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The views expressed by contributors do not necessarily reflect the policies of the European Community.

ROME'S CAMPIDOGLIO provided the glittering setting for belated pomp and ceremony marking the tenth anniversary of the Rome Treaties. This month's issue of EUROPEAN COMMUNITY reports on the contrast between the ceremonial and the political aspects of the "little summit" meeting held in Rome at the end of May. *John Lambert* reviews the Kennedy Round and makes some educated guesses about the results even though the contents of the packages have not yet been revealed. The EEC's negotiator in the Kennedy Round, *Jean Rey,* who has been named to head the new *Commission unique,* pays tribute to "a great European," outgoing EEC Commission President *Walter Hallstein,* who is leaving the Commission along with his French colleague Vice President Robert Marjolin. Professor Hallstein, in an article adapted from a recent address, analyses the dynamic elements of the European Community process. Early and late reaction to the U.K., Irish, and Danish membership applications are examined, and *Dennis Thompson* looks at the potential conflict between British law and the obligations of the Rome Treaty if Britain joins. In the news, stories tell about the new "common position" of the six countries' Finance Ministers, the economic outlook for the Six in the latter part of this year, and the wide-ranging external affairs debate in the European Parliament.

COVER: *The* Campidoglio, *Rome*

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The Treaty instituting a single Council and a single Commission for the three European Communities, signed in Brussels on April 8, 1965, will enter into force early this July, after ratification by the national parliaments. Italian Foreign Minister Amintore Fanfani (center) signed for Italy.

Merger of the Executives

IN THE FEDERALIST PAPERS, Alexander Hamilton cautioned against "the multiplication of the Executive" as being "dangerous . . . to liberty." The warning was heeded by the American founding fathers in their design of government. But in Europe, political and historical circumstances, since 1951 have produced an executive multiplicity which, if not dangerous, is at least an unwieldy construction.

Now, at the beginning of July 1967, the Brussels Treaty of 1965 will enter into force and the executive organs of the European Coal and Steel Community, the Atomic Energy Community, and the Economic Community will be merged in a single collegiate body—the 14 member *European Commission.* The next step, within three years, will be the merger of the three Treaties themselves and the reduction in size of the single Commission from 14 to nine members.

The price of merger has been the great loss to Community leadership of Professor Walter Hallstein. Hopefully, the gains will be in the long-run a more effective balance in relations between the new *Executif unique* and the member states.

Europe Rules Rome During Summit of the Six

ROME LIVED UNDER THE RULE OF EUROPE FOR TWO DAYS, May 29-30, while the six European Community countries met at the summit.

Political leaders from the Six and three hundred journalists from all over the world gathered in the eternal city for political talks on the future of Europe and for the official tenth anniversary celebration of the Rome Treaties creating the European Economic Community and the European Atomic Energy Community. Pomp, circumstance, dignity, and splendor attended the ceremonies. Rome welcomed her guests with plenty of blue sky, almost enough to make one forget the pouring rain when the Treaties were signed in now distant 1957.

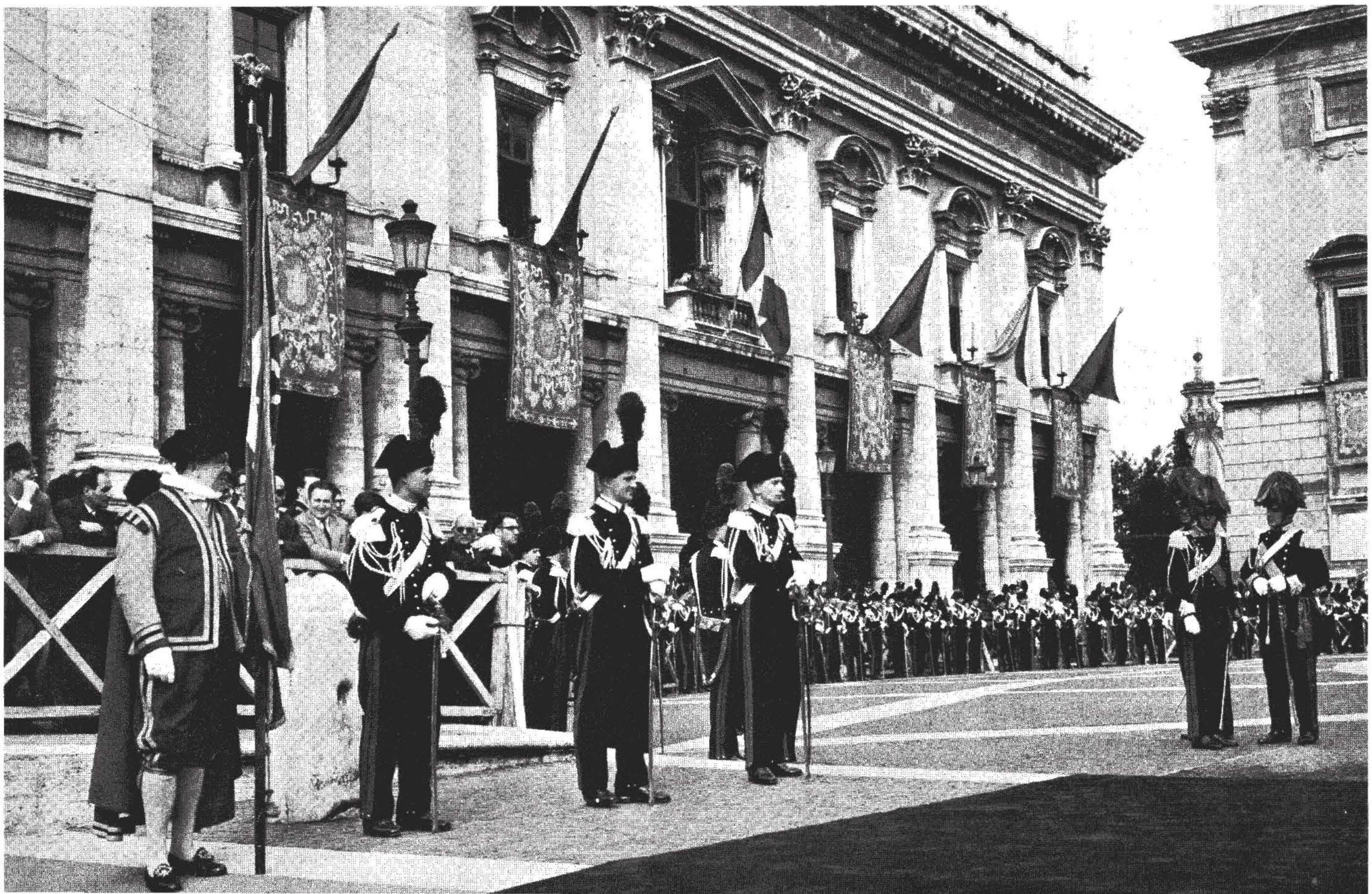
Celebration ceremonies occupied the first day of the Rome meeting. At 5 o'clock in the afternoon, in the same *Salone degli Orazi e Curiazi* where the Treaties had been signed on March 25, 1967, the President of Italy, Giuseppe Saragat addressed a "Who's Who" in European politics. Before him were French President Charles de Gaulle with Georges Pompidou his Prime Minister, Belgian Prime Minister Paul van den Boeynants, German Prime Minister Kurt Kiesinger, Italian Prime Minister Aldo Moro, Dutch Prime Minister P.J.S. de Jong and Pierre Werner, Prime Minister of Luxembourg. On the Italian President's right sat the EEC Commission with Walter Hallstein, its President; the Euratom Commission, the High Authority of the European Coal and Steel Community; the President of the European Parliament Alain Poher; and members of the European Court of Justice, Luxembourg. On his left were seated Joseph Bech who had signed the Rome Treaties for Luxembourg, Gaetano Martino who had signed for Italy, and other distinguished, political figures from the annals of European unification.

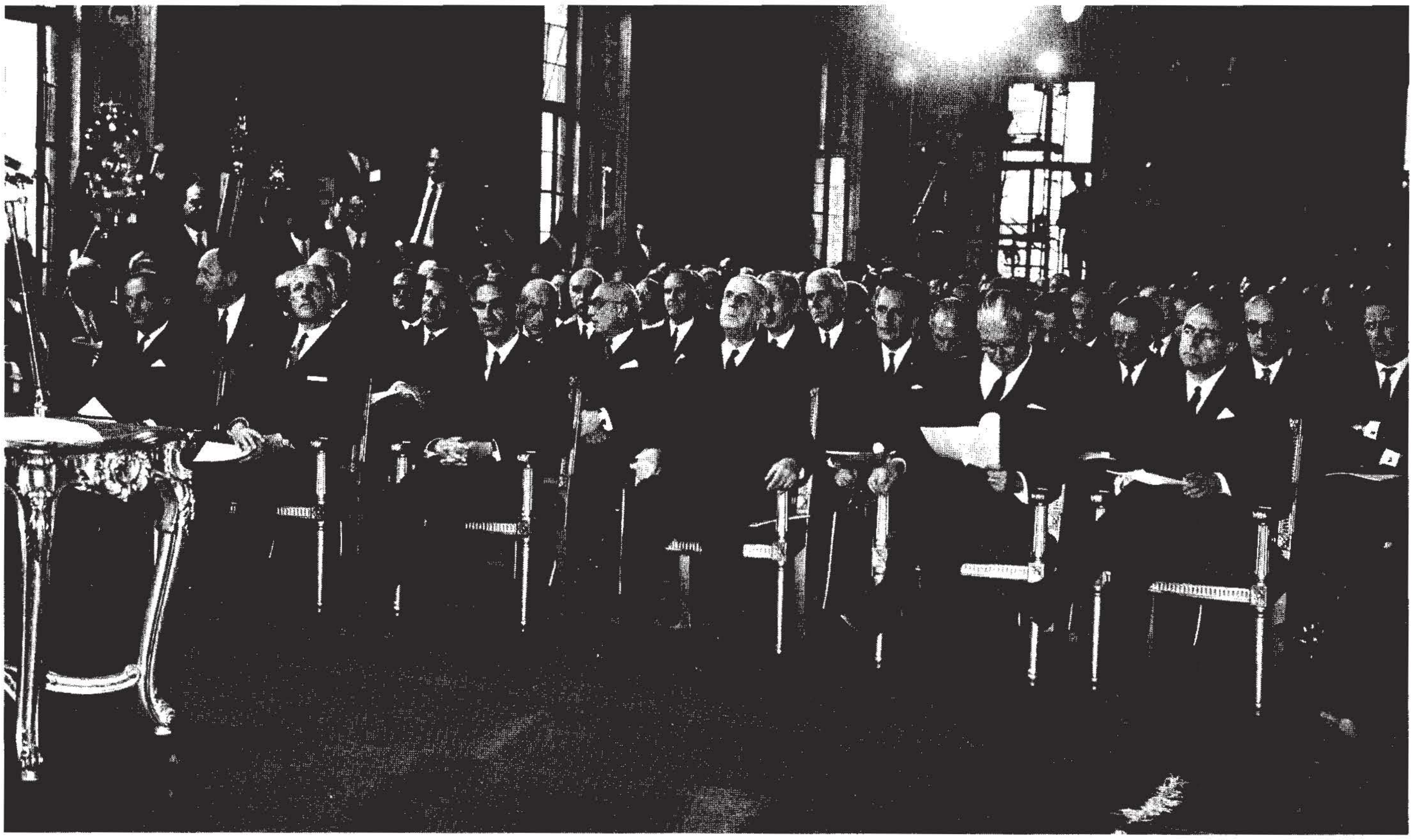
Much Has Been Accomplished but "New Tasks Await"

President Saragat first recalled the fundamental steps already made on the road towards European unity and then pronounced the European Economic Community's record for the first decade of its existence "far better than even the most optimistic forecasts." Above and beyond its impressive material achievements, the Community has made 'two basic contributions to humanity": by fostering a better knowledge of each other between peoples and a "spirit of renewal," a sense of purpose, and the energy to accomplish it. "Although the events we are commemorating mark the budding and flowering of the idea of a united Europe in the consciousness of our peoples," President Saragat observed, "the history of this idea goes far back, beyond every geographical notion, to (their) common Greek, Roman, German, and Christian beginnings. It evokes the image of the ideal man, fired in the crucible of Roman law, Christianity, the Renaissance, the Enlightenment, and the political and social revolutions of the last three centuries."

"Much has been done," the Italian President stated, but "new problems await us, among them the question of the Community's geographical and historical dimensions, and the accession of other countries. We hope negotiations will open soon with

The carabinieri *stand at ease in the* Campidoglio, *awaiting the call to attention that will signal the start of the tenth anniversary fesivities and the arrival of dignitaries from the member states' governments and the Community.*





"In the same Salone degli Orazi e Curiazi *where the Treaties had been singed on March 25, 1957, the President of Italy, Giuseppe Saragat* [photo below right] *addressed a 'Who's Who' in European politics . . ."*

Great Britain whose name is almost synonymous with political liberty. The whole country, not just part of it, is involved in the request for admittance. Labour, Conservatives, and Liberals have joined in support of the Government's request and the House of Commons ratified it almost unanimously."

No Conflict Between "Homeland and Europe"

With regard to political union, President Saragat pointed out that many great thinkers have clearly explained why economic progress cannot by itself bring about the political unity of Europe, which will require a "strong political will." But he emphasized, "there is no incompatibility between the European ideal and the ideal of the homeland, not any more than there could be between the rights and liberties of the individual and the duty of every citizen to serve his own country. The past also shows the futility of founding a continental order solely on a 'concert of powers,' which leaves it exposed to antagonisms between States. Anarchy finally destroys their spiritual heritage."

The Commission Played A Key Part

This meeting can "exert a decisive influence on the future of Europe," President Saragat emphasized. It had brought together "not only the men who today govern the six Community countries so wisely, but also the members of the Commission who have contributed eminently to the Communities' extraordinary spiritual and material progress." In concluding, the Italian President cited the appropriateness for "this solemn occasion" of Virgil's advice to Dante not to give up on his journey through Purgatory, but to try harder: *From here our course leads us to joy . . .*

When President Saragat had finished, his guests visited the exhibit "Ten Years of the Common Market" which had been prepared for the occasion in the *Campidoglio.* That evening the Italian President gave a dinner in honor of the delegations and which the representatives of the Community institutions attended. Then, the doors of the Quirinale opened to more than three thousand guests for a grand reception of the host. Thus the formal and public part of the meeting ended.

The next day, far away from the lights and luxury of the Campidoglio, the Six delegations reconvened at the Ministry of Foreign Affairs for the summit meeting itself. Some months ago, the Italian Foreign Minister Aminatore Fanfani, said that

the purpose of the summit meeting was to "register certain expression of Common will for the realization of agreements already undertaken and for the resumption of the political dialogue."

The *communiqué* issued at the close of the meeting centered on three points: the resumption of the political dialogue, the enlargement of the European Community, and the fusion of the three Executives in one "European Commission." The Foreign Ministers would discuss Britain's application for admittance to the Community at the June 6 meeting of the EEC Council of Ministers, it was decided. July 1, 1967 was chosen as the date to merge the Executives. The heads of state and of government also indicated that they would like to resume discussion of the proposal to establish the European University in Florence, last discussed on July 18, 1961, in Bonn, at the previous summit meeting of the Six.

The Kennedy Roun

NEGOTIATORS SPENT HOLIDAY WE

by **JOHN LAMBERT**

"AN EXTRAORDINARILY SUCCESSFUL CONCLUSION"

For relations between Europe as a whole — not only the Community — and the United States, it is important that the Kennedy Round has ended in success, with such substantial reductions in the obstacles to trade. I see no reason why tariff cuts, which are promoting such great expansion within Europe, should not have the same result in the wider context of the Atlantic world. . . . Pending a solution to the problems of expanding the European Economic Community (a solution will not be found overnight), it was important to lower the customs barriers between the countries of Europe. . . .

In 1964 and 1965 there were considerable differences of opinion and even crises in the Community. During the last six months of the negotiations, the Council reached all decisions relatively easily and always in a very good atmosphere. I myself felt that I enjoyed the confidence of the Ministers. This was an element of strength in my dealing with the other negotiators in Geneva. . . .

Our twofold effort [to introduce the common agricultural policy inside the Community while reducing customs barriers in the world at large] *has been rewarded with a twofold success. This has appreciably bolstered the Community's authority and strength, internally and externally. . . .*

In the one field where we Europeans are united, where we speak with one voice, where the European Economic Community as an entity negotiates, we are on the same footing as America. . . . In one field we are their equal and can talk to each other as equals. This was perfectly clear both to my opposite number Mr. Roth and to me. . . . We were representing the overall interests of equal powers.

EEC COMMISSION VICE PRESIDENT JEAN REY
Chief Negotiator for the European Community
Press Conference, May 18, 1967, Brussels

DURING THE NEXT FIVE YEARS the cuts in tariffs and other barriers negotiated during the Kennedy Round will bring a major stimulus to world trade, particularly between the industrialized countries. Keener competition will improve efficiency. Although the Kennedy Round achieved only limited results in the agricultural field, the work done on the question of binding agreements for world agricultural trade may bear fruit in the future. The developing countries obtained some limited concessions and the needy nations will benefit from a new food aid plan, given by the major trading countries—importers as well as exporters of wheat. For Britain and the other members of the European Free Trade Association, the Kennedy Round means a lowering of barriers that can help prepare their economies for the greater stress and stimulus they would meet should they join the Community.

The European Community, with one voice for a large part of Europe, confirmed the negotiating unity it first established in the Dillon Round of GATT negotiations from 1960-62. Its methods stood the test of this demanding full-scale appearance on the world trading scene. The Community was able to talk as an equal with the United States—an historic operation. Its political significance cannot be underestimated.

The Closing Marathon

The negotiations continued almost non-stop in the closing phases. The uninterrupted succession of bilateral and multilateral talks involved mainly the Community, British, Japanese, American, and Scandinavian negotiators. Final concessions were withheld until the very last moment, but the outcome seldom seemed to be in real danger.

Early in May, European Economic Community Commissioner, Jean Rey, chief of the European Economic Community delegation, returned to Brussels to obtain an extension of the negotiating directives from the Council of Ministers. Throughout the weekend of May 6 and until the following Tuesday, Mr. Rey participated in numerous talks. Again on May 10 and 11, he reviewed the situation for the Council which gave him its full confidence to conclude the negotiations. Success finally came at the end of the Whitsun weekend.

Following the main agreement, the U.S. must now seek Congressional approval of the wheat agreement and repeal of the American-Selling-Price system of calculating tariffs on benzenoid chemicals, footwear, and canned clams. In Geneva, a number of loose ends remain to be tidied up, such as the concessions smaller countries will exchange for benefits they would draw from the agreement, although they will not apply the 50 per cent across the board cut.

The Kennedy Round of negotiations in the General Agreement on Tariffs and Trade continued through Europe's traditional Whitsun holiday weekend to end successfully late on May 15, Whit Monday. European Community *asked John Lambert, a British free-lance journalist, to evaluate the aftermath of four years at the bargaining table. Mr. Lambert followed these negotiations closely, first as a reporter for* Agence Europe, *the daily news report on Community activities, then as Assistant Spokesman for the European Economic Community Commission.*

- Success at Last

D BARGAINING TO TIE UP PACKAGE

Only a Few Exceptions

The industrial side of the negotiation, far the most important in terms of the economic advantages involved, reduced tariffs by an average of 35-40 per cent, according to the EEC chief negotiator's estimate. The Dillon Round, by contrast, had reduced tariffs by only 7-11 per cent on the average.

The basic working hypothesis of a 50 per cent cut in duties will actually be applied to a broad range of goods including cars. The Community tariff on cars would drop from 22 per cent to 11 per cent, Mr. Rey said, and "the consumer will see the effects of this cut quite clearly." He also mentioned that certain European taxes on cars were among the non-tariff barriers tackled during the negotiations.

The number of products excluded altogether from tariff cutting or subject to cuts of less than 50 per cent was whittled down considerably in the course of the talks. In this area, average figures have little significance because the trade volume and growth prospects for a product matter at least as much as the actual level of the tariff.

Chemicals proved the stickiest point in the industrial sector. The Community, backed by the Swiss and the British, was determined to have the "American-Selling-Price" system abolished (see *European Community Nos. 96 and 100*). ASP, by basing duties on an arbitrarily set U.S. price, rather than the European export price, results in duties of up to 170 per cent *ad valorem.* Abolition would require legislation by Congress with no guarantee of its passage. Finally, overall balance was achieved in a split-package deal in the chemical sector with tariff concessions averaging around 45 per cent.

Britain held out almost until the end against Community pressure to lessen specific duties on lower-grade steels (imported mainly from the Six and Japan), as well as on higher grades, which account for four-fifths of U.S. steel exports to Britain. The British felt that their firmness had borne fruit in concessions made by the Community on certain engineering products. In general, the final phase was spent in a criss-cross of bargaining to improve offers which had been made by all the participating countries.

Farm Concessions—A Higher Wheat Price, Food Aid

On the agricultural side, the Kennedy Round fell short of European hopes. The Community had proposed a world grain agreement, a world meat agreement, and a world agreement on dairy produce. "All this gradually fell by the wayside," Mr. Rey commented on May 18, "either because it was too controversial and time was running out, or (and this is sadder) because world opinion was not yet ready."

Apart from an agreement on a higher wheat price on the world market, the only tangible result was a plan to channel wheat as food aid to needy countries, the cost being shared among the major grain trading countries, both the importers and the exporters. The beneficiary countries will receive 4.5 million tons of grain a year, worth $350 million.

The Community's proposals for an international system of commodity agreements and fixed farm-subsidy levels was dropped entirely when it became clear that it could be applied only to grains. Furthermore, in the closing stages, the U.S. negotiators estimated that the system provided so limited an as-

"A VERY GRATIFYING AND REWARDING EFFORT"

The formal multilateral agreement concluding the Kennedy Round of Tariff Negotiations will be signed June 30, 1967. Until that time, we cannot disclose specifics of concessions made or received by the United States.

Throughout these negotiations, public attitudes—like my own—have been conditioned by the tedium and frustrations of these extended negotiations and by the crisis atmosphere that has prevailed through the last several weeks of final bargaining. Because failure seemed at times imminent, and a minimum result often seemed the most likely alternative, it has been difficult for all of us to recognize how very well we have come out.

In scope and magnitude, the concessions to which all major trading nations are committed are far greater than ever previously negotiated. Balance among the participants has been achieved without serious unravelling of initial offers, although a major scaling down was made in such sectors as aluminum, steel, and textiles. For the first time in international commercial negotiations, valuable concessions have been exchanged on a wide variety of farm products. Important progress on reducing non-tariff barriers has been made. . . .

This agreement contains the promise of significantly improved international economic relations, particularly by strengthening ties between the United States and the European Economic Community, and the United States and Canada, and by reducing the wall between the Community and the EFTA countries. The Kennedy Round agreement holds the promise of economic growth and increasing prosperity for all free world nations. It has been a very gratifying and rewarding effort.

AMBASSADOR WILLIAM M. ROTH
U.S. Special Representative for Trade Negotiations
Press Briefing, May 23, 1967, Washington, D.C.

surance of access to the EEC market that it was not worth the problems they would face in getting the Congress to accept commitments on domestic farm policy. The American decision amounts to a recognition that the Community's farm policy does not, at least for the moment, constitute any real threat to U.S. exports.

For the developing countries, the biggest benefits of the Kennedy Round will probably be indirect, through increased demand by the industrial powers for raw-material and commodity imports. In terms of the potential increase in export earnings, the concessions for goods exported from the developing countries were slight compared with the concessions the industrialized countries made to each other. But, Mr. Rey told the press on May 18, "The movement to generalize preferences for developing countries is gaining ground," referring to the Commission's proposals to the Council last year under which preferences on industrial manufactures or semi-manufactures would become the general rule (see *European Community* No. 100). This problem would be discussed again after the Kennedy Round had ended.

Politically Important for Community's Development

Apart from the outcome in material terms, the importance of the Kennedy Round for the Community's own development is considerable. The Six have again shown themselves capable of negotiating as a single unit with the rest of the world on vital economic matters.

The negotiating method undeniably proved cumbersome in the early stages. The directives of the Council of Ministers, issued after lengthy bargaining among the Six, left the Commission little room to maneuver. But from January 1967 onwards, the Council of Ministers began increasingly to leave the conduct of the negotiations to the Commission, laying down only the general lines of policy. This mark of confidence in turn strengthened the Commission's position in the final stages. The Council's *communiqué* at the close of its meeting in the last week of the negotiations marked the culmination of this process. Not only did the Council reaffirm its entire confidence in the Commission, but it also empowered the Commission to complete the negotiations without further consultations.

Much of the credit for consolidating the Commission's role in negotiating for the Community, must undoubtedly go to Jean Rey. In guiding the Commission team through the crucial final stages in Geneva and in handling the Council of Ministers in Brussels he skillfully carried off one of the most complex tasks ever to face a negotiator.

The effects of the Kennedy Round will long be felt. The tariff reductions spread over the next five years will stimulate the economies of all the trading countries as the reduction of duties within the EEC did for the Six. For British industry in particular—which apart from the opening of the frontiers to goods from her EFTA partners has remained behind a protectionist wall—the Kennedy Round cuts can provide a very useful preparation for the possible future "cold shower" effect on entering the Community. For the industrialized countries in general the economic and political significance of what has been achieved far exceeds the direct advantages: the success in Geneva confirms the post-war trend towards more liberal trading policies and increasing economic interdependence.

The Kennedy Round ends. Facing camera, seated at table right to left: Eric Wyndham White, Director General of the GATT; Finn Gundelach, Deputy Director General of the GATT; Jean Rey, chief negotiator for the European Community; unidentified; William M. Roth, chief negotiator for the United States and W. Michael Blumenthal, Deputy Special Trade Representative

Jean Rey, President-Elect of the European Commission, Visits U.S.

JEAN REY, member of the European Economic Community's Commission and President-Elect of the new "European Commission," the Community's single executive, visited the United States to address a New York luncheon meeting in early June sponsored by the Chambers of Commerce of the Six EEC countries.

Mr. Rey stressed that he had prepared his address, "The Future of Relations between the European Community and the United States," for delivery two months ago to commemorate the tenth anniversary of the Rome Treaties creating the EEC and the European Atomic Energy Community. Thus, he said, his appearance at the luncheon could not be regarded as the "first statement" of the President-Elect of the new Commission, but his last statement as a member of the EEC Commission. Mr. Rey became a member of the Commission, the Community's executive branch in 1958. For the four previous years, he had served as Belgian Minister of Economic Affairs.

Mr. Rey paid tribute to his colleague of the past decade, the "great European," Walter Hallstein, outgoing President of the EEC Commission. Mr. Rey said that Dr. Hallstein deserved admiration and gratitude from all Europeans, first for his efforts as a colleague of Konrad Adenauer in helping to restore friendship between France and Germany, and secondly as chief of the EEC Commission during the difficult formative years of the Common Market.

Political Life "Organized More at the Level of Continents"

Among current and future problems in relations between the U.S. and Europe, Mr. Rey mentioned the reform of the international monetary system, now under discussion in the International Monetary Fund, in the "Group of Ten" participants in the General Arrangements to Borrow, and in "Working Party III" of the Organization for Economic Cooperation and Development. He also mentioned American investments in Europe, industrial cooperation, and the problem of establishing common policies for development within the OECD and other international organizations.

Despite the successful conclusion of the Kennedy Round of Tariff negotiations, there are other trade problems, outside the field of tariffs, that must still be discussed in Geneva, Mr. Rey said. "One thing is certain. None of these problems can be solved separately by the U.S. or the EEC. We shall solve them together or they shall not be solved at all."

"We are living at a time in which the political life of the world is becoming organized less at the level of national states and more at the level of continents. Europe is already far advanced in this process. Africa and Latin America are on the way." Mr. Rey concluded by saying that President Kennedy's "Declaration of Interdependence" of 1962 was even more true today. "Partnership . . . is still our hope and our guide for the future."

The Conference of Member States Representatives has agreed to nominate Mr. Rey for the presidency of the single European Commission, which will replace the EEC Commission, the Euratom Commission, and the High Authority of the European Coal and Steel Community. However, Mr. Rey will not take office until five days after the official nominations. These cannot be made until the merger treaty enters into force on July 1, 1967, provided that all signatories have deposited their instruments of ratification with the Government of the Italy.

Newsmen surround EEC Commissioner Jean Rey upon his return to Brussels from the Kennedy Round of tariff negotiations in Geneva. Mr. Rey is President-Elect of the new European Commission.

The Federal Republic of Germany will hold the presidency of the single Council from July 1 to December 31. It will take up its duties of the day the merger treaty enters into force.

ATLANTIC POLICY, CIRCA 1787

Let Americans disdain to be the instruments of European greatness! Let the thirteen States, bound together in a strict and indissoluble Union, concur in erecting one great American system superior to the control of all transatlantic force or influence and able to dictate the terms of the connection between the old and the new world!

ALEXANDER HAMILTON
The Federalist Papers, No. 12

The Dynamics o

by **WALTER HALLSTEIN** *EEC Commission President*

Walter Hallstein, one of the two German signatories of the Rome Treaties and President of the EEC's Commission since its inception in 1958, has announced that he will not be a candidate for the Presidency of the single Community Commision to be formed on July 1.

Dr. Hallstein's decision was not unexpected. One of the reasons for the delay in carrying out the merger treaty, which was signed two years ago, was the failure by the six member governments to agree on the person and terms of appointment of the President of the single Commission which will replace the EEC and Euratom Commissions and the ECSC High Authority.

Finally, a general agreement was reached that the Presidency should be a rotating post, occupied by different members of the Commission for two-year terms, without automatic right of succession. However, one of the member governments considered that Dr. Hallstein should not hold office as President of the single Commission for more than a few months after its formation.

On hearing of Dr. Hallstein's decision, EEC Commission Vice-President Levi Sandri sent him the following telegram: "The Commission regrets that the Communities should be deprived of your authority and experience at a time when they will have to solve particularly numerous and complex problems . . . (It) has asked me to convey to you its full comprehension for the disinterested motives which have guided you. As in the past and in the most difficult times, you may count on the confidence, solidarity and sincere friendship of all your colleagues."

Born in November 1901, Walter Hallstein spent his early career in academic life, and was nearly 50 before he turned to politics. He headed the German delegation to the Schuman Plan negotiations in 1950 and, as State Secretary at the Foreign Ministry (1951-1957), was co-signer with Federal Chancellor Konrad Adenauer of the Rome Treaties establishing the EEC and Euratom. When the EEC Commission formally took office in January 1958 he was appointed President, with the unanimous approval of the member governments. Since then the personality and the ideals of Walter Hallstein have left an indelible stamp on the European Community. He has always firmly defended the role of the Commission as the initiator of Community action. Most recently, on May 8, he discussed this subject in an address to the Hamburg Overseas Club. The following article is a condensation of that speech.

JUST A FEW WEEKS AGO we celebrated the tenth anniversary of the Treaty of Rome—more than commercial treaty—and of the European Economic Community—more than a free trade area. This point must be made clear. Someimes those in constant touch with world trade may underestimate the need for the hand of State to guide economic activity (a single hand, not a new one at every hundred kilometers).

Because Europe is not a federal State today, we do not yet have a European internal market. But we can build this market by bringing the elements together, one by one. This process started 10 years ago when the Treaty of Rome called into being a comunity of States, one type of economic federation. This Economic Community is political, democratic, and dynamic.

Institutions Reveal Political Nature of Community

The political foundation of the Community is expressed most strongly in its institutions. Through them, the Community releases the dynamic power inherent in the integration process. On their inter-action, the outcome of European integration depends.

The Council of Ministers, composed of representatives of the six Governments, makes the most important decisions and is, therefore, first and foremost, the Community's legislature. The Commission, the independent executive branch, is invested with the exclusive right to initiate legislation, without instructions from the Governments. Responsible only to the European Parliament, the Commission represents the interests of the Community. Finally, the Court of Justice protects the Community order against infringements and ensures that all—the six European States and their citizens—shall obey the law and enjoy its protection.

In the European Parliament the Community will of the six peoples finds free and independent expression. Thus, the Community has the basic attributes of democratic legitimacy. Although the Parliament still lacks real law-making powers and sovereignty in budgetary matters, the Treaty does contain strict provisions under which it must be consulted and its Committees have come to form an important instrument of surveillance. The Parliament's powers of control culminate in a vote of no confidence. The Parliament—and only the Parliament—has the power to dismiss the members of the Commission.

Our European work by pre-empting the future, also reflects the political nature of the Community. Every policy is only as strong as the hope it embodies. The Treaty of Rome is no pandect, no legal code, no guarantee of the *status quo*. European integration is a process. It is movement wherever we come into contact with it. Everything we do is done with an eye on the year 2000, when the world and the conditions of our individual and collective lives will be fundamentally different. Our young people will live to see a political map of Europe that does not look like a patchwork quilt.

Four Main Elements Impel Community Towards Future

But how do we assure movement towards a future situation? There are four main lines of advance.

• The Community can only be built in stages. The vast field covered by the Rome Treaty and its nature as an outline treaty necessitate the constant search for agreement on matters not covered when the Treaty was negotiated; when it was completely impossible to make final arrangements for every field of integration. As an outline treaty, the Treaty of Rome differs appreciably from earlier integration treaties such as the one for the Coal and Steel Community. From the very first day there has been a strict legal obligation to apply the Treaty of Rome, but its implementation has more often than not required a political choice.

• A second dynamic element is the dialogue between the institutionalized common interest, the Commission, and the federal organ, the Council of Ministers. The privilege, the monopoly, and indeed the duty to initiate this dialogue belong to the Commission. It opens when the Commission submits a proposal to the Council of Ministers. In addition to supporting the proposal in Council meetings, the Commission must occasionally act as the intermediary for compromise.

• A third dynamic element is the conflict of special interests built into the integration process. Like the weights of a clock, they keep it in perpetual movement as different economic sectors bring their views to the attention of the institutions involved.

• A fourth dynamic element is the logic of the facts. How, for example, can capital movements be fully liberalized without common concepts in the monetary and currency fields? We have made a pact with the frightening and irresistible power of logic. The material logic of the facts of integration urges us relentlessly on from one step to the next, from one field to another.

The Community—The Vanguard of Political Unity

Because economic integration is an autonomous process, its success does not necessarily depend on merging the Community members' foreign and defense policies, still hidebound by historical particularism. However, it does influence these areas of policy by creating a "bias" in favor of political union, a "bias of reason." Although a politically united Europe, the European federation, will not just "happen" upon the completion of economic integration (There aren't any automatic developments in politics), economic integration will help attain this objective.

A common trade policy will influence areas of non-economic foreign policy remaining within the national competence. The effects of common European initiatives to promote scientific research and technological development will be limited if they exclude the extensive and complex armaments industry. This in turn will influence the defense policies of the member states.

Even in the economic sphere, Europe's role in the world depends on its unity. The Community made great concessions to align its position with the wishes of its partners in the Kennedy Round. Without our unified economic policy and without our great new bargaining power, fully reciprocal comprehensive liberalization of world trade would be impossible. The acid test of the Kennedy Round will not be forgotten.

Geographical Extension of the Community

The geographical extension of European integration, another product of the Community's dynamics, also confirms its course as the right one. The historically significant decisions of the British Government and the Governments of Denmark and Ireland to negotiate again for admission find us prepared. The negotiations of 1961-63 are fresh in our memories although a great deal has changed since then.

Community structures have solidified during and because of crises. The common agricultural policy no longer exists only on paper. The common external tariff is complete. The customs union will be an accomplished fact in 14 months. Today, membership in the Community means accepting not only the spirit and the letter of the Rome Treaty with its ultimate political goals, but also the laws of its institutions.

We are pleased to see that the British Government also accepts this viewpoint and is prepared to base its negotiations on it. (By this I do not mean to exclude the possibility of transitional arrangements.) No longer does the British Government face a united opposition in its own country. The Government recognizes accession to the European Community as a political decision, first of all, and as an economic decision, secondarily. The British Government's emphasis on the political nature or its decision is encouraging.

Equally clear is the interest in a unified, large European commercial market, expressed in the European Free Trade Association *communiqué* of April 28, 1967. Today, more distinctly than in 1962, there are two lines of thinking on European integration, so that it may be possible to deal with them more adequately in the future. One group of states wants to overcome vested interests in the area of commercial policy and achieve political fusion. On the other side, we see a line of development directed more by economics and, especially, commercial policy.

The Lessons of the Community's Past

These applications put the spotlight again on the question of what kind of Community we want. Once again, Europe stands at a fork in the road. The right road will exact dogged patience and constructive optimism of every one of us. Admittedly, no cut-and-dried formula yet exists on how to establish political union, no specific method of integration on which the member states agree. But a fund of constitutional experience does exist, built up by the European Communities.

This experience shows that only an independent embodiment of the Community interest, vested with real powers, can prevent cooperation from running into a dead end. The driving force of economic unification has been the European Commission's right of initiative. By its presence at negotiations between the Governments, the Commission has acted in the important role of mediator. Another equally important part of this constitutional experience is the realization that only the equality of all Europeans and their states can guarantee long-term stability and continuity.

The Europe of the Europen Community has proven its value as the nucleus of European unification. The influence of that Europe extends beyond the Yalta line which divides all of Europe. Once the customs and agricultural unions are complete, the European Economic Community will become a factor impossible to ignore in economic relations with Eastern Europe. By hard, intensive and resourceful work to remove the many small and large obstacles hampering the development of these economic relations, the European Economic Community will be able to contribute towards easing tensions in Europe. European unification threatens neither the Soviet Union nor anyone else. Every step toward European unity could achieve what no bi-polarization of world power, no disarmament conference, and no "European security system" can bring about: exorcism of the dangers inherent in frontiers and the establishment of true peace in troubled Europe.

President Kennedy once described European integration as the most constructive political achievement in our century. It has made an unparalleled contribution to the material well-being of the peoples of Europe, and proven that even after two catastrophic wars even in so complicated and interest-ridden sphere as socio-economic activity, unity is possible in Europe. After nearly ten years of practical experience, the European Community stands as an example of an organizational principle demonstrably appropriate for the unity of peoples. It provides new evidence daily that there can be a European Community and that it works.

We do not know whether man's age-old dream of "one world" will ever be realized, or whether national frontiers can or should be eliminated. We know only that to keep the peace and make it strong we must deprive national frontiers of their power to harm. Our work to unite Europe is a mighty work of peace, our deepest satisfaction, and our greatest pride.

HALLSTEIN: 'THE IMPASSIONED ADVOCATE OF A U.S. OF EUROPE'

Walter Hallstein has been President of the EEC Commission for over nine years, roughly the same time as General De Gaulle has been President of France. These long years of coexistence between the impassioned advocate of a United States of Europe and the unmoved prophet of an Europe des patries *have been marked by many testing trials of strength. Under Hallstein's clear-sighted political leadership the disputes between France and the other five EEC members, which on more than one occasion threatened the existence of the Common Market, have been settled . . . It is sad that this same European, who once demanded the substitution of European prejudices for national prejudices, has now come to grief as a result of national prejudice by the two partners of the Franco-German friendship treaty.*

FERDINAND HIMPELE, Die Welt

The EEC Vice-President attacked the problem of a common economic policy, on the subject of which the Rome Treaty offers few means of success. The working-out of such a policy raised a host of difficulties due not only to differences of situation but also to differences of concept in the six countries. Many of these difficulties have been overcome, and the consummation of M. Marjolin's efforts was the adoption by the Council of Ministers of the first medium-term economic-policy program.

PHILIPPE LEMAITRE, Le Monde

MARJOLIN TO RESIGN FOR UNIVERSITY ROLE

On May 18, Robert Marjolin, Vice-President of the European Community's Commission since 1958, also announced that he would not seek a renewal of his term of office, but would return to academic life.

The departure of M. Marjolin will deprive the new Commission of another who has been a major figure and Community leader throughout its nearly ten years of existence. In 1948, M. Marjolin, then 37 years old, became Secretary-General of the Organization for European Economic Cooperation (OEEC). Serving in that key post until 1955, he had an unparalleled opportunity to see the need for European integration and the limitations of the inter-governmental approach.

Like Dr. Hallstein, he played a leading role in preparing the groundwork for the Common Market and Euratom, as deputy head of the French delegation to the Interim Committee for the EEC and Euratom. M. Marjolin will join the law and economics faculty of the University of Paris. He formerly held a teaching post at the University of Nancy.

Harvard University conferred an honorary Doctorate of Laws on M. Marjolin at the commencement ceremony on June 15. The citation read: Robert Marjolin, courageous patriot, thoughtful economist, undeterred by competing national interests, he holds fast to the vision of a strong European Community."

MARJOLIN: 'AN UNCOMMON GIFT OF PERSUASION'

The Six must now come to grips with some very tough problems: energy, taxes, social charges, transport, General de Gaulle said at his press conference. This is the program that M. Robert Marjolin has been urging for several years for the EEC and which he has succeeded, implicitly at least, in getting the six countries to accept . . .

Indeed, the striking thing about the outgoing Vice-President of the Commission is his uncommon gift of persuasion . . . M. Marjolin has shown himself a master in the art of knowing, at the time when a negotiation was getting bogged down and none of the six partners could manage to escape from the toils of its own arguments, how to come up with a limpid solution which seemed so obvious once it had been thought of—the compromise everyone could accept.

M. Marjolin took his decision to leave his present post before Prof. Hallstein made up his mind to resign. His reasons are not political. Doubtless he has given way to the pleas of his family, which has been seeing him for only a few hours a week, so engrossed is he by his duties in Brussels.

PAUL FABRA, Le Monde

United Kingdom, Ireland, Denmark Apply for Community Membership

BRITAIN'S SECOND ATTEMPT to join the European Community and first formal application for "membership" has aroused widespread interest. Even those doubtful about Britain's desirability as a member noted the development of her "European" stance since 1961 (see *European Community* No. 101).

On May 10, after three days of debate, the House of Commons approved the Government's bid for Community membership by a strong majority on both sides of the aisle. The next morning, Sir James Marjoribanks, British Ambassador to the Communities, presented the membership applications of Great Britain and Northern Ireland to the Presidents of the Councils of Ministers of the European Economic Community, the European Atomic Energy Community, and the European Coal and Steel Community.

The Irish Ambassador to the Communities, Sean Morrissey, immediately presented a request for negotiations on the Irish application of July 31, 1961. That evening Kaj Barlebo Larsen, Embassy Counselor and *chargé d'affaires ad interim* of the Danish Mission to the Communities, presented his Government's applications. Renaat van Elslande, President of the EEC Council of Ministers, said that it was an appropriate time to recall the preamble to the Rome Treaty in which the Six invited "the other peoples of Europe who share their ideal to join in their efforts."

The Euratom and EEC Councils of Ministers, meeting on June 5-6, reached agreement on the text of the replies to be presented to the British, Danish, and Irish Ambassadors. The Committee of Permanent Representatives was instructed to seek the earliest possible date for a meeting of the Councils and the Commission to begin a thorough discussion of the problems raised by the requests.

Britain's First Application for Membership?

In 1961, the British Government had requested "negotiations to see if satisfactory arrangements can be made to meet the special interests of the United Kingdom . . ." before deciding to accede to the treaties.

This time, as Prime Minister Wilson told the House of Commons on May 2, "Her Majesty's Government have today decided to make an application under Article 237 of the Treaty of Rome [see box] for Membership. . . ." The Prime Minister reported to the Parliament on the "five conditions" of 1961 (Britain's desire to protect its domestic agriculture and its special relations with the Commonwealth and the European Free Trade Association countries and to retain independence of foreign policy decisions and domestic economic planning). He invited the House to debate all aspects of the question before his Government applied for membership.

Opening the debate on May 8, Prime Minister Wilson stressed first of all the economic aspects of British membership—both favorable and unfavorable. "I am not," he said, "and never have been, one of those who see in British entry an automatic solution to our economic problems. . . . "Mr. Wilson totally rejected the view that membership would provide an opportunity for deflating labor costs and gave assurance to the House that pensioners and other people on small fixed incomes would be sheltered from the effects of any food price increase resulting from British membership. The answer to this problem, he said, lay in social policies.

Need to Accept Agricultural Policy Stressed

The Prime Minister made it clear that the Government accepted the common agricultural policy as an essential part of the Community and that Britain must adapt her economy to it. As the financial arrangements for the common agricultural policy now stand, and excluding reverse payments from the Community's Agricultural Fund to British farmers, Mr. Wilson said that Britain would be contributing about 35 per cent of the Fund's total resources. Because this assessment would be twice as high as any other country's, the Prime Minister said he doubted that Britain's prospective partners would consider it equitable.

On the subject of the Commonwealth, Mr. Wilson singled out the problems of New Zealand, which sells 75 per cent of its agricultural output on the British market, and of the West Indies' sugar producers. Since 1963, he said, there had been a growing recognition by the Six that these special cases must be dealt with on a "realistic and imaginative basis," but refused to speculate in advance of negotiations what this basis could be.

On questions of capital movements and regional policy, the Prime Minister was confident that British interests would not be prejudiced. He estimated the overall adverse effect of entry on the balance of payments at roughly $280 million a year, or $1.4 billion over a five-year transitional period. However, he added, the anticipated 3 per cent economic growth which should be a consequence of membership would raise Britain's gross national product by some $2.8 billion a year.

Opposition Asks About Defense and Currency

Sir Alec Douglas-Home, "shadow" Foreign Secretary, opening for the Opposition, congratulated the Prime Minister on his change of attitude towards the Community. He said he was glad to see that the rigid principles of the "five conditions" had been abandoned in favor of certain special problems which could arise from British membership.

"How best can Europe, in a nuclear age, assume greater responsibility for its own defense," Sir Alec queried, "bearing in mind the need on the one hand to retain the backing of the power of America and, on the other, to regain the friendship of the Soviet Union?" The only major clash during the debate occurred the next day when opposition leader Edward Heath suggested that the French and British nuclear forces should "be held in trust for Europe." But he said that this did not mean handing over the British deterrent independently to the other members of the Six, and suggested that the British and French governments should agree to a committee in which members of the enlarged Community could deal with such matters. "If this can be done in NATO—the MacNamara Committee—I see no objection to its being done in the Community," he said. Later in the debate, Foreign Secretary George Brown described these proposals as "dangerous and unwise."

Mr. Heath also urged the Government to seek "Community" policies in other fields, especially economic. He hoped that the Government would not underestimate the importance in the forthcoming negotiations of the role of the pound sterling and Britain's economic position. The solutions to these and other problems had to be sought in the Community context, he said. "There can be no doubt," he added, "that the logical conclusion is to move either *de facto* or *de jure* towards having a common currency."

James Callaghan, Chancellor of the Exchequer who followed Mr. Heath, said he would not seek such a solution for the sterling question, that it would be better to settle the matter on a world-wide scale. He denied that Community membership must imply a complete reversal for the British Government's position in the past for reforming the world monetary system.

Clear Majority Support from Both Major Parties

"In the application there will be no "ifs" and "buts," no conditions or stipulations. We shall apply to join," George Brown told the House in winding up for the Government. The Rome Treaty, he emphasized, made provision for applications for membership in the Community, but the conditions of entry and any adjustments the entry of a new member may necessitate in the Treaty are subject to agreement between the existing member states and the new applicant. The agreement itself must be ratified by all the contracting states, in accordance with their own constitutional practices. "In the last analysis, our decision to negotiate our entry into the European Communities is basically a political one." In conclusion the Foreign Secretary said: "We aim to join the European Economic Community without delay."

The debate aroused country-wide interest. In contrast to the position five years earlier when Hugh Gaitskell had led the majority of the Labour Opposition against British membership in the Community, except on the famous "five conditions" for joining the Community, the majority of the present Government and Opposition Members of Parliament agree on the overall objective of getting Britain into the Community. They differed mainly on questions of European unity beyond the scope of the Rome Treaties (especially in the area of nuclear defense) and on some economic questions such as a common Community currency. The leading Conservative speakers were bolder than the Government which tended towards a cautious, "wait-and-see" attitude.

When the vote was taken, of the 358 Labour MP's in commons, 36 voted against the Government's bid to enter the European Community with 51 absent or abstaining. On the Opposition benches, 26 out of 259 Conservatives voted against the Government, while 29 abstained or were absent. One of the 12 Liberal MP's, also voted against the motion. (The figures for absence or abstention include the four tellers.)

ARTICLE 237 OF THE EEC TREATY

Any European state may apply to become a member of the Community. It shall address its application to the Council (of Ministers) which, after obtaining the opinion of the Commission, shall take its decision unanimously.

The conditions of admission and the adaptations of this Treaty to which it gives rise shall be the subject of an agreement between the member states and the applicant state. This agreement requires ratification by all the contracting states in accordance with their respective constitutional rules.

Prime Minister Harold Wilson opened the Parliamentary debate on British membership in the European Community. Big Ben stands at the end of the Commons office wing of the Houses of Parliament.
Photo: Courtesy of the British Travel Association, New York

The Taoiseach Delineates Ireland's Goals

The *Taoiseach,* or Prime Minister, of Ireland, Jack Lynch explained to the *Dail* why the Republic of Ireland must accede to the Rome Treaty at the same time Britain joins. His statement stressed the political objectives of the Community and delineated the goals of his Government's negotiations. "The achievement of economic union will carry Europe an appreciable distance along the road to political unity." Mr. Lynch said, reaffirming the belief stated by the previous government that Ireland which "belongs to Europe by history, tradition, and sentiment no less than geography," should participate in this "momentous process."

Although the breakdown in the British negotiations in January 1963 had put Ireland's request in suspense, Mr. Lynch said that the Government had worked towards eventual membership in the Community. "With full regard to the requirements of membership," it had made unilateral tariff cuts which averaged 20 per cent. In December 1965, it had concluded a free-trade agreement with Britain which "provides for the gradual elimination of protection on substantially all our imports from Britain by 1975."

Ireland would need transitional arrangements for its industry to adjust to heightened competition, Mr. Lynch said, but for agriculture, the considerations would be of an "altogether different order." The Community's agricultural policy would assure Irish farmers of "export outlets at stable and, in general, remunerative prices," with the exceptions of wheat and sugar beets, for which Community prices are lower. Because transitional arrangements for British agriculture would affect Ireland, the *Taoiseach* said Ireland would try to "ensure that our views are taken into account before any decisions are taken on British transitional arrangements." Mr. Lynch did not anticipate any "intractable problems."

Liam Cosgrave, leader of the *Fine Gael* opposition party, supported the application, but said that there was insufficient appreciation of the delicate balance which the six members had worked so hard to achieve. Brendan Corish, leader of the Labour Party said "We should fight to get the best conditions for agriculture and to ensure that our people were employed here and should not have to go to the Continent for employment."

Denmark Accepts Commitment to European Unity

In Copenhagen on May 10, Tyge Dahlgaard, Danish Minister of Trade and of European Integration, explained his country's reasons for renewing its application for membership in the European Community. Although in the past, he reminded the Parliament, the "down-to-earth" Danish people had focused on the commercial advantages of membership, "by entering an extended Common Market we shall become parties to a general striving towards European unity. . . . Two giant powers have grown up around us. We should evidently have good relations with them but great European strength in the development of these good relations will be of the utmost importance to a great civilization like ours."

The government officials have concluded that "there will be no need for Denmark to make any special reservations on our entry into the Communities except for the particular consideration to be given to the Faroe Islands and Greenland. Nor do the government officials think that there will be any need in Denmark's case to apply for special transitional arrangements."

Denmark had helped form the European Free Trade Association, Mr. Dahlgaard recalled, "to exert persistent pressure on the Six to help bring about a wider European solution and to demonstrate the viability of the idea of a free trade area." While the EFTA had benefited the Danish economy, and while Denmark would hope to preserve the good relationships that had developed between the member countries, Danish exports to the EEC have recently shown a tendency to stagnate. Mr. Dahlgraad said this was "probably due both to a certain deceleration of economic activity and to growing discrimination as a result of the implementation of the EEC's customs union."

Membership in the EFTA had stimulated the growth of Danish industrial export industries, but, Mr. Dahlgaard emphasized, as the world's largest exporter of processed agricultural products Denmark continued to depend heavily on agriculture. Thus, "the common agricultural policy must be made applicable to Denmark immediately upon our entry into the Common Market." Because Denmark's agricultural situation "is closely connected with British negotiations," it was "essential" for Denmark to be able to "participate in the negotiations with the Six on this question as soon as possible."

He foresaw no major difficulties in the negotiations for membership, although economic integration would require industry to sustain its "energetic efforts" to modernize. Denmark, Mr. Dahlgaard added, had already enacted a system of taxation based on the value added at each stage of manufacture. Upon joining the Community, Denmark would have to expand social security coverage to apply to migrant workers from Europe and enact supplementary laws on the acquisition of real property. Legislation would also be required to protect "Danish natural amenities against undesirable commercial exploitation by Danish as well as foreign nationals."

The division of Europe into the EEC Six and the EFTA Seven, Mr. Dahlgaard concluded, "has become an economic absurdity. Moreover, this division stands in the way of a political cooperation that can lend real weight to our words in the debate on the survival of our globe."

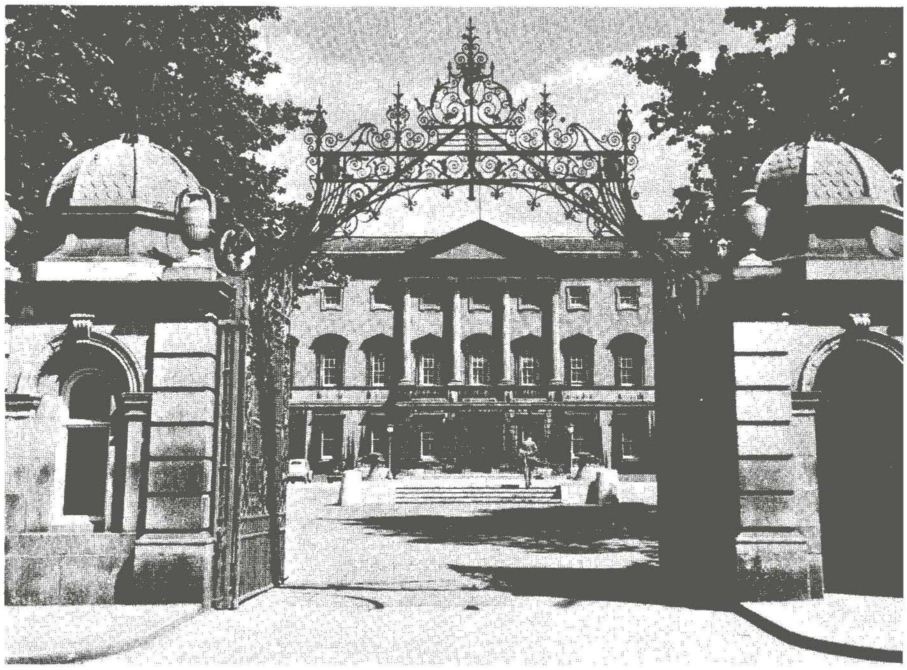
Reactions in Brussels and in the Capitals

Reactions to the three country's applications for Community membership focused on Britain because, as both Denmark and Ireland acknowledged, the success or failure of Britain's bid would color their own chances now as it did in 1963.

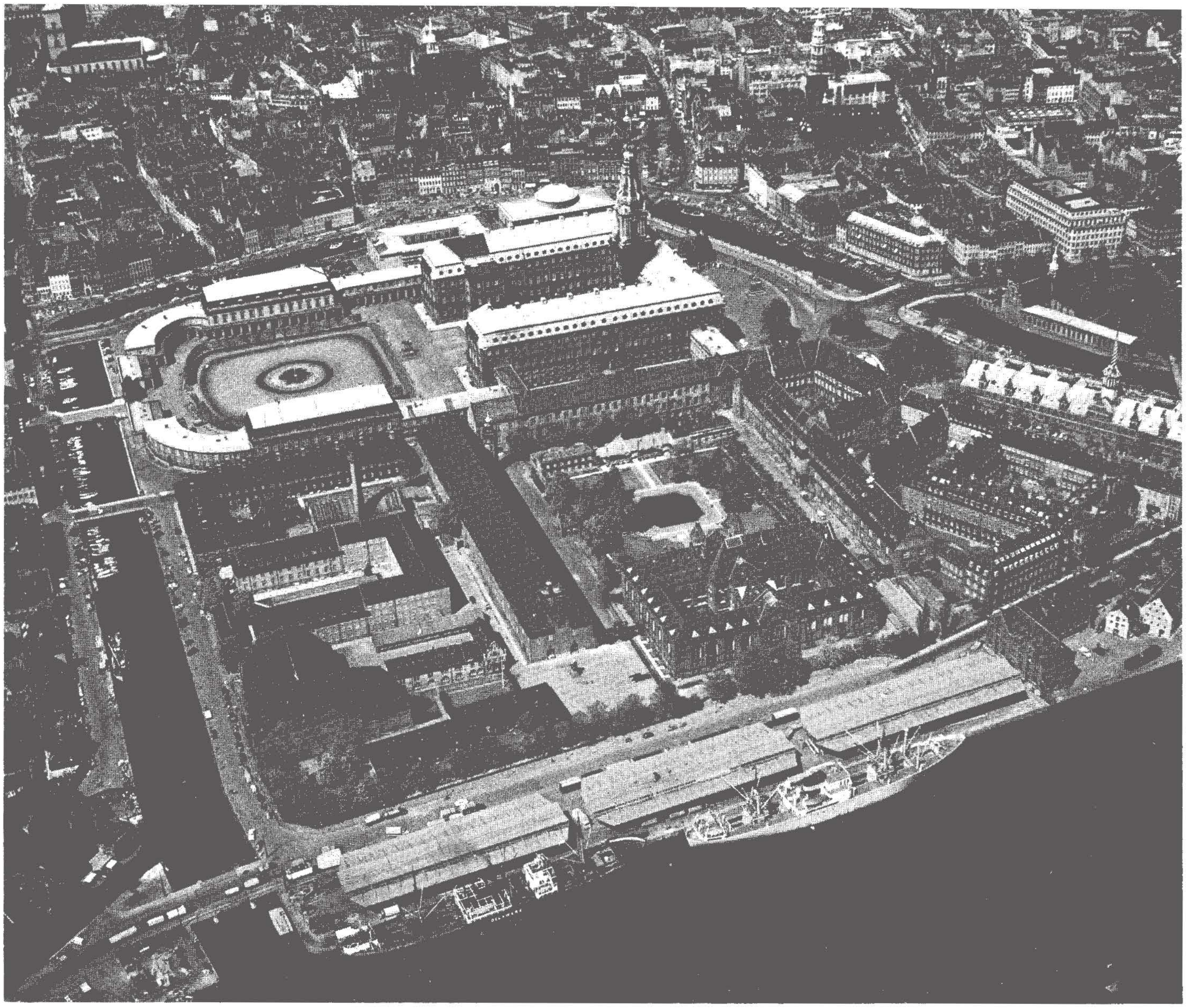
EEC Commission Vice-President Lionello Levi Sandri welcomed Mr. Wilson's move. He noted particularly that Britain accepted the Rome Treaty without reservations, found the Prime Minister's views on Europe "encouraging," and hoped for a satisfactory outcome to the negotiations. EEC Commissioner Sicco L. Mansholt stated in an interview published May 15 in *De Nederlandse Industrie,* "England and the Scandinavian countries, in my opinion, must join if we want to settle a number of problems the Six of us are too small to solve." As examples, he mentioned energy, scientific research, and monetary policy.

The European Parliament, a consistent advocate of British membership in the Community, unanimously adopted, at the May 8-12 session (see page 23), a resolution expressing the hope that the negotiations with Britain "would take place in an atmosphere of frankness and mutual understanding." British membership, "within the terms of the Treaties," would strengthen the Community's march towards political unity, the resolution stated.

Two other unswerving proponents of British and Scandinavian membership in the Community, the Brussels offices of the Free and Christian Trade Union movements also applauded the news, and decided to bring Britain into their counsels immediately. On May 19 in Brussels, the Executive Committee of the European Trade Union Secretariat, International Confederation of Free Trade Unions decided to establish close contacts with the British Trade Unions Council. In the last week of May, Harm Buiter, head of the European Trade Union Sec-



Leinster House, Dublin, is the seat of the Irish Parliament, the Dail.
Photo: By permission of the Irish Tourist Board, copyright Dublin. Courtesy of the Embassy of the Republic of Ireland, Washington, D.C.



The Danish Parliament meets in Christiansborg Castle, on an island in Copenhagen harbor.
Photo: By permission of the Royal Danish Ministry for Foreign Affairs, copyright Copenhagen.

retariat, Paolo Vittorelli, vice-president of the Socialist Group in the Italian Senate and Walter Seuffert, member of the German *Bundestag* and of the European Parliament toured Britain for a week, explaining the Community to Labour Party audiences. The Labour Committee for Europe organized their visit.

In Bonn, German Foreign Minister Willy Brandt said that Britain's application offered Europe "a great opportunity," and that the German Government supported the British move. In the Netherlands, a spokesman for the foreign Ministry said that Mr. Wilson's statement marked a great step towards European unity. The Prime Minister of Luxembourg Pierre Werner also expressed his satisfaction, Pierre Harmel, Belgian Foreign Minister commented that "the attitude of the Belgian Government in favor of this application for membership is well known."

Difficulties Not Under-Estimated

Neither Britain nor the present members of the Community under-estimated the difficulties involved in joining a ten-year-old organization like the Common Market with its countless rules and regulations.

In Brussels, Belgian Agricultural Minister Paul Heger observed that the negotiations would prove difficult because of the differences between the British and the Community farm-support systems. In Paris, French President Charles de Gaulle also spoke of the difficulties Britain expected to face under the common agricultural policy and the other regulations of the past decade.

However, he said at his press conference on May 16: "The movement that currently seems to be bringing Britain to link herself with Europe . . . could only please France." The question of British membership in the Community would not and never has involved a French veto, he emphasized, but rather "knowing if a successful outcome is possible within the framework and the conditions of the present Common Market, without bringing destructive disorder into it" and without upsetting the "painstaking balance that had been established between the individual interests of the various member states . . ."

The influential French evening daily, *Le Monde* commented: "The people of the Continent owe too much to England to balance her interests against their own, and to reject her candidature on the grounds that it would bring no immediately obvious advantage. In any case, if we do not give her a place she will end by being absorbed into the American system. Who could really wish for such a result? Who would gain from that?"

Three days later Dutch Prime Minister P. J. S. de Jong, explaining his Government's policy on Europe, also spoke of Britain's application. "I believe that if the six partners had the political will for it," he said "it would definitely be possible to find technical solutions . . . within the context of the Rome Treaty" for the problems. "A dynamic Executive branch, cooperating with a Council of Ministers more and more disposed to make decisions by majority vote," could prevent the entry of a new member from slowing down the Community's progress towards unification. "Great Britain's adhesion could only strengthen the Community and give new impetus to the European cause," he said. In concluding, the Dutch Prime Minister stressed the "important similiarities in the way the Netherlands, the United Kingdom, and the Scandinavian countries approach political and administrative problems."

The Rome Treaty and The British Constitution

by **DENNIS THOMPSON, ESQ.**

UNDER THE BRITISH CONSTITUTION, treaties are signed and ratified by government ministers on behalf of the crown. Ratification is an "act of state," done under the royal prerogative, and is not primarily a matter for Parliament. On the other hand, there can be no change in the rights and duties of British citizens without an act of Parliament, and any treaty requiring a change in our domestic laws will require parliamentary action at the same time. On the Continent, the national legislatures ratify treaties and by so doing, approve any necessary changes in domestic law. Upon ratification, treaties have direct and immediate or "self-executing" effect in the internal legal system.

In Britain, it is usual for the necessary legislation to be passed before the formal act of ratification. In some cases it is sufficient for the Act of Parliament to state the changes in the law and to make the consequential amendments to previous statutes, as if it had no connection with any treaty. In other cases the treaty itself is declared to be law and its terms are incorporated in a schedule to the act.

In case of the Rome Treaty, the Treaty itself would have to be given legislative force. It could not be paraphrased or repeated in an English statute, as all the official languages have equivalent validity and the English text alone will not be sufficient. Furthermore, effect would also have to be given to the acts of the Community institutions — the regulations, directives and decisions — which have binding effect, including those already made as well as those to be made in the future. A further point is that special provision is made under Article 177 for the interpretation of the Treaty by the Court of Justice in Luxembourg, for which it is essential that the actual words of the Treaty be part of the national laws.

An act of Parliament would, therefore, have to be passed, declaring that the Rome Treaty was part of the statute law of the country and setting out all the official texts in a schedule. There would also be the usual schedules specifying which British statutes were to be repealed and amended.

Is the Treaty Irrevocable?

The constitutions of all six charter members of the Community differ between themselves in their reception of treaties into national law.

In France, Article 55 of the Constitution provides for the supremacy of treaty obligations wherever these obligations are undertaken on a basis of reciprocity, which is undoubtedly the case with the Rome Treaty. In the Netherlands and Luxembourg, special legislation was passed to give the Treaty its supremacy, and in the Netherlands all treaties ratified by the Dutch Parliament now have superiority over other Dutch legislation. In Belgium, the situation is not clear, but a strong opinion of the advocate-general, M. Hayoit de Termicourt, suggests that treaties of this nature have a paramount position over the national laws.

Difficulties arise however in the case of Germany and Italy, the two countries with federal constitutions. In Germany, all treaties must conform with certain requirements in the Basic Law. There is some doubt whether the Rome Treaty so complies, and the matter has been referred to the Supreme Constitutional Court, whose judgment is now awaited. It is not expected however that the Rome Treaty will be declared unconstitutional. Under Italian law, the provisions of the Italian constitution have a paramount effect by means of an ordinary law. Therefore, it is said that the Treaty is not part of the constitutional provisions and has no greater effect than an ordinary law, which may be repealed or implicitly amended by subsequent legislation.

In Britain also the position has its own peculiar problems. All laws in England have the same validity, and Parliament enjoys the power to make or unmake any laws it likes, subject only to political expediency. This legal sovereignty of Parliament wells up like an unquenchable spring and cannot be extinguished. There are no means of "entrenching" any constitutional provisions under British law, and any act which attempted this could simply be repealed by the ordinary parliamentary law-making process. The Rome Treaty can therefore never be enacted in perpetuity, nor can it be given a position of pre-eminence over subsequent legislation.

This is why the Lord Chancellor speaking in the House of Lords on May 8, 1967, said: "There is in theory no constitutional means available to us to make it certain that no future Parliament would enact legislation in conflict with Community law." But this is nothing new in English law; there are many treaties whose provisions are incorporated in various statutes. It is in practice up to the parliamentary draftsmen to ensure that new bills do not conflict with existing international obligaions. As the Prime Minister speaking in the House of Commons on the same day said: "It would be implicit in our acceptance of the Treaties that the United Kingdom would, in future, refrain from enacting legislation inconsistent with Community Law."

Should the government of the day decide to denounce the Treaty, there would be nothing to prevent it from passing the necessary repeal provided that it could command a parliamentary majority. This, however, would be unlikely to occur unless there were grave political reasons for it.

The Rome Treaty confers rights and duties not only on the member states but also directly on the citizens of the member countries. If the Treaty became law, legal acts affecting the rights and duties of British citizens might be made within the Community. These acts would have effect after promulgation in the Official Gazette of the Communities which would also have to be published in Britain.

The Duties of British Courts—Referral and Enforcement

Article 177 of the Rome Treaty provides for the national courts to refer questions of the interpretation of the Treaty or of the validity of any instruments made under it to the Court of Justice in Luxembourg. This referral is discretionary in "courts of law" (which may include certain administrative tribunals whose decisions have the force of law) except those from whose deci-

The British common law system, by drawing on practice as well as statute, differs fundamentally from the Common Market countries' legal systems, based entirely on written laws. How, then, can Britain sign the Rome Treaty? Dennis Thompson, Barrister-at-Law, Inner Temple, and consultant on Common Market matters explains what British ratification of the Treaty would entail. Mr. Thompson, a Joint Editor of The Common Market Law Review, *is also a Trustee of the Federal Trust for Education and Research which has long advocated British membership in the Community.*

sion there is no appeal. In that case, the national court must refer the matter to Luxembourg.

In Britain, the only court from which there is clearly no appeal is the House of Lords, but other courts sometimes deal with certain matters in which their decision is final. In the Court of Appeal, for example, there may be no appeal without leave, which may be refused by the Court of Appeal and the House of Lords. In these circumstances it might be difficult to say whether there would have to be reference to the Court in Luxembourg by the Court of Appeal.

In order to avoid difficulties, it would be quite normal for special rules of court to be made in respect of matters concerning the Treaty. In the High Court, for instance, there might be a rule that all such cases would be put on a special list, and tried before judges expert in Community law. There might also be a direction that appeals should go to a special division of the Court of Appeal. In this way uniformity could be achieved and the Court of Appeal, as a matter of practice, would make a point of referring all doubtful questions to the European Court, even when not strictly bound to do so. There could also be rules of court relating to the form in which the reference would be made in Luxembourg, the stage in the proceedings at which it was to be made, and the rules for adjourning proceedings until the Court of Justice made known its decision.

Under Article 192 of the Rome Treaty, national courts must also assure the enforcement of the decisions of the Luxembourg Court, which, lacking an enforcement procedure of its own, has to rely on enforcement by the member states themselves. The order of the European Court must be authenticated by the national authority designated by each member state for this purpose, and must thereupon be enforced by the domestic courts. Special rules of court will also be required for establishing the proper procedure in British courts.

Britons Could Bring Suit in the Luxembourg Court

British citizens would have the opportunity of applying directly to the Court of Justice should they wish to challenge the validity of an act of the Community institutions which is addressed to them or directly affects them. The Court itself would no doubt include a British judge as one of the seven judges of the Court, and there might well be a British advocate-general appointed to explain to the Court the principles of British law as they became relevant.

Much of the Court's work is concerned with the field of administrative law. To rule on many matters not specifically covered in the Treaty, a search has to be made for common principles among the member states which can be enunciated as constituting "Community law." Thus, British principles of law would be taken into account by the Court in all its decisions.

Those who wish to apply to the Court, must first lodge their claim with an agent in Luxembourg, who may be of any nationality but who could also be a British solicitor with an office there, should Britain join the Community. It is not clear from the Statute of the Court of Justice whether the right of audience would extend beyond barristers to solicitors as well.* Article 17 of the Statute speaks of *avocat inscrit à un barreau,* but as the French *advocat* performs many of the functions of a British solicitor there is no direct comparison. This is one of the matters to be attended to on the accession of the United Kingdom in dealing with the necessary "adaptations" of the Treaty under Article 237.

**British legal practice distinguishes between barristers, who may argue cases in any court of law, and solicitors, who, lacking the "right of audience," may argue cases only in minor courts.*

Albert Coppé, a Vice-President of the ECSC High Authority since 1952, became Acting President of the High Authority on March 1 when Dino Del Bo retired (see European Community *No. 102).*

ECSC—A Successful Experiment

The European Coal and Steel Community has done more than act as a proving ground for the Common Market. The ECSC has managed to retain and develop its pilot-community nature which the Paris Treaty gave it, and which events in the industries under its supervision accentuated. Its creation, just before the upheaval in the coal and steel industries in the second half of this century, was providential.

Our Community can be rightly proud of the way it has exercised its powers in trying to adapt to these changes while preserving the basic unity of the economic territory of the Six. This is one of our achievements. The success of our long search for solidarity in the coking-coal supply question is just one proof. An entirely different structural situation caused the steel industry's problems, but the need for Community-wide answers was just as clear.

Knowing we cannot work with economies any smaller than the Europe of the Six inspires our constant concern with perfecting the means of retraining workers and replacing obsolescent industries with new. These efforts can be considered the beginning of the permanent redevelopment policy which a dynamic and constantly changing economy demands. Redevelopment is only one aspect of industrial policy.

Our endeavors in scientific research added to Euratom's undoubtedly constitute the nucleus of a European policy for research. I hope that the forthcoming merger of the Executives will consolidate these efforts.

To assure continuity while allowing change and avoiding unnecessary risks motivates the High Authority's determination to utilize every resource of the Treaty to carry out its mission.

Albert Coppé
Acting President, ECSC High Authority
European Coal and Steel Community

MONETARY COMMITTEE SEES MAJOR THREAT TO COMMON MARKET IN DOMESTIC IMBALANCES, NOT IN RESTRAINTS ON CAPITAL MOVEMENTS

The major threat to the Common Market, contrary to its founders' Expectations, resides in the contagion of economic imbalances between the member states, not in any attempts to restrict capital movements.

The European Economic Community's Monetary Committee made this observation in its ninth annual report, covering the year that ended on March 1, 1967. Because this is the tenth anniversary year of the EEC Treaty, the Committee also reviewed the most significant monetary and financial developments during that time.

The Treaty created the Monetary Committee as an independent advisory group of experts, to work with the member states' governments and central banks, the EEC Council of Ministers, and the EEC Commission to promote "overall" balance-of-payments equilibrium, high employment, and price stability. It was to exercise these responsibilities by coordinating the member states' monetary and financial policies, by following and reporting to the Council and the Commission on the members' monetary and financial situations, and by elaborating opinions.

In so doing, the Committee said, it had found that "the problems connected with internal and external equilibrium have not been of the types anticipated." The Treaty's emphasis on "overall balance-of-payments equilibrium" as the "over-riding" objective reflected the opinion of the time, the Committee stated, in view of the precarious state of international payments relations and the inadequacy of some members' reserves. However, because of developments unforeseen at that time, instead of constantly facing large payments deficits or sluggish domestic demand, the member states have had to deal with "external surpluses and domestic strain."

Domestic Equilibrium at Stake

The European currencies' return to external convertibility in 1958 and complementary steps to facilitate capital movements contributed to this turn of events, the Committee explained. The Common Market's own momentum attracted inflows of foreign capital. Greater productive capacity, as a result of the high post-war rate of capital investment, and higher labor productivity improved the Community's competitive position on world markets. "Large and persistent surpluses" emerged in the Community's balance of payments. The U.S. balance-of-payments deficit began to affect international monetary relations as the EEC became a prime target of investment dollars.

All of these events affected the Community. To fulfill its responsibilities under the Treaty, the Monetary Committee had to delve into problems both external and internal in their nature and their origins.

Large payments imbalances are "almost always evidence that domestic equilibrium has been upset," the Committee said. The overall balance on transactions between the members of the Community and non-member countries was relevant but so were the changes in each EEC country's balance which inevitably upset the economic equilibrium of the others. As the six national economies mesh, one state's economic objectives increasingly depend on the way the economy develops in the other member countries. Inflationary pressures in one country turn into symptoms in another, the Committee said, "contamination being carried by the balance on current account."

However, because economic trends still differ from one country to another, one member's corrective measures often conflict with, and invariably affect, another member state's. Thus, the Committee urged that national policies be coordinated in such a way as to limit the unintended repercussions of one member state's policies on another's in order to protect the common objectives of the Treaty for the Community as a whole.

Better Balance, Closer Coordination Urged

Repeating the emphasis of its previous reports on the importance of using a wide range of instruments to assure equilibrium, the Committee noted the existence of many "gaps in the fabric of budget policy." In the past, local government spending, particularly for urban projects, "definitely helped to aggravate economic strain." From 1962 on, central government spending tended to outrun gains in real national product.

Consequently, on April 15, 1964, the EEC Council of Ministers made short-term economic policy recommendations to the member states, urging them to stop stimulating demand by curtailing their spending sharply. These recommendations were confirmed on April 8, 1965, and reissued in slightly amended form on December 22, 1966. Despite the difficulties involved, the Committee said that the member states had generally tried to comply with these rules, which it still considers necessary. Forecasts of public expenditures covering several years would also strengthen the "stabilizing impact of variations in fiscal revenue due to business fluctuations," the Committee suggested.

The Committee emphasized the need for further progress both in the range and the use of available monetary instruments, especially "now that firms and commercial banks . . . can make use of the increasingly large-scale facilities offered by the Euro-dollar market." Without these improvements and closer coordination of national policies, the effectiveness of monetary instruments will diminish, the Committee said.

The Community's first two directives on capital movements left "certain administrative, fiscal, or institutional difficulties" which still prevent the single large capital market envisioned by the Treaty, the Committee stated. The Netherlands, Italy, and to a lesser degree France still "impose exchange restrictions on certain transactions, particularly the short-term movement of money and the issue of foreign securities." The situation can and should be remedied, the Committee said, but recognized that it would "not only entail fuller coordination of monetary and budget policies" but also new techniques to enable the member states to control economic trends effectively.

Wages and Prices: Upward Trend "Serious"

The general tendency towards "appreciable" price increases, especially since 1963, has "not been sufficiently in line with the objectives of the Rome Treaty, the Committee stated, expressing alarm at the complacency of some authorities who take increases "of several points a year for granted." Unchecked inflation, apart from its potential for social harm, reveals "excessive strains" on the economy that could "engender liquidity crises or induce periods of recession," impair the Community's competitive position on world markets, and ultimately cause the balance of payments to deteriorate. Price stability, the Committee suggested, would enhance the Community's world influence as a center of stability.

"To pursue a policy of harmonious expansion without overstepping the increasingly narrow bounds" between inflation and recession, the member states need an incomes policy, the Committee stressed. However, "an incomes policy can succeed only "with appropriate monetary and budget policies to avoid "generalized strain on the labor market."

Need for Coordination "Greater Than Ever"

"While the day-to-day cooperation certainly goes as far as could have seemed possible when the Treaty of Rome was drawn up," the need for further progress "is greater than ever today," the Committee said.

Fiscal harmonization has been started. Capital movements have intensified. The agricultural and the industrial customs union will take full effect on July 1, 1968. At this point of development, economic health would require "consultations prior to every economic and monetary decision" affecting another member state's economic development. Guidelines for each EEC country's own situation within the overall Community context would facilitate the consultation process, the committee suggested.

This process was strengthened by the establishment of the Short-term Economic Policy Committee in 1960 and in 1964 of the Budget Policy, and Medium-term Economic Policy Committees and the Committee of the

Boards of Governors of the Central Banks. The Ministers of Finance meet regularly, and the Council of Ministers devotes "increasing attention to general economic policy problems. The Committee considered "these experiments in the management of national policies" "essential" for the creation of the common market.

International Monetary Relations

To harmonize the member states views in international monetary relations "quickly became one of the Committee's main tasks." The Community's increasingly important role in world trade, improvements in its gold and foreign exchange reserves, and its key position in the currency-support operations of the International Monetary Fund and the General Arrangements to Borrow enhanced the Community's influence. These developments and the mere existance of the EEC "compelled the member states to consult with one another" in dealing with new problems.

"A broad measure of agreement" was reached on matters such as restoring international payments equilibrium, concluding and renewing the General Arrangements to Borrow, and raising IMF quotas. In 1964, the Council of Ministers confirmed the Committee's work in the field of international monetary relations by a decision requiring prior consultations between the Six on important problems. Even when consultations failed to harmonize views fully, they "at least brought out a number of points of agreement" and "helped the several countries to understand each other's positions." By bringing the member states views closer together gradually, the consultations will eventually lead to their harmonization, the Committee said.

Developments in 1966: Strains Persisted

During 1966, real gross Community product expanded by 4.5 per cent, as compared with 4 per cent in 1965. Price and cost increases continued to strain the labor and capital markets.

Until the end of 1966, interest rates in most countries rose under pressure from Community and American corporate demand for capital. The markets also had to accommodate deficits in the governments' budget. The U.S. Government's effort to restrain capital outflows and to tighten domestic credit "attracted a considerable flow of short-term capital from Europe to the United States."

Trends in the individual EEC countries diverged more and more widely as the year wore on. Developments in other member states heightened the effectiveness of efforts by the Netherlands and the Federal Republic of Germany to restrain consumption. A marked slowdown of investment occurred, which "in 1967 is likely to decline substantially, above all, in Germany. Balance-of-payments surpluses emerged and Germany's long-term capital account came into balance. Events in both countries bore "a marked resemblance to those which occurred in Italy and in France during the period 1962-64."

In France and Italy, economic recovery, confirmed by year-end, reduced their credit balances on current account. In both countries, capital exports helped to diminish the overall surpluses. In the Benelux countries, current operations deteriorated slightly.

With the French, German, and Italian surpluses, the Community's overall balance-of-payments surplus amounted to \$1.2 billion in 1966, down from \$2.4 billion in 1965. This surplus was diminished by an increase in the member states' IMF holdings (\$735 million) and by special transactions, such as advance repayments of money owed to the U.S. government and investments of more than one year on the U.S. money market.

Concerning the U.S. balance of payments situation, the Monetary Committee noted a "qualitative deterioration" in the main items, particularly the current account. In 1967, the Committee said, "there is little reason to expect that part of the American deficit will be covered by the accumulation of dollars by the monetary institutions of the industrialized countries," nor will the movement of short-term funds "make the same contribution to financing the U.S. balance of payments as they did in 1966."

In one of two opinions on international capital movements prepared for the Commission during 1966, the Committee suggested that to reduce surpluses which "sometimes exerted inflationary pressures" in the EEC, further efforts should be made to free capital movements from the Community to non-member countries. In the other opinion, the Committee said that statistics on capital movements between Community and non-Community countries would facilitate its work.

During the year, the Committee noted that France and the Netherlands had enacted measures to liberalize exchange regulations. The Netherlands authorized its central bank to settle payments on international transactions in securities on the official market.

Despite the reform enacted on January 31, 1967 freeing international financial transactions, foreign investments in France and French investments abroad remain subject "to some degree of control."

FINANCE MINISTERS OF THE SIX CONSOLIDATE THEIR VIEWS ON INTERNATIONAL MONETARY REFORMS FOR 'GROUP OF TEN' MEETING

The members of the European Economic Community, seeking a voice in international finance more commensurate with their responsibilities, have consolidated their views on reforming the international monetary system.

Meeting in Munich on April 17-18, the six EEC governments' Finance Ministers and their central bank governors prepared their longest and most detailed joint statement of position since the discussions began, in the early sixties. They presented the communiqué at the April 24-26 joint meeting of the International Monetary Fund and the "Group of Ten" North American and Western European countries participating in the General Arrangements to Borrow.

The Present System—In Theory

The present international monetary system was mapped immediately after World War II when the United States held most of the world's reserve assets. Under this system, international liquidity is defined as the total reserve assets (gold, credit, and foreign currency holdings) available to finance international transactions. Gold, at the fixed price of slightly more than \$35 an ounce, cannot be added to reserves as quickly as world trade expands. Thus credit, primarily through the IMF, and dollar outflows from the United States, primarily to Western Europe, have constituted the major sources of new liquidity.

Governments settle their international accounts through the Bank for International Settlements in Basle by exchanging their surplus holdings of foreign currencies for an equivalent amount of gold. Because only the U.S. Government is pledged to redeem its currency for gold, other currencies, being denominated in terms of the U.S. dollar, are indirectly related to gold. Theoretically, gold acts as a stabilizing influence on the world economy, when the international monetary system functions properly, by acting as an impartial judge of a country's domestic economic equilibrium as reflected in its international payments.

The Present System—In Practice

From 1958-60, when the U.S. balance of payments deficit averaged \$3.7 billion per year, U.S. gold sales averaged \$1.7 billion. By 1960, rising claims on U.S. gold reserves indicated the "need for a program to bring U.S. payments into substantial equilibrium," as U.S. Secretary of the Treasury Henry H. Fowler recalled in a speech delivered at the American Bankers Association Monetary Conference in Pebble Beach last March 17. These claims also indicated "the increasing strength, desirability and convertibility of other currencies, and the availability of sufficient dollars in foreign official holdings to permit a shift in the mix of monetary reserves in favor of gold."

The counterpart of the U.S. balance-of-payments deficit was the European Economic Community's surplus, which the member countries' increases in foreign aid failed to erode. The Community was entering a period of rapid and unprecedented expansion. European business, unable to find money to grow in their own narrow markets, borrowed in New York. American business began to invest in what would soon be the largest and most lucrative market in the world.

The search for other ways of adding to world liquidity began in 1961, when the United States enacted its first program to slow the gold drain. Adverse affects on world trade and on the developing countries' economic growth were feared should the dollar outflow cease too abruptly. By 1963, however, unforeseen developments, including Europe's larger and more frequent calls on the American financial markets impelled the United States to examine the possibility of imposing more stringent controls on its dollar exports.

The Community, by 1963, had entered its first bout with domestic demand inflation. Reporting on its activities for that year, the EEC Monetary Committee raised the question of to what extent the EEC countries ought to contribute, by holding U.S. dollars in their reserves, "to financing a payments deficit due at least in part to an outflow of capital which, because much of it finds its way into the Community, is liable to hamper the stabilization drive in the six countries." Discussions of the international monetary system ought not to be limited to contingency planning for a shortage of liquidity, the Committee suggested. They should extend to reforms of the system to achieve "the short-term aim of restoring a better balance in international payments."

By September 1966 (*see European Community* No. 97), there was general agreement that the creation of additional liquidity was not urgent, but that a plan should be ready to prevent. any long-term shortage that might occur. There was also agreement that the adjustment process should receive further study.

"Particular Attention" for Finance Ministers' *Communiqué*

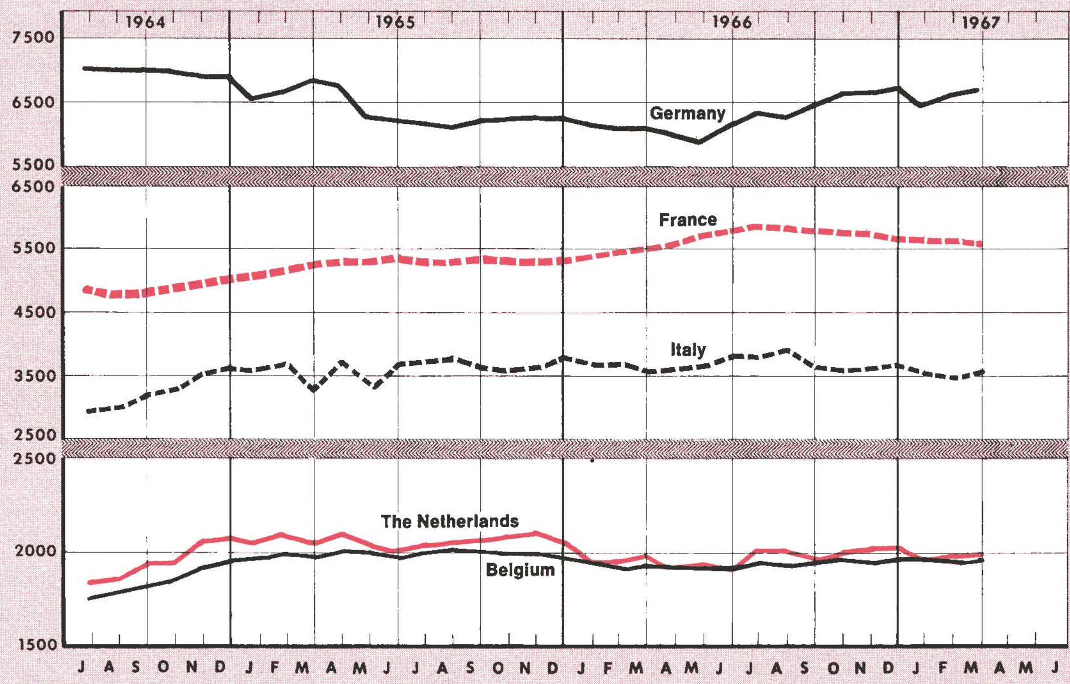
By April 26, IMF Managing Director Pierre Paul Schweitzer was able to report "great progress" in the discussions, during which particular attention had been given to the *communiqué* prepared by the Finance Ministers of the EEC member countries.

The Six started from the premise that their influence in international monetary institutions ought to correspond more closely with their present responsibilities, their growing economic solidarity, their expanding trade, and their economic and financial influence on countries outside the Community. *The communiqué* stated that the Six agreed that:

- The present adequacy of international liquidity would not prevent planning for the possibility of a future shortage.
- The creation of additional reserves should be related to long-term requirements, not to short-term cyclical phenomena." It should depend "upon a common judgment that a shortage exists, upon a better functioning of the adjustment process, and upon the achievement of a better equilibrium in international financial transactions . . ." not "on the balance-of-payments requirements of certain countries. . . ."
- Both conditional and unconditional drawing rights on the IMF were possibilities. Automatic or unconditional drawing rights "should carry an obligation to repurchase" in order to "improve the adjustment process" and "prevent drawing rights from being used to alter the composition of reserves."
- Current IMF drawing rights are not directly transferable, but in the case of new drawing rights under the control of the IMF, the question of voluntary bilateral transferability "requires further examination."

Mr Schweitzer said "Everyone is now willing to go ahead with a plan for the creation of additional reserves." He said he hoped a plan would be ready by September, for the Annual Meeting of the Fund in Rio de Janeiro. The choice must still be made between a plan for a new reserve unit and one for new automatic drawing rights on the IMF or "an affiliate of the Fund."

GOLD AND FOREIGN EXCHANGE RESERVES (in millions of dollars)



COMMON MARKET COMMISSION REMINDS COMPANIES OF OCTOBER 3 DEADLINE FOR ADVISING OF CHANGES TO QUALIFY FOR 'BLOC EXEMPTION'

The European Economic Community's Commission has reminded companies of the October 3 deadline for advising it of changes to qualify their exclusive bilateral distributorship agreements for "bloc exemption" from the Community's competition rules.

"The "bloc exemption" Regulation 67/67 was published in the Community's Official Gazette on March 25, 1967 (page 849). It described the conditions bilateral exclusive ditributorship agreements that had been notified to the Commission would have to fulfill for a "bloc exemption" from the Community's bans on restrictive practices. If the notified agreement did not correspond to these requirements, the contracting parties had two alternatives:

—To file for an individual exemption, or

—To amend the agreement in accordance with Regulation 67/67.

By October 3, 1967, parties choosing the second alternative must advise the Commission of the modifications made to qualify the agreement for the "bloc exemption." Provided that they meet this deadline, the bans on restrictive practices will not apply for agreements in existence on March 13, 1962, notified before February 1, 1963, and modified before August 2, 1967.

The Commission holds the enterprises concerned responsible for deciding whether express or tacit clauses of their agreements should be modified under Regulation 67/67 for "bloc exemption."

FREEDOM OF ESTABLISHMENT PROPOSED FOR ARCHITECTS

Assuring freedom for architects to open offices and provide services anywhere in the Community is the purpose of three directives which the European Economic Community's commission sent to the Council of Ministers in May.

According to some member states' laws, architects must belong to a recognized professional organization to open offices. The first proposed directive would require these organizations to apply their membership requirements without regard to the nationality of the applicant. To supply services, however, architects would still have to give prior notification to the appropriate national authorities.

The second proposed directive covers the mutual recognition of degrees, diplomas, and other academic certificates of architects' qualifications. Each country would thereby recognize the evaluations of institutions located in other member countries as carrying the same rights within its frontiers as assessments made by its own schools.

The third directive concerns the gradual coordination of other national laws and regulations affecting architects.

REVIVAL OF COMMUNITY ECONOMY SEEN LATER THIS YEAR
UNEMPLOYMENT DROPS IN MAY, PRODUCTION EXPANDING, BUT SLOWLY

The Community economy, now "in a period of slower expansion," is beginning to show promising signs of a recovery later this year, according to the European Parliament's Economic Committee and reports by the EEC Commission.

On May 18, the Committee reviewed monetary policy and short- and medium-term economic policy with Robert Marjolin, member of the European Economic Community's Commission with special responsibility for these matters. After the meeting, the Committee released a *communiqué* commenting favorably on the economic outlook for the rest of the year, stressing the necessity of aligning short-term policy with medium-term plan, and praising the Six for consolidating their positions on international monetary reform in time for the April meeting of the International Monetary Fund and the "Group of Ten" in Washington, D.C. (see page 20).

Growth Forecast Lowered to 3.5-4%

The EEC Commission's first Quarterly Survey of the Economy in 1967, published in April, covered the closing months of 1966 and early 1967. Its April issue of "Graphs and Notes on the Economic Situation" removed some of the uncertainties left by the Quarterly Report. In particular, the Community's 1967 growth forecast of December (see *European Community* No. 100) has been lowered to 3.5-4 per cent. If a recovery does occur in the second half of 1967, gross Community product may expand by the higher rate.

In early spring, industrial production remained steady at the high level reached in 1966, although the decline in the Federal Republic of Germany persisted. In December 1966, the gross production index, as measured by the European Communities's Statistical Office, held steady at a level 3.5 per cent higher than in the same period a year earlier. However, the Commission noted that in the service sector and in industrial sectors not covered by the index, growth continued. Not until the second half of 1967 did the Commission expect any improvement. During the entire year production might not grow more than by 3-4 per cent, after rising by 5 per cent in 1966.

Unemployment continued to rise through April, partly because of the sluggish state of the German economy, partly because of a large increase in the labor force. However, the Commission expected the German economy to firm soon, with a recovery in the business cycle to begin in the second half of the year. By mid-May, employment had risen slightly.

Although internal demand leveled off in the fourth quarter of 1966, imports from non-member countries accelerated slightly. Food imports rose, to a level 3 per cent above their value in the fourth quarter of 1965. Visible trade between the EEC members expanded faster than in the earlier months, as France and Italy stepped up their imports, particularly of capital goods. The year-to-year progression by value was 6.5 per cent for the fourth quarter of 1966. From January to February 1967, intra-Community trade again rose sharply, to a level 10 per cent higher than at the same time in 1966.

Export Demand to Moderate

Demand from abroad, particularly from the United States, would moderate during the second half of 1967, the Commission said. From January to February, however, the gross value of the Community's exports to non-member countries rose 15 per cent above their value at the same time in 1966. Weather and other fortuitous factors contributed to this expansion. By spring, export demand was beginning to trend off.

In the last quarter of 1966, the improvement in the Community's overall balance on visible trade canceled out the $360 million deficit incurred in the fourth quarter of 1965. Nevertheless, the balance on capital transactions for 1966 closed with a deficit. The $2 billion improvement in reserves noted in the last quarter of 1966 was largely attributable, to the usual temporary deterioration of the commercial banks' net foreign exchange positions. By April, the Commission did not anticipate any marked change in the Community's overall trade balance during 1967. Only in France was the trade balance deteriorating.

Internal monetary demand would strengthen towards the second half of the year, but its total expansion would be smaller than in 1966, according to the Commission. Gross fixed asset formation would weaken further. Private consumer expenditure would expand at a relatively quiet pace.

Price rises have continued to moderate, especially in Germany, and to a lesser extent, in the Benelux countries. In France and Italy, prices continued to rise, and slightly faster than earlier in the year. For the remainder of 1967, however, the Commission expected price increases to level off, except in France and Italy. Other member countries would continue to experience inflationary pressures. The Netherlands and Belgium might not be able to prevent further relatively steep price increases.

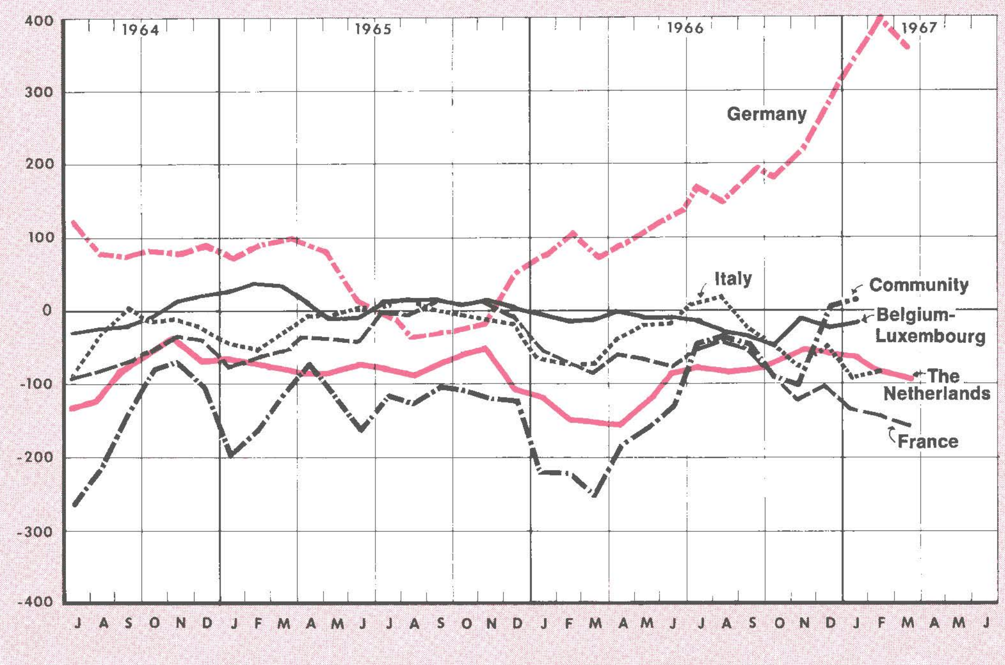
Productive Investments Stressed

The Commission's First Quarterly Economic Survey also contained the Short-term Economic Policy Committee's opinion of March 9, 1967, on the member states budgets for 1967. Concerning the Commission's downward revision of the Community's growth during 1967, the Committee said that much would depend on the way the member states carried out their budgetary policies. The Committee estimated real gross national product expansion at 2 per cent in Germany, 5 per cent in France, 5.5-6 per cent in Italy, 3.5 per cent in the Netherlands, and 2.5 per cent in Belgium and Luxembourg.

The Committee agreed with the Commission's recommendations in its Fourth Quarterly Survey of 1966: that "the reduction of the aggregate financial deficit of all budgets . . . should be based on the forecast growth—in money terms—of each country's national product. Any increases in the deficit that result from an appreciable slowdown of economic activity ought not therefore to elicit additional measures intended to reduce the deficit" (see *European Community* No. 100). The Committee stressed that all member states but France should reduce the proportion of public spending which directly or indirectly bolsters consumption, and instead raise the proportion of expenditure on productive investments.

Because structural unemployment would account for a large part of the 2.5 per cent forecast unemployment rate for 1967, the Committee recommended that all member countries increase their expenditures on vocational training, worker retraining, and programs to promote regional and occupational labor mobility.

TRADE BALANCE (in millions of dollars)



EUROPEAN PARLIAMENT CALLS A EUROPE WITHOUT BRITAIN 'INCOMPLETE'

External affairs dominated the European Parliament's agenda for its session in Strasbourg on May 8-12.

The Parliament met for the first time since Prime Minister Harold Wilson had stated Britain's intention of applying for Community membership and since the *coup d'état in Greece*. Many parliamentarians expressed concern for the future of the association between Greece and the European Economic Community.

Opening debate on a report on external affairs prepared for the Parliament's Political Committee, Fernand Dehousse (Socialist-Belgium) said that democratic Europe would "remain incomplete so long as the great nation . . . the mother of parliamentary government is not a part of it." British membership, he added, would bring changes in the Community and would entail "an apprenticeship for both sides." At the most, it should not be more than three years until Britain joined, he suggested, though he did not minimize the difficulties.

Norbert Hougardy (Liberal-Belgium) added that the admission of Scandinavian countries as well as Britain would bring a greater balance between northern and southern Europe. Ludwig Metzger (Socialist-Germany), speaking for the Socialist Group, insisted that new members or associates should accept the Treaties and all their implications, though both sides ought to share concessions.

Concerning Greece, Mr. Metzger raised the question of the consequences a member or an associate of the Community should be prepared to accept if it rejects the democratic principles of the Community. He answered, and other parliamentarians expressed similar sentiments, that she would have to follow a different path than association.

The members of the European parliament associated the political development of the Community and the defense of democratic principles closely with the intended resignation of EEC Commission President Walter Hallstein (see page 10). M. Hougardy said that his departure would be a heavy loss to Europe. M. Dehousse commended Dr. Hallstein for refusing "the sordid bargain" which would have given him the presidency of the merged Commission for the first six months only. The members of the Union for a Democratic Europe group (French Gaullists) did not attend the debate.

Because Jean Rey, EEC Commissioner for external affairs, was in Geneva for the Kennedy Round negotiations, Henri Rochereau, EEC Commissioner for overseas development spoke for the Commission. On the admission of new countries, M. Rochereau said that it was impossible to lay down a single political doctrine, and that the different applications should be dealt with according to the circumstances. On the British request, he said that it was not possible at the present time to foresee the changes which would be necessary, but he forecast that the negotiations would be long and difficult.

The problem of Spain, which several parliamentarians had mentioned in passing, again arose towards the end of the debate. Hans Dichgans (Christian Democrat-Germany) proposed an amendment to the general resolution. While accepting the need for a unity of political principles, Mr. Dichgans said, the Community should "respect the rights of all European countries, including Spain and Portugal, to construct their political institutions in accordance with their own needs." M. Dehousse resisted this amendment and after debate Mr. Dichgans modified it to a request that relations with Spain "and countries in an analogous situation" be further studied. As adopted, the resolution called for the extension of the Community's role from economic affairs to foreign affairs and defense, stressed the equality of all partners in the Atlantic Alliance as a condition of its strength and lasting value. It urged a common Community external trade policy and a common approach to the problems of the developing countries.

EURATOM OFFERS ITS RESEARCH DISCOVERIES TO BUSINESS

The European Atomic Energy Community has started to issue "technical notes" to advise industry of patented inventions and proprietary information developed under Euratom research programs.

From these two-page summaries of test results, supplemented by descriptive drawings or photographs, laboratories, design offices and other businesses can decide to apply for a non-exclusive license to use the information. The notes may be obtained by writing to Euratom, Directorate General for Dissemination of Information, 51 rue Belliard, Brussels 4, Belgium.

NOTICE

In accordance with the U.S. Securities and Exchange Commission regulations, the High Authority published on April 29, 1967, its Balance Sheet as of December 31, 1966, and its Statement of Revenues and Expenditures for 1966.

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

A—16929 dated April 16, 1957

A—17648 dated July 7, 1958

A—19218 dated October 18, 1960, and

A—20452 dated May 15, 1961.

Twenty-five copies of "Supplemental Information to Bond Holders" have been deposited with The Chase Manhattan Bank, New York, N.Y.

EDF TO CHANNEL $18.2 MILLION TO YAOUNDÉ ASSOCIATES FOR 10 PROJECTS

The European Development Fund will provide $18.2 million for nine grants and one soft loan to finance development projects in the African and Malagasy states associated with the Community under the Yaoundé Convention. The Commission of the European Economic Community approved these projects on May 23, raising the second EDF's total commitments to $399,145,800, for 191 projects (see *European Community* No. 101).

The loan, of $6 million, will be used to modernize the Agboville-Dimbokro section of the Abidjan-Niger railroad, Ivory Coast. It will be made for a term of 20 years, at 3 per cent interest, with repayment to begin after a 4.5-year grace period.

The grants will be used for agricultural education, training, and reorganization projects in Rwanda, the Ivory Coast, Togo, Chad, and the Central African Republic; for the renewal of scholarships awarded to nationals of the associated states; and for investment surveys and feasibility studies.

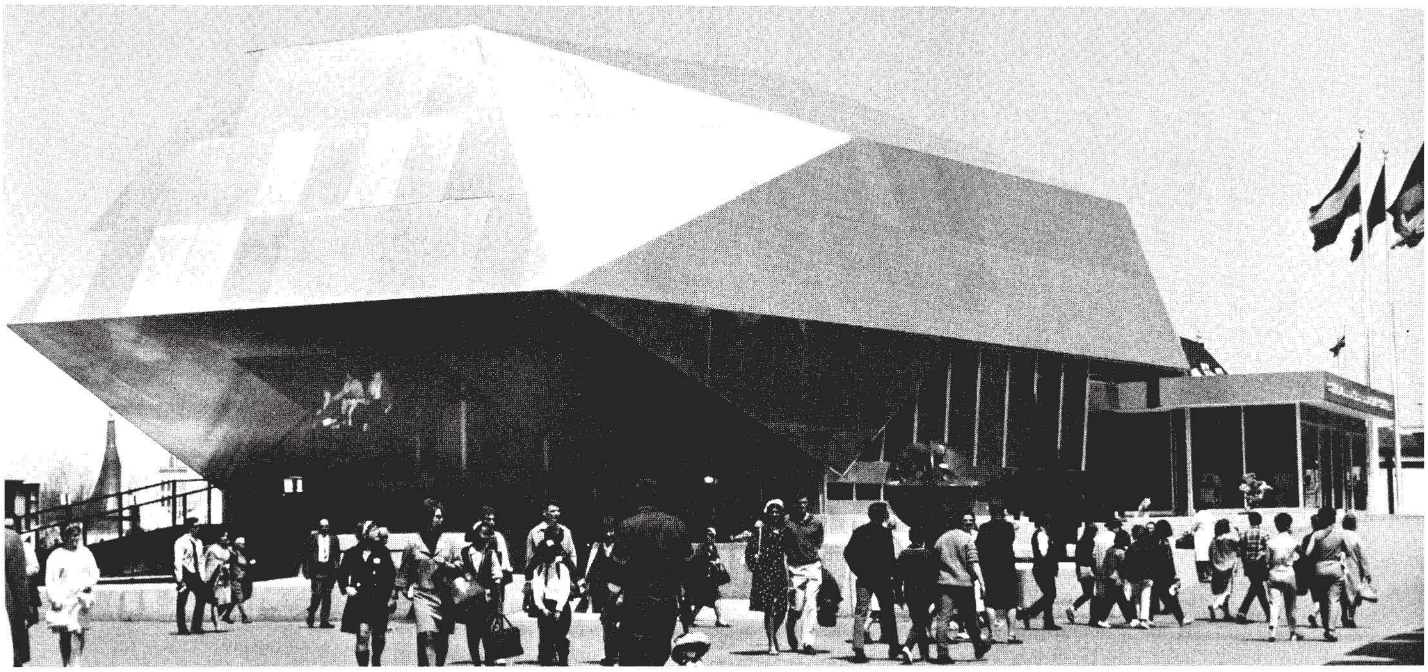
In addition to these decisions, the EEC Commission approved a short-term cash advance of $1.8 million to the Stabilization Fund for cotton prices. Prices have been declining since the 1965 marketing year, causing serious financial difficulties for Chad. The Fund tries to stabilize prices to the producer at $1.05 per kg.

COMMON MARKET SALUTES MARSHALL PLAN ON ITS 20TH ANNIVERSARY

Walter Hallstein, President of the European Economic Community's Commission, paid tribute this month to General George C. Marshall, the U.S. Secretary of State who 20 years earlier had launched the U.S. plan for helping Europe rebuild after the war.

In a message to Thorkil Kristensen, Secretary General of the Organization for Economic Cooperation and Development, the EEC Commission President said: "On the occasion of ceremonies to commemorate the twentieth anniversary of General Marshall's speech, the Commission of the European Economic Community wants to take part in the homage paid to the great statesman whose initiative contributed so well to the reconstruction of Europe. My colleagues and I would also like again to express our high regard for the work accomplished by your organization and our hopes that it will continue its worthwhile work."

The OECD replaced the Organization for European Economic Cooperation after Europe's recovery. In the OEEC, representatives of the European countries and observers from the United States met for periodic mutual reviews of their recovery efforts. U.S. financial participation was authorized by the Foreign Assistance Act of 1948. It was this unprecedented undertaking that General Marshall proposed at Harvard University commencement exercises on June 5, 1947 (see European Community No. 101).



European Community Pavilion, Expo '67, Montreal

PUBLICATIONS AVAILABLE

THE ECONOMIC SITUATION IN THE COMMUNITY. EEC Commission, Directorate General for Economic and Financial Affairs, Brussels, March 1967, 101 pages $2.00

Report on the economy in the last quarter of 1966 and early 1967 with statistical data. Also contains the Short-term Economic Policy Committee's opinion of March 9, 1967, on the member states' economic budgets for 1967.

CINQUIÈME RAPPORT ANNUEL SUR LA MISE EN OEUVRE DES RÈGLEMENTS CONCERNANT LA SÉCURITE SOCIALE DES TRAVAILLEURS MIGRANTS. EEC Commission, Brussels, 1966, 104 pages $2.00

Report on the implementation of Regulations No. 3 and 4 concerning social security of migrant workers during 1963.

THE FACTS. European Community Information Service, Brussels, 1967, 32 pages .... free

A general brochure about the European Community. It reviews the Community's progress during the past ten years.

FINANCING OF THE COMMON AGRICULTURAL POLICY. European Community Information Service, Brussels, 1967, 8 pages .... free

A folder of six charts about the European Agricultural Guidance and Guarantee Fund.

REGIONAL POLICY IN THE EUROPEAN COMMUNITY. *Community Topics,* No. 24, European Community Information Service, Brussels, December 1966, 32 pages .... free

An EEC Commission memorandum about the aims and methods of regional development in the Community. It reviews the instruments available to the members and to the Community for the creation and implementation of regional policy.

PARTNERSHIP IN AFRICA: THE YAOUNDÉ ASSOCIATION. *Community Topics,* No. 26, European Community Information Service, Brussels, December 1966, 20 pages .... free

A general brochure on the Association of the European Economic Community with 18 African States and Madagascar.

HOW THE EUROPEAN ECONOMIC COMMUNITY'S INSTITUTIONS WORK. *Community Topics,* No. 27, European Community Information Service, Brussels, December 1966, 12 pages .. free

A revision of Community Topics, *No. 11.*

FIFTEENTH GENERAL REPORT ON THE ACTIVITIES OF THE COMMUNITY, The High Authority, Luxembourg, March 1967, 451 pages $3.00

Annual report on the Coal and Steel Community's activities. This report is presently available in French and German. It will be available in English by the end of the year.

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