-MUGNOZZA	EC Commission Vice President	Italy
Vice President	Christopher J. SOAMES	Ambassador to France	Great Britain
Vice President (for the first two years)	Henri F. SIMONET	Minister for Economic Affairs	Belgium
Commissioner	Albert BORSCHETTE	EC Commissioner	Luxembourg
Commissioner (for the first two years)	Jean-Francois DENIAU	EC Commissioner	France
Commissioner	Finn Olav GUNDERLACH	Ambassador to EC	Denmark
Commissioner	Ralf DAHRENDORF	EC Commissioner	Germany
Commissioner	Pierre J. LARDINOIS	Minister for Agriculture	Netherlands
Commissioner	George THOMSON	Shadow Cabinet Defense Minister	Great Britain
Commissioner	Altiero SPINELLI	EC Commissioner	Italy

This 13-member Commission replaces the former 9-member Commission of the European Communities, the institution that initiates and administers policy.

The Commission President and the five Vice Presidents are appointed for renewable terms of two years. The members of the Commission are appointed for four-year terms.

Mr. Deniau will become a Vice President after two years.

THE ENLARGED COMMUNITY -- A NEW PROFILE

	<u>Community of Six</u>	<u>Community of Nine</u>	<u>USA</u>
AREA (thousands of square miles)	445	589	3,600
POPULATION (millions)	190	253	205.4
TOTAL CIVILIAN LABOR FORCE			
-- percentage employed in agriculture	12.1	9.9	3.6*
-- percentage employed in industry	43.9	43.7	26.3*
-- percentage employed in services	42.2	44.3	48.0*
-- percentage unemployed	1.8	2.1	
NATURAL POPULATION INCREASE (1970) per 1000	4.9	4.9	8.8
GROSS NATIONAL PRODUCT (\$ billions)	534.7	694.5	1,050.4**
EXPORTS (\$ billions)	50.6	63.2	44.1
IMPORTS (\$ billions)	49.1	64.2	45.6
PERCENTAGE OF WORLD EXPORTS	19.5	27.6	17.0
PERCENTAGE OF WORLD IMPORTS	17.8	24.3	16.5

Source: EC Statistical Office (1971 figures)

* 1970

** OECD, Main Economic Indicators

US TRADE WITH THE COMMUNITY (1971)

	<u>of Six</u>	<u>of Nine</u>
Exports (\$ billions)	8.2	11.2
As a percentage of total US exports	19.0	25.4
Imports (\$ billions)	7.52	10.4
As a percentage of total US imports	16.5	22.8

Source: US Department of Commerce