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european community

Common Market Consumers

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The member countries of the European Community are Belgium, France, Germany, Italy, Luxembourg, and the Netherlands. Candidates for membership on January 1, 1973, are the United Kingdom, Ireland, Denmark, and Norway.

Community News

EC Drops Compensatory Levies on Farm Products

Following a US protest, the European Community removed most of the compensatory levies which it had imposed on farm imports after new currency exchange rates were agreed on last year.

The July 24 EC decision to end the levies came after the US Government had lodged a protest note with the General Agreement on Tariffs and Trade (GATT) Council in Geneva. The April 14 note said that agricultural products covered by the compensatory taxes involved $40 million in US trade.

Since the EC decision went into effect July 31, the United States has neither pressed nor withdrawn its request that the GATT establish a panel to examine the question. The 56-nation GATT Council has deferred further consideration of the matter.

Duties Protect Farmers

The Community first imposed duties and other taxes in the spring of 1971 on certain agricultural goods imported into the Community or moving from one member country to another to compensate for exchange rate fluctuations. Member governments did not wish farm income to drop as a result of international monetary difficulties. The compensatory levies were then applied on a larger scale after the December 1971 Smithsonian agreement on exchange rates.

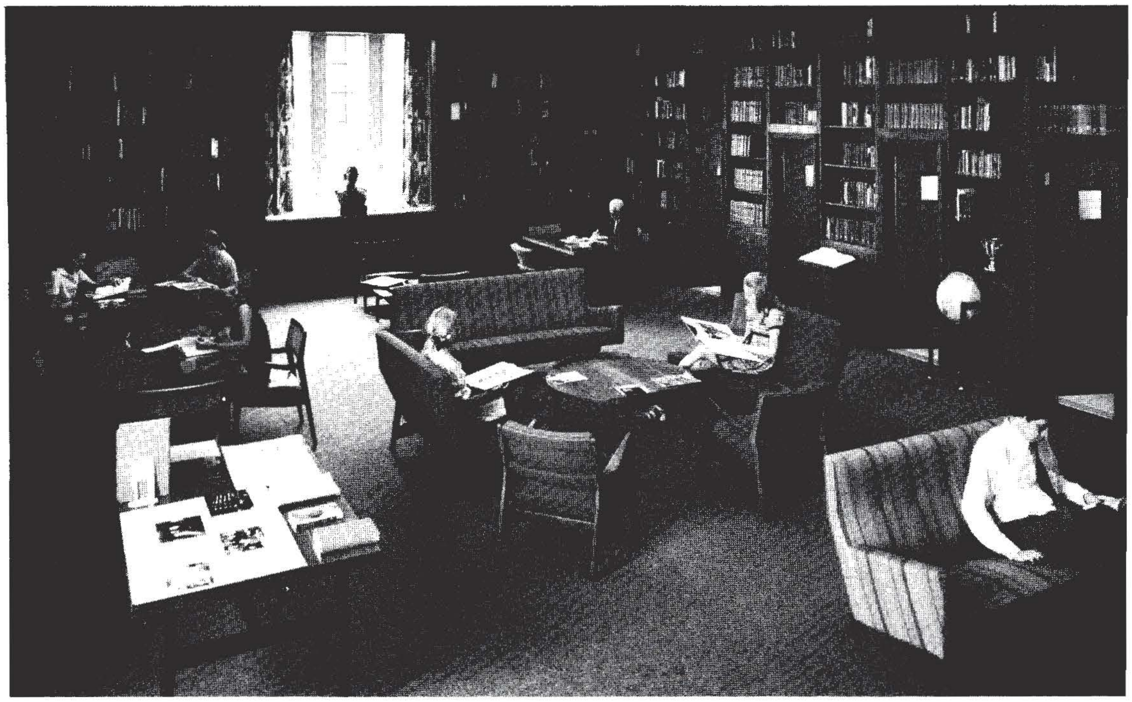
The removal of the taxes on beef, pork, poultry, fish, tapioca, processed fruits and vegetables, and most other agricultural products means that the remaining EC compensatory taxes will affect only about $500,000 in US trade.

Common Market Budget Tops $5 Billion

The European Community's 1973 draft budget of $5.5 billion, proposed by the Commission in July, set a new record. It will be the first EC budget to exceed $5 billion.

The budget represents 3.3 per cent of the six Community states' total national budgets and 0.7 per cent of their total gross national products. Commission officials estimate that $553 million of the new budget results from additional costs, such as translations, involved in enlarging the Community to 10 countries.

The bulk of the budget, 81 per cent, will go to the common farm fund to support prices and modernize agriculture. The Community's administrative costs will account for less than 5 per cent of the total outlay, the Commission said.



Students and researchers using the Marshall Library's collection can draw on General George C. Marshall's personal papers, taped interviews, and 15,000 volumes on twentieth century military and diplomatic history. Photo: George C. Marshall Research Foundation.

EC Donates $2,000 to Marshall Library

In commemoration of the twenty-fifth anniversary of the Marshall Plan, the European Community has contributed $2,000 to the George C. Marshall Research Foundation in Lexington, Virginia.

Aldo Maria Mazio, the Commission's chief representative in the United States, presented the donation on July 24. The Community's gift brought to $64,000 donations received so far this year from the European members of the Organization for Economic Cooperation and Development (OECD). The contributions go directly to the library dedicated to the memory of the former US Army General and Secretary of State and located on the grounds of the Virginia Military Institute from which General Marshall graduated in 1901. The research institute's main functions are to preserve the public and official papers of General Marshall and to make them available to students and researchers.

Two EC Exports Cleared of Dumping Charges

The US Tariff Commission has ruled that special antidumping duties will not be levied on two types of imports from the European Community.

The Commission notified the US Treasury on July 17 that no US industry was being injured by imports of French hand pallet trucks or Belgian welded wire mesh for concrete reinforcement. The Commission hearings followed an April 17 Treasury Department notification that both products were being sold on the US market at less than fair value.

Ja? Nej?

This edition of *European Community* went to press before the results of the Norwegian and Danish referenda on EC membership were known. The Norwegian poll of September 24-25 will influence the final decision on Norwegian membership to be taken by the Storting (parliament). The Danish referendum of October 2 is binding on the legislature in Copenhagen.

The Irish voted overwhelmingly on May 10 to join the European Community. The United Kingdom, which has no history of public referenda, made its decision to join the Community through Parliamentary vote.

Europe May Revamp Aircraft Industry

Photo: British Aircraft Corporation

The European Commission has sought "takeoff clearance" for a common aviation policy to reorganize the European aerospace industry from the assembly line to the ticket line.

If adopted, a June 21 proposal and July 12 recommendations would establish European rivals to giant US aircraft manufacturers and would bring member states together to discuss harmonizing fares, scheduling, and routing. Altiero Spinelli, Commission member responsible for technological, industrial, and scientific affairs, suggested during a news conference that state and private enterprises be combined to create one aero-engine and two airframe companies for all Western Europe.

European Markets Too Small

Western Europe's problem is market size; it makes good airplanes, but Europe's scattered markets have proven too small to make most aircraft manufacture profitable. Companies such as England's Brittain-Norman, manufacturers of the *Islander,* have gone bankrupt with what has appeared to be a saleable product on their hands.

Long-range aircraft represent more than 50 per cent of the world's airliner market, and in recent years, only one long-range plane has been built in Europe—Britain's VC-10, which ceased production this year. In medium-range and short-range craft, France, Britain, and the Netherlands have produced planes in competition with each other. The only planned aero-engine enterprise in Europe, centered around Rolls-Royce, would still be half the size of General Electric.

Europe currently produces less than 10 per cent of the free world's aircraft. With even the US aircraft industry going through difficult times, the need for what Europeans call "rationalization" is obvious.

America is favored by a huge internal market. The largest US companies are six times the size of the largest European firms. The four largest US concerns each earn more than all the airplane plants in the six-nation Common Market combined. Britain, which builds 60 per cent of Western Europe's planes, won a manufacturing advantage over its neighbors in World War II. It produces 70 per cent of its own aircraft needs. The rest of Western Europe produces only 15 per cent of its needs. To add to the problem, Europe, unlike America, still has differing national production standards and airworthiness codes for aircraft. (The Commission's report recommends a single code.)

Growth Plus Restraints

The July 12 report admits that international cooperation has its disadvantages. Making manufacture a transnational affair increases production delays and the number of personnel employed. Where national authorities are involved, governmental instability can interfere with policy. Multinational enterprises, the report says, seem to have less market penetration thrust than single-company enterprises.

The report predicts continuing growth for the aircraft industry—but with costly restraints imposed by environmental and urban policies and growing competition from high-speed surface transport. Defense and space budget cuts will limit research funds. Russia and Japan will develop competing industries, and European aircraft, the report stresses, must sell outside as well as inside Europe to justify development costs. Europe, says the report, should concentrate on only one aircraft of each type, sometimes collaborating with US firms. Many European airlines now have joint purchasing and maintenance arrangements which are expected to proliferate. Research and development of new aircraft now cost from 30 to 80 times the production price of an assembly-line plane; government aid is therefore essential, the report said.

Multinational Projects Currently Under Way

Europe has several multinational projects under way. There is the 150-passenger, short-range *Mercure,* built by France, Italy, Belgium, Spain, Switzerland, and Canada; it cost $200 million to develop and should sell 300 units. There is the twin-jet, 60-passenger, short-range Fokker *Fellowship,* a Dutch-German-British project, which cost $60 million in research and development and hopes to sell more than 250 units. Holland, Belgium, Britain, and France have cooperated on the VFW-14, a 40-passenger feeder-line jet. Still on the boards is the 300-seat European *Airbus,* to be made by Germany, Holland, and France. It is costing a half billion dollars to develop, but there are hopes of selling 600 units at more than $40 million each.

Finally there is the supersonic Anglo-French *Concorde,* whose development is now put at $2.5 billion. The producing partners, British Aircraft Corporation and Aerospatiale, hope to market 250 units over 10 years at a final cost, with simulation and spares, of $60 million each; 38 are on option to US airlines, mostly for Pacific routes. Britain and France are also collaborating on the *Concorde*'s Olympus engine and on the engine for the VFW-614. Both power plants should fit into numerous other airplane projects.

EC Weighs Broadened Ties With Maghreb

The Council of Ministers invited the Commission on July 20 to make exploratory contacts with Algeria, Tunisia, and Morocco for agreements going beyond simple trade accords.

In a June 14 report to the Council, the Commission had recommended expanding the scope of commercial agreements with the three North African countries to include development aid and migrant labor policies.

Morocco and Tunisia became partially associated with the Community through separate accords in 1969. Those agreements, which contained no provisions for development aid, served primarily to place on a Community basis the former bilateral trade relationships between Morocco and Tunisia and France. Algeria, currently negotiating a similar agreement with the Community, already receives tariff preferences on many of its exports to EC member countries.

Approximately 40 per cent of Tunisian and Moroccan exports enjoy no preferential treatment, and member states currently apply disparate duties to Algerian exports, according to the Commission's report. After Algerian independence in 1962, some member countries continued tariff reductions as scheduled in the Common Market Treaty. Others decided to await the negotiation of an EC-Algerian association agreement before further reducing tariffs.

The so-called "global" accords would expand trade preferences and eliminate duty disparities. Nonetheless, increased trade preferences are not enough to stimulate economic and social development, the Commission said.

Aid as Important as Trade

Conforming to the desires of the three countries, the Commission's blueprint for the Maghreb emphasized financial and technical assistance as much as trade. Maghreb leaders have asked the European Community to pattern its aid on national objectives outlined in their individual development plans. They would also like Community aid to complement rather than substitute for bilateral assistance, according to the Commission.

The Commission said the expanded agreements would lead to the eventual establishment of a free trade area between the three North African countries and the Community. A global approach to relations with the Maghreb countries would contribute to the three nations' economic development as well as to stability in the Mediterranean, the Commission said.

Royal Assent Expected for British Entry

The European Communities Bill, the legislation by which Britain will enter the Community next January, is expected to receive the Royal Assent in October, shortly before Prime Minister Edward Heath goes to Paris for the enlarged Community summit.

The House of Lords approved the bill at its second reading on July 26, by 189 votes to 19. There were no amendments, so the bill does not have to go back to the Commons.

The House of Commons approved the bill at its third reading on July 13, by 301 (including five Liberals) to 284 (including 16 Conservatives and four Independents) votes. The second reading had been passed by a majority of eight.

More Than Two Million Words Spoken

The Commons debated more than 200 amendments during the bill's passage. On the floor of the House there were 63 separate debates during 30 days, in addition to 13 days' debate in 1971.

During the committee stage, which took 173 hours over 22 days, there were 487 amendments and new clauses. More than two million words were spoken on the bill in the Chamber where members examined it clause by clause and line by line.

Two topics, direct applicability of Community law and its bearing on national and parliamentary sovereignty, monopolized most of the members' attention.

EC Proposes Research on Hog Cholera Vaccine

The 1967 epidemic of hog cholera in the Community killed 200,000 hogs and cost the European Community's farm fund $4.7 million in sanitation costs and compensation for hog farmers.

The Commission has proposed that half that amount be spent from Community resources to continue research on the highly infectious and costly disease. Announced on August 4, the Commission's proposal would establish a second four-year program for hog cholera research. The first program, which was approved by the Council of Ministers in 1966, produced methods for diagnosing the disease.

The new program would concentrate on finding vaccines for African hog cholera as well as the classical hog cholera. Although African hog cholera has not spread to EC member or candidate countries, its persistence on the Iberian Peninsula is a constant threat to Community countries, the Commission said. Commonly called "swine fever" in the United States, the classical hog cholera is an often fatal viral disease characterized by fever, loss of appetite, diarrhea, and hemorrhaging.

The proposed program would be carried out in conjunction with national institutes of research in Belgium, France, Italy, the Netherlands, Germany, Portugal, and Spain. The Commission estimated the total cost to be $5.6 million, of which the Community would contribute $2.1 million.

French and German Data Processing Aid Allowed

German and French state aids to the data processing industries are compatible with the Common Market Treaty, according to two Commission rulings in June. Article 92 of the Treaty prohibits state aids which distort competition by favoring certain enterprises but makes exceptions if the aids promote "important projects of common European interest."

The Commission considers the computer industry economically important to the Community because of its spin-off effect on other sectors, especially electronics, its rapid growth, the increasing importance of numerical devices in manufacturing and production, and the enormous amount of applied research involved in the data processing industry.

European firms entering a market dominated by the United States must accept heavy financial burdens for investments to develop hardware, prepare a software library, and hire computers. Thus, the Commission has decided that, pending a genuine Community approach, state aids may ease the task of mobilizing private capital.

British Aids Questioned

In July, the German Government asked the Commission to investigate the proposed new British system of aids to industry and regions to determine whether it was compatible with Common Market law.

Commission officials said they had no right to demand information on the proposed British Industry Bill before the United Kingdom became a Common Market member. Commission officials indicated that informal discussions of the bill had already been held.

EC Founding Father Paul-Henri Spaak Dies

Paul-Henri Spaak, a "founding father" of the European Community, died in Brussels on July 31 at the age of 73.

A moderate Socialist, his involvement with Europe began in 1944 when, as Prime Minister in exile in London, he helped to lay the basis of the Benelux customs union.

He was bitterly disappointed at the failure in the Fifties of the planned European defense and political communities, which he had strongly supported. His great opportunity to contribute to uniting Europe arrived after the 1955 Messina Conference. He was appointed to head a committee of six government representatives which explored possible foundations for a European economic community. After the foreign ministers of the Six had adopted the committee's report as a basis for formal negotiations, the Spaak Committee turned into a treaty-drafting conference. Negotiations were tough, and technical details often threatened the entire endeavor. During one particularly trying session on fruit tariffs, Mr. Spaak is said to have deliberately lost his temper.

"I give you two hours," he told the negotiators. "If it's not settled by then, I shall call the press in and announce that Europe won't be built after all, because we can't agree about bananas." Needless to say, the banana question was settled in short order. The signing of the Common Market Treaty and the European Atomic Energy Community Treaty on March 25, 1957, marked a personal triumph for Mr. Spaak and a victory for European unity.

Always an Enthusiastic "European"

In 1957 Mr. Spaak became Secretary-General of the North Atlantic Treaty Organization, but in the years after the Common Market's establishment his enthusiasm for and devotion to the European cause never

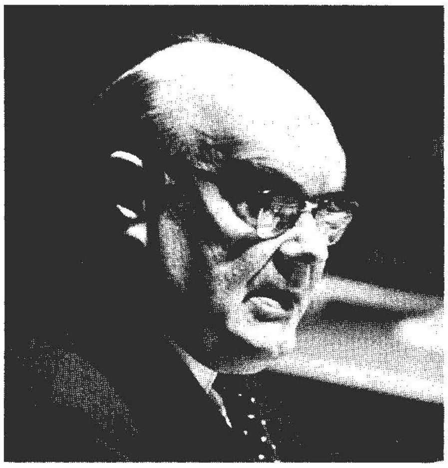


Photo: *Belgian Consulate General, New York.*

slackened. In 1961 he once again became Belgian Foreign Minister. He opposed French President Charles de Gaulle's veto in 1963 on UK entry, believing that "little" Europe could not achieve its true stature without Britain. He retired from politics in 1966 to become an international adviser to International Telephone and Telegraph.

In tribute, the Commission of the European Communities said: "Europe has lost a founding father. Paul-Henri Spaak was one of those who developed the ideology of European unity after World War II. As both a Belgian and a 'European' politician, he worked steadfastly to achieve his ideas in the years following The Hague Congress of 1948. He was one of the Community's most lucid and efficient protagonists . . . a faithful, influential militant European to the end. European unity loses a precursor, but inherits what he had to teach. The Commission of the European Communities commends him to all who work for the ideal of a continental Community."

In the United States, plans had to be canceled for a lecture visit this fall by Mr. Spaak. Mr. Spaak had planned to speak to university and business audiences in Louisiana, Georgia, New York, and Washington, D.C.

Europe Says "Yes" to Common Patent System

Britain, Ireland, the Six, and 13 other European countries have agreed on a draft convention to establish a single European system for granting and recognizing patents.

The convention was drawn up by a June 19-30 inter-governmental conference, which also agreed that Munich should be the headquarters of the European Patent Organization.

Once granted, European patents will be regarded as national patents in the contracting states. For 15 years after the Organization is established, however, national offices will scrutinize European Patent applications as a transitional measure. A diplomatic conference is expected to adopt the draft convention in 1973.

Commission Proposes Talks With 3 Nations

Negotiations for non-preferential trade accords with India and Brazil and for a modification of the Community's agreement with Malta were proposed by the Commission on July 18.

India requested negotiations in 1970 leading to a five-year non-preferential trade agreement incorporating all bilateral accords between India and individual EC nations. India would also like the Community to consolidate existing agreements with India on such items as jute, cotton textiles, and handicrafts and to formalize previous EC tariff concessions.

After exploratory talks with a Brazilian delegation, the Commission recommended the opening of negotiations for a three-year non-preferential agreement similar to one concluded with Argentina and one currently under discussion with Uruguay. Brazil requested negotiations in May 1971.

An association agreement signed by the Community and Malta came into force on April 1, 1971. The Commission recommended negotiations after Malta's Prime Minister Dom Mintoff requested the expansion of the current agreement to include technical and financial aid and concessions on certain Maltese farm products.

Ties to Lebanon Extended

On July 26, the Council of Ministers extended for an additional year, until July 1973, the seven-year-old trade and technical cooperation agreement between the Community and Lebanon. A new, preferential trade accord is being negotiated.

Reverse Fulbright Program Proposed

Wilhelm J. Schuijt, vice president of the European Parliament, on July 3 proposed a Fulbright program in reverse.

Head of a recent European Parliament delegation to the United States, the Dutch Christian Democrat said that Community financial assistance to US scholars, researchers, and journalists would symbolize a "burdensharing" equivalent of the Fulbright-Hayes Student Aid Program.

Commission Records Business Upswing

Business is looking up in the Community, according to the Commission's first four-monthly business survey for 1972.

From January through April, the proportion of business managements which considered their order books to be "below normal" fell from 38 per cent to 29 per cent. As for the future, 93 per cent of the business managements surveyed expected production to remain constant or accelerate.

Court Upholds Commission Ruling in Dyestuffs Case

The European Commission has legal jurisdiction over non-member companies for acts committed outside the Community but which affect competition within the Common Market.

This landmark precedent was set by the European Court of Justice in its July 14 decision to uphold Commission fines against 10 firms accused of fixing prices of aniline dyes on three occasions. The Commission's ruling, which the Court upheld, was made in 1969, and fines of up to $50,000 were levied against the companies. All the firms were European, but not all were headquartered in EC countries.

In its ruling, the Court came close to the Commission's view that, in competition matters, the separate legal personality of subsidiaries is of no practical importance. It ruled that in "certain circumstances" the activities of subsidiaries may be imputed to the parent company.

Sugar Firms Also Under Fire

Only 10 days after the Court ruling, the Commission accused 22 leading European sugar companies of illegal behavior similar to that found in the dyestuffs case. The sugar companies are accused of collusion to keep out international competition from their national markets to bolster prices and profits. The Commission has given the sugar firms, which could face fines of up to 10 per cent of their total turnover, two months to reply to its complaints.

Commission officials allege that trade in sugar between member states was done only between sugar refineries to prevent price changes on national markets. Sugar deliveries by a refiner in one member state to traders and processors in another were either refused or authorized only with a price increase, according to EC officials.

Both the dyestuffs and the sugar industries have a long tradition of international cooperation dating from prewar times and strengthened by the rise of multinational companies. Some observers say that the proceedings against the alleged sugar ring may become the biggest antitrust case ever tackled in Europe.

Commission Probes Dumping Allegations

Yugoslav exports of ammonium nitrate to the European Community do not violate EC antidumping regulations, the Commission has found. It is still investigating several other dumping complaints.

Community industries have alleged that Japanese, South Korean, and Taiwanese acrylic fibers, Spanish steel tubes, Polish and Yugoslav fertilizer, and Romanian ammonium nitrate are being dumped on the EC market.

According to EC criteria, the Commission may take antidumping measures when a country sells to the Community at prices below domestic selling prices and when third country sales seriously harm a Community industry.

Parliament Supports October Summit

The European Parliament urged the heads of state and government of the six member and four candidate countries to go ahead with their plans for a summit in the fall.

Top priority should be given, as had been planned, to economic and monetary union, the future of Community institutions, and the EC's role in the world, the Parliament said in a July 5 resolution.

The October date for the summit came into doubt in June when French President Georges Pompidou said that he would not take the responsibility for inviting nine heads of government to Paris if their meeting were to result only in vague declarations of intent *(see European Community No. 158, page 3).*

Farmers, Textile Workers May Get Adjustment Aid

The European Social Fund may soon assist farmers who leave the land and textile workers who either seek employment in other sectors or need updated training in the textile industry.

The Commission's July 12 proposals for Social Fund aid to farmers and textile workers reflect the expanded functions of the new Fund, which will take a more active role in determining areas of need and developing programs. Before its reform (see *European Community* No. 157, page 9), the Fund acted as a relatively passive "clearing house" for programs initiated by the national governments.

The Commission estimates that between $130 million and $163 million should be spent annually to retrain farmers for non-agricultural occupations. The member governments and the Social Fund would split the program's cost. Approximately 1.8 million persons are expected to leave agriculture in the next 10 years, according to the Commission. The program would complement the Common Agricultural Policy and help solve EC agriculture's biggest problem, too many small farms.

The Commission recommended Fund aid to retrain textile workers for jobs in other industries. The remaining textile workers should be trained to meet the demands of the "new textile age," a transition from a labor intensive to a capital intensive industry, the Commission said.

Textile workers, such as this woman tying fish nets, may soon qualify for adjustment assistance from the European Social Fund.

Notice

The August-September issue of *European Community* was misnumbered. It should be No. 158 rather than No. 157. It will be called No. 158 in the *European Community* index and in future references.

Third World Receives $69 Million From EDF

Twenty new allocations from the European Development Fund were announced on June 26, July 7, and July 26 by the Commission of the European Communities.

The non-reimbursable grants will place $68,699,526 at the disposal of developing countries. The allocations are as follows:

- **Ivory Coast:** $1,739,794 in risk capital and interest allowances on behalf of UTEXI (Industrial Textile Union of the Ivory Coast) for the construction of a textile factory.
- **Guadeloupe:** $1,783,805 to construct 20 roads on the island of Basse-Terre.
- **Comoro Islands:** $1,739,291 to install a water system in Moroni, the principal town of the French territory.
- **Wallis and Futuna Islands:** $341,995 to finance road-building and maintenance equipment.
- **French Polynesia:** $2,923,790 to build a highway joining the town of Papeete in Tahiti to the Faaa Airport.
- **French Territory of the Afars and Issas:** $445,137 to improve the south harbor at Djibouti. Activities will include enlarging storage areas, creating a sewage system, lengthening the rail access route, and installing a rail drawbridge.
- **Upper Volta:** $214,969 to construct a 62-mile trunk route joining the capital city Ouagadougou to Koudougou, the Republic's third largest town.
- **Rwanda:** $7,925,610 to aid the development of small family tea enterprises and create a national administration to oversee tea cultivation throughout Rwanda. The project is expected to bring an additional 4,200 acres into private cultivation over a six-year period.
- **Burundi:** $154,169 to supplement previous grants for the construction of the Murumvya-Gitega highway.
- The **Associated African and Malagasy States:** $32,502,601 to finance scholarships, work/study missions, and correspondence courses for the coming three academic years (1972-75). Course work will take place in Africa and will be geared to Community investments in the 18 countries associated with the Community by the Yaoundé Convention.
- **"Overseas dependencies":** $1,061,815 to finance scholarships for the coming three academic years for students from the member countries' overseas dependencies which are associated with the Community by the Common Market Treaty. Study will take place in Europe and concentrate on the Community's investments in these associated countries, territories, and departments.
- **Ivory Coast:** $75,999 to finance a mathematics professorship for two academic years at the Ecole Nationale Supérieure d'Agriculture in Abidjan. The institution hopes to confer degrees on 360 agricultural engineers by 1980.
- **Madagascar:** $6,685,741 to complete a project to increase rice production.
- **Madagascar:** $1,723,006 to complete on the eastern coast a coffee and pepper plantation project begun by the government in 1967. The new investment will be used mainly to purchase plantation awnings, work vehicles, and fertilizer, as well as to construct shops and work sheds.
- **Niger:** $273,596 to subsidize a palletized storage area for refrigerated meat in the Niamey airport. Approximately 5,000 tons of meat destined for export will be able to be stored annually.
- **Chad:** $664,448 to help finance a highway from the city of Moundou to the Niamey airport via the town of Koutou.
- **Central African Republic:** $5,209,189 to help develop the country's cotton and coffee industries. The five-year production targets for the program are an additional 30,000 tons of cottonseed and 2,250 tons of coffee.
- **Central African Republic:** $663,637 to cover cost overruns for a water system in the town of Bambari. The project was originally financed by the Community in June 1966.
- **Burundi:** $1,150,842 to construct a tea-processing factory on the Tora plantation and enlarge that plantation by approximately 193 acres.
- **Congo** (Brazzaville): $1,420,095 to finance improvements at two major cattle ranches in the Niari Valley. With major expenditures going towards technical assistance, pasture seeding and drainage, and cattle vaccines, the project will help relieve the country's beef shortage.

Formalities Cut at Borders

Customs formalities affecting goods in transit between the Six and Austria and Switzerland will be simplified following agreements reached during July 12-14 negotiations.

Effective in 1973, the agreements allow vehicles carrying Community goods to EC countries, Switzerland, or Austria to cross Swiss and Austrian borders under the same conditions currently prevailing at intra-Community borders. The agreement is reciprocal for Austrian and Swiss goods. Community goods may also be stored in Swiss warehouses under the agreement.

EC Butter Surplus Serves Third World

Part of the Community's butter surplus will go to feed the hungry in developing nations.

The Commission proposed on July 5 the shipment of $34.5 million worth of butter-oil to developing countries. The Six would give 10,000 tons of butter oil to the World Food Program, 2,000 tons to the United Nations Relief and Works Agency for Palestinian refugees, 250 tons to Burundi, 1,000 tons to Egypt, 750 tons to Jordan, 750 tons to Lebanon, and 250 tons to Rwanda. Reflecting the growing surplus, EC stocks of butter increased from 27,000 tons in April 1971 to 58,000 tons in April 1972, according to Community statistics.

The Commission plans to recommend a food aid program not based on surplus production in the future.

The Community has already supplied 120,000 tons of skimmed milk powder and 35,000 tons of butter oil to the World Food Program and 3,000 tons of skimmed milk powder to the International Red Cross.

The Council in July approved several food aid actions recommended earlier by the Commission, including an extension of the time limit for the Red Cross skimmed milk powder agreement and the granting of 4,000 tons of white sugar to the United Nations Palestinian refugee program.

EC Extends Generalized Tariff Preferences

Cuba, Bhutan, Fiji, Bangladesh, the Persian Gulf States, Oman, Sikkim, Nauru, Western Samoa, and Tonga will begin benefiting from the Community's system of generalized preferences in January, following a Council of Ministers decision on June 27.

The Council agreed to consider at its October meeting requests to join the system from Greece, Turkey, Malta, Israel, Spain, and Romania. The European Community was the first industrial power to extend generalized preferences for manufactured and semi-finished products as well as certain processed foods to developing countries. The Community first extended the preferences on July 1, 1971, to the 91 developing countries which at that time made up the so-called "Group of 77" of the United Nations Conference on Trade and Development. The one-way preferences eliminate some or all import duties for specific products without requiring tariff concessions for Community products in the developing world.

EC Looks at Layoff Policies, Jobless Youth

Young Germans receive on-the-job training by serving as apprentices in a Krupp steelworks factory in Essen, Germany.

The Commission has outlined guidelines for the dismissal of workers in member states and common policies to reduce unemployment among youths.

Many young people enter the European job market with inadequate skills, according to a July 3 Commission report on youth employment. To remedy this situation, the Commission recommended the introduction of work/study programs during the last year of high school to give students on-the-job training. Such programs are already in extensive use in the United States. European adult education centers must be expanded and increased to give people a place to learn new skills or refine old ones after graduation, the Commission said.

The Commission also recommended that employment services include a special division for problems of the young worker. Young people should also be assisted in migrating to seek employment and should receive financial aid until they find their first job, the Commission said.

A worker should be notified at least six weeks before dismissal, the Commission said in a May 3 report. People over 40 years old should be notified at least three months in advance and those over 50 should be given six months notice. All firms should inform employees in writing the reasons for their dismissal.

The Commission also recommended special protection against dismissal for workers' representatives, except in cases of a factory shut-down or misconduct. Compensation, beyond the salary due, could be made available from national funds coordinated at the Community level, the Commission said.

Mass layoffs should be defined as the dismissal for at least a four-week period of more than 10 per cent of a firm's workers. Member states should adopt common regulations for mass layoffs, define circumstances in which they are allowed, and prohibit firms from hiring new employees during the layoff period, the Commission recommended.

Migrants May Be Able to Retire in Host Country

Self-employed people who have worked at least one year and resided at least three years in a member state other than their own will be allowed to remain there after retirement if the Council enacts a July 27 Commission proposal.

The three-year minimum would be reduced to two years if illness or an accident forced a person to quit his job, the proposal said. After the self-employed person died, his family would still be allowed to remain in the host country.

Migrant workers who are nationals of a member state are now eligible for the host country's guaranteed minimum income for the elderly, following an April European Court of Justice decision. The case was referred to the Court after an Italian woman who had worked in Belgium was refused the pension granted to elderly Belgians.

$48 Million Granted for Farm Budget

Grants totaling $48,291,159 from the European Agricultural Guarantee and Guidance Fund were made public by the Commission of the European Communities on July 26 in Brussels.

The farm fund grants will finance 131 agricultural modernization projects in five of the six member countries. Projects and amounts were allocated as follows:

	Projects	*Amount*
Germany	29	$12,132,831
Belgium	11	1,714,624
France	29	13,964,653
Italy	53	16,275,263
Netherlands	9	4,203,787
TOTAL	131	$48,291,159

Community grants from the Guidance Section of the fund are made retroactively three times a year. With two trimesters of grants now decided, the Guidance Section has spent $114,303,909 of its 1971 budget of $217 million.

Purposes of Projects

The latest farm fund grants are being spent on projects to improve agricultural production, marketing, and distribution. Projects to improve agricultural production include the construction of a flood basin at Eicherdesch in the northern Rhineland and buildings for drying and sorting hybrid corn at Castelnaudary in the Aude region of France. Marketing and distribution projects include such endeavors as the modernization of several Italian cooperative wine cellars and the expansion of slaughter houses in Almelo and Cuijk in the Netherlands.

EC Weighs Accord With Bangladesh, Thailand

Bangladesh, the newest state on the Indian subcontinent, may soon benefit from a trade agreement similar to the January 31, 1971, agreement between the European Common Market and Pakistan.

During their June 5-6 meeting, the Council of Ministers authorized the Commission of the European Communities to open negotiations with Bangladesh, formerly part of Pakistan, on trade in jute products.

The Council also authorized the Commission to negotiate an agreement with Thailand on zero-duty tariff quotas for Thailand's exports of silk and cotton to the Community. Similar agreements have been negotiated with India and Pakistan.

EIB Grants Five Loans, Reports 1971 Activities

The European Investment Bank (EIB) concluded in July five loans totaling $37 million for projects in France, Germany, and Africa.

The loans included:

- $2 million to help finance a lime factory at Châteauneuf-les-Martigues in France. The project is being carried out jointly by Belgian and German promoters in French territory.
- $27 million to finance the construction of a nuclear power station at Brunsbüttel in Schleswig-Holstein to help increase electricity production in northern Germany.
- $4.9 million to finance the first construction stage of a spinning and weaving mill at Dimbokro, Ivory Coast. The EIB also contracted to purchase $862 million worth of stock in the Industrial Textile Union of the Ivory Coast, the company building the mill.
- $872,000 for Hertzian beam telephone and telegraph communications between Mouila and the mining region of Moanda and Franceville in the Republic of Gabon.
- $2.2 million to increase storage and handling facilities at port city Brazzaville and purchase a deep-sea tug for port city Pointe Noire, both in the People's Republic of the Congo.

In addition, the Bank announced on July 25 that it will issue in Italy bonds worth $34 million denominated in lire. Proceeds from the bonds, bearing interest at 7 per cent a year with a 15-year maturation period, will be used by the Bank for its ordinary lending operations.

EIB Activities Boosted in 1971

Despite the unstable international monetary situation, the EIB last year expanded its activities and increased loans and guarantees by more than 40 per cent.

According to its annual report, released on June 26, the Bank made 52 loans and guarantees totaling $546 million, a 42 per cent increase over 1970 (54 contracts totaling $385 million). The total amount of Bank loans and guarantees from 1958 to 1971 reached $2.51 billion.

A total of $509 million, equaling 93 per cent of the credit extended by the Bank in 1971, was designated for projects in the Community. Representing more than 80 per cent of Bank operations in the Community, financial assistance to less-developed regions showed a sharp increase over 1970, the report said. Regional development loans and guarantees were directed mainly to southern Italy. The Bank also granted substantial credit for infrastructure development and such projects of common interest as the European *Airbus*.

The Bank granted Italy $299 million compared with $222 million in 1970, according to the report. France was granted credit worth $136 million ($66 million in 1970); Germany, $67 million ($49 million in 1970); the Netherlands, $900,000 ($3 million in 1970).

The Bank signed six loans in 1971 totaling $36 million, about 7 per cent of the total credit granted, for projects in the associated countries. The Bank's activity in associated countries has decreased during the last two years because of protracted negotiations and ratification procedures of the second Yaoundé Agreement and the second financial protocol with Turkey, according to the report. The second Yaoundé Agreement went into force on January 1, 1971, and the second financial protocol between the European Community and Turkey, signed on November 23, 1970, is not yet effective.

Development Aid Still Below 1% GNP

The 16 member countries of the Development Assistance Committee (DAC) granted $18.1 billion last year to the "Third World," an increase of about 7 per cent in real terms over 1970.

Total aid, however, represented only .82 per cent of the combined gross national products (GNP) of all members, a decrease of 10 per cent since 1961, according to the Organization for Economic Cooperation and Development (OECD) annual aid report released in Paris on July 5.

The United Nations Conference on Trade and Development (UNCTAD) has recommended that industrialized countries provide 1 per cent of the GNP as net financing for developing countries. The DAC, a specialized OECD committee, includes the United States, all Community members except Luxembourg, and all candidate countries but Ireland. The Committee itself has accepted the UNCTAD target in principle, but not all DAC members have committed themselves to attaining it by 1975. Other members of DAC include the Commission of the European Communities, Australia, Austria, Canada, Japan, Portugal, Sweden, and Switzerland.

AID BY DAC MEMBERS* *(in millions of dollars)*

	1970	% of GNP—1970	1971	% of GNP—1971
Belgium	308.6	1.23	300.3	1.03
France	1,869.4	1.27	1,655.8	1.02
Germany	1,487.1	.80	1,915.2	.88
Italy	681.9	.73	861.5	.85
Netherlands	456.6	1.46	590.2	1.63
Community Total	4,803.6	—	5,323.0	—
United Kingdom	1,278.6	1.06	1,569.8	1.14
Denmark	85.6	.55	138.3	.80
Norway	66.7	.59	64.6	.51
United States	6,254.0	.64	7,045.0	.67
Other DAC	3,515.0	—	4,157.8	—
TOTAL	15,851.2	.80	18,095.6	.83

SOURCE: OECD Press Release, Paris, July 5, 1972.
*All 1971 figures are provisional.

The Month in Brief

JULY 1972

5 The European Parliament urges the heads of state or government of the six member and four candidate countries to go ahead with plans for the October summit (see page 7).

14 The European Court of Justice upholds Commission fines against 10 dyestuffs firms (see page 7).

17-18 Finance ministers of the six member and four candidate countries agree on eight basic guidelines for reform of the world monetary system (see page 17).

22 The member and candidate countries of the European Community and the non-candidate members of the European Free Trade Association (EFTA) sign agreements establishing a 16-nation free trade area in industrial goods (see page 14).

24 The European Community removes compensatory levies on many farm goods (see page 3).

31 Paul-Henri Spaak, a "founding father" of the European Community dies (see page 6).

Recent Books

European Community periodically lists books dealing with Community and Atlantic topics. Prices are also given, whenever known. This presentation does not indicate approval or recommendation of these publications which can be purchased or ordered from most booksellers.

International Economic Peacekeeping in Phase II. By Harold B. Malmgren. Quadrangle Books, New York, 1972. 267 pages. $8.95.

An argument for improved economic peace-keeping in the new era ushered in by President Richard M. Nixon's August 15, 1971, economic and monetary announcements.

Citing structural imbalances and procedural problems which hinder current economic activity, this analysis sets forth a strategy for Phase II and the remainder of the decade. It focuses on the new round of economic negotiations planned by the European Community, the United States, Japan, and other nations. The author calls for a supranational framework of "procedures into which national policy decisions would continuously be fitted" as the preferred tactic for dealing with non-tariff barriers. For the United States, Mr. Malmgren urges the creation of a small, powerful Council of International Economic Policy headed by a director equal in rank to the director of the National Security Council staff. He criticizes the widespread tendency of countries to try to make their trading partners bear the costs of domestic adjustments, thus risking trade wars and impairing global institutions.

Belgian Public Policy Toward Retailing Since 1789. By J. J. Boddewyn. Michigan State University, East Lansing, 1971. 274 pages with notes and bibliography. $8.50.

A survey of the socio-politics of merchandise distribution in Belgium from 1789 to the present.

Professor Boddewyn finds an absence of positive and comprehensive policy toward the middle classes before 1958. He traces this lack to the underdevelopment of professional association, to the plethora of retailers, and to government capriciousness. In contrast, he notes the emergence after 1958 of a retailing class with a solid position in the marketplace, a status due to that class's vastly improved organization and representation. In this transition, he sees the "coming of age" of the middle class.

West German Balance-of-Payments Policy. By William Pollard Wadbrook. Praeger, New York, 1972. 340 pages with notes, appendix, and bibliography. $17.50.

An introduction to the forces behind European economic and monetary union by means of "a case study of German international financial policy and its motivations over the past decade, especially in the cardinal problem area of international economic adjustment."

The study explores German policy aims in the light of national goals, interests, and policy institutions. It also examines German policy alternatives for adjusting and non-adjusting tactics at the exchange rate and monetary levels and German policy response to these factors in the form of a precise balance-of-payments strategy. The work concludes with an application of findings with predictions and prescriptions for the future of European integration.

A History of OPEC. By Fuad Rouhani. Praeger, New York, 1971. 281 pages with notes and bibliography. $17.50.

A study of the Organization of Petroleum Exporting Countries (OPEC) which seeks "to present a complete and faithful image of this Organization, comprising its genesis, its achievements, its present functioning, and its future prospects."

The author traces the history of the petroleum industry from the era of concessions through the profit sharing stage to the current era of service contracts. He examines the role of petroleum in the economy of each of the OPEC member countries, analyzes the organization's internal structure, and measures achievements so far in the areas of pricing, production control, and royalties.

UNCTAD: Conflict and Compromise. By Branislav Gosovic. A. W. Sijthoff, Leiden, 1972. 349 pages with bibliography and index.

A descriptive-analytical approach to the United Nations Conference on Trade and Development's (UNCTAD) historical role.

The volume examines the degree to which UNCTAD has attained its objective of redefining and restructuring economic relations between the wealthy and developing countries. Mr. Gosovic's assessment focuses on the organization's origins, its utility as a forum for learning and consensus-building, substantive policies, and current "institutionalization." Considerable attention is devoted to the daily workings of UNCTAD and particularly to the major actors and their interaction. The author enumerates several "milestone" achievements emerging from the "conflict/conciliation nexus" joining developed and underdeveloped nations.

Frankreichs Agrarwirtschaft und Agrarpolitik in der Europaischen Gemeinschaft. By Kurt Krebs. Verlag Paul Parey, Hamburg/Berlin, 1972. 135 pages with illustrations and tables. $10.00.

A study of French agriculture and agricultural policy in the European Community — the thirteenth in a series on agricultural policy and trade.

The author, a former agricultural counselor at the German Embassy in Paris, analyzes the past, present, and future of French agricultural policy in terms of the European Community. In the author's view, France with approximately half the arable land of the Six, considered the Common Market a great opportunity for its agriculture. Thus, agricultural goals largely determined French actions in the Community, including the late President Charles de Gaulle's veto of British entry. The author also discusses whether the enlargement of the Community will now be compatible with the objectives of France's agricultural policy.

Les Groupes de Pression dans la Communauté Européenne. By Jean Meynaud and Dusan Sidjanski. Editions de l'Institut de Sociologie, Brussels, 1971. 733 pages. $23.40.

A study of the pressure groups surrounding the European Communities during the period 1958-67.

In the initial chapters, the authors describe the major lobbies, their structures, attitudes, and objectives. The remainder of the volume is devoted to the dynamics of lobbying at the European level, with special attention given to access routes to the power centers and the morphology of influence.

Aspirations and Affluence. By George Katona, Burkhard Strumpel, and Ernest Zahn. McGraw-Hill, New York, 1971. 239 pages with appendices, bibliography, and index. $12.95.

An examination of the influence of psychological attitudes upon economic change in the United States, Great Britain, Germany, Holland, and (to a lesser extent) France and Belgium.

Mr. Katona and his colleagues, in analyzing the behavior of the Western consumer as an impetus or a hindrance to economic growth, are able to discern distinct national attitudes. For example, anticipated increased income serves to encourage spending by the American consumer, whereas it tends to induce saving by his German counterpart. Such contrasts enable the authors to isolate the effects of consumer dynamism and consumer traditionalism and provide new substance to the relatively uncharted field of behavioral economics.

EC and US Maintain "Enduring Link"

PRESIDENT RICHARD M. NIXON

The essential harmony of our [US and EC] purposes is the enduring link between a uniting Europe and the United States. This is why we have always favored European unity and why we welcome its growth not only in geographical area but also in new spheres of policy.

We continue to feel that political and defense cooperation within Europe will be the fulfillment of European unity. European and American interests in defense and East-West diplomacy are fundamentally parallel and give sufficient incentive for coordinating independent policies. Two strong powers in the West would add flexibility to Western diplomacy and could increasingly share the responsibilities of decision.

Competitive habits within the Atlantic world are most natural in the economic sphere — precisely the field in which integration in Europe has come first. While reduction of trade barriers is a major goal of the Community, this has progressed more rapidly within the Community than between it and the outside world. So far, in practice, protection of certain special interests within Europe has been a major concern in the Community's collective decisions; this is the easiest course for an economic union that has yet to develop the political unity needed to make hard decisions taking account of interests outside the Community. As this political will develops, it will facilitate cooperation in the wider Atlantic relationship.

Europe's economic recovery has, of course, been of enormous benefit to US trade. But it means, also, that the postwar economic imbalance across the Atlantic has been redressed. We now face the additional prospect of a 10-nation European Community — a giant concentration of economic power — with a common external tariff and an expanding network of preferential trading arrangements with other countries in Europe, Africa, and Asia. This cannot fail to have an impact on the trading position of the United States.

There is only one constructive solution: to face up to the political necessity of accommodating conflicting economic interests. We must both keep our eyes on our fundamental shared interests in freer and expanded trade across the Atlantic, a foundation of our mutual prosperity.
—*Foreign Policy Report to Congress, February 1972*

Inopportune Time to Withdraw Troops Unilaterally

Given the existing strategic balance and a similar effort by our allies, it is the policy of this Government to maintain and improve our forces in Europe and not reduce them except through reciprocal reductions negotiated with the Warsaw Pact. With such mutual reduction now on the agenda of East-West diplomacy, this is precisely the moment *not* to make unilateral cuts in our strength.

Moreover, major unilateral reductions by the United States would upset the balance of conventional forces in Central Europe and leave the North Atlantic Treaty Organization (NATO) with no options in a crisis other than capitulation or immediate resort to nuclear weapons.

If the United States did not carry *its* crucial share of the common burden, there would be no prospect of our allies' making up the difference. Not only would they lose confidence in our pledges; they would lose confidence in the very possibility of Western European defense. Our allies would feel themselves increasingly alone. Atlantic cohesion would weaken. In the shadow of Soviet power, Western Europe would be drawn, against its will, away from its Alliance ties.

Thus, in the absence of a negotiated mutual reduction, the Soviet Union has little incentive to reciprocate a US withdrawal. Soviet troops are not deployed in Europe just to match ours . . . they embody the Soviet Union's permanent presence as a power in the European sphere.

As Chancellor Brandt has pointed out emphatically on several occasions, Western cohesion underpinned by the visible and substantial commitment of American power in Europe is the essential condition that makes efforts at détente possible today. With East-West diplomacy more complex and relationships more fluid than ever before in 20 years, unilateral American withdrawals from Europe would undermine stability. Today's conditions, not those of 20 years ago, make America's strength in Europe absolutely essential. I therefore intend to maintain it.
—*Foreign Policy Report to Congress, February 1972*

Trade Talks Must be Comprehensive

The US Government is in the process of formulating a comprehensive position on the best approach to the [1973 global trade] negotiations. Past experience has demonstrated the value of certain general interrelated principles.

- First, a trade agreement should be comprehensive . . . it should cover all economic sectors and all forms of trade barriers. It is particularly important that such negotiations include agricultural as well as industrial trade . . . .
- The trade negotiations should also result in a system which places maximum reliance on market-directed trade . . . .
- Efforts to liberalize trade must also aim at the creation of a fairer system of rules, in which the conditions of doing business internationally are not subject to arbitrary discrimination and excessive administrative discretion in the handling of imports, government purchases, domestic standards, and related matters . . . .
- The trade agreement should place the real costs of domestic social programs on the country deciding to implement them. Only such a principle can provide a basis for separating legitimate aspects of domestic social policies from practices disruptive of trade in such areas as environmental, safety, and health standards . . . .
- The trade agreement reached should also include a safeguard system that gives economically sensitive industries in participating countries sufficient time to adjust to rapid shifts in patterns of production or consumption, including trade. . .
- Finally, the trade agreement should include an understanding that domestic adjustment programs must complement the safeguard system.

—*Council of Economic Advisers Report, August 1972*

Four Pillars of Partnership

SENATOR GEORGE McGOVERN

The truths which underlay American-European relations immediately after World War II have changed, and the time has come to account fully for those changes. Europe is no longer entirely dependent on the United States for its economic sustenance or its military security. This is good; but the Nixon Administration's trend toward a new isolationism from Europe is not. This is not the isolation of rhetoric, such as the "fortress America" concept which dominated American thinking before World War II. Rather, it is the isolation of executive fiat, couched in language which masks its intended effect.

Thus, while President Nixon's accommodations with the Soviet Union and China are welcome changes in many respects, those accommodations were made with little concern for the implications they would have on Europe. Likewise, although the dynamics of international economics necessitated certain changes in the international monetary structure, President Nixon unilaterally announced a new American economic policy in August 1971 with little attempt to accommodate that new policy with European needs.

Europe's new vitality and the Nixon Administration's growing isolationism from its Atlantic partners point the need for a new American policy for Europe, a partnership which affords Europe the freedom as well as the responsibility to play a major role in international affairs. I would propose that this new partnership be grounded on four basic propositions.

US Must Fulfill NATO Obligation

First, the United States should work in conjunction with Europe and appropriate organizations to insure that the defense of Europe remains intact. The North Atlantic Treaty Organization (NATO), for example, should continue to function, but with a new recognition that Europe has both the ability and the responsibility to help formulate and implement NATO policies. For its part, the United States should, at a minimum, continue to fufill its NATO obligations.

It has been mistakenly reported that I intend to "withdraw" from Europe 170,000 American troops and that those troops would no longer be available to NATO. In fact, I only proposed that 170,000 American troops currently committed to NATO and stationed in Europe be *redeployed* for purposes of efficiency. Such redeployment would neither diminish the commitment of those 170,000 troops to NATO nor hinder their value to NATO in responding to any agression by the Warsaw Pact countries. That redeployment would not signal an erosion of the American resolve to help defend Europe. The United States' foremost foreign defense commitments is to Europe. This commitment would not be compromised by a reduction of American troops stationed in Europe. Maintenance of 300,000 American troops in Europe does not seem necessary in view of the deterrent effect of nuclear weapons, the increased range and efficacy of the NATO air force, and the fact that a commitment of stationed and redeployed American troops, coupled with troop commitments of other NATO nations, would still provide a contingent of NATO troops sufficient to respond to any aggression by the Warsaw Pact countries.

Second, the United States should join with its European partners to reduce trade barriers. President Nixon's new economic policy imposed a 10 per cent surcharge on foreign imports, thereby promulgating a policy of protectionism and fanning fears of an international trade war. In return, the European Economic Community now enforces rules which, in effect, discriminate against many imports.*

The 1973 global trade talks provide a unique opportunity for the United States and its European partners, as well as other nations, to explore means by which trade barriers can be removed without danger to individual economies. Such discussions are particularly appropriate now because the protectionist trend inaugurated by Mr. Nixon must be reversed.

US Should Seek Greater Exchange Rate Flexibility

Third, the United States and its European partners should join in a cooperative effort to reform the international monetary system to achieve greater flexibility in currency exchange rates. The current international monetary system was designed immediately after World War II when it was assumed that the United States would be the world's banker. As a result, there was soon a heavy burden on the American dollar as an international medium of exchange.

The United States is not free from blame for the burden imposed on the dollar. The United States itself has pursued policies which weakened the dollar. Our large payments deficit, for example, can be traced directly to the outflow of billions of dollars to finance a senseless war in Indochina and to support an excessive military posture abroad.

The burden on the dollar today is intolerable, not only because it reflects misguided American policies but also because the European economies have gained considerable strength. In addition, increased monetary reserves in the form of Special Drawing Rights will help satisfy international finance needs if the supply of gold continues to dwindle.

As an ultimate goal, the United States should be relieved of its role as the world's banker. No longer should European and other economies fluctuate with American economic cycles or with the whim of American presidents.

Fourth, the United States should join with its European partners in formulating policies which assist the developing countries in their attempts to build sound economies. No one need be reminded of the widening economic gap between the developed and the developing nations. If political stability and economic interchange are to be the hallmarks of future relations, this gap must be narrowed.

Assisting the developing countries is not merely a matter of economics or self-interest. More importantly, it is a matter of equity and social justice.

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*ED. NOTE: *The European Economic Community did not retaliate against the Nixon Administration's August 15 measures. When member country currencies began fluctuating last May, compensatory levies were applied to many agricultural goods to protect the Common Market farmer's income. Many of these levies have now been removed* *(see page 3).*

A 16-Nation Free Trade Area

EFTA NON-CANDIDATES SIGN TRADE AGREEMENTS WITH THE ENLARGED EC

A 16-nation industrial free trade area stretching from Helsinki to Lisbon will be created in Western Europe between 1973 and 1977.

The 16 are the current six members of the European Community, the four countries scheduled to join in January, and the six members of the European Free Trade Association which did not seek EC membership: Iceland, Finland, Sweden, Switzerland, Austria, and Portugal.

The treaties between the enlarged Community and the EFTA non-candidates were signed in Brussels on July 22, exactly six months after the signing of the Accession Treaty by which Britain, Denmark, Ireland, and Norway agreed to join the Six. Finland only initialed the July 22 agreement because of a government crisis but hopes to sign soon.

Subject to ratification, the treaties establishing the industrial free trade area come into effect on January 1, 1972, at the same time as the Community is enlarged. The agreement with Iceland will not become fully effective until the dispute over Iceland's decision to extend its territorial limits from 12 miles to 50 miles has been resolved.

The industrial free trade area, grouping 300 million people and accounting for nearly 40 per cent of world trade, has been established to prevent the reimposition of tariff barriers between candidate and non-candidate EFTA members as a result of enlargement. Four of the six EFTA non-candidates (Sweden, Finland, Austria, and Switzerland) did not seek to join the Community when their partners, the United Kingdom, Denmark, and Norway applied. They considered their neutrality incompatible with EC membership. Iceland wanted to maintain full sovereignty over its territorial waters, and Portugal sought association.

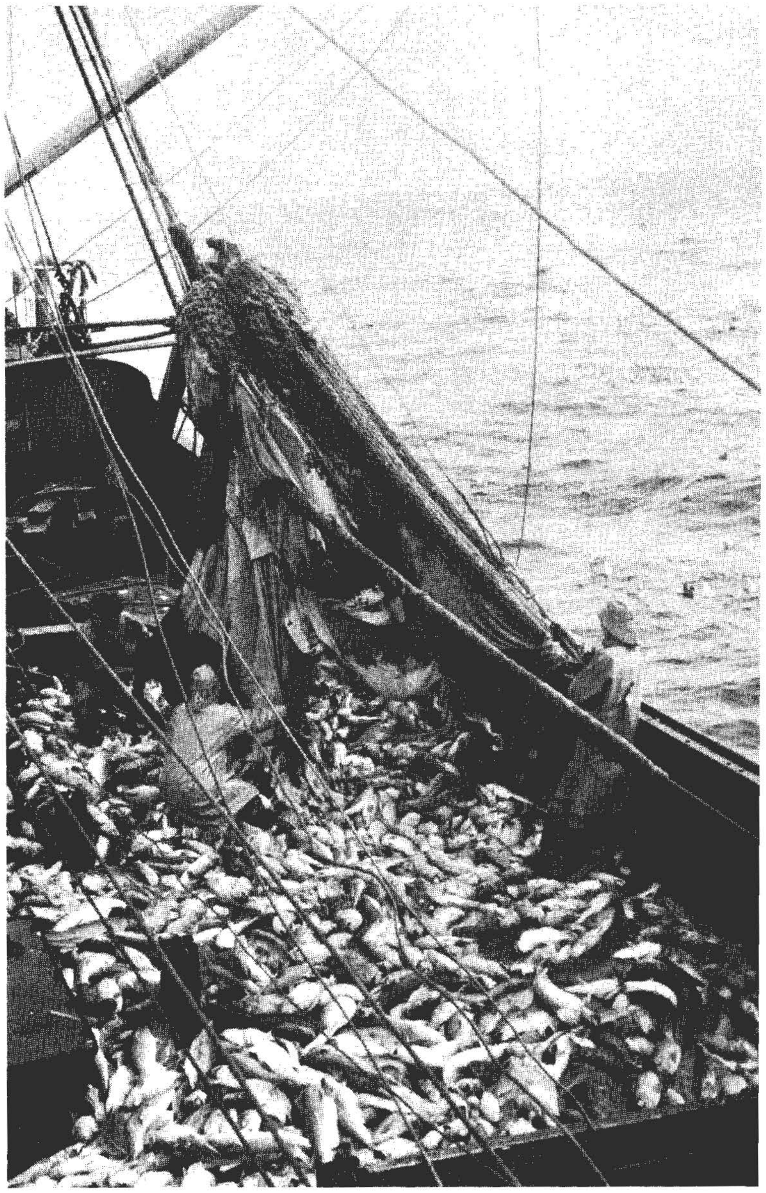
For some Community countries, especially Germany, the free trade agreements are likely to have a greater impact than enlargement. Last year the value of the Community's exports to the non-applicants, excluding Iceland, exceeded $10 billion, compared with $7 billion to the four new member countries.

Six Separate Treaties Signed

Regulations for free trade in industrial products and certain safeguards are common to all the agreements. Six separate treaties were negotiated, however, because individual demands and economic situations differed.

The agreements provide that the abolition of customs duties achieved between the three EFTA member countries joining the Community and the non-candidates will be preserved. Free trade in industrial goods will be extended over a transition period between the six current EC members and the non-candidates. The schedule for dismantling customs duties between the Six and the non-candidates is similar to the transition period established in the Accession Treaty for the four future members.

Existing tariffs will be reduced in five stages, with a 20 per cent cut per stage. The cuts take place on April 1, 1973; January 1, 1974; January 1, 1975; January



Iceland was particularly interested in benefits for its fish industry which provided almost 50 per cent of the country's 1970 exports to the Six. Iceland received a 50 per cent tariff reduction for canned fish and free entry based on a set reference price for frozen fish. Photo: Embassy of Iceland.

1, 1976; and July 1, 1977. Portugal and Iceland will be allowed to stagger reductions until January 1, 1980.

A longer transition period was agreed upon for the "sensitive" products. The paper industry faces an 11-year transition period. Eight-year to 10-year periods were agreed upon for zinc, lead, aluminum, some textiles, and precision metals. A system of target ceilings on sensitive imports into the Community will prevent abrupt changes from disrupting industries in difficulty.

Problems With Paper Products

At one point during the negotiations, it seemed as if disagreement between the United Kingdom and the Scandinavian countries on paper products would delay the signing of the accords.

Britain was unwilling to accept a different tariff level from the one applied by the existing Community members. It was finally agreed that by 1977 Britain would raise its tariff on paper imports from non-candidate EFTA countries to 8 per cent and the Six would scale theirs down to the same level. Tariffs on paper will not be completely removed until 1984.

Britain also agreed to grant the Finns and the Swedes duty-free quotas for the bulk of their paper exports, calculated on the basis of a reference period of 1968-71. After the first year, Britain will fix the quota, expected to cover about 75 per cent of the trade. So far, no growth factor has been allowed, but when the arrangement is reviewed in 1975 the quota could be raised if the UK market has expanded.

Until 1984, some tariffs will remain on Scandinavian paper exports to Britain. Nonetheless, more than 90 per cent of total industrial exports from Finland and Sweden into the United Kingdom will remain tariff-free.

Most Farm Goods Excluded

Although most agricultural goods are excluded from the agreements, the partners declared their readiness to foster the harmonious development of trade in farm products not covered by special provisions. Portugal won special provisions for wines, tomato puree, and canned foods, and Iceland's fish products also received a special provision. Sweden, Austria, and Switzerland will ease entry for EC exports of wine, fruit, vegetables, and flowers. Customs duties on processed farm goods will be abolished, but the Community's levy system will not be changed.

The agreements do not provide for any obligatory harmonization of monetary, social, agricultural, industrial, or other national policies. It is expected, however, that some of the non-candidates may voluntarily decide to adopt some EC policies, such as the competition policy. Safeguard clauses are designed to prevent distortions of competition resulting from countries' regional or industrial policies which, in effect, subsidize products covered by the free trade agreements.

Rules of Origin Established

One of the most technical subjects negotiated was that of rules of origin. As a customs union, the enlarged Community will have a common customs tariff, unlike the newly formed 16-nation industrial free trade area. Free trade rules could be easily abused without rules of origin. For example, a manufacturer outside the 16-nation free trade area might try to export to Germany via Sweden, because the Swedish tariff is lower than the Community's common external tariff.

Norwegian Minister of Foreign Affairs Andreas Cappelen signs the agreement creating a 16-nation industrial free trade area. Martin Huslid, economic officer in the ministry of foreign affairs, is seated on the right. Sigurd Ekeland, minister in the Norwegian embassy in Brussels, is on the left.

Watches labeled "Swiss made" may contain foreign imported components and labor worth up to 50 per cent of their total value, if they meet Swiss performance standards. Here waterproof watches are being tested. Photo: Swiss National Tourist Office, New York.

Thus, all industrial goods must be accompanied by a certificate of origin issued by customs officers. A product "originates in" a particular country if it is wholly manufactured there or if processing there changes its tariff position. In some exceptional cases, however, the processing in a signatory country will have to constitute at least half the value of the product for it to qualify as having originated in the processing country.

The new free trade zone's rules of origin are more stringent than EFTA regulations. Under EFTA, exporters themselves drew up certificates of origin; customs officials made only spot checks.

Agreements May Be Extended to Other Spheres

Every agreement but the one with Finland includes an "evolutionary clause." If any signatory country wishes to extend the agreement to other spheres, it may submit a request, with justifications, to other partners. The joint committee established under the agreements may then make recommendations. The joint committees will normally meet twice a year, except in emergencies, to hear requests and manage the free trade arrangements.

In a related development, the European Community and Switzerland signed, July 20, an agreement which settles the lengthy "Swiss-made" dispute. Providing the basis for free trade in Swiss watches, the agreement stipulates that watches labeled "Swiss-made" may include foreign imported components and labor up to 50 per cent of their value, provided that they meet Swiss quality standards.

1973 Trade Negotiations and Monetary

RECOMMENDATIONS FOR EC POLICY

RAYMOND BARRE, *Vice President, European Communities Commission*

The enlarged Community will next year face the opportunities and risks presented by multilateral trade negotiations and talks on the reform of the international monetary system. Both major negotiations will be decisive tests of Community policy and solidarity.

For the past two years the United States has insisted that correction of the American balance-of-payments deficit would benefit both the United States and the rest of the world. This view is gaining strength in certain international circles, even within the Community.

When he signed the law increasing the price of gold, President Richard M. Nixon reaffirmed his country's desire to obtain trade concessions from other countries to make American products more competitive abroad. The Americans expect concessions from Japan, Canada, and especially from the Community. The Community's trade policy, especially for farm produce, is constantly criticized as discriminatory. In the US view, the Community's enlargement only extends discriminatory trade policies to more countries. The Community's industrial free trade agreements with non-candidate European Free Trade Association (EFTA) countries are seen as a ready-made justification for the United States to ask for similar treatment.

US Wants to Link Trade and Monetary Problems

The United States, therefore, sees a need for "global" international negotiations, linking monetary with economic and trade problems. To facilitate such negotiations, the United States advocates establishing an *ad hoc* body including representatives of the world's principal economic and monetary groups and of the developing countries. This body would deal with matters usually handled by the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade (GATT).

No one objects to the United States' protecting and seeking to further its interests. Nevertheless, other countries and the Community have every reason to reject certain aspects of the US point of view, despite their close and friendly relations with the United States.

The rest of the world cannot be expected to solve single-handedly the US balance of payments problem. Both the Community countries and Japan have made a contribution by accepting the devaluation of the dollar, by revaluing their own currencies, and by giving the United States trade preferences. Exchange rate realignment will help the American trade balance if the United States adopts appropriate budgetary and credit policies.

The US balance of payments will also benefit from the increasing revenue of US investments overseas. Since 1958 the book value of US direct investment in the Community has more than sextupled, rising from $1.9 billion to $11.7 billion in 1970.

Capital Outflows Increase US Deficit

The outflow of long-term capital, particularly in the form of direct investment, has seriously affected the US balance of payments. US net direct investment amounted to an annual average of $1.8 billion between 1960 and 1964, $3.3 billion between 1965 and 1969, and $4.5 billion by 1971. In a period when its balance of payments showed a huge deficit, the United States continuously built up assets abroad. Investments were financed by accumulating dollar balances in central banks, especially in Community countries. Are European countries expected to allow the United States to achieve a trade surplus at the expense of their industry and agriculture, when the United States makes no effort to reduce the imbalance in its capital operations?

This article was adapted from a speech Mr. Barre delivered before the French Senate Finance Committee on April 27, 1972.

EC Trade Policies Severely Criticized

In the forthcoming international trade negotiations, the enlarged Community's world trade policies will face attacks from all sides, not just from the United States. The new Community, however, need not fear freer world trade. Its attitude should be based on the following principles:

- No concessions should be made without genuine reciprocity, not merely promises, from the other side.
- Tariff reductions should be accompanied by the dismantling of non-tariff barriers (NTB's) since in some countries, especially the United States, NTB's are an effective substitute for tariff protection.
- The Common Agricultural Policy should not be discussed without considering the non-member countries' agricultural policies.
- The common customs tariff should be maintained. It is an aid to Community solidarity, a weapon against unemployment in some cases, and an international negotiating instrument.

Unless these principles are followed, the Community risks dilution into an Atlantic free-trade zone.

Countries Must Maintain Payments Equilibrium

The Community should also follow a few simple principles in approaching the reform of the international monetary system. Here, too, essentials could become submerged in a plethora of technical argument.

The first principle concerns the adjustment of balances of payments. No international monetary system can function unless participating countries consider

Talks

it their duty to maintain equilibrium in their balance of payments. They must adopt the necessary internal policies, using international credit sources, if necessary. In the event of a deep-seated disequilibrium in the balance of payments, they may resort to a parity change. If the international community allows a country to forego setting its house in order, the entire system will sooner or later be threatened with collapse.

The second principle is based on fixed parities which may be altered in the event of deep-seated imbalance. Investment and trade depend on stable exchange rates. Unstable exchange rates cause uncertainty and expense and may pave the way for competitive devaluations and monetary anarchy. A fixed parity system does not mean that a country's exchange rate cannot be altered if it is no longer realistic. Neither does it prevent reasonable rate flexibility maintained by moderate increases in the fluctuation margins above and below parity. A fixed parity system will save the Community from shouldering other countries' — particulary America's — balance of payments adjustments.

The third principle concerns providing, as reserve media, international liquid assets which do not belong to any state or group of states. Such neutral exchange media now existing are gold, the only central bank asset which is not someone else's liability, and Special Drawing Rights (SDR's), which were created and are managed collectively.

Gold's Role Still Essential

Several projects on the agenda of the forthcoming international discussions would base a future international monetary system on SDR's alone, without setting their value with reference to gold. One does not have to be a gold fetishist to believe that gold cannot be excluded from the international monetary system, given the current state of international monetary and political relations.

If the use of SDR's in international settlements were extended without precautions, the development of the system might be jeopardized. The international monetary system should be based on both gold and SDR's, with agreed rules about the conditions under which international liquidity would be allowed to increase to meet the reserve requirements of both developed and developing countries. SDR's should then replace national reserve currencies as international liquid assets, not supplement them as has been the case since 1969.

Ceilings on Reserve Currency Balances

Another important topic for the forthcoming international monetary negotiations will be the future of dollar and sterling balances, both of which, for different reasons, greatly concern the Community. Sterling balances increased by 50 per cent from June 1969 to December 1971. At the end of June 1971 dollar balances totaled $64 billion, of which $48 billion were maintained by state authorities.

Ceilings must be set for these balances. From a specified date, dollars and sterling would be retained by central banks only as running capital. If dollar and sterling holdings exceeded the agreed ceiling, these currencies would have to be changed into reserve media.

Financing the balances in existence before this date should involve debt settlement, not just exchange of credits payable as medium-term or long-term loans. This adjustment would have to be carried out gradually so that excessive burdens would not be placed on debtor countries' economies and balances of payments.

Effective regulation of short-term capital movements must also be included in the reform of the international monetary system. Individual governments and central banks must ensure that the behavior of the banking and other sectors on international capital markets does not harm their countries' economies. During recent months, it has become clear that the Euromoney market must be guided and checked through collective action by monetary authorities. Unfortunately, the interests of certain financial quarters have so far prevented progress along these lines.

The direction and consequences of international monetary reform will be determined by the choices and policy stands of the enlarged European Community. The alternatives are either the creation of an international monetary system based on cooperation and rules accepted and enforced by all, or thc implicit acceptance of a Western dollar standard.

"Ten" Agree on Basis of Monetary Reform

The finance ministers of the six member and four candidate countries agreed on eight basic guidelines for reform of the world monetary system during their meeting in London on July 17-18. Though not yet a common policy, the agreement represents a joint point of departure for discussions during the International Monetary Fund's annual meeting in Washington in September. The 10 ministers agreed that the reformed international monetary system should

- continue to be based on fixed but adjustable currency parities
- be designed to reestablish general convertibility of currencies
- provide for effective international regulation of world liquidity
- secure the necessary adjustments in the balance of payments of participating countries
- respect the need to reduce the destabilizing effects of short-term capital flows
- conform to the principle of equal rights and obligations for all countries
- take into account the interests of developing countries
- be compatible with the gradual achievement of economic and monetary union of the enlarged Community.

Photo: German Information Center, New York.

Wanted: Better Consumer Information

ALBERT BORSCHETTE *Commissioner responsible for competition policy.*

What does the European Community mean to the consumer? Let me respond in facts and figures.

Total family expenditure in the Community has tripled since 1958. Adjusting that figure for inflation and a population increase from 170 million to 190 million, per capita private consumption has risen by 72 per cent in the last 14 years.

Such spectacular progress does not spring exclusively from the existence of the Common Market, but even our critics agree that consumers have benefited enormously from the creation of an enlarged market, free from internal customs barriers. A glance at the shelves of any store in the Community reveals a multitude of products from the Six member countries. Wider selection and competitive prices brighten any shopper's day.

Nonetheless, the problems of Europe's consumers are far from solved. A recent Commission price study of 354 consumer goods showed that, while price differences among member states have generally diminished, some products still command higher prices in some countries than in others. For example, clothing prices differ by 35 per cent, and a disparity of 72 per cent exists for pharmaceuticals.

Price discrepancies are due partly to varying levels of indirect taxes. In addition, manufacturers still set prices according to national market characteristics. To be protected, the consumer must be informed. Such abuses as unfair competition and false advertising must be fought through a specific policy of consumer protection and information at the Community level. A Consumers Liaison Committee, founded in 1962 at the Commission's initiative, grouped the main EC consumer organizations. Unfortunately, it did not survive the difficulties it encountered. *(see page 20-22).*

The consumers of the enlarged Community should have a powerful central organization to defend their interests at the Community level. Until that organization becomes a reality, the Commission will work closely with the groups that made up the Liaison Committee by contributing advice, organizing study sessions, and ensuring the widest possible distribution of the results of comparative product testing.

Spontaneous cooperation is an interim measure at best. A comprehensive, coherent consumer policy remains indispensable. Whatever form that policy takes, it must look beyond simple price relationships. The problem of consumption is bigger than dollars and cents. It concerns our health, happiness, and the quality of our lives.

The Consumer and the Common Market

PAUL KEMEZIS, *a freelance journalist based in Brussels*

From Small Shop to Conglomerate

Europe's drive towards the dream of material satisfaction may seem sporadic (numerous households in the Community have cars but no bathrooms) but its momentum cannot be denied. By the early Sixties, almost two-thirds of all European households owned washing machines, more than half owned television sets and refrigerators, and a third had a car.

As it moves into its American era, continental Europe has put its own stamp on the new way of life. Its cities do not taper off into American or British style suburbs with low-profile single-family houses. Instead, multi-storied apartment buildings wander over city limits into cow pastures, bringing into sharp relief contrasting lifestyles.

In America, the single continental market and intense attention to marketing has generated huge manufacturing corporations and sales chains. Gigantic firms manipulate consumers and markets with massive advertising campaigns.

The creation of the European Community's continental market has quickened the growth of American style corporate society on the old continent. The transition from small, privately owned shops to multimillion dollar conglomerates, however, is far from complete.

Small Shops Abound

On the threshold of the supermarket age, Europe still has a formidable number and variety of small shops. Although all European cities sport big stores, the hold of the small specialty shops on most local commerce has been broken only in Germany and the Netherlands. Even in these countries there is still one small shop for each 90 to 100 inhabitants.

In France there is a specialty store for every 68 persons, in Italy for every 60. Belgium remains the shopkeeper's paradise with one such store for every 49 inhabitants; 74 per cent of those stores are operated by one person.

Medieval Guild Mentality Lives On

Twentieth century Europe has inherited the conservative commercial mentality of the medieval guilds, encouraging the *status quo* instead of competition. A shopkeepers' revolt can still stagger governments in many countries, although the consumer boom and the European Community's widened horizons are weakening the system's inefficiency and extravagance.

Either extreme — the shopkeepers' guild mentality or the American giant corporation— shatters the economics textbook assumptions of a sovereign consumer voting for or against products with his pocketbook. The producer, always one step ahead of both textbooks and consumer, finds ways of keeping the demands of a free market economy from rocking his boat.

Medieval guilds have in fact, if not in name, survived in Europe. Officially these groups, which invented and nurtured the concepts of controlled markets, restricted competition, price-fixing, and oligarchical commercial control, lasted until the nineteenth century.

The industrial revolution destroyed the basis of the guild system. The local market system, where goods were produced by familiar craftsmen, was replaced by a national and sometimes international commercial network.

Before the industrial revolution, the local craftsman, though in no sense a free competitor, was at least bound to a high standard of quality because complaints about his goods might be delivered at his door.

Slowly, goods mass produced in distant industrial centers by powerful and unfamiliar manufacturers began to appear. The irreversible pattern of the present seller-dominated consumer society was set. More goods were available at low prices, but the consumer was more on his own than before. "Buyer beware" became the rule. Although nineteenth century liberalism theoretically guarded consumers' interests by the invisible hand of competition, its main effect was to temper the power of government controls, the consumer's only recourse against manufacturers.

Despite the breakdown of traditional organizations in the nineteenth century, the spirit of the guilds never lost its hold on the merchant class. The American writer, Edward McCreary, reports some modern examples of this mentality:

- Obtaining a license to dryclean clothes in Zurich is almost impossible unless one agrees to charge the standard price set by the drycleaners' association.
- Opening a supermarket in the Netherlands requires a sales license for several types of goods.
- Apples from Normandy still have to pass through the Paris fruit market to reach Norman consumers.

McCreary estimates that the cost of getting goods to market in Europe is two or three times higher than in the United States.

Corporate Collusion Restricts Competition

The guild mentality also survives in the realm of production. A report about American competition by the Union of Industries in the European Communities, cited in Jean-Jacques Servan-Schreiber's *Le Défi Américain,* says that "certain American firms are badly informed about European market price mechanisms which the different continental competitors try to respect. A common study of the methods applicable to establishing net costs has enabled us to get rules which, while safeguarding competition, are beneficial to all interested parties. We must not allow American firms . . . to provoke a price war that would cause serious difficulties in our markets."

Corporate collusion to restrict competition is not new in Europe. Cartels appeared almost simultaneously with the industrial revolution in Germany, and by 1914 a government commission counted 385 cartels and syndicates in the Reich. Then protectionism shot tariffs sky-high and kept them there through World War II.

Restrictive Practices Under EC Fire

With the establishment of the Community, all types of national protection are breaking down, and restrictive practices by firms are under fire. The Community is also opening doors to mergers on the European level to increase productivity and pool technological know-how. Although the idea of mergers may sound automatically bad for the consumer, the Community, under explicit Common Market Treaty provisions, seeks to ensure that the savings from such combinations are passed on to the public.

Perhaps European firms, following the American model, will gain the power to dictate consumer wants and set society's values by their own narrow standards of profitability. *Le Défi Américain* argues that huge Euro-corporations must be formed to beat the Americans at their own game in Europe. Whether dominated by Philips, the Dutch conglomerate, or IBM, the interests of the average consumer could be equally ignored.

Describing the "reversed sequence" in which the supposed sovereign consumer is controlled by manufacturers, economist John Kenneth Galbraith says: "It is true the consumer may still imagine his actions respond to his own view of his satisfaction, but this is the result of illusions created in connection with the management of his wants."

There seems no immediate danger that Europeans will be engulfed with advertising on the American scale.

Outdoor markets with individually run stands are still common in France where many housewives carefully select fresh meat and vegetables daily for their families. Photo: French Embassy Press and Information Division, New York.

Although the amount spent on advertising in Europe rises yearly by at least 10 per cent, per capita expenditure has remained below the astronomical US levels. In addition, the European guild mentality is not yet as open to aggressive American-level advertising expenditures.

Beyond manipulation of the public stands the further danger of non-accountability. America's leading consumer watchdog, Ralph Nader, finds that US corporate neglect of the public interest through pollution, shoddy products, and fraud would normally amount to a crime. The vastness and anonymity of the corporate structure, however, plus the difficulty of determining the precise effects of the practices, make correction difficult.

In the United States the unification of corporate charters under federal government control has been suggested as a means of improving supervision, while Europe is on the verge of creating the "Eurocompany" charter. Europe's need to consolidate and harmonize national tax systems, health and safety standards, pollution laws, and many other business standards to create a real common market offers a broad field for regulating arbitrary corporate power.

But perhaps, as Galbraith suggests, the high-consumption society has an inexorable logic dictating that over-sized corporations must exist and manipulate consumers to buy more and more goods of less and less real value to keep the entire economy from collapsing. In that case, the only answer may be Commission President Sicco L. Mansholt's February 1972 proposal: finding a "satisfactory" level of consumption and using public coercion to adjust production to that level, making sure that the goods produced do not represent any unavoidable loss of resources.

This concept of limited growth may seem inimical to consumer freedom; but if the consumer is not free anyway, it might help turn more attention toward the essentials of a healthy, satisfying life, and away from glittering and costly appearances.

II The Rise and Fall of European Consumer Groups

As the European and American industrial systems steamed ahead in the early twentieth century, flying the banner of "the public be damned," consumer protection was spawned in their wake.

In America, a great wave of protest prodded the government into its first hesitant actions to regulate industry. In Europe, despite the lack of an American-style moral crusade, legislators and labor unions pushed through rules to protect customers.

As America moved toward a high-consumption society, protection groups, especially the powerful Consumer's Union, began helping citizens to pick their way through the jungle of mass advertising to the best buys. Individual crusaders, like Ralph Nader, appeared to force change through the channels of US civil law. Aided by two other characteristically American institutions, an outspoken press and the free-wheeling investigative authority of the US Congress, individuals and groups produced striking successes such as massive recalls of defective cars and the banning of cigarette advertising on television.

Europeans Leave Initiative to Government

In Europe, private pressure groups are important, but European society has so far tended to let government take the initiative in righting social wrongs.

In the non-governmental sector, consumer protection has long been an objective of European labor unions, cooperatives, and other social groups. Born in the working-class ferment of the early twentieth century, these movements have lost impetus in Europe's new prosperity. The cooperatives, for example, which are now hard to distinguish from commercial firms, failed in their aim of bringing essential goods to working-class families at lower cost by avoiding middlemen.

In the post-World War II period, independent consumer groups began to grow in Europe. Some groups concentrate on product testing, publishing results, while others take on a Nader-type role, applying political pressure for change. In the six Community member states and Britain, the groups publish numerous consumer periodicals, 11 of them with a circulation of at least 10,000. The biggest are the powerful British Consumer's Association *Which* (600,000) and the German *DM* (500,000).

Sweden's "Market Court"

Consumer protection provided by governments in Europe varies. Protection is best in Sweden where a consumer's ombudsman system, begun in 1971, hears complaints, investigates, and can take a producer to a "market court." Such a system would be helpful in other countries, since an individual consumer's appeal to the civil courts can often be more trouble than it is worth. In Europe, the burden of proof of unfair commercial practices generally rests on the person making the complaint.

In most European countries the means to enforce consumer protection rules are inadequate. Consumer-oriented test laboratories, though much improved during the last 10 years, are still small and understaffed compared to industrial research labs.

According to Belgian consumer expert Paul Richely, many countries' traditional systems prevent rigorous inspection. Until recently in Belgium, for example, firms would be warned in advance of inspection visits. In Italy there is the time-honored art of killing the spirit of consumer protection laws (which have suddenly flourished in the last decade) by burying them under mountains of legal interpretation. Everywhere in Europe, the legally prescribed danger limits are softened by unofficial tolerances granted by government departments, frequently more attuned to the problems of businessmen than of consumers.

Responsibility for consumer protection is frequently divided between numerous government agencies; there is no central office where the consumer can bring problems. The purity of milk, for example, might come under either the agricultural or public health ministry. Once reported, the complaint is likely to be shunted back and forth between ministries. In one European country, a major exporter of dairy products, the foreign trade bureau checks the purity of exported dairy products more carefully than other departments check dairy products sold on the home market.

As the European Community integrated its members' economies, the consumer's viewpoint became increasingly important to Community officials. In the early Sixties, the Community began considering the technical problems involved in removing trade barriers in Europe. At the same time, Europe's industrialists, recovering from the initial shock of lower tariffs, established powerful industrial lobbies in Brussels. When Commission officials, adrift in a flood of technical details, asked for advice, industrial experts hastened to offer clear, concise, and producer-oriented suggestions.

In 1961 Sicco L. Mansholt, at that time Commission member responsible for agriculture, finally asked the inevitable. Who speaks for the consumer? Commissioner Mansholt's call for a clear consumer's voice led to the foundation in June 1962 of the Consumers' Liaison Committee.

Common Consumer Viewpoint Presented

The Liaison Committee brought together five European-wide organizations to pool consumer views for the Commission. These were: the European Community of Consumers' Cooperatives, representing 12 national organizations; the two labor federations—the European Confederation of Free Trade Unions and the European Secretariat of the World Confederation of Workers—which preserved separate identities; and the Committee of Family Organizations of the European Bureau of Consumers' Unions (BEUC) speaking for nine politically active national consumer groups. Although the two groups are independent, members of the European Bureau are also affiliated with the International Organization of Consumer Unions in The Hague.

The Liaison Committee examined Commission projects in their early stages and created a common consumer position. Committee members sat on Commission advisory boards, and the group was considered the legitimate voice of European consumers.

During its 10 years of activity, the Liaison Committee moved from general opinions toward more specific views as it gained experience in detailed problems. In agricultural policy, it called for low price levels as the common farm policy was established, and later took up the call for a strong structural policy to shift the Community out of what it regarded as a protectionist agricultural *status quo.*

As early as 1964 the group pushed for action on firms' exclusivity clauses and abuses of dominant positions. On food laws, the Liaison Committee took the position that the best national law in each sector should serve as the model for Community regulations. Eventually, it participated in shaping the laws, with varying degrees of success.

The Commission Gets Into the Consumer Act

The Commission in 1968 established inside its competition division a special consumer unit to act as a central contact point between the Commission and the Liaison Committee. This consumer unit runs a public information campaign, holds conferences, and arranges consumer exhibits and television shows. So far, the small size of its staff and its peripheral place in the Community bureaucracy have prevented the unit from keeping fully informed on the vast range of Community activities.

Despite its vigorous activity, the Liaison Committee had deep flaws. Composed of diverse groups, it had difficulty reaching a common consensus. For example, union representatives were not eager to hold down prices if it meant wage demands would go unanswered. The group's decision-making procedure was cumbersome; Commission suggestions had to go through the Committee to the five European-level groups and then on to the national groups. In the end one opinion was given, but its formulation was a long hard pull.

Lack of financial support, the paramount weakness, finally brought the Committee to an end in February 1972. Providing an alternative to industrial advice took in-depth research in specialized fields, an overwhelming drain on the Committee's meager resources.

No one knows where Community consumer cooperation will go now. This spring, the BEUC was joined by the dynamic British Consumers' Association, whose head, Peter Goldman, quickly outlined a three-point action plan calling for

- a full Commission directorate for consumer affairs
- a new, adequately funded body to represent consumers at the European level
- more consumer representation on Community committees.

Other BEUC spokesmen urge that a consumer affairs directorate be placed directly under the Commission President's authority, an arrangement similar to the American system of having a special presidential advisor on consumer affairs.

In June 1972 the Commission said it wanted to improve contacts with European consumer organizations. It plans to reestablish regular contacts with the five consumer organizations of the disbanded Liaison Committee. About $200,000 will be earmarked next year for campaigns and research designed to promote the consumers' interests and EC contact with consumer organizations. The Commission staff devoted to consumers' interests will be increased.

The entry of Norway, Denmark, and Britain, which have made great advances in consumer action, could give greater weight to the consumer viewpoint in the work of the Commission and the Council. Things may be looking up for the EC consumer.

Even the smallest European consumers benefit from Common Market integration, which expands the choice of goods available, increases quality, and, in some cases, lowers prices. Photo: French Embassy Press and Information Division, New York.

Why Mayonnaise Labels Matter

Fourteen years after the Common Market Treaty, the most qualified person to assess the effects of European integration is the Continental housewife.

When she buys clothes, her chances of buying goods from another country are four times greater than in 1958. Because of increased specialization among national industries, high quality men's clothes are likely to be made in Germany, women's clothes in France, and everyday work clothes in Italy.

Her refrigerator is twice as likely to have come from another Community country and represents a smaller portion of her budget than it did 14 years ago. Although basic food prices may be higher, such "luxury" products as quality cheeses are now easy to find and reasonably priced. Some housewives now buy products they did not recognize 14 years earlier. The Common Market, for example, taught many Germans that artichokes are a food, not a flower.

The European car buyer in 1972 is four times more likely to buy a car from another Community country than in 1958. Improvements introduced by one European manufacturer, such as disc brakes or fast delivery, are soon copied by all. While facing generally higher prices due to inflation, the European consumer has increased his rate of real consumption by about 72 per cent in 14 years; total consumer spending has risen 92 per cent in the Community, compared with a 35 per cent rise in US private consumption, 38 per cent in Britain.

Benefits Increased as Tariffs Decreased

The quality of goods improved and relative prices declined as intra-Community tariffs were eliminated during the first 10-year stage of Community development. European markets were formerly divided by tariffs averaging 11 per cent on semi-finished goods and 17 per cent on finished goods and food. By 1968, when these barriers had disappeared, intra-Community trade had quadrupled, and the proportion of a normal European household's expenses spent on Community goods had risen from 14 per cent to 20 per cent. The selection of goods expanded, quality rose, and prices fell or rose more slowly as specialization took effect.

Despite vast improvements, however, the European consumer has by no means reached the millenium. A study made by the Commission in late 1970 revealed large price differences in stores throughout the Common Market. Price disparities result from the jungle of restrictions on distribution, protective government regulations, and differing tax levels.

The Common Market objective of injecting a massive dose of competition into Europe by eliminating all public and private trade barriers remains far from achieved. Therefore, even before the job of tariff cutting was complete, the Community turned to solving non-tariff barriers in the consumer's interest. As tariffs gradually disappeared in the Sixties, technical and legal regulations, less obvious than tariffs and quotas but equally damaging to trade, emerged like rocks left behind by the tide.

National technical specifications affect practically every product's makeup, size, shape, weight, wrapper, or label. All regulations aim to preserve public health and prevent fraud, but philosophies and means of achieving these goals vary widely. Differences in national regulations force Community exporters to vary their products depending on destination, thereby increasing production costs and raising prices. For example, member states' lists of acceptable additives among the thousands of chemicals for preserving or coloring foods are notably different. Thus, a German canned goods exporter might have to use one preservative in a product destined for Italy and another in the same product exported to the Netherlands. The thoroughness of inspection procedures and punishments for fraud also change drastically just one step across a border.

All Food to Be Treated Equally

In the area of food law, the Commission decided on a two-part program to ensure public health and promote free trade. The first step was to harmonize laws horizontally, approving specific preservatives, colorants, and other food additives. The Commission also tackled the problem vertically, establishing individual criteria for each product type. The first areas chosen for examination were processed meats, chocolate, and jams. Now, practically every item on the grocer's shelf is either awaiting or undergoing study.

Countries often ban products out of habit or protective instinct. German and French ice cream may not contain vegetable fats, and German beer must be made from pure malt rather than raw grains. In such cases where health is no factor, the solution is usually to abolish national barriers against non-conforming products and establish rigorous labeling laws to let the consumer choose between the national good, made in the traditional way, or the product from a partner state.

The Commission took its first major step in harmonizing labels in 1969 when it sent the Council a draft directive on textile labels designed to help the buyer know his purchase. Cutting through the jungle of such words as "pure," "virgin," "artificial," and "natural," the rules say a fabric made entirely of one fiber will be labeled "pure." Otherwise, the label must define its makeup in percentages —"Wool 80 per cent, Acrylic 20 per cent." Where fibers are known by brand names that differ in each country, a common term, such as "polyester" will go beneath the brand.

Other labeling initiatives by the Commission include laws on giving information in plain language about a product's "life." Often such information is coded and can be understood only by the dealer. Labels would have to include clear storage instructions and indicate whether the products contained such additives as colorants. When the directives are passed, a European mother will know how much of her child's orange juice is real or artificial.

The Commission has already produced results on common features for cars and has prepared directives on fertilizers and detergents.

Competition Affects Consumers

In addition to technical harmonization, the second major Commission activity for consumers is enforcing the Common Market Treaty rules of competition. If left uncontrolled, businesses could divide the Common Market into compartments with artificially different and, of course, high prices. In 1964 the Commission made a landmark ruling against the German radio firm, Grundig, which had given exclusive sales rights for its products to a single firm in France, thus distorting prices. In the 1971 Deutsche Grammophon case, the Commission decided against another widespread practice—banning the re-export of products so that exported goods could be sold at a low price abroad and at a high price at home without fear of competition from re-exports. By the firm's rules, dealers were being prevented from taking advantage of a $2 price difference between the cost of the same record in France and Germany. According to the German Government, these two rulings have brought price cuts of 30 per cent for color television sets and 6 per cent to 11 per cent for certain phonographic equipment in Germany.

The Commission also deals with patent rights, monopolies, and the very flexible concept of abuse by a firm of a dominant market position.

The reverse side of the Community's competition policy, which encourages firms to cooperate to improve productivity or technology while maintaining a fair degree of competition, ensures that gains from industrial cooperation are passed on to the consumer.

The Community has almost accomplished a general application of the value added tax (VAT), a tax on a product at each stage of production and distribution, and hopes by the end of the decade to harmonize both VAT and excise tax rates. Similar tax systems and levies will help make price differences an accurate measure of producer efficiency and an effective guide for consumers choosing between national and other member states' products.

The public may find it comical that the Community spends as much energy discussing mayonnaise labels, the fat content of ice cream, or re-export bans as it does on world monetary problems. The public, however, is the first to benefit from the lower prices, wider selection of goods, and clearer consumer choices.

Publications Available

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

THE EUROPEAN COMMUNITY AT A GLANCE. European Community Information Service, Washington, DC, July 1972 .... free

An updated version of the January 1972 folder. Provides brief factual account of the Community's purposes, institutions, and accomplishments. Includes statistical tables, charts, and graphs.

COURT OF ARBITRATION: ASSOCIATION BETWEEN THE EEC AND THE AFRICAN AND MALAGASY STATES. Court of Justice of the European Communities, Luxembourg, 1971, 152 pages $3.00

English/French/German/Italian/Dutch text. Statute and related texts of the Court of Arbitration provided for under the Yaoundé Convention.

ECONOMIC AND MONETARY UNION. *Community Topics* No. 34, European Community Information Service, London, May 1972, 16 pages .... free

Describes the Community's activity in the area of monetary and economic integration. Includes sections on the Werner and other plans, on the phased program adopted in February 1971, and on monetary policy after the December 1971 Smithsonian Agreement.

ATLAS MEDICAL DES RADIONUCLEIDES UTILISES EN MEDECINE, BIOLOGIE, INDUSTRIE ET AGRICULTURE. EUR 4606f, Commission of the European Communities, Luxembourg, 1971, 373 pages $6.00

By S. Simon. Intended for small and medium-sized users of radioactive substances. For each of the chemical elements, grouped according to the Mendeleev classification, it supplies documentation necessary for use of various radioisotopes.

BASIC STATISTICS OF THE COMMUNITY — 1971. Statistical Office of the European Communities, Luxembourg, 1972, 232 pages $2.00

1970 statistical comparison of 19 European countries, Canada, the United States, Japan, and the Union of Soviet Socialist Republics. Includes population, labor force, national accounts, agriculture, energy, industry, transport, trade, social security, standard of living, and finance. Totals are given for both the Community of Six and the projected Community of Ten. Additional data for the Six are given for education, regional product, and the iron and steel industry.

UNITED IT FLIES — THE SPINELLI PLAN FOR EUROPE'S AERONAUTICAL INDUSTRY. *Background Information* No. 22, European Community Information Service, Washington, DC, August 9, 1972, 22 pages .... free

Summary of the Commission's communication on an industrial and technological policy for the aeronautical industry. Comparisons are made with the British and US industries.

DEVELOPMENT OF THE COMMON TRANSPORT POLICY. *Supplement* No. 8/71 to *Bulletin of the European Communities*, Commission of the European Communities, Brussels, 1971, 21 pages .... $.20

Commission memorandum on the need for a common transport policy with a timetable for measures to be taken between 1972 and 1976.

PROPOSALS FOR HARMONIZING CONSUMER TAXES OTHER THAN VAT. *Supplement* No. 3/72 to *Bulletin of the European Communities*, Commission of the European Communities, Brussels, 1972, 82 pages .... $.60

Proposed directives on excise duties and indirect taxes levied directly or indirectly on consumption.

AGREEMENT BETWEEN THE COMMUNITY AND THE NON-APPLICANT EFTA MEMBER COUNTRIES. *Information Memo* No. P-34, Commission of the European Communities, Brussels, July 1972, five pages and statistical annex .... free

Summarizes the negotiations and contents of the agreements concluded with Austria, Finland, Iceland, Portugal, Sweden, and Switzerland. Statistical tables on population, gross national product, and external trade of each country.

EUROPEAN INVESTMENT BANK 1971. European Investment Bank, Luxembourg, 1972, 56 pages .... free

Digest of the Bank's Annual Report for 1971 and summary of its activities since 1958.

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