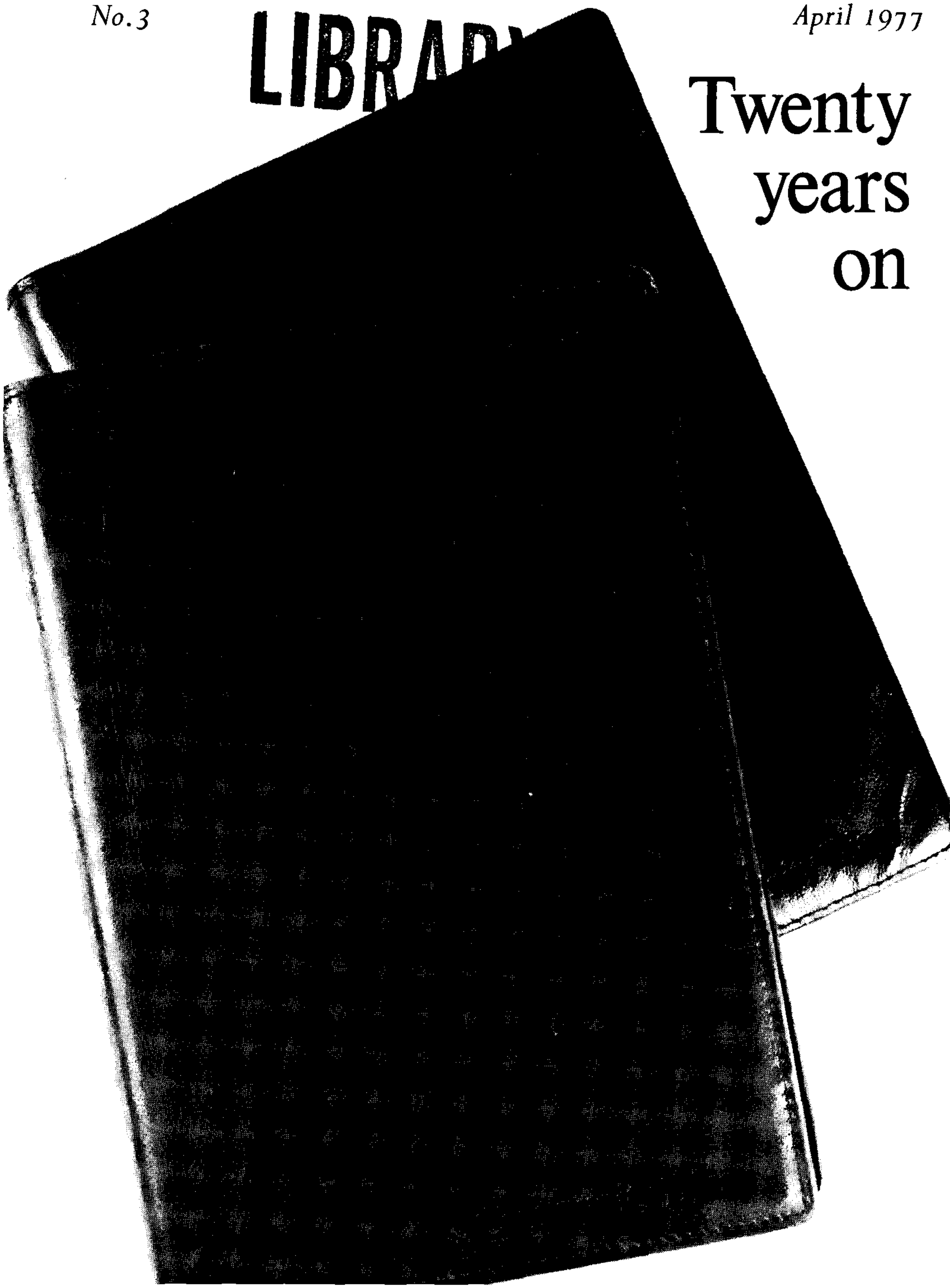
European Community

No. 3 April 1977

Twenty years on



European Community

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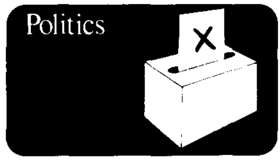

The Community in April

April 5	Foreign Affairs Council
April 6	Joint Council of Foreign Affairs/Finance
April 18 & 19	Transport Council
April 18 - 22	European Council
April 25	Finance Council
April 25 & 26	Agriculture Council

Politics

The Russians have come

Talks in Brussels suggest the Community's de facto recognition by the USSR

On February 16, something unusual in the Community's history took place: a Soviet delegation entered the Charlemagne Building in Brussels, headquarters of the Council of Ministers. Led by Mr Alexander Ishkov, the USSR's Fisheries Minister, it had come to negotiate a long-term framework agreement on fisheries following the Community's declaration of its 200-mile zone.

According to the communiqué issued (on unheaded paper) after a three days' meeting, 'this first round of negotiations resulted in a wide measure of agreement on the general principles, derived essentially from the emerging consensus on this subject at the third United Nations Conference on the Law of the Sea.' Further talks were scheduled to work out the terms; meanwhile, similar discussions have taken place with Poland and with the German Democratic Republic.

Precedent

While Community observers were reluctant to build too much on this first contact, several could not avoid pointing out that it was the first time that the Soviet Union had sent a delegation expressly to negotiate with the Community as such. Although Soviet leaders have on occasion recognised the Community's 'reality', they have never accorded it official diplomatic recognition in the way that China has done. It was therefore unusual, to say the least, to see Mr Ishkov seated behind a 'USSR' nameplate in Russian (see below) in a meeting chaired by Commission Vice-President Finn Gundelach and Council President Dr David Owen.

News

The month in Europe

UK trade improves

On an overseas trade statistics basis, Britain's crude trade deficit with the rest of the Community in 1976 was £2,222 million — £164 million less than in 1975. This was announced by Mr Michael Meacher, Under-Secretary for Trade, in answer to a Parliamentary Question by Mr Neil Marten, MP. In further answers, Mr Meacher added that Britain's showing in trade with her partners was better than with either the United States or Japan.

Law lectures

Lord Mackenzie Stuart, one of the Judges at the Community's Court of Justice, is giving this year's Hamlyn Lectures at the Institute of Advanced Legal Studies, 17 Russell Square, London WC1, at 5.15 p.m. on March 31, April 4, April 5, and April 6. Admission is free.

Industrial output up

The Community's industrial production in 1976 was about 7 per cent higher than in 1975, according to figures recently released by its Statistical Office. Belgium, Denmark, France, and Italy registered a higher-than-average increase of 9 per cent; Britain, with 2 per cent, came much lower. The sharpest rise took place in production of raw materials and semi-finished goods, the next biggest in consumer products, and the smallest in capital goods.

Bank against drought

The European Investment Bank has made a further loan of £8·3 million to the National Water Council, for nine years at $8\frac{7}{8}$ per cent, for improved water supplies in North-West England. The Bank's loans to Britain for water development now total £38·8 million.

Quote of the Month

'It is customary in Britain these days to pour a good deal of pragmatic scorn on the grand designs of the past for an Economic and Monetary Union. One version . . . is the proposition that . . . you can never build a house starting with the roof. I am told that even this bit of down-to-earth Anglo-Saxon commonsense is now technologically untrue. I saw in The Hague the other day a new building where they began with the roof and steadily hoisted it into the air as each floor was built underneath.'

Lord Thomson, former member of the Commission, addressing the Institution of Mechanical Engineers in London on February 24, 1977.

Report

Twenty years on

Retrospect and prospect for the Rome treaties

March 25 this year marked the twentieth anniversary of the Rome Treaties. These set up the European Economic Community and the European Atomic Energy Community ('Euratom'). Together, they were a leap forward for the six countries who had originally set up the European Coal and Steel Community, the first step towards 'an ever closer union among the European peoples'.

Objective: peace

The starting point was the need to prevent another conflict between the countries of western Europe, and in particular between France and Germany. In 1950 the French Government took the initiative with a radical new approach. At the instigation of Jean Monnet, then in charge of the French Plan, it proposed that control over the raw materials of war — coal and steel — should be pooled under an independent High Authority in a Community open to other democratic countries in Europe. The Federal Republic of Germany immediately agreed: so, too, did Belgium, the Netherlands, Italy, and Luxembourg. On this basis the European Coal and Steel Community was set up by Treaty in 1951, with its headquarters in Luxembourg, to create a 'common market' in coal, and steel.

It was the success of this first Community that led the Six, in spite of the subsequent failure of a more ambitious plan for a European Defence Community, to agree in March 1957 to establish a general 'common market' by means of the European Economic Community, and Euratom, for the peaceful uses of atomic energy. In January 1973 the Six were joined by Denmark, Ireland, and the United Kingdom.

The Community's enlargement — like its further enlargement to include Greece and other countries in the future — was a striking testimony to its success. By then one of its original aims had already been fully achieved: it had made armed conflict between its members not only impossible, but unthinkable. A totally new pattern of institutions set up to run the Community, involving a far deeper political and economic commitment than traditional inter-governmental organizations, had also stood the test of experience. More and more people — not only politicians and officials, but also employers, trade unionists, and many others — had been brought together from the member countries to work together to solve what had now become their common problems. As Monnet once said: 'We are not making coalitions of States; we are uniting people'. It was — and remains — a slow process, but the innumerable links of personal friendships as well as the daily working relations which now exist at all levels of life between the countries of the Community are a guarantee of its enduring nature, and a solid basis for the future.

Removing barriers

The Community's first task was to do away with barriers which prevented the free movement of people and goods.

This first meant achieving a customs union for industrial trade and a common agricultural policy covering trade in farm products. The customs union, which the Six completed on July 1, 1968 (for the Nine it will be completed in July 1977), abolished customs duties and other barriers to free trade between the member countries; it replaced national tariffs with a single common tariff on imports from non-member countries and harmonized customs rules. The direct result was a sharp increase in trade, both between members and with the rest of the world, accompanied by a rise in production and the standard of living.

However, the ultimate goal of a fully unified common market has not yet been reached. There are still customs officers at the frontiers between Community countries. That is partly because the tax systems of the member States have not yet been fully harmonized and partly because technical standards still differ from country to country. The alignment of the member States' indirect taxes and excise duties has so far made slow progress. A great many detailed negotiations will still be needed before tax controls at internal borders can be abolished. The same goes for the technical barriers to trade, such as differences in safety and quality standards. Work continues to remove these barriers, but the Commission has made it clear that this does not mean that everything has to be harmonized: no one wants 'Eurobread' or 'Eurobeer'.

Farms and fish

A genuine common market goes beyond a mere customs union. It includes free movement of labour and capital, and freedom to offer services anywhere in the Community. Above all it also means building together new common policies.

One of these is the much-maligned common agricultural policy. Its aims are to allow free trade within the Community in agricultural products, to give Community farmers incomes comparable to those of workers in industry, to stabilize markets, to increase productivity, and to ensure reasonable consumer prices. In a world where many still go short of food and where sudden shortages are not unknown, the common farm policy has at least guaranteed stable supplies for the consumer in the Community, and a fair deal for most of its farmers. Community funds have made an important contribution to the slow process of modernizing farms. The policy has, however, led to high prices and over-production of some foodstuffs — particularly dairy products — and the Commission, as well as several member countries, has advocated change.

Differences of national interest are still plainly apparent in this field, as also in another which has recently seen a major extension of the Community's work — fisheries. The establishment of a 200-mile Community fishing zone means that the Community institutions now regulate access by foreign fishing fleets (including that of the Soviet Union) to the waters around it, as well as those of member States themselves. This also gives the Community the opportunity to apply conservation measures to safeguard the rapidly dwindling stocks of fish.

Industry and technology

Farm and fishing policies involve much more direct intervention by the Community institutions than is the case for industry. There the Community's work, apart from eliminating barriers, was initially focussed mainly on ensuring fair competition. The Commission was given powers, which it constantly exercises, to prevent such restrictive practices as market-sharing and other cartel-type arrangements. Substantial fines have been imposed on firms breaking the rules. The Commission has also, however, proposed a series of measures to improve the position of industry, particularly those branches — such as the aircraft, shipbuilding, telecommunications, and data-processing — which face stiff competition on international markets.

Another concern has been to promote joint action in scientific and technological research. Since 1960 the Community has had its own research laboratories employing some 2,000 scientists and technicians: an important effort has also been made to coordinate national research and development. The difficulties experienced in seeking agreement on a joint project — JET — to explore thermonuclear fusion have been a reminder, however, that in this as in other fields (such as transport policy) the task of reconciling different national interests is difficult, requiring imagination, courage, and persistence.

A better life

During the 'sixties', difficulties in forging common policies were masked by high rates of economic growth. This, however, brought new problems in its wake.

Not all the regions of the Community benefited equally, nor did all social groups. Migrant workers fared badly, often living in shanty towns on the edge of booming industrial centres. Women workers also were still often paid less for the same job than men, and given fewer chances for training and promotion.

At the same time, there was growing fear for the environment, as rivers and beaches grew more dirty and towns and cities more noisy and fume-laden. Consumers began also to demand a bigger say in a society which — some argued — was too much geared to producers' interests.

Several of these concerns were reflected in a series of decisions taken by the Community's heads of government in Paris in 1972. They agreed that the Community should develop a more ambitious social policy; set up a regional fund, and develop its own measures to protect the environment and the consumer; and cooperate more in education.

These decisions led among other things to a new 'Social Action Programme' with three broad aims: full and better employment; improved living and working conditions, and greater participation. Under this programme, action has been taken to improve conditions for migrants and their families; help women achieve not only equal pay but better opportunities at work; and greatly enlarge both the size and scope of the European Social Fund. This rose from about £40 million in 1972 to £300 million in 1976; it supplements national programmes to maintain employment through vocational training and through help for workers in regions or industries problems.

A Regional Fund was also set up

in 1974. Although on a relatively modest scale — £540 million for the initial 3-year period — it provided the Community with an important new instrument with which to combat regional inequalities.

The new programme for the protection of the environment introduced the principle that the polluter should pay, and is working on Community measures to clean up rivers and beaches; to reduce noise levels and fumes; and to control sources of pollution. Consumers are also beginning to benefit from Community measures designed to provide, for instance, clearer labelling of goods and protection against harmful substances, misleading advertising, and certain sales techniques.

In the education field, one of the first main areas of concern has been the transition from school to work: Community governments have now agreed to foster closer cooperation between their education and employment services to help young people find their first jobs.

The 1974 crisis

Hardly had the Community set to work in these new areas, however, and begun to adapt to the needs of the three new members who joined in January 1973, than it had to face a quite new situation. The startling rise in oil prices in 1974 helped plunge the Community, along with much of the rest of the world, into a deep economic crisis. The consequences have been dramatic. Within the Community more than 5 million people were out of work in early 1977, and in some countries the situation is expected to get worse. Prices have soared in several member countries — on average, 15 per cent in 1975 for the Community as a whole. The same year the Community, for the first time, experienced a negative rate of growth; in some countries living standards fell for the first time for several decades.

Faced by a similar situation in the 'thirties', European countries put up economic barriers against one another. This time the Community has prevented that, and has tried to help those of its members in the most serious difficulties. But not all have been equally affected; the crisis has highlighted how imperfect their union still is. The fluctuating value of several national currencies has imposed great strains on the common agricultural policy; and earlier ambitious plans for economic and monetary union have been temporarily shelved. While there has been some common effort to conserve energy, agreement has not yet been reached on a genuine common energy policy.

In short, the crisis has revealed the limits of what the Community has so far achieved in economic terms: but at the same time it has underlined the need for greater common action.

A civilian power

The current crisis has not, however, prevented the Community from asserting itself on the world scene. It is the world's largest trading unit, with the capacity, through its commercial policies, to play a decisive role in international negotiations. When the Six first came together, several of them were still colonial powers. But in the sixties they shed all but a few fragments of their overseas possessions: the change was marked in the new agreement reached in 1963 for trade and aid with 18 newly independent states in French-speaking Africa. When the new members joined, a new dimension was added to the Community's external relations.

In particular, it had to broaden its policy towards the developing countries. The agreement it signed in Lomé in 1974 with 46 of them spread throughout Africa, the Caribbean and the Pacific was a first and major sign of its new approach. The agreement gives these countries free access for most of their products to Community markets; aid for their development; and — its most original feature — guarantees of revenue for a wide range of primary products. This agreement has been accompanied by a scheme of generalized preferences for all developing countries; Community participation in food aid schemes; and emergency aid for countries in special difficulties.

At the same time the Community has also concluded a series of agreements with less-developed countries offering them better access to Community markets and technical help; it has entered into a dialogue with the Arab states; it is taking part in the North-South talks in Paris and in new world trade negotiations.

With regard to the industrialized world, the Community has concluded a new-style cooperation agreement with Canada; it has been actively negotiating with Japan to reduce its alarming trade deficit with that country; and it has been vigilant in defending European interests in amicable — if sometimes tough — talks with the United States.

The new US Administration, has made it clear that the United States regards the Community not only as an ally but as one of its major partners — with Japan — on the world scene in political as well as economic matters. But while the Nine are bound together by the Community Treaties for economic purposes, they have no such firm and binding commitments in other spheres of their external relations. Over the years, a parallel set of partly intergovernmental arrangements, has been made for political cooperation. This is leading to increased concertation of policy, for instance, in the United Nations as well as on such issues as Cyprus. Yet another pattern of relations exists for defence purposes. With the exception of Ireland, all members of the Community are members of the North Atlantic Alliance, although not all take part in its military organisation, and defence policy still remains firmly in the hands of national governments.

In other words, the nine countries which have so far taken the road toward their goal of European Union, still have much further to go.

The voters' choice

As the time for the first direct elections to the European Parliament approaches, the various political party groups within the Community will be making known their attitudes to its future. Britain has had its referendum campaign, culminating in overwhelming victory for the 'Europeans', but the European election campaign will be the first time in the history of the Community that a wide-ranging debate about it will take place at the same time in all its member countries, and involving all its citizens. The immediate purpose of the debate will be to choose the 410 members of the new European Parliament. But its importance will be far wider. It will allow a new look to be taken at what so far has been achieved, and what now should be the Community's further objectives. For too long the Community has been considered by many to be an affair of governments and bureaucrats: it will now look to its citizens to chart its future.

Dossier

Dossier

Drivers' hours

The Commission has deferred for a further period, until the end of 1977, the application of Community drivers' hours rules to UK goods and passenger vehicles on internal journeys. This is the third time the rules have been specially deferred. New Commission proposals for altering the regulations are still being discussed among officials of the member States.

Quieter buses

From April 1, 1980, new motor vehicles will have to comply with noise limits between 2 and 7 decibels lower than at present — resulting in a noise reduction of between 30 and 80 per cent. This, deriving from a new Community directive aimed at removing non-tariff barriers to trade among the Nine, will most affect the noise of buses. For coaches, also major noise-makers, the deadline is two years later.

Emergency aid

In the past two years, the Community has provided aid for 37 emergency operations in 23 countries. This includes aid for civilian victims of disasters in Vietnam, Turkey, Guatemala, Lebanon, and Mozambique; special aid for Angola refugees; food aid; and exceptional aid under the Lomé Convention.

French honour German

A former soldier in the German *Wehrmacht*, Herr H. Greffrath, was made a Knight of the French *Légion d'honneur* at a recent ceremony at the Commission headquarters. Herr Greffrath was decorated by M. Raymond Triboulet, himself an Officer of the *Légion d'honneur* and the holder of a German decoration, for his work as Assistant Secretary-General of the European Confederation of Ex-Servicemen, in improving Franco-German relations and contributing to European unity.

Funds coordination

Signor Antonio Giolitti, Commissioner responsible for coordinating the various Community funds and other 'financial instruments', has set up a task force to assist him in the job. There are five such main sources of Community finance, each hitherto under separate responsibility: ECSC funds, the Social Fund, the Farm Fund, the Regional Development Fund, and the (independent) European Investment Bank. Grants and loans from these sources are described in a free booklet available from the Community's offices.

Europe and Israel

New financial provisions fill out agreement

On February 8, 1975, the Community signed an additional protocol and financial protocol to complement its 1975 agreement with Israel.

This agreement came into force on July 1, 1976, but hitherto it has been limited to questions of trade, and cooperation on the strictly commercial side. The new protocols turn it into a 'global' agreement, in line with the 'global' Mediterranean policy of the European Community.

The finance protocol covers only a limited period, and is primarily intended to assist Israel's industrialization. Through the European Investment Bank it makes available a credit of 30 million European units of account (EUR) to the Israeli authorities and the country's economy. Participation in awards, tenders, and contracts concerned with this credit is to be open throughout Israel and the Community.

History

The links between the EEC and Israel are almost as old as the European Community itself.

As early as the summer of 1957 — some months before the Treaty of Rome had come into effective operation — the Israeli Government was seeking discussions with the Six; and the earliest memoranda from Israel to the Community date from this period. In April 1958 Israel was to be the third of the countries requesting the accreditation of a diplomatic representative to the EEC.

In the autumn of 1962, there began a first series of negotiations, the results of which were brought up for discussion in the EEC Council on April 1, 1963. A trade agreement was signed on June 4, 1964. This was for an initial period of three years, and subject to renewal. It came into effect on July 1, 1964.

The provisions included temporary and partial suspensions of duties charged under the EEC external tariff for goods under some twenty industrial and agricultural headings.

There were some difficulties in bringing this tariff system into effective operation, because the EEC common external tariff was not yet in application. In practice, the duty reductions provided in the agreement were only really effective in respect of member countries where the existing customs duties at this time were higher than those of the common customs tariff.

The introduction of this tariff system was accompanied by the total or partial elimination by the EEC countries of such import restrictions as still subsisted.

In counterpart, Israel made a declaration of intent, by which it undertook to facilitate the import of EEC goods.

A joint Committee was set up to supervise the operation of the agreement and the growth of trade.

New steps

The first agreement was an undoubted success and its weak points were duly noted. This helped to stimulate the joint desire to strengthen the contractual link and extend its scope. On October 4, 1966, the Israeli Government sent a memorandum to the EEC Council, proposing an Agreement of Association. To this end exploratory discussions were opened in January 1967 between representatives of the EEC Commission and an Israeli delegation.

This work took a considerable time — much longer than had been expected, or than either party had wished. It was not till October 17, 1969 that the EEC Council adopted a mandate for the opening of official negotiations.

The negotiations began in Brussels in November 1969. They were reasonably brief, and a preferential trading agreement was signed in Luxembourg on June 29, 1970.

Meanwhile, in order to avoid any breaking of the links which might have been prejudicial to either or both of the partners, the non-preferential agreement of 1964, which had expired on June 30, 1967, had several times been renewed by the Community. This had continued until the new agreement came into operation on October 1, 1970.

Closer links

From the outset, this new agreement was considered less as an achievement in itself than as a further step towards a still closer relationship between the European Community and Israel. This was reflected in its scheduled duration of only five years; but it contained provision for the negotiation of yet another agreement on a still wider basis, 18 months before this agreement was due to expire on October 1, 1976.

The 1970 agreement itself already marked substantial progress in the strengthening of the contractual links between the Community and Israel. It was a preferential agreement granting Israel tariff advantages materially greater than had hitherto been available, and with some degree of reciprocity in favour of the EEC.

For Israeli industrial goods, indeed, the Community had been progressively reducing the duties charged between the entry into force of the agreement on October 1, 1970 and the end of 1973; and by the latter date the scale of reduction was as much as 50 per cent of the full duties. For various 'sensitive' products (such as aluminium bars, shapes and sheets, and motor cars) the agreement had made various exceptions to the general reduction; but in 1970 the tariff headings concerned accounted for only about 10 per cent of total Israeli exports. Moreover, the tariff cuts were accompanied by the elimination of quantitative restrictions, thus liberalizing Community imports from Israel.

Having regard to the proportion of agricultural products in the Israeli export trade, the EEC concessions under this head were no less important. Preferences were granted on about 80 per cent of Community imports from Israel and were reflected in duty reductions of between 30 per cent and 70 per cent. The principal products exported from Israel — such as oranges, grapefruit, mango, avocado, lemons, pimento and fruit and vegetables in various processed forms — had the benefit of this preferential treatment. Citrus fruit, however, was a special case, for the duty reductions were subject to conformity to specific price minima, as had been required of other Mediterranean producers.

The agreement also provided for duty concessions to be made to the Community by Israel. In virtue of these, some 60 per cent of EEC exports to Israel had the benefit of duty reductions rising progressively to 10, 15, 25 and even 30 per cent of the full duties, depending on the product concerned.

Mediterranean policy

The preferential agreement of 1970 had been in existence only a few months when new discussions were opened between the Community and Israel, and also between the Community and other countries in this part of the Mediterranean. The occasion for these discussions was the new prospect of the enlargement of the Community to include four new members — the United Kingdom, Ireland, Denmark, and Norway.

At a very early stage the Israeli Government drew the attention of the Community to the danger that this enlargement — of which incidentally it thoroughly approved — might prejudice the balance set up by the preferential agreement, and to the changes it would imply in trade relations between Israel and the four prospective new EEC members.

When the EEC Council of Ministers met on June 27 and 28, 1972, it decided to examine a global approach to the problems of the Mediterranean.

This idea was given top-level acceptance a few months later in the Summit meeting in Paris on October 19, 1972.

Enlarged Community

To take account of British, Irish, and Danish membership, Israel and the EEC had signed an additional protocol staying until after the end of 1973 the application of the trade clauses of the 1970 agreement to the trade between Israel and the three new members. The duration of this protocol was twice extended, so that existing links between Israel and the three new member States might be kept intact until a new agreement had been negotiated.

The negotiations were opened in July 1973. In the following October they were resumed and taken up afresh in October and December 1974. This led to the initialling of a draft agreement on January 23, 1975.

It had taken two years to bring these negotiations to their conclusion; but this is scarcely surprising when it is remembered that they were carried out against a background of international crisis, and that each of the parties was fully occupied in dealing with its internal and external difficulties.

The official signature of the agreement took place in Brussels on May 11, 1975, and it came into operation on July 1, 1976.

This agreement on trade and cooperation between the European Community and Israel was in fact the first specific application of the Community's Mediterranean policy.

Cooperation

The novelty of this global agreement, and its most important feature, is the cooperation between the EEC and Israel to be developed under the additional protocol, whose aim is 'to contribute to the development of Israel and to the smooth development of economic relations between the parties'. The extent of the cooperation, coupled with the fact that the agreement is of unlimited duration, opens up fields which are entirely new.

It provides that, taking due account of 'the aims and priorities of the Israeli development plans and progress' and of the 'desirability of carrying out integrated operations by means of different interventions converging on the same general purpose', the cooperation shall be aimed 'more particularly' to promote:

☐ the development of Israeli production and economic infrastructure;

☐ trade promotion for Israeli exports goods;

☐ industrial cooperation, the organization of contacts, easier access to technological knowledge and facilities for acquisition of patent rights, the elimination of non-tariff barriers to trade in industrial goods;

☐ action to make agriculture and fisheries mutually complementary;

☐ steps to encourage private investment;

☐ joint action on science, technology, and environmental protection.

At the beginning of 1978 and at the beginning of 1983 there is to be a general examination by the EEC and Israel of the results secured through the agreement in all its aspects, including cooperation.

A Council of Cooperation replaces the joint Committee set up under the 1975 agreement. It consists of representatives of the EEC and its member countries and representatives of Israel. Its task includes facilitating cooperation and contact between the European Parliament and representatives of the Knesset.

Towards free trade

Under the agreement's commercial provisions an industrial free trade area between the EEC and Israel is gradually to be set up.

Israeli exports of industrial goods are to enjoy complete customs franchise at the Community frontiers as from July 1, 1977. For the first time this includes products covered by the European Coal and Steel Community (ECSC) in virtue of a separate agreement signed on May 11, 1975, and processed agricultural products.

Customs duties are to be eliminated in three stages. A first reduction of 60 per cent took place when the agreement came into force. The second instalment of 20 per cent came into operation on January 1, 1976; and the final 20 per cent instalment is scheduled for July 1, 1977.

The acceptance by the EEC of such brief delays in setting up the industrial free trade area necessitated precautionary measures for certain industrial products from Israel regarded in the Community as 'sensitive'. These include refined petroleum products, textiles, and chemical goods.

The same concern to avoid unduly abrupt fluctuations in imports led to even more pronounced precautions on the Israeli side. The agreement accordingly provides for the removal of Israel's import duties to follow a slower timetable than that imposed upon the EEC; and there are special arrangements for protecting young Israeli industries.

The elimination of customs duties by Israel is scheduled to be carried out under two different timetables, depending on the products concerned. For the first list, covering about 60 per cent of the imports from the EEC, the Israeli undertaking is to remove 30 per cent of the duties on July 1, 1975, raising the cut to 40 per cent by January 1, 1976, 60 per cent by January 1, 1977, 80 per cent by January 1, 1978 and total (100 per cent) customs franchise from January 1, 1980. For the second list the tariff demobilization is slower. The first step is a 5 per cent cut across the board, but this is not scheduled until July 1, 1977. The timetable for the subsequent reductions will bring the total cut to 20 per cent by July 1, 1978 and 30 per cent a year later, 50 per cent on January 1, 1981, 80 per cent two years after this and total customs franchise from January 1, 1985.

If both parties agree, the scheduled tariff cuts to be made by Israel can be postponed twice by two years, on the occasions of the cuts to 30 per cent and 80 per cent. If this arrangement is fully used, the final removal of the tariffs will not be until January 1, 1989. There is no provision for any similar deferment of the tariff cuts to be made by the EEC.

These are not the only precautions against possible disturbances in the Israeli economy. For a number of products in the second of the lists, and currently representing about 8 per cent of Israel's total imports, the Government will have the right to raise the duties and to calculate the successive steps of their elimination from the level to which they have been raised.

A 'nascent industries clause' entitles Israel to raise various import duties to a level of 20 per cent to protect new industries and give them a chance of developing; but the trade so protected must not be more than 10 per cent by value of the country's industrial imports. Up to the end of 1979, recourse to this clause requires only consultation of the joint management organ; but subsequently and until the end of 1983, its use is subject to authorisation by the same organ. Any duties thus introduced must be wholly withdrawn by January 1, 1989.

In addition to these liberalization arrangements, Israel is required by the agreement to remove all quantitative restrictions on imports. By July 1, 1975, the date on which the agreement came into operation, Israel had removed the restrictions on 95 per cent of its imports from the EEC; and those affecting the remaining 5 per cent were scheduled for removal in five equal segments over the period 1980-85.

Farm goods

The present arrangements do not provide for total free trade in agricultural products, but they are designed to secure a considerable expansion in this trade. The EEC has given substantial concessions for Israel's chief export products, the importance of which can be estimated from the fact that 85 per cent of Israeli agricultural exports to the EEC now enjoy concessions, and over 70 per cent of the products covered by the new agreement enter the EEC at duties cut by 50 per cent or more.

Citrus fruit (oranges, mandarins, etc.) is the biggest item in Israel's agricultural exports to the EEC, accounting for about 36 per cent of the total; there is a very considerable outlet in the markets of the United Kingdom and the other new members. The tariff cut of 40 per cent conceded for citrus fruit under the 1970 agreement is now to be 60 per cent for all citrus fruit except lemons. The new members of the EEC, indeed, can charge duties corresponding to a cut of 80 per cent until the first of the 'appointment' discussions scheduled in the agreement to be held at the beginning of 1978. For oranges and mandarins, too, it is provided that an improvement on the 60 per cent cut may be made at the time of the first general review in 1978.

Agriculture

Modernizing the middlemen

Farm fund to help processing and marketing

The Council of Ministers, on a proposal from the Commission, has just approved a general measure under which the European Agricultural Guidance and Guarantee Fund (EAGGF), Guidance Section, will contribute 400 million units of account to improve the processing and marketing of agricultural products.

This sum will be used over the next five years to help finance investments designed to rationalize and improve all intermediate activities between the production and final consumption stage. Both the farmer, by the rationalization of activities on which the sale of his products depends, and the consumer, by improvements in the quality and presentation of products and the positive impact on consumer prices, will benefit from this measure.

Investments which may qualify for EAGGF aid relate to the rationalization or improvement of the storage, packaging, preservation and processing of agricultural products. Projects designed to improve distributive networks (e.g. regrouping of certain processing and marketing activities) to shorten the circuit and give a greater insight into price formation on agricultural markets (e.g. better information exchange) may also benefit.

EAGGF participation in the projects will consist of capital subsidies amounting to a maximum of 25 per cent of the investment cost. Participation may be increased to 30 per cent in regions experiencing special difficulties. To qualify for Community aid, the beneficiary must contribute at least 50 per cent of expenditure, while the minimum national participation is 5 per cent.

The adoption of this measure marks a new era in Community policy on agricultural structures; it covers phases of the economic process downstream of the production stage, i.e. between producer and consumer. In addition, projects for which EAGGF aid is requested must form part of programmes designed to ensure the best possible coordination of efforts in this area. To date, individual processing and marketing projects were financed to the extent permitted by the volume of unused funds remaining from common measures relating to agricultural production. The regulation puts this type of action on a new basis, while at the same time coordinating it at Community level. It provides for the approval, at Community level, of coherent multi-annual improvement programmes in specific product sectors submitted by member States.