

AG 126

questions and answers



**THE
EUROPEAN
COMMON MARKET
THE EUROPEAN COMMUNITIES**

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and
answers**

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Some of the more common abbreviations or initials of European and International Organizations

COMECON	Council for Mutual Economic Assistance (Eastern Europe)	Moscow
EURATOM	European Atomic Energy Community	Brussels
ECSC	European Coal and Steel Community	Brussels
EDC	European Defense Community	
EEC	European Economic Community	Brussels
EFTA	European Free Trade Association	Geneva
ELDO	European Launcher Development Organization (Space)	Paris
EMA	European Monetary Agreement (in 1958 replaced European Payments Union EPU)	Paris
ENEA	European Nuclear Energy Agency	Paris
EPC	European Political Community	
ESRO	European Space Research Organization	Paris
GATT	General Agreement on Tariffs and Trade	Geneva
IAEA	International Atomic Energy Agency	Vienna
ICJ	International Court of Justice	The Hague
ILO	International Labor Organization	Geneva
IMF	International Monetary Fund	Washington
NATO	North Atlantic Treaty Organization	Brussels
OECD	Organization for Economic Cooperation and Development (replaced Organiza- tion for European Economic Co- operation (OEEC) in 1961)	Paris
WEU	Western European Union	London



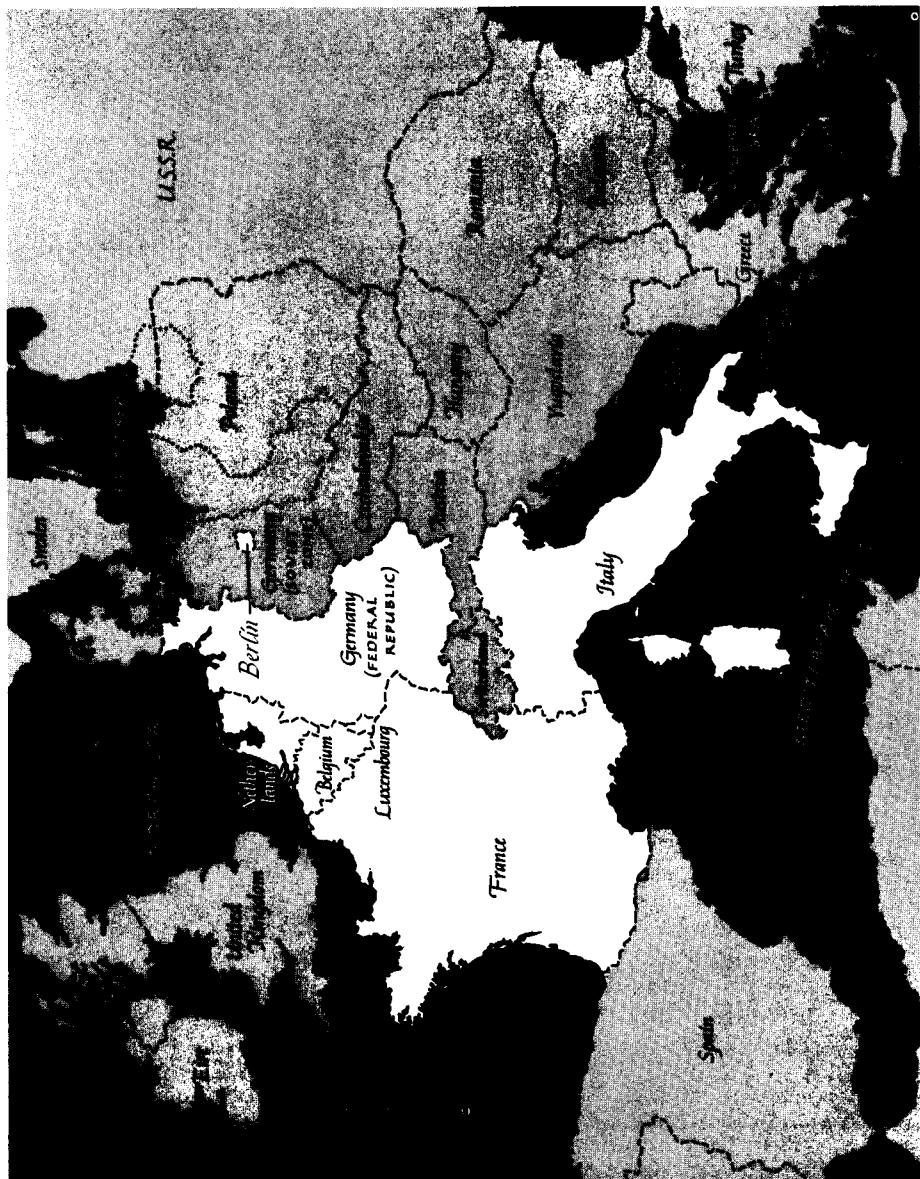
JEAN REY,
*President of the European
Communities Commission.*

EUROPEAN UNITY — A DUTY

July 1, 1968, the European Community completed its customs union a year and a half ahead of the Rome Treaty timetable. The last remnants of customs tariffs inside vanished, the common external tariff was in place, and the first two tariff reductions negotiated last year at Geneva were made. This great economic, psychological, and political event brought home to Europeans the importance and the urgency of the second stage of the European unification, the economic union. The task is enormous.

Now the Community must put all its energy into the construction of economic union. At a time when our continents have so many difficulties and conflicts, Europeans should set an example of wisdom, unity, and strength. Europeans should move towards unity to assure the independence of their continent, to equip it to meet the challenges of our time, and to do its part for developing countries. It must be done; it is our duty as men *vis-à-vis* the next generation.

Looking at the current disturbances in our universities, let's not waste time wondering whether professional agitators or fanatical revolutionaries have subverted our student bodies. Let's ask ourselves, instead, whether the face of our society—as we show it—pleases young people today, and whether we can't do something to make it more attractive. "Make your God greater for us, if you want us to adore him," said Voltaire to a Christian of his day. It is up to us to undertake the construction of a reconciled and united continent, a continent that a young person will think deserves his work and commitment.



HISTORY AND ORGANIZATION

What is the European Community?

The European Community is an organization linking six nations of Western Europe, which have agreed to pool their economic and political destinies and have created common federal type institutions to deal with economic and social questions. There are still officially three Communities. The European Coal and Steel Community (ECSC) was established by the Treaty of Paris in 1952, the European Economic Community (EEC) and the European Atomic Energy Community (EURATOM) by Treaties which were signed in Rome in 1957 and took effect on January 1, 1958.

Why is it called "The Community" when there are actually three separate Communities?

Each Community was created by a separate treaty. The Coal and Steel Community was in existence six years before the other two Communities. Since July 1, 1967, the three Communities have shared one set of institutions: the Commission, the Council of Ministers, the European Parliament, and the Court of Justice. These bodies still implement the three separate treaties. A new treaty to replace the three existing ones is due to be negotiated.

Which countries are members at present?

The member countries of the Community are Belgium, France, Germany, Italy, Luxembourg, and the Netherlands. Belgium, Luxembourg, and the Netherlands are often referred to as the Benelux countries.

Can any country become a member?

Any European country can apply for membership. All the member countries have to agree on its admission and ratify the necessary changes in the treaties. To join as a full member, a country generally would need to be developed enough economically to accept complete integration into the Community economy.

Why are there only six members?

During the Second World War, most of the countries on the continent of Europe were defeated or occupied by an enemy. Conquest was accompanied by economic collapse and the breakdown of society. The countries which had learned in this way the limitations of national sovereignty and of the nation-state were prepared to move further towards unity. Britain, on the other hand, emerged from the war undefeated and was accepted as one of the Big Three powers.



The European Parliament in session at Strasbourg.

Of the Scandinavian countries, Sweden had remained neutral during the war and was more than ever determined to maintain her traditional neutrality. Denmark and Norway were obliged by economic and traditional links to follow Britain. Britain and the Scandinavians did not take part in establishing the Community and did not apply to join for membership until 1961. The British application was vetoed by France, and the other applications were therefore not followed up. In 1967, these countries applied again, but France vetoed the opening of negotiations with Britain.

What were the first successful steps towards European unity?

As early as 1944, Belgium, the Netherlands and Luxembourg had taken the first step toward economic union by creating the basis of the Benelux Customs Union whereby all tariffs and trade barriers between them would be abolished. In April of 1948, the Organization for European Economic Cooperation (OEEC) was formed to administer the funds which the United States of America had given to assist the reconstruction of war-damaged Europe. The plan, proposed by Secretary of State George C. Marshall, made cooperation between the European countries a condition of U.S. aid. The OEEC created a

European Payments Union to facilitate international monetary exchanges and supported the removal of quota restrictions hindering the flow of goods. In spite of the OEEC's success in these fields, the advocates of European unity would not be satisfied until more closely knit relations could be achieved.

Was this the first attempt at European unity?

The general post-war mood gave rise to a number of movements aimed at European unity, such as the European Union of Federalists, the European League for Economic Cooperation, the European Movement, etc. Many of these ideas had been formed by resistance movements during the latter years of the war. But although there was general agreement on the aim of European unity, there were still doubts and differences as to the kind of Europe which was to be created. The British and others were not prepared to accept any surrender of national sovereignty. A strong body of opinion, on the other hand, favored a federation, or a United States of Europe.

Representatives of the various movements met in The Hague, the Netherlands, in May 1948 to decide on the form of the new Europe. The Congress of The Hague produced the first practical attempt at European unity, the Council of Europe.

What is the Council of Europe?

The fifteen European countries which joined the Council of Europe in 1949 sent members of their parliaments to a Consultative Assembly and representatives of their government to a Committee of Ministers. But the Council of Europe had no real power to initiate European policies. Instead of being the jumping-off point for a United States of Europe, it became essentially a forum of debate. The Committee of Ministers deals with cooperation in cultural, educational, social and legal matters but does not act effectively in the economic and political fields. Today, the Council of Europe has 18 member countries, all Community countries participating, and its headquarters are in Strasbourg, France.

What was the next step?

In 1950 Jean Monnet, the man responsible for the French "plan", and Robert Schuman, Foreign Minister of France, launched the European Coal and Steel Community, designed to create a single market for coal and steel in the member countries. The Treaty of Paris, establishing the Community, provided for institutions responsible for the areas as a whole and able to deal directly with the coal and steel enterprises of the Community. As a pilot program for future integration in Europe, the ECSC was successful. It opened up a single market for the six member countries, enabling coal and steel to be traded freely.

Trade between the Six increased by 129% in the first five years. It also ensured the unified development of these industries. Politically, it brought old enemies together and laid the basis for the establishment of even closer relations.

Why was the Community created?

The movement towards economic and political unity in Western Europe arose out of the suffering and destruction of World War II and the resulting determination to prevent another conflict in Europe. The Western European countries, threatened by the expansionist policies of Soviet Russia, felt a common need to resist this pressure. Countries which for centuries had dominated the world found, when acting individually, that they were no longer able to influence world events. The leaders of the six countries were prepared to seek a solution in common. The advocates of European unity also saw the economic disadvantage of a continent fragmented by internal barriers.

Were there further attempts to establish political unity?

The Korean war shook the confidence of the European countries in the North Atlantic Treaty Organization (NATO). They felt that American troops might be withdrawn from Europe in the event of a crisis in another part of the world. There was also the growing fear of German rearmament.

Therefore, in 1950, French Prime Minister René Pleven proposed the formation of a European Defense Community (EDC) consisting of national units with a European command. This was intended to speed up the creation of a European Political Community (EPC). The French were anxious to secure British participation in these projects but Britain refused. The treaty establishing the EDC was approved by the parliaments of five signatory countries, but was rejected by the French Assembly in 1954.

How and why was the Common Market founded?

After the failure of the EDC and EPC projects, the supporters of the European idea sought another way towards unity. It was realized that the Coal and Steel Community had succeeded because it offered practical economic benefits without touching sensitive areas of national political authority. It was felt that this formula could be extended to the whole field of economic activity. In April 1955, the Benelux countries called for a conference of all Western European governments interested in furthering European integration. Britain and the Scandinavian countries were invited but did not take part. The conference was held at Messina, Italy, in June 1955 and produced a plan for two new Communities, the European Economic Community (or the Common Market) and the European Atomic Energy Community (Euratom).

What benefits did the six countries expect to get from setting up the Community?

The six countries had seen in the coal and steel sector the advantages of a vast single market where goods move just as freely between Rome and Amsterdam as they can between Pittsburgh and San Francisco. The creation of one big zone with nearly 185 million people instead of the 50 million as in France or Germany would promote economic expansion, greater stability and higher living standards. A large economic unit could be more influential in bringing about the abolition of restrictions on free world trade generally.

Finally, it was hoped that cooperation and integration in the economic field could help achieve the long-term aim of political unity.

What are the economic aims of the European Economic Community?

The first aim is the removal of all economic barriers between the member countries so that the Community becomes a single economic area in the same way as the United States. The creation of the Community is intended to promote balanced economic development throughout the area, raising living standards and aiding backward regions. Common policies, decided by the Community institutions, are foreseen for certain key economic sectors such as agriculture, transport and energy. Differences between national systems of taxation and other economic legislation are to be reduced or eliminated.

How long will it take to achieve these aims?

The Common Market was to be created over a transitional period of twelve years beginning January 1, 1958, with the possibility of an extension up to fifteen years if necessary. Not only has such an extension been unnecessary but the achievement of some of the objectives is ahead of schedule. As of July 1, 1968, one and a half years ahead of the original target date, there was free trade within the Community in both industrial goods and farm produce. The elimination of intra-Community tariffs was completed, and a common external tariff towards other countries was established. Other Community economic aims will take at least the full twelve years to achieve.

Can a member country withdraw from the Community?

There is no treaty provision for a member country to withdraw from the Community. The six economies are now so closely linked that it would be against the economic interests of a member country to do so. In 1965, when the French government boycotted the Community institutions, it came under strong pressure from financial and industrial circles inside France not to withdraw from the Community or block its progress. The farm policy, with its common prices and financing, also creates an unbreakable tie between the six economies.

How big is the Community as compared with the United States?

The following table gives a basis for comparison

	<i>European Community</i>	<i>U.S.A.</i>
Area (square miles)	449,000	3,600,000
Population (1967)	185,000,000	200,000,000
Gross National Product (1967) (billions of dollars)	339.1	798.1
Income per head (1967) (in dollars)	1,843	3,991

How does the Community compare in economic strength with the U.S.A. and the USSR?

The Community is the world's third most powerful industrial unit, after the United States and the USSR. In some areas of production it outstrips both the United States and the USSR. The Community has the world's second largest output of automobiles after the United States, and is a leading farm producer—the second biggest milk producer of all (with 15.2 million tons more than the U.S.A. in 1966) and the third biggest producer of meat. It is also one of the fastest growing major economic areas of the world: between 1958, the year in which the Common Market began, and 1967, its gross product increased in volume by 56% compared with 49% in the United States.

The Community is the world's largest trader. In 1967, the Community's imports from the outside world totaled 30.767 billion dollars and its exports 31.627 billion compared with 26.743 and 31.237 billion dollars by the United States, and 7.836 and 8.752 billion dollars by the USSR.

Is the Community a typical international organization?

No. Most international organizations are established to accomplish agreed aims by intergovernmental action. They are loose groupings of countries in which each member country remains free to decide its internal and external affairs as long as they do not conflict with the rules of the organization. The member countries of the Community, however, decided to pool their resources and weld their economies into one. They have undertaken a formal commitment to share a common destiny. In the fields in which the Community operates, the power of decision making has been transferred to new joint institutions working for the common good.

In what way are the central institutions of the Community different?

Post-war experience in seeking common solutions through intergovernmental contacts, that is by separate governments negotiating with their own interests continually in mind, had produced no lasting re-



Members of the new single Commission of the European Communities shown at the investiture ceremonies before the European Parliament in Strasbourg September, 1967.

At left, with glasses, M. Jean Rey, Chairman of the Commission.

sults. The Europeans therefore sought a formula which would go beyond cooperation between governments and nations, and create new institutions at the Community level. It would be neither intergovernmental nor international but *supranational*.

What are the institutions that run the Community?

There are two institutions involved in policy making: the Commission, a permanent fourteen-man executive, and the Council which is composed of ministers from the six member countries and meet several times a month. There is also a Court of Justice to which disputes under the Treaty can be referred, and a Parliament, with largely consultative powers, made up of members of national parliaments.

What is the Commission?

The Commission, composed of 14 members appointed by the six governments, initiates policy and drafts the detailed measures needed for its implementation. The members are required to perform their duties with complete independence and may not seek nor accept instructions from any government. When preparing its policy proposals, the Commission consults experts from the national administrations as well as interest groups concerned with the matter at issue. Taking these consultations into account the Commission decides on the proposals it considers to be in the best interests of the Community. In many fields, such as agriculture, the Commission is responsible for the implementation of policy. It has also been called the "watch-dog" or guardian of the treaties because it is responsible for overseeing the application of Community acts and decisions by the member countries.

What is the Council?

The Council of Ministers is the decision-making body for all major matters covered by the Treaties. Except in a few narrowly defined areas, the decisions it makes are based solely on the Commission's proposals. The Council is composed of ministers from the member governments, defending their own countries' interests but seeking to arrive at an agreed solution in the Community interest. For the discussion of major policy issues, the Foreign Ministers meet, but for more technical matters it is the Minister of Agriculture, Finance, Transport, etc., who represents his country's views.

The Commission is always present at Council meetings.

What is the voting procedure for Council decisions?

Majority voting is the rule for decisions in the Council—with a certain number of exceptions, defined in the Treaty, where unanimity is required. In fact, the majority vote is rarely used; member states prefer to find a compromise on which they can all agree. Generally, when it is used, the votes are weighted, giving the three big countries (France,

Germany and Italy) 4 votes each, Belgium and Holland 2 each, and Luxembourg 1. Twelve votes out of the seventeen are needed for a majority, which means that not even a big country can exercise a veto.

During the early years there were many exceptions where unanimous voting was required. These disappeared on January 1, 1966. In 1965 France tried to get the veto reinstated for issues of "vital national interest". This effort was resisted by the other five, and majority voting may be used for most questions.

How are the rights of the small countries protected?

All decisions are based on proposals from the Commission, which is bound to take account of the interests of all the members. If the Council wants to make an amendment which the Commission refuses, it must vote unanimously. Thus, there can be no overruling of the smaller countries by the bigger ones if the Commission is on the side of even one of the smaller countries. In practice the smaller countries very often find allies in the larger countries which may have the same interests on a particular issue.

Since the Council of Ministers meets only at intervals, how is its work prepared and coordinated?

The Council entrusts the preparation of its work to a Committee of Permanent Representatives in Brussels: they are the ambassadors of the six countries to the Community. Technical matters are prepared for the Permanent Representatives by committees of national civil servants also meeting in Brussels. There is one such committee for each of the main branches of Community activity. The Commission is represented in this preparatory work at all levels.

How does the Commission work?

Each member of the Commission is responsible for one or more of the main Community activities: external relations, agriculture, anti-trust policy, atomic energy, transport, etc. The administration is divided into departments known as Directorates-General, each responsible to a Commission member. The preparatory work on any proposal is done in the Directorates-General and then presented to the Commission as a whole, where there is a general discussion. The Commission is a collegiate body and is responsible as a group for all its acts. It can make decisions by a simple majority vote of its members.

How do Community institutions legislate?

In many respects, the Treaties provide only a framework for the establishment of a Common Market and common policies, leaving the Council, on the basis of the Commission's proposals, to implement the Treaties. The Council can pass regulations, directives and decisions. *Regulations*, or Community laws, are legally binding on member coun-



Office buildings in Brussels.



tries and are directly applicable in the same way as national laws. *Directives* are equally binding about what has to be achieved but leave the national authorities free to decide about the means. *Decisions* are binding in every respect on those to whom they are addressed. The Commission too, can issue regulations, directives, and decisions in certain specific matters such as the day-to-day implementation of the farm policy or the alignment of legislation. In addition, both the Council and the Commission can make recommendations and pronounce opinions which do not have binding force.

What is the division of powers between the Community and the member countries?

It is only within the areas of governmental power clearly defined by the Treaties that decisions are made at the Community level. Decisions made in common in the Council of Ministers, for instance on agricultural policy, are directly applicable throughout the Community without reference to national governments or parliaments. But there are also fields falling under the Treaties—such as general economic policy—where the governments remain free to determine their own policies but take part in close consultation at the Community level.

Are the institutions and acts of the Community subject to legal control?

Yes. The Court of Justice of the European Communities, composed of seven independent judges appointed by the six member governments, ensures the observance of law and justice in the application and interpretation of Community rules. The Court deals with disputes between member countries on Community matters and between countries and Community institutions. It also hears appeals brought by a member country, the Commission, the Council or any individual regarding matters covered by the treaties. Its rulings are binding on member countries, Community institutions and individuals. There is no right of appeal, the Court being the supreme instance for all legal questions falling within the scope of the Treaties.

What type of cases does the Court of Justice deal with?

In its capacity as the legal guardian of the Treaties, the Court of Justice has heard cases in most of the main areas of Community policy. It has heard over thirty on tariff questions, and many on competition rules, and social or agricultural policy. Before the creation of the Common Market, the Court gave judgment in numerous cases on coal and steel questions under the ECSC treaty. One of the most important cases the Court has handled concerned the issue of whether the written constitutions of the member countries took precedence over Community rules. The Italian government claimed that Community rules had the status of ordinary law under the Italian constitution and could therefore be changed by subsequent legislation. Had this been the case, inte-

grated Community development would no longer have been possible. But the Court ruled in 1966 that, by signing the treaties, the member countries had limited their legislative power so as not to conflict with Community policy. The Court also deals with cases about disputes between Community civil servants and Community institutions.

Do national courts play a part in the legal Community process?

The Court of Justice shares with national courts the task of applying Community law deriving from the treaties and the acts of the Community institutions. This Community law is part of the internal law of the member countries, and the national courts hear cases on Community affairs just as they administer justice under their national legal codes. The Court of Justice gives preliminary rulings on request, for the guidance of national courts, on the interpretation of the Community's rules and validity of acts of Community institutions.

Are Community institutions subject to any democratic control?

There is a European Parliament made up of 142 delegates from the parliaments of member countries. 36 each come from France, Germany, and Italy, 14 each from Belgium and the Netherlands and 6 from Luxembourg. The delegates sit according to party affiliation, not by nationality. The Parliament exercises advisory and supervisory powers. It must be consulted on most Commission proposals before the Council can make a decision on them, and its members can address questions to the Commission about Community policy. It can also propose amendments to the Community budget before final adoption, thus forcing the Commission and the Council to discuss it further. It is organized into committees which discuss the major sectors of Community policy and keep in close contact with the Commission.

The Parliament is not representative in the accepted sense because the delegates are nominated by their national parliaments and are not directly elected by the people of the Community.

Does the European Parliament have any real power over the Commission or the Council?

The Parliament has the power to dismiss the Commission by a vote of censure with a two-thirds majority. This power has never been used, partly because the Parliament would have no voice in appointing the new Commission, and partly because it has tended to support the Commission on most major issues. The Parliament's role in dealing with Community legislation is purely consultative, but its views are given weight by the Commission, which can and does change its proposals to the Council in order to take them into account. On the other hand, the Parliament has no power or influence in relation to the Council of Ministers, which makes its decisions after the Parliament has given its opinion, and is not obligated to take this into account. Only in the establishment of the Community budget does the Parliament have a greater say, but the final word still lies with the Council.

Doesn't the presence of six nationalities and the variety of parties make the European Parliament unworkable?

No. The members of the Parliament are organized in political groups which cut across nationalities. Despite the fact that most Community countries have five or six political parties at least, there are only four party groups in the European Parliament: Christian Democrats, Socialists, Liberals, and the European Democratic Union which consists only of members of the French Gaullist party. Simultaneous translation ensures that there are no language problems.

Is the Community system likely to become more democratic?

The founders of the Community favored democratic control of the institutions. All three treaties establishing the Community contain provisions for a Parliament to be chosen by direct elections throughout the six countries, but these provisions have never been implemented. A draft treaty drawn up by the Political Affairs Committee of the Parliament as early as 1959 met with firm refusal from the French Government. The Commission in 1965 proposed giving the Parliament an effective voice in establishing the Community budget, with the possibility of overriding the Council if the latter did not decide by a five-sixths majority, but this proposal ran into French opposition. As long as the Six disagree on the manner and form of political union, there seems to be little hope of a democratically elected and influential Parliament. The admission of Britain and the Scandinavian countries to the Community, with their traditions of parliamentary democracy, would be of great importance to the development of democratic institutions in the Community.

Since there are no direct elections to the European Parliament, the people of the Community have no direct say in the running of it. Does the Community executive take any account of public and private interests in the formation of policy?

Yes, all major proposals are submitted to a 101-member consultative body, the Economic and Social Committee. The members (24 each from France, Germany, and Italy, 12 each from Belgium and the Netherlands and 5 from Luxembourg) are a cross-section of economic interests in the Community. They are representatives of employers' organizations, labor unions and other organized economic groups in all sectors of the economy. The Council or Commission must obtain the Committee's opinion when dealing with such matters as agricultural policy, the free movement of workers, transport policy and the harmonization of national laws. Although it has no powers of decision, the Committee exercises a strong influence on policy-making. The Commission also engages in unofficial consultations with pressure groups which have been set up in Brussels by all sectors of the economy. There are at least 400 of them.

Do the member countries have any say left in the direction of their own affairs?

Yes. Even within the sectors covered by the Community treaties—those of economic and social policies—member governments still decide the day-to-day running of their country's affairs. Their national budgets are still subject to a whole range of priorities outside the Community. But their freedom of action is increasingly limited by the interdependence of the economies. Despite centralized decision making in certain sectors such as agriculture, the Community is not yet developing into a federal government for economic affairs. The general tendency is to coordinate economic policies at the Community level.

Must national law makers observe the Treaty obligations?

The Court of Justice has ruled that no member country may pass laws in its national parliament which go against Community treaties. The constitutions of Germany and especially of Italy leave the matter in doubt, but since member countries have accepted the spirit and aims of the Community, it is improbable that they would want to bring it into question by passing legislation incompatible with Community aims and laws.

How is the Community financed?

There is an annual budget to which the member countries contribute as follows: France, Germany and Italy 28% each, Belgium and the Netherlands 7.9% each and Luxembourg 0.2%. Each Community institution draws up a provisional estimate of its expenditure for the financial year from January 1st and the Commission consolidates them into a preliminary draft which the Council discusses and approves by a weighted majority vote. The budget is then submitted to the European Parliament for approval. The Parliament must give its opinion within a month; if it approves the budget—or fails to give an opinion—then the budget is adopted. If amendments are proposed, the Council must discuss the new budget with the Commission and then adopt it by a weighted majority vote. Costs are shared on a different basis for the Social Fund, the Agricultural Fund and the Euratom Research Budget, all of which form part of the overall Community budget.

Does the Community have any direct sources of revenue?

The European Commission has the right—granted under the Coal and Steel Community Treaty—to tax the production of all firms in those two sectors. The tax must not exceed 1% and stood in 1967 at 0.3%. It brings in some \$30 million a year. The Rome Treaty foresees revenue from customs duties going directly to the Community budget once the customs union is completed and the common external tariff applied. It would thus become federal revenue as is the case in the United States. The original decisions on the common farm policy in

1962 also provided that proceeds from the agricultural levies should go to the Community once the farm policy was implemented. In 1965, the European Commission made detailed proposals for creating federal revenues in this way. Responding to pressure to make the Community's constitutional system more democratic the Commission also proposed a plan for giving the European Parliament an effective say in establishing the Community budget once direct revenues were introduced. Following the crisis in the Community in 1965-66, this issue was postponed but will come up again by the end of 1969.

Is there a European civil service?

Yes. Altogether there are about 8500 people working in the Community institutions. Of these 6500 work on the Commission staff as civil servants. The rest work for the Parliament's secretariat, for the Court or for the European Investment Bank. The allocation of posts between the various nationalities was established by the Commission in 1958 so that 25% of the staff should come from France, 25% from Germany, 25% from Italy, and 25% from the Benelux countries. But this division is no longer compulsory. The treaties allow the institutions to recruit their staff from anywhere, but in practice they draw heavily on national civil services. Just as with the members of the Commission, Community officials are forbidden to seek or accept instructions from any member government. Salaries rise to about \$17,000 at the top of the scale and members of the Commission, whose salaries are fixed by the Council, earn over \$20,000. A growing number of officials have chosen to make their career in the Community.

How do young people prepare for a career in the Community?

There are few direct means by which young people can prepare for a career in the Community. Attempts were made to establish a European University in Florence in order to provide a highly trained elite of young Europeans thinking in European rather than national terms. But the project has so far not been realized. Various universities in Europe have faculties specializing in the study of Community subjects at a graduate level. Since 1949, the College of Europe in Bruges, Belgium has given graduate courses in European integration to young people, many of whom now work in the Community. The European Commission grants scholarships to some students at institutes of European studies and each year takes a number of graduates into its departments for training courses.

Does the Community have a capital like Washington, D.C.?

No decision has yet been made on a permanent seat for the Community institutions. The offices of the institutions are still provisionally in Brussels and Luxembourg. In 1968, the city authorities of Brussels made available a large new administrative center—part of a bid to have Brussels become the permanent seat of the Community.

The European Court of Justice has its seat in Luxembourg, 140 miles to the south. The European Parliament meets in Strasbourg, 240 miles distant, in the assembly hall built for the Consultative Assembly of the Council of Europe; but its secretariat is in Luxembourg.

Do countries send ambassadors to the Community?

Yes. By the end of 1967, 72 countries had accredited ambassadors to the Community. The United States was the first country to do so in 1958.

Does the Community send ambassadors to other countries?

No. In 1959, a plan for the Community to have diplomatic representation in Washington and in London was blocked by the French. Under the association agreement between the Coal and Steel Community and the United Kingdom, the Community does have an ambassador in London.

The Community has information offices in Washington, New York, London, Geneva, Montevideo, and Dublin, and there is a liaison office in Santiago de Chile.

ECONOMIC AND SOCIAL POLICY

One of the aims of the Community is a customs union. What does this mean?

A customs union means the removal of all trade barriers between the members of the union, including tariff and quota restrictions, so that goods move as freely as between the states of America. In addition, it means the establishment of a common external tariff so that goods are subject to the same duties whether they enter the Community through Naples, Hamburg or Marseille, just as the same tariffs on goods imported into the United States apply in New York and San Francisco.

Do goods move freely in the Community?

As of July 1, 1968, all industrial goods move freely within the Community in a single market of 185 million consumers compared with 200 million in the United States of America. The tariff barriers which existed between the six countries in 1957 have been phased out over a period of ten and a half years, eighteen months ahead of the schedule foreseen in the Treaty. Many non-tariff barriers, such as technical standards and other border restrictions, still remain, however, and are slowly being abolished.

Can the member countries limit the quantity of goods imported from one member country to another?

No. All the quota restrictions on trade between member countries which existed in 1957 were removed by January 1, 1962.

How have industries reacted to the cutting of tariff barriers within the Community?

The gradual dismantling of tariff barriers in the Community has required industry to adjust to wider markets and to face competition from other parts of the Community. There have been exchange agreements on sales and distribution networks so that, for instance, French firms market German trucks and vice versa. Exchanges of know-how and technical information take place. Joint subsidiaries are set up, but there have been few mergers across member countries' frontiers.

Does the removal of protective barriers put firms out of business?

The boom conditions since the Community began have meant that even less efficient firms could stay in business; tariff cuts have not led to cut-throat competition. But in the long run, it is hoped that the less efficient firms will be eliminated. The Community has two ways of helping. The European Investment Bank can give loans for the reconversion of plants, and the Social Fund makes grants towards re-training and re-settlement of workers. Until 1970, member states can ask permission to use an "escape clause" to protect a sector of industry which runs into particular difficulties. The European Commission decides what steps can be taken, and what temporary exception to Community rules are allowed. In 1963 and again in 1967, for instance, France sought permission to protect its household appliances industry from the effects of competition from highly efficient Italian firms.

Can a company establish in another member country?

Yes, a company incorporated in any member country is now free to establish branches anywhere in the Community on the sole condition that its headquarters is within the Community. But the situation is unsatisfactory because firms still do not have the same legal protection in the country in which they establish branches as firms of that country. The coordination of company law needed to give them this sort of protection is not yet complete.

Does the Community have anti-trust legislation?

Yes, a set of rules to protect free competition was established by a Council decision in 1962. They are based partly on United States experience. They do not affect competition within the member countries, but are intended to ensure that firms do not deprive the consumer of the benefits of integration by cross-frontier cartels and trusts.

All agreements between two or more firms in more than one country have to be registered and must be cleared by the Commission. Some



Display of Common Market goods in a department store in Brussels.

40,000 such agreements have already been certified. The biggest group are those by which a manufacturer grants exclusive dealing rights, and these are allowable under certain conditions. The rules have already been used to break up cartels linking groups of manufacturers and dealers in several countries.

Does the Community face a problem with big trusts?

A Treaty article does provide for rules to control monopolies or dominant positions on the Community market, but these have not yet been spelled out. As yet, few firms are big enough to exercise a monopoly position in the area as a whole. Under the Coal and Steel Community Treaty the High Authority had to authorize all mergers in those two sectors; in general it favored the creation of larger productive units.

At the moment, there is more concern with encouraging firms able to operate on the scale of the new market of 180 million consumers.

Are there Europe-wide companies?

Any company must have a legal base in one particular country and conform to its legislation. Although branch companies can be established in other parts of the Community; it is impossible to establish a single firm operating throughout the area. It is also extremely difficult for firms in two countries to merge.

Work is being done to reduce the differences in company legislation between the six countries, and also on a statute which could permit the creation of Europe-wide companies.

Can investors put money into firms anywhere in the Community?

The movement of funds within the Community has been partly freed from restrictions. Capital transactions resulting from the free movement of goods and workers have been completely liberated. Thus, a German construction company can transfer back the proceeds from a contract for building a factory in France. Freedom to deal in the securities quoted on the stock exchanges of member countries has been extended to private individuals. There are still obstacles to the issue and placing of foreign securities on the capital markets of member countries and to the acquisition of foreign securities by financial institutions. Until all obstacles have been removed, an integrated Community capital market cannot exist. In 1967 the Segré Report, produced by a committee of national experts under Commission chairmanship, set out the necessary steps for creating a single market.

Can workers move freely throughout the Community area?

Before the establishment of the Community, workers who crossed national frontiers and worked in another part of Europe had no guaranteed rights. They were "second-class citizens", the first to lose their jobs in a recession, and they were excluded from welfare programs. Since May 1964, as the result of Community rules, there has been no discrimination on grounds of nationality for workers who move from one country to another within the Community. Migrant workers have the right to settle, to bring all the members of their family to join them, to take part in labor union activities or to set up their own business—just as freely as a New Yorker who moves to Arizona. Welfare benefits can be drawn in any part of the Community on the basis of contributions made in another country.

Does the Community have a migrant labor problem?

Yes, the Community does have a migrant labor problem but not one caused by migration between member countries. All the member countries except Luxembourg take more migrant workers from outside the Community than they do from other member countries. These migrants are not covered by Community rules abolishing nationality discrimination and providing for adequate benefits. There are well over

a half million migrant workers in the Community from outside countries, such as Greece, Turkey, Spain, and Yugoslavia.

How does a worker in the south of Italy hear of a job in, for instance, Germany?

There is a tradition of migration from Italy to Germany. In 1965 alone, 204,300 Italians took up permanent employment in Germany. Many of these Italians found their new jobs by word of mouth. The Community has set up a European Bureau for coordination of job vacancies, acting as a clearing house for offers of employment. It is assisted in its task by an advisory committee on which employers and labor unions are represented, and by a technical committee of government experts.

Do the welfare programs of the member countries differ?

There are big differences not only in welfare benefits but also in methods of administration of welfare programs. France pays the highest family allowances, Germany the lowest, but Germany provides the highest benefits for invalids and old people. The burden of contributions falling on employers, employees, and government varies. A gradual coordination of social security systems in the member countries is foreseen. The Commission is entrusted with promoting close collaboration between member countries on matters of employment, labor legislation and working conditions, social security, etc. Progress in the coordination of welfare programs has been slow because of vast differences in the six national systems, and because no deadline for the achievement of coordination was established. The major step so far is the extension of social security benefits to migrant workers employed in other member states.

The removal of economic barriers and the resulting competition is expected to change the industrial structures of the member states. Does the Community help workers who lose their jobs as a result of these changes?

Yes, a European Social Fund, administered by the Commission, was formed under the EEC Treaty to assist in the resettlement and retraining of workers hit by such changes. Up to December 31, 1966, the Fund had paid out over \$40 million on programs involving 508,000 workers. The contributions to the Fund are not related to the amount a member country receives; Germany has contributed nearly \$13 million but has only obtained \$8 million from the Fund. Italy contributed \$8 million but has received \$14.5 million in grants from the Fund.



Middle class housing in Belgium.



Italian family at dinner.

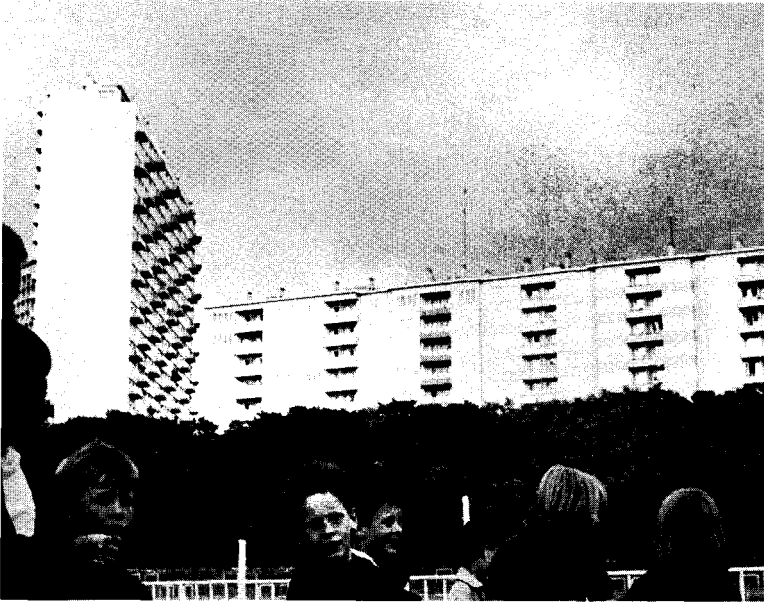


Is it possible for a professional man, like a doctor, to work in another member country?

Yes, the free circulation of workers is to be accompanied by mobility of professional people within the Community. Before the end of 1970, all obstacles arising out of different rules and requirements in the six countries are to be removed. For instance, the Community institutions have begun to establish free movement for architects and people in the film industry. Removing obstacles to the movement of professional people will take longer than labor mobility because of the complex professional qualifications to be coordinated between the member countries. In this, the Community would be going farther than the United States. Nevertheless, due to language barriers and national ties, it is unlikely that the same degree of general mobility will be achieved as in the United States.

Do differences in legal systems pose problems for the customs union?

Yes. The existence in the member countries of widely differing laws could block the progress of the Community. The Commission is empowered by the Treaty to consult the member countries about eliminat-



Modern housing in Germany

ing disparities between the laws and administrative practices. If consultation fails, the Council can act by means of directives which are binding. Action has been taken by the Commission and Council for instance, to ensure that differing legislation on coloring additives and preserving agents does not hamper free trade in foodstuffs. Work is continuing on the coordination of technical requirements for the manufacture of various goods, which can block sales from one member country to another. Draft conventions for a single European patent law and a European trademark law are being drawn up.

Is the Community bringing tax systems into line?

Tax systems vary greatly, with some governments relying for their revenue mainly on direct taxation of incomes, others on indirect taxation such as a sales tax. These differences put firms in different countries on an unequal footing. In addition, they lead to obstacles to trade in the form of border taxes. Progress has been made towards harmonizing indirect taxation. By 1970 a single uniform system of taxation on business turnover will be in application throughout the area; but the rates will be brought into line later. Only then will goods be able to cross

internal Community borders without being subject to some form of tax control. Work has begun on the harmonization of direct taxation—in the first place, on profits and dividends. Coordination of tax systems has far-reaching political implications because of the use of taxes by governments for raising money and redistributing incomes.

With complete free trade within the Community achieved as of July 1, 1968, what remains to be done?

The customs union is the first step towards a full economic union. This means that common policies have to be worked out and applied at the Community level, like the farm policy, and policies for transport, energy, and several other sectors. National economic policies, both short and medium-term, have to be more and more closely coordinated, and the barriers and distortions resulting from differences between national systems of taxation and legal and administrative practices have to be removed. These operations cannot all be completed by 1970, which marks the end of the Community's transitional period, but will take many years.

How far are the economies of the member countries already integrated?

The removal of trade barriers and the rapid increase in trade since 1958 have made the economies of the Six increasingly dependent on each other. With trade barriers gone, the six economies are becoming irreversibly linked, and economic changes in one country can affect another rapidly. Governments can no longer use protectionist measures to defend their economies. In 1964, an inflationary crisis in Italy posed a threat to the whole Community economy and led to the first effectively coordinated action in this field. The Council of Ministers made recommendations about strict priorities which all member countries observed in their short-term economic policy. The Council now meets twice a year for this purpose.

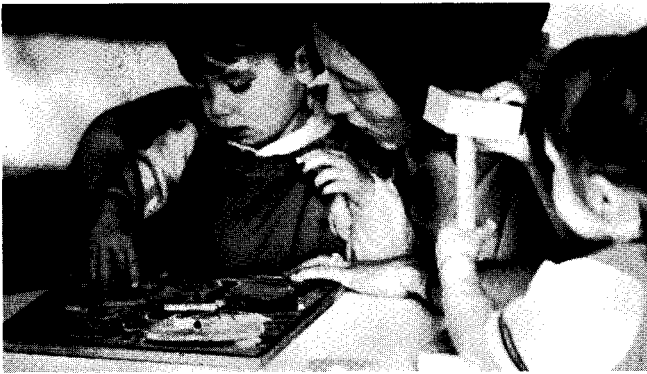
Does the Community plan its economic policy?

The idea of economic planning is more widely accepted in Europe than in the United States, but approaches vary greatly from country to country. France and Italy have the strongest traditions of government planning, which is indicative, not obligatory. More recently Italy also has established a national plan.

At the Community level the aim since 1964 has been to provide a framework for close coordination of economic policy on a five-year basis. Top national planners meet regularly. They drew up a first five-year economic program which was approved in 1967 by the Council of Ministers; a second supplemental program, extending the period up to 1970, was drawn up in 1968. The programs contain recommendations about the priorities to be observed in national policy in order to achieve



Children at the European School in Luxembourg.



Children at play in Italy.



Belgian children doing homework.

optimum development for the Community as a whole; they also help industry to plan its long-term policy in light of economic trends that are forecast.

If a member country has serious economic difficulties, can it ask for special treatment?

If a country runs into serious balance-of-payments difficulties, which are likely to threaten the functioning of the Common Market, the Commission examines the situation and recommends appropriate action. If the action taken by the country does not prove sufficient to overcome the difficulties, the Council, on a Commission proposal, can authorize help from the other Community countries. This can be financial assistance or, during the transitional period only, special reductions in tariffs or enlargements of quotas.

Does the Community have a common monetary policy?

The Monetary Committee, an advisory body, was set up in 1959 to coordinate member countries' monetary policies. It is composed of high-ranking treasury and central bank officials and representatives of the Commission and makes recommendations to the Commission and to the Council. The monetary and economic affairs of each country of the Community are frankly debated in the Committee. Community members have agreed to prior consultation in the event of a possible change in parity of one of their currencies.

Does the Community play a role in international monetary affairs?

The six member governments have begun to act together in international monetary affairs and in 1967 made joint proposals on the reform of the International Monetary Fund. The Monetary Committee has the task of coordinating their positions. The six finance ministers at regular quarterly meetings also discuss international monetary problems.

Will there be one Community currency that can be used throughout the area?

At present, each country has its own separate currency, not generally accepted in other parts of the Community. The establishment of a common currency is a long-term aim. In 1961, the creation of a European Reserve Union was proposed which would be modeled on the United States Federal Reserve Board. This would back the currencies of all six countries as the Federal Reserve Board backs the dollar and would eventually make the creation of one currency possible. But before this stage can be reached, the monetary policies of member countries must be closely linked, which implies closer political integration.

POLICIES

Is there yet a common policy concerning the rates which can be charged for freight transport?

Discrimination in rate-setting on the basis of the nationality or origin or destination of goods transported is already prohibited, but the six markets for goods transported by road, rail, or waterway remain separate and governed by national policies. The basic principles of a common policy have, however, been agreed upon, and will begin to come into effect by 1972.

The aim is to guarantee competition between the different forms of transport and to ensure that all rates charged remain within upper and lower limits which are fixed so as to prevent both the exploitation of monopoly situations and cut-throat competition. During an initial period, for some forms of transport, rates charged outside the fixed limits have to be made public to allow competition. It has also been agreed that the taxes on any part of a given haul will be those of the country where it is carried out.

Will the common transport policy apply to air and sea transport?

No decision has so far been made on whether to extend the Treaty's transport provisions to air and sea transport. Attempts outside Community provisions to link the five national airlines, Air France, Alitalia, KLM, Lufthansa, and Sabena, into one organization pooling maintenance and avoiding uneconomic competition have repeatedly failed. This was to be called "Air Union."

Does the Community have an industrial policy?

It has been realized that, as the Community becomes a single economic area, it should establish a policy relating to the desired future pattern of its industry. The new conditions created by the establishment of a customs union necessitate the rational development of industry at the Community level. In addition, negotiating on the common tariff with their world trading partners, particularly the United States, brought home to the Six that decisions on particular tariffs could determine the future of various industries. In 1967 the Commission submitted to the Council of Ministers a first outline of the kind of aims and priorities needed for an industrial policy, but no direct action has yet been taken.

What is being done about scientific and technological cooperation in the Community?

In recent years, public attention in Europe has been concentrated on the so-called "technological gap" between Europe and the United

States, and it has been widely recognized that the separate European countries are too small to provide a valid basis for the key modern industries like electronics and aeronautics. In the context of the coordination of medium-term economic policies, a group of national experts began to establish the basic facts about national situations and policies as a step towards elaborating a Community approach. In October 1967, the Council of Ministers decided on the studies needed for cooperation in six fields: communications, means of transport, meteorology, metallurgy, and oceanography. No reference was made to electronics, to aeronautics (where there is inter-governmental cooperation mainly between Britain and France) or to space research where the European governments are grouped in organizations working on launching and on satellites. Work was stopped in 1968 when the Dutch withdrew following the French veto on negotiations about British membership, on the grounds that the problem should be tackled together with the British.

The single European Commission appointed in 1967 began basic work on drawing up proposals for a common technological policy.

Does the Community have a policy on regional development?

One of the main aims of the Community laid down in the Treaty of Rome was the development of the backward regions of the Community, and the lessening of the gaps between the rich areas and the less-developed areas. But as yet no common regional policy has been adopted, although the Commission has made recommendations to the Council about the general principles of such a policy. Regional planning and development remain almost entirely in the hands of the national governments. A major problem is that of Italy's south, but west and south-west areas of France, the north of Holland, and parts of West Germany along the eastern frontier also raise problems. Like the United States, the Community also has a problem of depressed areas whose economic activity was mainly dependent on a particular industry now in decline. The European Investment Bank was set up under the Rome Treaty, with capital of one billion dollars, to aid the development of the backward areas, help finance modernization by firms, and provide funds for major projects of interest to several member countries. Projects assisted include road construction in Italy, irrigation schemes in France, and railroad electrification in Germany.

How do American investments affect the Community?

The influx of American investment, attracted by the rapid expansion of the Community economy, certainly benefits the Community. It stimulates the development of growth sectors such as petrochemicals and automobiles. But there is often concern about high levels of U.S. investments in certain key industries vital to long-term economic independence—such as computers. There are cases where a whole sector is

in American hands, for example, the production of carbon black used in the rubber industry. The policies of Community countries toward U.S. investments differ but none are basically restrictive. There have been no practical moves to coordinate them or to adopt a single Community policy. Commission proposals to discuss foreign investment at regular intervals in the Council and to make surveys have not yet been approved.

What has the European Coal and Steel Community achieved since it was founded in 1952?

At the outset of the ECSC, trade barriers to coal, coke, pig iron, scrap iron and steel were removed. This resulted in a vast and rapid increase in trade between the six countries. The Community brought these industries under a single set of rules and coordinated their development in the six member countries. The Community in 1966 produced 85 million metric tons of steel compared to 125 million in the United States and 97 million in the USSR.

How does the Community coordinate coal and steel production?

The direct powers of the Coal and Steel Community to coordinate production include the fixing of price limits, authorization of investment programs and research grants, imposition of fines on enterprises for infringements of Treaty rules, and the collection of certain taxes on coal and steel production. In addition, the Treaty imposes strict anti-trust laws, modeled on the U.S. system.

Does the Coal and Steel Community deal only with questions of production?

No, the Community is also concerned with better living and working standards for labor in the coal and steel industries. The Community has provided financial assistance for the housing of miners and steel workers in member countries with loans up to 50% of construction costs. By January 31, 1966, the total cost of houses built under this program was \$944 million. The Community also assists workers left unemployed by reductions in labor requirements. It pays allowances to carry a worker through the waiting period until he finds a new job, grants to make up the wages of workers forced to take less well-paid jobs, and resettlement grants to workers having to move to another area. By the end of 1965, grants of these types were paid to over 218,000 workers and amounted to \$65 million. The Community also retrains coal and steel workers in recession areas for other jobs. In the sphere of industrial health and safety, the Community has allocated \$26 million to the financing of medical and social research. It has established a committee on safety in the coal and steel industry to ensure that new safety techniques are adopted in member countries.

Has the Coal and Steel Community run into any big problems?

Yes. At the time of the creation of the Community, coal was the major energy source. The Treaty was drafted on the assumption that it would be applied in a time of coal surplus. Community-produced coal has been seriously hit by falling demand, caused by steadily growing competition from cheap imported coal, especially from the United States, and from oil and natural gas. The problem now is to work out a common energy policy covering all the different fuels and energy sources.

In the steel sector, the Community encouraged mergers aimed at creating large efficient production units which would enable Community steel firms to compete on world markets. Several Community enterprises have attained an annual output of 5 million tons or more. Now, the increase in supply has outstripped the growth of demand in the world and in the Community. Plant capacity increased by about one-third between 1960 and 1966, but plant utilization has dropped to about 80%. Falling prices in world steel generally and low cost imports from non-member countries have caused difficulties.

Did experience gained in the ECSC help in the establishment of the European Economic Community?

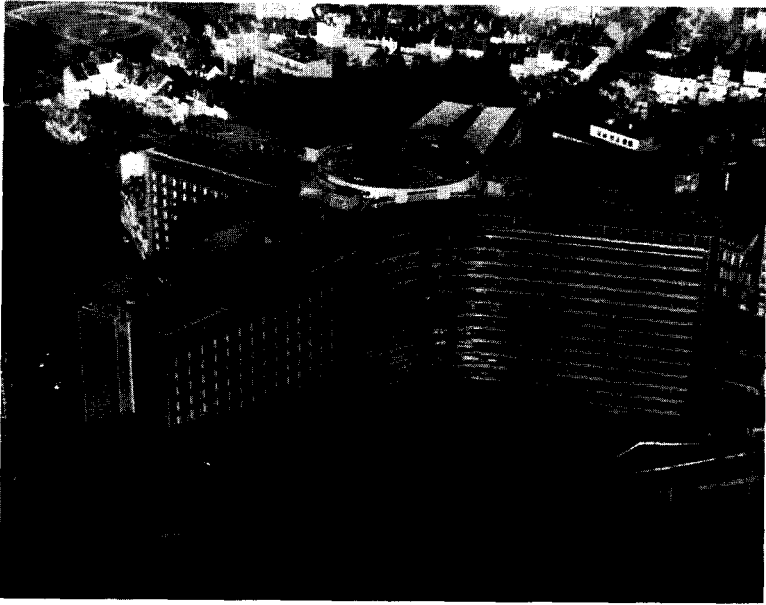
Yes. The successful ECSC institutions—an independent executive, Council, Parliamentary Assembly, and Court—provided a blueprint for the introduction of such institutions in the wider European Economic Community. However, the executive body of the ECSC, the High Authority, was given great powers, including the right to tax, in a limited field, whereas in the EEC the use of the Treaty provisions is mainly exercised by the Commission and the Council working as a team.

Does the responsibility for energy policy divided between the EEC, ECSC and Euratom create a handicap?

Yes, this is a handicap which results from the historical process of the Community's formation. The ECSC was created six years before the EEC and Euratom at a time when coal was still the most important energy source in Europe. The need for a common approach to energy problems was realized as early as 1959 but an organized approach had to wait for the merger of the executives of the three Communities which took place in July 1967. The double aims of the energy policy are to ensure cheap supplies in order to make the Community's industry competitive, and to avoid a dangerous degree of dependence on politically uncertain outside sources.

Why was it necessary to have a separate Community to deal with atomic affairs?

When Euratom was formed in 1958, it was considered that atomic power on a large scale would be urgently needed to meet growing



European Community's headquarters, Brussels

energy requirements and provide the vital basis for the economic expansion of the Community. The Six wanted to reduce the lead in the field of peaceful nuclear development which the United States, the USSR and Britain had acquired. To achieve this they decided to pool efforts in an area too complex and expensive to be dealt with in the national framework. A separate Community was chosen because the sector was highly technical.

Is there any possibility of Euratom being used for non-peaceful uses?

No. Military activities are excluded from the Euratom Treaty. The Commission ensures that fissionable material is not diverted from its intended peaceful uses and checks the operating records of production and use of nuclear fuels. It maintains an inspection team to visit installations and make physical and accounting checks on stocks of materials.

What are the main activities of Euratom?

The Community promotes and coordinates research through joint research centers, with branches in Belgium, Germany, Holland, and Italy. Until the end of 1967 it also participated in a national nuclear program, making financial contributions and sending research workers; this side of the activity may be renewed in the future.

Euratom has also encouraged the development of nuclear power stations in the Community, and prototype installations have been established with the close collaboration of member countries. It has created a common market for all nuclear materials and equipment and a common external tariff on imports of nuclear materials from non-member countries.

How is Euratom financed?

The research and investment budget of Euratom is financed by the member countries with France and Germany paying 30% each. The research and investment budget for 1966 was \$115.5 million. For its first five-year research program (1958-62), Euratom had at its disposal \$215 million; for the second five-year program (1963-1967), this sum was doubled to \$432 million.

Disagreement between member countries in 1966 meant that no proposals were ready for a third program to take effect when the second one expired at the end of 1967. Instead a provisional one-year budget was voted. A new program was planned to begin in 1969.

Does Euratom cooperate with other countries and nuclear organizations?

Euratom has agreements with a number of countries including the United States, Britain, Canada, Brazil and Argentina. The agreement with the United States provides for cooperation in nuclear research and development, for the supply of nuclear fuels to Euratom, and for the exchange of information and personnel. The agreement with Britain covers the exchange of information and training facilities and the supply of fissile material for Community reactors. Euratom also takes part in the work of the European Nuclear Energy Agency and cooperates in the "Dragon" reactor project, a prototype heavy-water cooled reactor built in Norway.

AGRICULTURE

Is there a Community agricultural policy?

Yes. Under the Treaty of Rome, a common policy has been established which now covers 90% of the agricultural production of the six member countries.

Why does the Community need to have a common farm policy?

In 1958 each member country had its own agricultural policy with support buying and protection against imports. Thus, it was impossible just to remove barriers to trade as was the case for industrial products. Nor was it feasible to align the various agricultural policies to one another, because they were vastly different. Instead, the decision was made to abolish all national policies and establish a Community policy, centrally financed and with a common policy towards the rest of the world.

Does agriculture play a large part in the economy of the Community?

Agriculture's contribution to the gross national product of the six member countries is 8%. 16% of the Community labor force is employed in farming. The percentage in farming varies from 6% in Belgium to 25% in Italy.

The total farming population stands at about 9.75 million, but it is decreasing by about 400,000 every year.

What is the political significance of the common farm policy?

Agriculture is traditionally a difficult sector for governments. Establishment of the common policy required *political* decisions by the member governments often against politically powerful and vociferous farm lobbies at home in order to accept the necessary compromises in the Community framework. Farm prices are decided at Community level requiring close links between the member governments and bringing home to the farmers and others the political reality of integration.

Agriculture is the first sector where a common policy is financed through a central budget, which will soon amount to some \$1.7 billion a year.

How does the common farm policy work?

Three main kinds of action are the essential elements in the common farm policy.

The first is support: the authorities are committed to buy from the market at a given price set by the Council, and the operation is financed from Community funds.

The second is protection: in order to ensure that Community farmers are not harmed by cheap imports from the rest of the world, a system

of payments on all imports (known as "levies") brings the price at which they are sold up to the level of prices inside the Community.

Thirdly: the Community contributes to the cost of projects to help make the farmers of the six countries more efficient.

How is the common farm policy run?

Major decisions are made in the Council of Ministers, on the basis of proposals from the European Commission. Day-to-day decisions on the running of the policy (for example, the setting of levies on imports, which allow for changing world prices) are made by the Commission working closely with Management Committees made up of officials from the national ministries of agriculture. If there is a majority against the Commission the question is brought to the Council of Ministers for decision; this has occurred very rarely.

How is the farm policy financed?

Three kinds of expenditure are covered by the Community's central agricultural fund: support buying, export rebates, and part of the cost of measures to make the farm policy more efficient. The member states pass on to the Community 90% of the revenues obtained from the "levies" on agriculture imports entering the area; the rest of the cost of the policy is shared out among them on an agreed ratio. Total cost of the policy is estimated at around \$1.5 billion per year and may soon reach \$1.7 billion.

Under the original farm policy agreements of 1962, the full amount of the levies should be paid directly into the Agricultural Fund starting January 1, 1970, at the latest. This raises political problems as it would create direct revenues not subject to effective parliamentary control at either the national or the European level. Commission proposals to create these direct revenues and increase the budgetary powers of the European Parliament led to the French walkout from the Council in 1965, and a later compromise on farm financing did not touch this problem which can be expected to arise again, however, by the end of 1969 when the permanent system of financing must be established.

How does the Community system of protection for farm products work?

Before the common agricultural policy came into effect, the member countries applied customs duties on most farm products, along with other methods of protecting their farmers. Under the common policy, imports are subject to a charge (variable levy) which covers the difference between the price on the world market and the price on the Community market.

In view of fears that the system would be more protectionist than previous national systems, the Community in 1960 undertook commitments to negotiate with the United States and other exporters if its



Euromast restaurant in Rotterdam, The Netherlands.

imports of a series of products (corn, sorghum, soft wheat, rice, poultry) fall below their original levels. In fact, statistics show that Community imports of agricultural produce from the rest of the world, and from the United States in particular, have kept increasing.

Are all farm products subject to the same system?

No, but the formula of a common price level, levy charges on imports, support buying, and export rebates applies to most major products.

For pork and pork products, and for eggs and poultry, there are levies on imports but there is no support buying. For fruit and vegetables the Community introduced standardization provision for support buying by producers' organizations, partially covered from Community funds. For wine there is a quota system to open up the French and Italian markets to each other's exports and to German wine. No common policy has yet been brought into effect for such items as fish, potatoes, mutton, and lamb or hops.

Are Community farmers able to influence policy-making?

The national farmers' organizations have formed a lobby at Community level known as COPA (from the French initials for the Committee for Professional Agricultural Organizations) which tries to exert influence on the Commission and the Council to protect the interests of all Community farmers. In addition, national farm organizations put pressure on their governments to stand up for their own interests in the Council. The resulting decisions are a compromise between, on one hand, the national interests and, on the other hand, the interest of the Community as a whole.

What remains to be done in the agricultural sector?

In the framework of the Community farm policy, decisions will have to be made annually on price policy.

A high proportion of the farms in the Community are still small and inefficient. So far policy-making has concentrated on replacing the six separate agricultural policies by a single Community system. Developing an efficient farming economy with bigger production units may take many years and will necessitate effective regional planning.

How important is the U.S.A.'s agricultural trade with the Community?

32% of U. S. A. exports to the Community are agricultural products, of which the main items are wheat, feedgrains, tobacco, soybeans, poultry, and processed foodstuffs, in particular, canned fruits. In 1966, the United States exported \$1,887,000,000 of agricultural goods to the Community while importing \$326,000,000.

What has been the Community's stand on world agricultural trade?

In the Kennedy Round negotiations on the removal of trade barriers concluded in 1967, the United States insisted that agriculture be in-

cluded in the final agreements. It particularly wanted guaranteed access for its exports of farm products to the Community. The Community agreed to accept commitments only if exporting countries such as the United States also accepted discipline in their farm policies. It proposed an overall plan for rules on major products in world agricultural trade. World price levels would be fixed, and both importing and exporting countries would agree not to increase their support to farmers in relation to these world prices. Behind such a plan was the idea that world agricultural trade should come to depend on conditions of supply and demand, not on the amount of subsidies national treasuries would give. In the last week of the negotiations the United States and other exporting countries rejected this proposal, and, as a result, the Kennedy Round agreements in agriculture were quite limited.

Have there been any clashes between the Community and the United States over agricultural policy?

In 1963 there was a clash which became known as the "chicken war". The United States challenged the Community because of a drop in its exports of frozen chickens. The Community argued that the drop in U. S. exports was due to factors other than the common agricultural policy. But in retaliation the United States increased its import duties on potato starch, cognac, commercial vehicles, and some other products. The dispute was settled by arbitration.

Does the Community have a food-aid program?

The Community has no separate food-aid program but will take part like the United States in the limited programs negotiated in GATT in May 1967. In accordance with this agreement, the Community will pay 23% of the cost of the 4½ million tons of grain to be provided as aid to the developing countries.

RELATIONS WITH OTHER COUNTRIES

What is the procedure for a country wishing to join the Community?

An application must be made to the Council of Ministers. Before making a decision, which must be unanimous, on the application, the Council consults the Commission. The next stage is for the member countries together with the applicant to establish the terms of accession and any necessary adaptation of the Treaties—on number of votes in the weighted voting system, number of members in the various institutions, etc. The agreement reached must be ratified by the parliaments of all the member countries.

Why is Britain not a member of the Community?

In August 1961, Britain (with Ireland, Denmark, and Norway) applied for membership. Negotiations were opened in October and lasted until January 1963 when the French government vetoed the British application and negotiations had to be broken off.

In May 1967, Britain again submitted its application for membership (and was again followed by Ireland, Denmark and Norway). The opening of negotiations, however, was blocked by French opposition on December 19, 1967. As a result of this decision, a number of proposals were made to achieve close contacts between the Community and the candidate countries while awaiting the time when the enlargement of the Community would be possible.

Is there provision for European countries not willing or able to become full members of the Community?

To join the Community, a country must accept its long-term political aims. Some neutral countries have therefore asked to take part only in the process of economic integration.

Negotiations began in 1964 with Austria in a search for a formula which would permit this while leaving her politically independent. Sweden and Switzerland also believe that their neutrality may exclude full membership. Other countries, though willing to accept the political aims, were not economically strong enough to accept full membership and sought association arrangements which would lead later to membership.

There is no clear definition of associated status. The former President of the European Commission, Professor Walter Hallstein, once said it could range from 1% to 99% of full membership.

Which European countries are associated?

Only two European countries, Greece and Turkey, are associated with the Community. The association agreement with Greece came into force on November 1, 1962, and provides for a customs union to be achieved in twelve years and an economic union in 22 years, with a prospect for full membership. Greece was promised \$125 million investment aid during the first five years of the agreement. The implementation of the Greek association was virtually suspended in 1967, following the coup d'état and the establishment of the military regime.

The agreement with Turkey is much less precise. From December 1, 1964, Turkey, with Community aid of \$175 million, is strengthening her economy over a 5-year period in order to be in a position to accept the effects of lowering tariffs in a customs union with the Six. Full membership is also a prospect for the future.

Have any other countries applied for association?

Yes, three neutral countries—Austria, Sweden, and Switzerland—have applied for association. The breakdown of the negotiations for British membership in January 1963 led Sweden and Switzerland to discontinue their applications, but Austria has pressed on with negotiations which at the end of 1968 had still not been concluded. Israel applied for association in 1966 since a three year trade agreement with the Community had proved unsatisfactory, but no action on this request has been taken. The Community refused to discuss a Spanish application for association because of the undemocratic nature of General Franco's government. Negotiations for a comprehensive trade agreement to give Spanish goods preferential treatment in the Community have, however, begun. The three Maghreb countries in North Africa have also applied for association. Negotiations began with Tunisia and Morocco and were completed at the end of 1968; formal negotiations with Algeria had not begun.

What is the Community's attitude towards Eastern European countries?

The development of relations with Eastern Europe has been handicapped by the fact that the Soviet Union and the Eastern bloc have neither recognized the Community nor sent diplomatic representatives to Brussels. But all the Community countries desire closer economic and political relations with Eastern Europe. The Community has held unofficial trade talks with Poland, and negotiations began in 1968 for a trade agreement with Yugoslavia.

What is the attitude of the Eastern European countries towards the Community?

In the first years of the Community's existence, the Soviet Union and the East European countries constantly attacked it as a "capitalist plot". Since 1960, when the Community was plainly proving successful and attractive to other western European countries, the reaction from the East has become consistently milder. Yugoslavia in 1967 became the first East European country to request diplomatic relations with the Community as well as a trade agreement.

Does the Community act as a unit in its relations with the rest of the world?

The Community acts as a unit in international trade negotiations because, with a single tariff, the six countries form one trading bloc. The Commission negotiates on its behalf under directives from the Council. This is what happened in the Dillon and Kennedy Rounds of trade negotiations under GATT (the General Agreement on Tariffs and Trade).

It also acts as a unit in negotiating with countries which seek membership, association or a bilateral trade agreement. On the other hand, policy on aid and technical assistance remains the concern of the national governments.

What happens to U.S.A. exports to the Community?

From July 1, 1968, eighteen months ahead of the schedule laid down in the Rome Treaty, industrial goods from outside the Community will be subject to the same tariff wherever they enter the Community. The Community's common tariff, as originally established, was slightly lower in overall effect than that of the United States. It has been reduced several times, as the result of Article 24 negotiations in GATT (to compensate for establishment of a customs union), the Dillon Round of 1961-62, and the Kennedy Round of 1963-67. For agricultural products, the Community applies a variable levy (a tariff which changes with world prices) on many major products, whereas other products are subject to regular tariffs.

The Community imports much more from the United States than it exports. In 1967, the Community imported \$5.9 billion from the United States. In the same year, the Community exported \$4.4 billion of goods to the United States, for a trade deficit of \$1.5 billion.

Does the Community conclude trade agreements with non-member countries?

The Community has so far concluded only very limited "non-preferential" trade agreements with Israel and Iran which provide for reductions in the Community's common external tariff on a number of products of importance to the country concerned. The cuts apply to all countries exporting the products but the products are chosen so that the main benefit goes to the country with which the agreement is concluded. The Community also has an agreement with Lebanon for co-ordination of member countries' activities in the field of technical assistance. As a result of this agreement Lebanon gets the same tariff treatment as the Community gives its trading partners in GATT.

Does the Community have a common policy in all aspects of its trade relations with the rest of the world?

The six member countries are still free to trade with any country they like. The rules governing their trade with the state-trading countries of Eastern Europe and with low-salaried countries like Japan and Hong Kong are settled in bilateral treaties. But by the end of the transitional period in 1970, all trade agreements with non-member countries must be negotiated by the Commission under the Council's authority and concluded by the Council on behalf of the Community. Until then, member countries can still make trade agreements with other countries, subject only to the proviso that they coordinate their trade policies to pave the way for the eventual common policy.

Are there special arrangements for countries which were former colonies of member countries?

Yes, the Community has an association agreement with eighteen African countries formerly dependent on France, Belgium, and Italy.

In 1958, when most of these countries were still colonies, a five-year arrangement was included in the EEC Treaty to promote their economic and social development and to establish closer economic relations between them and the Community as a whole. By 1964, when this arrangement expired, the associated countries had become independent, and it was replaced by the Yaoundé Convention negotiated on the basis of equality. The Yaoundé Agreement comes up for renewal in 1969. Territories and departments still dependent on Community countries (mainly France) also benefit from Community aid and preferences.

How do the Community's associated countries benefit from the Yaoundé Convention?

All the products of these associated countries will enter the Community tariff-free from July 1, 1968. The European Development Fund finances economic development projects (roads, water supplies, harbors) and social projects like schools, hospitals and medical services. A sum of \$70 million out of the total \$800 million aid was set aside for helping those countries whose economies are vulnerable to sudden changes in commodity price levels.

Does the Community itself benefit from its association with these developing countries?

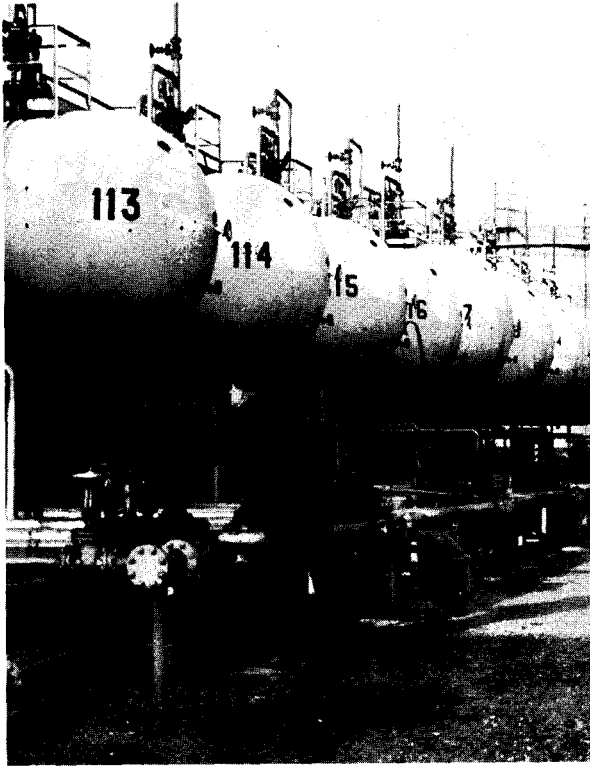
Community exports get preference in these countries' markets over goods from the rest of the world. But the associated countries can and do impose tariff restrictions to protect their own developing industries. Firms from the Community can establish and operate freely in all the associated countries. Industries from the six countries carry out the development projects financed by the Fund.

Have any African countries which are not former colonies of member countries sought links with the Community?

Yes. In 1966, after lengthy negotiations, Nigeria signed an association agreement which is in the process of being ratified. Three East African countries, Kenya, Uganda, and Tanzania have started joint negotiations for association which are still unfinished.

The Community has been criticized as being a rich men's club. What does it do for developing countries?

The member countries are all large donors of aid, individually as well as through the United Nations. The Community as a whole provides aid for the development of its associated countries and territories, principally in Africa, through the European Development Fund set up for this purpose. Each member country contributes to the Fund. In two five-year periods, the sums of \$581 million and \$800 million have been made available to help finance economic development.

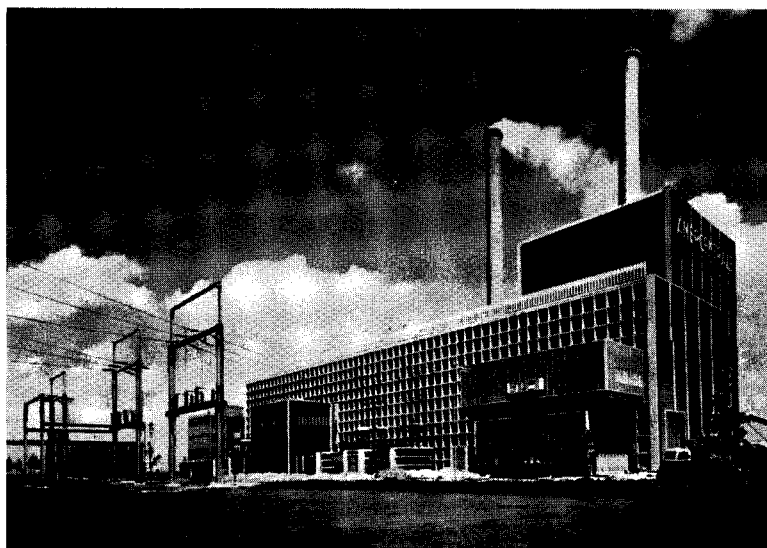


Industrial establishments. In Italy.

Trade figures show that as a result of its own economic expansion, the Community's imports from the developing countries have increased more rapidly than those of any country except Japan. In 1967, the Community imported \$11.4 billion of goods from all developing countries, which represented an increase of 68% since 1958. It exported \$8.7 billion of goods to them, for a trade deficit vis-à-vis these countries of \$3.2 billion.

Would British entry into the Community affect Britain's relations with the United States?

Britain's so-called "special relationship" with the United States is not an obstacle to her joining the Community. Entry into the Community would not change Britain's relations with the United States significantly, though in the long run it would lead to a stronger Community. The United States would then be able to deal with the Community as a whole rather than with Britain and the EEC separately. In fact, the United States has always supported British entry into the Community.



... in the Netherlands.



Has the United States consistently supported the movement toward European integration?

Yes. The Marshall Plan (1947) was specifically intended to encourage the Europeans to coordinate their economic policies.

A condition of aid was that a single organization—and not the national governments separately should administer the loan. The United States has welcomed the successive steps taken by the Europeans toward the creation of a United Europe with which it could have an effective dialogue. It has supported the enlargement of the Community by the accession of other European countries and has favored economic and political integration within the Community.

What was the “partnership” idea?

In his 1963 Independence Day speech, President John F. Kennedy proposed an Atlantic partnership based on interdependence between the United States and a United Europe including Great Britain.

However, the idea of partnership is unlikely to gain ground until the Community is enlarged and there is sufficient political agreement to provide the basis for a common foreign policy.

Will a strong and united Europe adopt a policy of “Atlantic Partnership” or will it develop into a third power bloc, independent of both the United States and the Soviet Union?

Of the present member countries of the Community, only France under General de Gaulle envisages a United Europe completely independent of the United States both politically and militarily. The others conceive of a partnership as a mutually advantageous relationship. But the members of an enlarged Community would probably strive to be independent politically and would follow the world interests of Europe which do not always coincide with those of the United States.

EFFECTS OF INTEGRATION

What has the Community meant to the consumer?

As a result of the general opening up of markets to keener competition, prices have risen less than they otherwise would have done. In certain sectors, like refrigerators, prices have fallen since producers were able to operate on a larger scale.

As a result of the common farm policy, housewives in Brussels, Belgium, now get fresh Italian fruit and vegetables at the beginning of the season instead of the local hothouse products. There has been a big increase in the choice of household goods and electrical equipment, appliances, leather goods, clothing and shoes. Tastes have broadened, and people are more prepared to buy a “foreign” product and judge its merits in comparison with one made in their own country.

How have workers' living conditions been affected by the Community?

The rapid and steady expansion of the Community economy has meant a steady rise in living standards throughout the area. Labor unions have pressed to bring the lower wage scales in some countries up to the level of those in the more advanced member countries. Under the Treaties' requirements, equal pay for men and women doing the same job has become the goal in all Community countries. Considerable numbers of workers have also benefited from Community housing programs, retraining or resettlement.

What has the effect of the Community been on the individual businessman?

The removal of restrictions has made it easier for businessmen in many sectors to establish a factory in another Community country. The opening up of a vast market has seen the development of distribution networks, with firms in different countries selling each others products, and also the pooling of research and development programs. Businessmen have to travel far more to find new markets and have to adapt their sales techniques and styles in order to sell in the other member countries. Increasing personal contacts with businessmen of other nationalities lead to new ideas, new techniques and a greater measure of international understanding.

Businessmen are hindered in exploiting the possibilities of the Community by differences in company law between countries, and work is being done on harmonization. It is also difficult for firms in different countries to merge, or for a firm to shift its headquarters. Work began in 1964 on drafting a statute for a "European company" which would have legal existence throughout the Community.

Have individual citizens suffered from the creation of the Community?

There are few cases where an individual has actually been affected negatively, either by the Community or its institutions. On the contrary people have begun to defend the new rights created for them by the Treaties. In 1965, for example, a Belgian airline pilot went to the Court of Justice to uphold his right under the rules of labor mobility to keep his job with Air France, the French national airline, which he claimed was dismissing him to make way for a Frenchman.

Does the Community have an anti-poverty program?

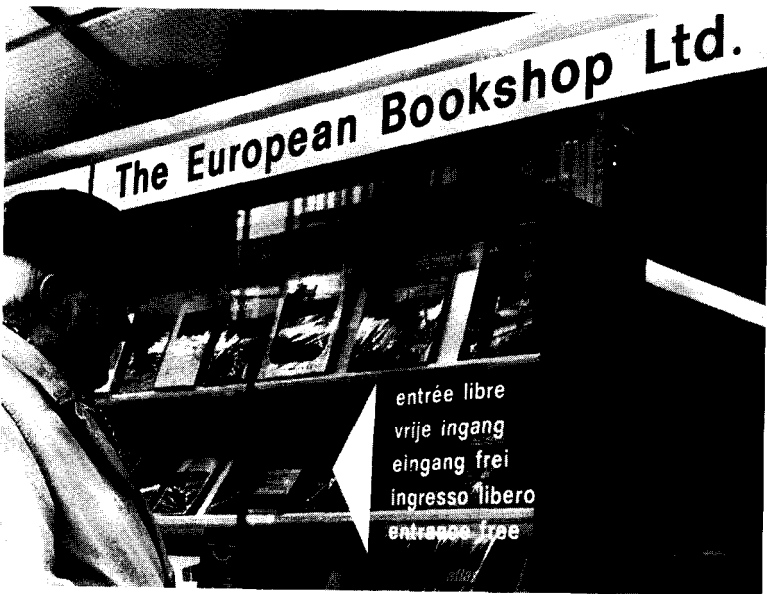
No, the Community does not have an anti-poverty program as such. Social welfare programs are still run by national governments. But the Community makes grants towards the resettlement and retraining of workers through the European Social Fund. When the sulphur mines around Sulcis in Italy were closed down, a Community program prevented this from becoming a depressed area. The European Investment Bank provides assistance in the construction of new industries and thereby promotes employment.

Does the Community have repercussions in national life?

Community matters are being increasingly debated in national parliaments. It is the Dutch Parliament that has taken the most regular and lively interest in Community matters, and other parliaments and parliament members follow major Community events closely. Elections are not yet won or lost on Community issues but observers attributed General de Gaulle's failure to obtain an overall majority in the first round of the 1965 French presidential elections to widespread dissatisfaction with his European policy. Major developments in the Community hit the headlines in the national press of most European countries.

After ten years of operation, is the Community a success?

Some of the objectives of the Community will be achieved well ahead of schedule, notably the completion of the customs union and the common farm policy. Other sectors, like transport policy, are behind schedule. But the great success of the Community is not *what* it has achieved in ten years but *how* it has done so. The Community has developed a method of international cooperation and integration at a new level, capable of being extended or serving as a model. A measure of Community success lies in the involvement of organized opinion of all kinds—farmers, labor unions, employers, chambers of commerce, political parties—in the Community system.



European bookshop in the Headquarters' Building carries books in 5 languages.

Is the Community becoming a federal state, like the United States of America?

The Treaty of Rome establishing the EEC has been seen as the beginning of a federal constitution. In the economic sector, where the member countries have given the power of decision in certain fields to central institutions, the parallel is partly valid. But a federal government like that of the U.S.A. directs the foreign and defense policies of the union and is subject to the control of directly elected federal institutions. Such institutions do not yet exist in the Community.

Could it be said that the Community already has political institutions?

Yes. Former European Commission President, Dr. Walter Hallstein, described the Community as one part of a future political union. Decisions in the economic field involve political decisions on the part of the member governments. For instance, the setting of common grain prices, which affect the cost of living, is a political decision.

It can be argued that the Community is a political unit in so far as its institutions are not only making political decisions but also could form the basis of a complete system of government. The constitutional mechanism is still incomplete but it is federal in form. The joint Community interest, alongside the interests of each member country, is effectively represented by the Commission. The member countries are represented in the Council of Ministers. The Court of Justice ensures the rule of law. Democratic control is limited but projects exist for the direct election of the European Parliament and the extension of its powers.

Have there been any efforts made to establish a political Community?

Yes. First in 1953, encouraged by the success of ECSC, the six governments negotiated the European Defense Community treaty, which would have placed their armed forces under joint control. At the same time, a plan for a European Political Community was drawn up. But in 1954, the EDC treaty was rejected by the French National Assembly, and the idea of political union was shelved.

In July 1961 at a "summit" meeting in Bonn, the heads of government of Community countries stated their determination to achieve a political union and established the Fouchet Committee, known after its French chairman, to work out proposals for a political Community.

Why did these efforts fail?

The plan for the EDC was killed by the combined adverse votes of Gaullist and Communist members in the French Parliament. Both groups were afraid of German domination of the EDC, and the attempt to persuade Britain to maintain troops on the Continent had failed. There was also reluctance to hand the French army over to joint control just after the humiliating defeat in Indo-China and with a war looming in Algeria.

The failure of the two Fouchet draft projects in early 1962 was due to a fundamental divergence between Gaullist and federalist concepts of the form political union was to take. The French government of General de Gaulle viewed political union as an association of nations in which decisions would be subject to the veto of individual governments. The other Community countries did not press for immediate moves to a closely integrated political union, but wanted guarantees that the union would develop in a federal direction after three years. General de Gaulle was unwilling to accept this.

In view of the past history of conflict between the countries of Western Europe, is there going to be a United States of Europe?

The success of the Community so far has shown that European countries are capable of working effectively together. There is a growing awareness of the need for Europe to have a single voice in the world and to be strong enough to defend its own interests. Development towards a United States of Europe is not automatic but there is a strong underlying commitment of European public opinion to the idea of unity.

To the younger generation in Europe, the hostility and hatred which have marked three European wars in 1870, 1914 and 1939 are a thing of the past, and the idea of a United Europe seems both normal and attractive.

What is being done to encourage the idea of a United Europe among young people?

In the schools of most European countries there is no generalized tendency as yet to give courses on uniting Europe. The European Community has set up a number of schools for the children of its personnel in Brussels and Luxembourg and in the towns where there are branches of the Euratom research centers. These are pioneering a new approach. Classes run parallel in the four Community languages, and children learn the history of their own country in another language. Many universities throughout the Community offer courses and degrees on various aspects of European integration. And youth organizations throughout Europe often hold conferences on European unity.

What is the likely future development of the European Community?

It is possible that the present constitutional pattern could be extended some time in the future to other spheres of government, in particular defense and foreign policy. However, any breakthrough of this kind will have to await a change of attitude on the part of France, and may well not occur until the Community has been enlarged to include Britain and other Western European countries. Pressure has been mounting, especially in Holland, to institute more effective democratic control over the Community institutions but moves in this direction have been consistently blocked by General de Gaulle.

What is the relationship between the Community and other international organizations?

The Community is represented in many international organizations by its member countries with the Commission acting as an observer. This is the case, for example, in the Organization for Economic Cooperation and Development (OECD) in Paris. At the United Nations the six member countries have separate representation, but the Commission is an observer in most UN committees and in many conferences such as the United Nations Conference on Trade and Development (UNCTAD). Since the Community activities do not extend to the military domain, it has no contacts with NATO, although the six member countries are members of NATO.

In the General Agreement on Tariffs and Trade, the Community is represented in most questions by the Commission, which speaks for all member countries.

The European Parliament and the Consultative Assembly of the Council of Europe, of which 18 Western European countries are members, hold a joint session once a year. The six Community countries and Great Britain are the members of the Western European Union which in its Council of Ministers and Assembly discusses military, political, and economic affairs in Europe. The Commission attends WEU meetings on economic affairs as an observer.

Is there an official Community language?

There are four official languages in the Community: Dutch, French, German, and Italian. Official documents and decisions of the Community are published in these four languages so that all citizens can read them. Some Community documents are also made available in English.

Are language differences a major problem and an obstacle to cooperation?

In practice, no. The most common languages in day-to-day use in Community affairs are French and German; everyone speaks at least one of them. In all major Community meetings and conferences, there is a system of simultaneous translation so that, by putting on a pair of earphones and turning a switch, a participant can hear what is being said in any one of the four languages.

Where can I get information about the European Community?

Information about the Community is available from its information offices in Washington and New York. The addresses are:

European Community Information Service

808 Farragut Building
900 17th Street, N.W.
Washington, D.C. 20006

2207 Commerce Building
155 East 44th Street
New York, N.Y. 10017

In Great Britain the address is:

23 Chesham Street
London, S.W. 1

FACTS ON THE COMMUNITY

Common policies

Agriculture

July 1, 1968, the Community put into effect a common farm policy, centrally financed from a single fund. This policy involves:

- common marketing policies with free trade throughout the Community and common price levels for all major products
- a common policy for external trade, replacing the previous complex and widely varying national structures of tariffs, quotas and minimum prices by a single Community system of variable import levies and minimum import prices and tariffs
- a common policy to raise the efficiency of Community farming

Since 1962, the common agricultural policy has been introduced by stages, and it now covers over 90% of the Community's total farm output, including grains, rice, pork, beef and veal, eggs and poultry, milk and dairy products, fruit and vegetables, wine, sugar, and vegetable fats and oils. Other products still to be brought under the common farm policy are tobacco, hops, flower-bulbs and fish. The common policy has been adapted to the particular requirements of the various product groups: in some cases (such as grains) it involves considerable market intervention; in others (such as wine) it is applied mainly through the enforcement of quality standards.

When the numerous basic regulations on the common agricultural policy have been adopted by the Council of Ministers, on the basis of Commission proposals, detailed implementation of policy is the task of the Commission. Price levels are reviewed annually by the Council, again acting on Commission proposals. For the different product groups, Management Committees advise the Commission on implementing the regulations.

The financing of the common farm policy is being gradually taken over by a central fund (European Agricultural Guidance and Guarantee Fund) during the period 1962-67. From July 1, 1967 onwards all expenditure on the common policy—which covers market support, refunds on exports, and modernization of production and distribution—is being undertaken jointly by the Community. On that date the single-market stage had been reached for grains, pork, and eggs and poultry; olive oil, and most fruit and vegetables had reached this stage by the beginning of 1967.

The Fund's resources will be provided partly by the levies on agricultural imports, which are collected by the national governments, and partly by direct contributions from the national budgets. Since July 1, 1967, 90% of the levies is being handed over to the Fund. They are expected to cover some 45% of the Fund's expendi-

ture till 1970; the remaining 55% is being borne by direct contributions from the national governments. After 1970, the total product of the levies must be paid into the Fund, together with any other resources (such as customs duties) still to be determined.

When the common agricultural policy is fully in operation, its costs are expected to amount to about \$2.5 billion a year, including \$285 million for modernization under the Guidance Section of the Fund.

Transport

The Common Market Commission in 1961 drafted the basic principles of the common transport policy which, under the Treaty, must be adopted by the end of the transition period in 1970. In June 1965 the Council of Ministers agreed on the bases of the common policy for rail, road and inland-water transport, which will take effect in two three-year stages. For most types of transport upper and lower limits on haulage rates will be laid down and made public, while for other types of transport reference rates only will be published.

Rules to suppress discrimination came into force on July 1, 1961. They require transport rates and conditions to be notified to the Commission and are backed by powers for the Commission to inspect books and impose heavy fines against offenders. The Commission has also drawn up a development plan setting out the needs for the main traffic arteries (road, rail and inland waterways) in the Community, seen as a single economic unit.

External trade

The Rome Treaty provides for adoption by the end of the transition period of a common external-trade policy. By then, tariff negotiations, trade agreements and other aspects of foreign trade will be handled for the Community as a whole by the Commission, on instructions from the Council of Ministers.

In fact, the Commission has from the start conducted tariff negotiations—in the Dillon and Kennedy Rounds—on behalf of the Community, and negotiated trade agreements for the Community with Iran, Israel and the Lebanon.

As an initial step, each Community country agreed from July 1, 1961 to offer the other members the opportunity for consultation before concluding any new trade treaties with non-member countries, and not to sign any bilateral trade agreements extending beyond the transition period.

In July 1962, the Community adopted a program for implementing the common policy, which included an examination of existing trade agreements; gradual unification of trade-liberalization measures and quotas in single Community lists; common protection against dumping; and harmonization of export aids. In March 1964

the Commission submitted to the Council a series of concrete proposals, giving priority to reaching agreement on common policies on imports from Japan, trade with state-trading countries, and dumping and export subsidies practised by non-member countries. In May 1965 the Commission submitted to the Council a draft anti-dumping regulation. Pending Council decisions on the various proposals, the common external-trade policy is seriously behindhand.

Economic and financial policy

The Treaty binds the member states to consider their economic policy as a matter of common interest, and to consult regularly on joint action in this field; they are aided in this task by various committees (see page 6).

Current questions, and in particular short-term fluctuations in economic activity, are handled with the aid of the Short-term Economic Policy Committee (*Comité conjoncturel*). In April 1964 the Council of Ministers, acting on Commission proposals, made specific recommendations to the six governments to meet the threat of inflation. A year later it made further recommendations, urging a measure of reflation in some countries, notably through industrial investment. By July 1967 the emphasis had changed further, and the Council, again acting on Commission proposals, published new recommendations giving priority to measures to stimulate economic expansion, especially in Germany, France and Belgium.

For the longer term, the Commission adopted in April 1966 a first five-year program drawn up by the Medium-term Economic Policy Committee. This program does not set out quantitative production targets either for the individual member countries or for the Community as a whole, but lays down commonly agreed goals of economic growth and the general lines of policy needed in order to reach them and to bring about a fairer distribution of increasing prosperity between the regions and between the social classes. The program, which was approved by the Council in February 1967, is subject to annual revision in the light of developments.

In February 1967 the Six agreed to adopt throughout the Community the added-value system of taxation on companies' sales.

Should serious balance-of-payments difficulties threaten a member country, the Commission may recommend appropriate measures to its government and, if necessary, the granting of aid by the other Community members. In a sudden balance-of-payments crisis, a member government can apply immediate provisional safeguards, though these may be subsequently modified by the Council of Ministers.

For the specialized aspects of economic policy, the Community can draw on the advice of the Monetary, Budgetary-Policy and Central-Bank Governors' Committees.

Regional policy

The Rome Treaty stresses the need to bring living standards in less-favoured parts of the Community up towards the levels of the more prosperous areas. Regional problems occur in the Community in two main types of region: predominantly agricultural regions far from the main concentrations of population, and areas largely dependent on industries which have fallen into decline. The individual member governments are tackling these problems, but may find them intensified in the large market of 183 million consumers.

The Common Market Commission in May 1965 published its first memorandum on regional policy, advocating priority for re-training the local work-force, improving local infrastructures (roads, utilities, etc.) and providing financial inducements to industry to set up works in underdeveloped regions. Community instruments for promoting regional development policies—which will continue to be mainly the responsibility of the member governments—are the European Social Fund, the European Investment Bank, and the social and economic redevelopment policies of the ECSC in areas producing coal, iron ore and steel (some of which have been particularly hard hit by industrial decline).

The European Investment Bank

With a capital of \$1,000 million, the Bank aids investment in the Community's underdeveloped regions and helps finance modernization and new economic activities of general Community interest. By mid-1967 it had agreed to make loans totalling \$813 million for projects within the Community, of which \$357 million were for projects in Southern Italy.

Under the Association Agreements between the Community and Greece and Turkey the Bank is also to make investment loans of \$125 million and \$175 million respectively to these countries over five-year periods. By July 1967 the Bank had authorized loans totalling \$69 million to Greece and \$92 million to Turkey.

With the signing in 1963 of the Yaoundé Convention the activities of the European Investment Bank were extended to the 18 associated states in Africa and Madagascar. The Bank is empowered to make investment loans totalling \$64 million over the period 1964-69 in these countries. Loans to a total of \$12 million had been agreed up to the end of 1966. Another \$6 million was earmarked for loans for the development of the overseas departments and territories of the Six.

Social policy

The "upward harmonization" of living and working conditions is a fundamental principle of the Rome Treaty. The Treaty's two

main instruments are the free movement of workers and the European Social Fund (see below). The former has been largely achieved. Workers who move from one Community country to another to take up a job they have been offered are entitled to full transferability of social security benefits, the right to settle permanently with their families, and the right to take part in trade-union activity. Complete equality of status for all Community workers in the filling of vacancies was achieved by July 1, 1968.

In addition, the Community had adopted the general principles of a common policy for vocational training, particularly for young people.

The Commission has the task of promoting cooperation between the member states on subjects relating to employment, labour legislation and working conditions, social security, industrial health and safety, and trade-union rights.

The European Social Fund

Administered by the Commission, the European Social Fund aids employment and the mobility of workers within the Community. Like the ECSC readaptation fund, it helps finance vocational retraining, resettlement and other aids, in order to ensure the re-employment of workers who have to change their jobs. The Social Fund reimburses 50% of the expenditure undertaken by the member governments for these purposes. By the end of 1966 the Fund had paid out \$40.4 million to help retrain and resettle 508,000 workers, of whom 310,000 were Italian, 103,000 German, 80,000 French and the remainder from the Benelux countries.

Early in 1965 the Commission proposed that the powers of the European Social Fund be extended to permit: retraining of workers actually still in work (and not just the unemployed); guaranteed income levels for laid-off workers until they find new employment; advance, rather than retrospective, payments towards the cost of retraining programs; and contributions to the financing of housing and social services for migrant workers.

Financing the Community

The general budget of the Common Market is at present financed by the member governments in the following proportions: France, Germany and Italy 28% each, Belgium and the Netherlands 7.9% each, Luxembourg 0.2%. (For the governments' contributions to farm-policy financing and the Social Fund, the proportions are somewhat different.) Following instructions given by the Council in December 1964 on the basis of Article 201 of the Rome Treaty, the Commission in March 1965 submitted proposals for these contributions to be replaced by independent resources—in particular the proceeds of the agricultural import levies and of industrial cus-

toms duties. (These proposals were presented by the Commission together with proposals for financing the common farm policy and for strengthening the budgetary powers of the European Parliament.) After a discussion in the Council on these proposals in June 1965, the French Government began a boycott of the Community Institutions which continued until January 1966.

The Council has still to decide on the disposal, after January 1, 1970, of the duties levied under the common external tariff—in particular, whether they will continue to be obtained by the country of destination (difficult in a customs union), retained by the country in which the port of entry is situated (in which case some form of redistribution would be necessary), or paid with the farm-policy levies into an autonomous Community budget which would be used to finance the whole of the Community's activities, including the common agricultural policy.

THE COMMUNITY AND ATOMIC ENERGY

Euratom, the European Atomic Energy Community, was set up in 1958 to help develop a civil nuclear industry in Europe and thereby help raise living standards, which are closely linked to the level of energy consumption.

Prior to the merger of the three Executives in July 1967 Euratom was supervised by its own five-member Commission. The single European Commission now performs this role.

Electricity consumption in Western Europe, as in all industrialized countries, is rising rapidly. In the Community it is doubling every decade, and by 1980 at least four times as much electricity will be needed as in 1960. The role of atomic energy in producing electricity will also rise rapidly. In 1965 only 1% of all electricity generated was of nuclear origin; the proportion will be 3% in 1968 and in the range of 20-25% by 1980. Nuclear power stations coming into operation in 1968-70 will be competitive with conventional stations in many areas of the Community.

Euratom's role is to ensure that the Community undertakes the research necessary for the development of nuclear energy not only for power production, but also, through the use of radio-isotopes and radio-active sources, for agricultural, industrial and medical purposes.

Research and information

Euratom supplements and coordinates research undertaken in the Community, pools and disseminates scientific information, and promotes the training of scientists and technicians. For its first five-year research program (1958-62) the Commission had at its disposal

\$215 million; for the second five-year program (1963-67) this sum was doubled, to \$432 million. Euratom research takes place:

- in its own research centres:

Ispra

north of Milan, Italy, where work is at present concentrated on the fields of experiment opened up by the *ORGEL* heavy-water reactor;

Geel

Belgium—the Central Nuclear Measurements Bureau;

Karlsruhe

Germany—the European Transuranium Institute;

Petten

Holland, a general-purpose establishment.

- through “association contracts” under which Euratom and a partner organization in a member country jointly finance certain large-scale research projects, Euratom assigning scientific staff to joint teams. For instance, all fast-reactor and thermonuclear-fusion research in the Community is tied into the Euratom network of association contracts.
- by contracting specific assignments to national centers or firms. Altogether over 700 such contracts have been executed or are under way.
- by joining international projects such as the European Nuclear Energy Agency (ENEA) *Dragon* project at Winfrith, England.

Euratom has organized a large Information and Documentation Centre and has worked out a Community policy on the ownership of patents resulting from Euratom research.

Atoms in industry

Euratom also encourages the development of the Community’s nuclear industry. It has brought into being (since January 1, 1959) a common market for all nuclear materials and equipment, and a low or suspended common external tariff on imports of nuclear materials from non-member countries.

Euratom has:

- put into force a plan for the free movement of qualified atomic workers.
- drawn up with other European countries an insurance convention providing joint Community coverage—supplementary to that of OECD—for large-scale atomic risks.

- earmarked \$32 million to help build power plants of special importance to the Community. The installations aided in return pass on to the Euratom Commission their constructional and operational experience, which will then be made available to all requiring it.
- granted "joint enterprise" status to three power-reactor projects; joint enterprises, which must be projects of outstanding importance to the Community, enjoy special fiscal and other privileges.
- set up a radio-isotope information bureau to provide information on the rapidly increasing uses of isotopes in industry.

Health

To safeguard both nuclear workers and the general population, Euratom has laid down Basic Standards for health protection which have been incorporated into the laws of the Community countries. These Basic Standards, which are among the most up-to-date and comprehensive in the world, are subject to continuous revision in the light of scientific advance. In addition, the Commission maintains a constant check on the level of radio-activity in the atmosphere, water and soil, on the basis of data regularly supplied by the six countries' control posts.

Security

Euratom is pledged to ensure that ores, raw materials and fissile matter are not diverted from their declared use. Enterprises submit to the Commission details of the equipment of their installations and regular returns on their stocks, transfers and transactions of materials. The Commission operates an international on-the-spot inspection system to check on the returns. Any enterprise breaking these regulations may be subjected to sanctions, but no significant contraventions have been detected up to now.

Finance

The financing of the research, investment, and supply budgets, as well as the operational expenses of Euratom, are currently met by the Community's member states, contributing in the same proportions as to the Common Market.

ON FROM THE MERGER

The merger of the three Communities' individual executives—the ECSC High Authority, the EEC and Euratom Commissions—and of the three Councils of Ministers is the first step towards the drawing up and signature by the Six of a single Community Treaty replacing the Paris and the two Rome Treaties.

The merger itself will offer marked benefits through the rationalization of administration and in facilitating the coordination of policies for some sectors hitherto divided between two or more of the former Executives.

Energy policy

Until the merger the ECSC High Authority was responsible for the coal sector, the Euratom Commission for nuclear energy, and the EEC Commission for oil and natural gas.

An inter-Executive working group was set up in 1958 to consider this problem, and in April 1964 the Six signed a Protocol of Agreement on Energy. This laid down the objectives of a common energy policy reconciling cheapness with security of supply.

The crucial question facing the Community is to decide how much energy should be supplied from domestic sources (mainly high-cost coal) and how much from imported fuels (mainly oil). With energy costs a vital basic factor in industry, a common energy market of the Six is essential to complete the Common Market.

In 1966, half of the Community's energy supplies was domestically produced, including a little more than one third provided by Community coal and lignite. The actual sources of all energy in 1966 and an ECSC forecast of the range of possibilities in 1980 are as follows (as percentages of all energy consumed):

	1966	1980
Coal (including imports)	34	9-18
Lignite	6	3
Oil	48	52-61
Natural gas	4	11-15
Nuclear and hydro-electricity	8	12-15

Industrial policy

Increasingly, the Six have in recent years become aware of the need to modernize and streamline their industrial structures so as to adapt them to the needs of a single market of 183 million consumers, and to the dynamism and efficiency of American compe-

tion. Essential to this aim is the formation of a Community-wide capital market capable of making adequate investment funds available where and when they are needed; the Segré report, drawn up for the EEC on this problem, is now being studied by the European Commission. Parallel with action on capital supplies, a "Community-law" company status is needed to permit companies to overcome the legal and other barriers which now hinder the growth of genuine Community companies able to compete effectively with giant US companies; the Commission has already submitted proposals to the Council on this problem. In addition, it has submitted to the Council a draft European Patent Convention and it is currently studying the overall extent and desirability of foreign investment in Community industry. Finally, the Commission is now examining the measures needed to harmonize technical specifications throughout the Six and to eliminate administrative and other barriers to completely free trade within the Community's borders.

In submitting the first five-year economic policy program to the Council, the Commission also stressed the need for more vigorous action by the Six in aiding industrial change and in retraining manpower for the demands of an increasingly technical society.

The challenge of technology

Closely linked with these problems are those of research and development, and in particular of the inadequacy of the efforts of the Six in scientific and technological innovation. Along with inflationary strains and regional imbalances, the EEC Commission considered this one of the three main weaknesses of the Community economy, as Robert Marjolin, Vice-President of the former EEC Commission told the European Parliament in October 1966. He urged the member governments to expand higher education, increase grants for research in universities, extend government financing of research and development projects, remove obstacles to mergers, and introduce policies encouraging research and development by industry. At Community level, he suggested, progress could be encouraged by the joint financing of selected projects, the pooling of government orders, the wider dissemination of scientific knowledge, and the free movement of research workers between the universities of the Six, in addition to the measures cited above to streamline the Community's industries.

POLITICAL UNION

The statesmen who proposed and negotiated the three European Communities saw them as parallel roads towards the single objective of European unification laid down when the French Government proposed the first European Community for coal and steel in 1950. Although the Communities' field of action is economic, their founders' aims were essentially political, and are achieved in fields such as agricultural, economic and social policy, through political measures.

Europe will not be built all at once, or through a single comprehensive plan. It will be built through concrete achievements, which will first create a *de facto* solidarity . . . These proposals will build the first solid foundations of the European Federation which is indispensable to the preservation of peace.

ROBERT SCHUMAN, *then French Foreign Minister, making the statement of May 9, 1950, which led to the setting up of the ECSC.*

Resolved to substitute for historic rivalries a fusion of their essential interests; to establish, by creating an economic community, the foundations of a broader and deeper community among peoples long divided by bloody conflicts; and to lay the bases of Institutions capable of guiding their future common destiny . . .

The ECSC Treaty, Paris, April 18, 1951.

Determined to establish the foundations of an ever closer union among the European peoples . . . Resolved to strengthen the safeguards of peace and freedom by combining their resources in a single unit, and calling upon the other peoples of Europe who share their ideal to join in their effort, have decided to create a European Economic Community.

The Common Market Treaty, Rome, March 25, 1957.

The Bonn Declaration

Yet the history to date of efforts to extend European unification to the fields of foreign policy and defense has been a checkered one, with the high point of agreement reached as far back as 1961 in the Bonn Declaration.

Negotiations opened between the Six following French soundings in the other five capitals in September 1960. Ten months later, on July 18, 1961 in Bonn, the German capital, the six Community countries published a Declaration in which they restated their determination to achieve the political union implicit in the Community treaties, to continue the work of the Communities, and to increase their cooperation until it became possible to formulate a common policy and to set up political institutions. To this end they decided:

1. To hold regular meetings of Heads of State or Government, to continue with regular meetings of Foreign Ministers, and to hold periodic meetings of the Ministers responsible for education, cultural matters and research;

2. To ask a Committee (initially known as the Fouchet Committee and later as the Cattani Committee, after its successive chairmen) to work out proposals for giving a statutory character to political union.

The Parliament's standpoint

The Six also decided at Bonn to study a European Parliament resolution of June 29, 1961, which urged political cooperation on condition that:

- the Community Executives participated in discussing any question concerning their own tasks;
- the existing Communities should be strengthened and their powers not encroached on;
- such cooperation furthered the direct election of the European Parliament and the merging of the Community Executives.

At the same time the Six decided to associate public opinion more closely with the work being done by inviting the European Parliament to extend the range of its debates.

Finally, in a Declaration on Cultural Cooperation, the Six envisaged setting up a council on cultural relations, and the negotiation of conventions on exchanges between Community universities, on the establishment of a European University in Florence, Italy, and on the setting up of European institutes for university teaching or scientific research either by creating new bodies or by designating existing institutes or universities. Negotiations to implement the Bonn Declaration took place in the autumn of 1961 and early 1962 in the Fouchet and Cattani Committees, largely on the basis of two French draft projects known as "Fouchet I" and "Fouchet II." The negotiations failed, however, although by February 1962 a wide measure of agreement seemed to have been reached.

Fundamental divergence

The failure was due to a fundamental divergence of opinion over the form political union was to take. While the French Government viewed political union as an association of sovereign nations in which decisions would be subject to the veto of individual governments, the other Community governments, generally speaking, wished to ensure its future development towards a more closely integrated or "Community" type of union, with a strong executive similar to those of the existing Communities and a degree of democratic control through the European Parliament. Other points at issue were the relationship between the Institutions of political union and the exist-

ing Community Institutions, the rules for admitting new members (Britain's Conservative Government at the time, and after October 1964 the Labour Government, both repeatedly proclaimed their interest in any move by the Six towards political union), and the relationship between arrangements on defence and security between the Six, on the one hand, and existing NATO commitments on the other.

By the spring of 1962, only two major problems remained:

1. the question of inserting into the treaty of political union a provision for its eventual revision;
2. the question of eventual British participation.

No agreement was reached on these issues when the six Foreign Ministers met in Paris on April 16, 1962. Subsequently, Belgian, German and Italian statesmen made various attempts, through bilateral and other contacts, to relaunch the talks on political union. They met with no success, although all six governments frequently stressed their desire to move as rapidly as possible towards a closer union of the European peoples. However, meeting in Rome on May 29-30, 1967, to mark the tenth anniversary of the signing of EEC and Euratom Treaties, the President of France and the other five countries' Heads of Government agreed "to consider the possibilities for gradually tightening their political links through the methods and procedures suggested by experience and circumstances."

THE COMMUNITY AND THE WORLD

The European Community has, since its beginnings in the early 1950s, made a sharp impact on European and world affairs. Its significance for Europe can be judged from the number of other countries which have requested membership or association; its influence in the rest of the world is evident from the growing list of African and other countries which have achieved or are seeking association. In addition, its economic strength and its position as a world trading power have been major factors in stimulating a worldwide move towards liberal, expansionary trading policies.

To facilitate their relations with the Community, 73 countries* had accredited ambassadors to one or more of the three Communities by mid-1967.

So far, the Communities' links with other countries have taken several forms:

- full membership, open to European states
- association of European countries, usually regarded as a step to eventual full membership
- association of developing countries overseas (18 of these are covered by the Yaoundé Convention)
- trade agreements.

Membership requires a unanimous decision by the Council to negotiate, followed by unanimous approval and ratification of conditions of entry by the member countries. Association requires a unanimous decision by the Council. Trade agreements can be approved by weighted majority vote in the Council.

Membership

No European country apart from the six founder countries has yet achieved Community membership. In July-August 1961 the United Kingdom, Denmark and the Irish Republic sought membership. Norway followed suit in April 1962. Formal negotiations with the first two countries and preliminary meetings with the other two took place until January 1963.

*Algeria, Argentina, Australia, Austria, Brazil, Burundi, Cameroon, Canada, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Kinshasa), Costa Rica, Dahomey, Denmark, Dominican Republic, Ecuador, El Salvador, Finland, Gabon, Greece, Guatemala, Haiti, Iceland, India, Iran, Ireland, Israel, Ivory Coast, Japan, Kenya, Korea, Lebanon, Liberia, Madagascar, Mali, Mauritania, Mexico, Morocco, New Zealand, Niger, Nigeria, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Portugal, Rwanda, Saudi Arabia, Senegal, Somalia, South Africa, Spain, Sudan, Sweden, Switzerland, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, United Arab Republic, United Kingdom, United States of America, Upper Volta, Uruguay, Venezuela.

On May 11, 1967, the United Kingdom and Denmark submitted formal applications for membership, and the Irish Republic resubmitted its earlier application. On July 24, Norway also submitted an application.

In the 1961-63 negotiations for British membership three main problems emerged: Britain's economic links with other Commonwealth members (especially those which relied heavily on the British market for sale of foodstuffs); a satisfactory solution for Britain's partners in the European Free Trade Association; and satisfactory conditions for British agriculture.

African associated states

The Yaoundé Convention

The Rome Treaty provided for links between the European Community and the colonies and other dependencies in Africa and elsewhere of France, Belgium, the Netherlands and Italy. This Association was embodied in a five-year convention which ran from 1958 to 1962. Within three years of the coming into effect of the Treaty, however, many of the countries in Africa had achieved independence, and the Community offered to renegotiate the Association on a footing of equality. All the countries concerned except Guinea accepted the offer.

The outcome was the Yaoundé Convention which was signed on July 20, 1963 and is effective for the period from June 1, 1964 to May 31, 1969. The 18 signatory states in Africa and Madagascar (in alphabetical order, with population in millions) are:

Burundi (2.2)	Madagascar (6.4)
Cameroon (4.6)	Mali (4.4)
Central African Republic (2.1)	Mauritania (1.0)
Chad (3.3)	Niger (3.1)
Congo-Brazzaville (0.9)	Rwanda (3.1)
Congo-Kinshasa ¹ (13.9)	Senegal (3.4)
Dahomey (2.2)	Somalia (3.0)
Gabon (0.4)	Togo (1.6)
Ivory Coast (3.8)	Upper Volta (4.9)

The Convention provides for:

- the gradual formation of a free-trade area between the Community and each of the Eighteen
- the provision over a five-year period of \$730 million in grants and loans for social and economic development in the Eighteen, particularly for economic diversification and industrialization.

¹ Formerly Congo-Leopoldville.

Free trade

All the products of the associated states enter the Community duty-free since July 1, 1968; the associated states, in return, have been reducing their tariffs on imports from the Community by 15% a year and are abolishing quota restrictions by 1967. However, the associated states are still able to impose or maintain duties on goods from the Six in order to protect their infant industries.

Development aid

The Community in 1958 set up a European Development Fund (EDF) of \$581 million to make non-repayable grants for the period 1958-63 to further social and economic development in the Eighteen. This was in addition to direct bilateral aid from individual Community countries. For the 1964-69 period, under the Yaoundé Convention, the aid provided through the Fund was increased to \$730 million (with another \$70 million for other territories still linked to the European members). Of the amount given to the Eighteen, \$620 million will be in the form of grants and the remaining \$110 million in the form of loans (including \$46 million at special low interest rates). By June 1967, \$424 million had been earmarked for specific projects.

These funds are being used not only to provide basic economic services (roads, water supplies, harbours, etc.) and social needs (schools, hospitals and medical services), but also to promote industrialization in the 18 countries and, in particular, to diversify their agricultural production and improve its levels of efficiency, so that their exports can compete more effectively on world markets.

In addition to their joint contribution to the development of the 18 African associated states through the EDF, the six Community countries contribute individually to the progress of the developing countries in general—indeed, in much greater amounts than through their joint action. According to the OECD—Organization for Economic Cooperation and Development—the total capital outflow from the Community countries to developing countries in 1965 was \$2,738 million, compared with \$923 million from the UK and \$5,514 million from the US. This included non-repayable official grants of \$949 million, against \$260 million from the UK and \$2,300 million from the USA, and government-to-government loans of another \$424 million, compared with \$168 million from the UK and \$1,163 million from the USA.

Institutions of the Association

The institutional framework of the Yaoundé Convention is based on the principle of absolute equality between the 24 signatory states. Both sides have equal rights in supervising its implementation and have equal representation on the various Institutions. These are:

The Association Council

consisting of a minister from each of the associated states and each of the six Community countries, and of the members of the Commission.

The Association Committee

comprising one representative of each of the 24 countries, which conducts the day-to-day business of the Association.

The Parliamentary Conference

which, meeting annually, is made up of 108 members of parliament, half of them from the 18 associated states and half from the European Parliament.

An Arbitration Court

consisting of a president and two European and two African judges, which can be appointed to settle any disputes which may arise.

ECSC and Euratom agreements

In addition to the trade agreements concluded by the EEC, the other two Communities also have important links with non-member states.

The ECSC on December 21, 1954 signed an Association Agreement with the United Kingdom. A Council of Association, which meets regularly at ministerial and committee level, seeks to lower trade barriers, promote joint consultation and coordinate action, particularly on long-term development and in times of boom and slump, on technical, scientific and health matters.

Euratom has agreements with the United States, the United Kingdom and Canada, on the supply of fissile materials and joint research and development programs, and cooperation agreements with Brazil and Argentina. Euratom also participates in two joint reactor projects sponsored by the European Nuclear Energy Agency of the OECD: the Norwegian heavy-water reactor at Halden, and the *Dragon* high-temperature, gas-cooled experimental reactor at Winfrith, England.

Liberal trade policies

From the start, when the ECSC harmonized the six countries' steel tariffs at rates roughly half the previous average level, the European Community has aimed at the most liberal trade and tariff policy compatible with its internal cohesion. Its common external tariff, which has been in force since July 1, 1968, is easily the most liberal—and also the simplest—customs tariff among those of the world's major trading powers. Moreover, the Community has shown itself ready to cut its duty rates, both unilaterally, to help developing countries, and

reciprocally in worldwide negotiations in the General Agreement on Tariffs and Trade (GATT).

The Community's external tariff

The Community's common external tariff, after the Dillon Round but before the Kennedy Round, averaged 11.7% *ad valorem*, compared with 17.8% for the US tariff and 18.4% for the British tariff (see chart). Since its tariff levels are the averages of the earlier national tariffs, the Community tariff tends to be uniform: 13% of all Community duties are between 0% and 5%, and 80% of them are between 4% and 19%; in contrast with the other major industrial and trading areas, the Community has hardly any tariffs over 30%.

Since completing the common external tariff, the Community has made several unilateral cuts, without asking for reciprocal concessions, in duties on products vital to one or other of the developing countries (in particular India and the non-associated African countries). In 1963 it suspended entirely its duties on tea, maté and tropical hardwoods, reduced its duties on coffee and cocoa by 40% and on shellac, various spices and other tropical products by 15-20%. The cuts have benefited exporters of these commodities in all parts of the world.

The Community countries put forward proposals for increasing the earnings of the developing countries at the United Nations Conference on Trade and Development (UNCTAD) in 1964. The Community was represented at the conference not only by the member states' delegations but also by a joint delegation from the Council of Ministers and the Common Market Commission acting as observers.

The Community stressed the need to establish world commodity agreements, stabilize the prices of basic products, diversify the developing countries' economies, encourage regional customs unions and free-trade areas, and introduce greater flexibility in the most-favoured-nation rule in GATT in order to help developing countries increase their exports of manufactures and semi-manufactures.

In December 1966 the Common Market Commission submitted a memorandum on this problem to the Council of Ministers, making detailed suggestions for the granting of tariff and non-tariff preferences to developing countries.

Worldwide tariff cuts in GATT

The existence of the Common Market and the Community's moves towards adopting the common external tariff provided the main stimulus for the most substantial worldwide tariff cuts agreed on in this century. In May 1959 the US Administration proposed negotiations in GATT—the so-called Dillon negotiations, named after the then US Under-Secretary of State; the following November the Community proposed that these be followed by fresh negotiations aiming at further substantial tariff cuts.

Long negotiations, first to compensate for the withdrawal, through application of the Community's common external tariff, of some concessions previously granted by the Six to the other member countries of GATT, and then for the Dillon Round of cuts, were finally concluded on July 16, 1962. They brought tariff concessions on world trade totalling over \$5,000 million.

The Community signed major tariff-cutting agreements with the United States, Britain, Switzerland, Australia and Canada. During the negotiations the Community participated for the first time as a unit in world-wide tariff negotiations.

Most of the tariff cuts granted by the Community were of 20%; others were smaller. The US Administration estimated that in its agreement with the Community it had obtained total new concessions on \$2,500 million worth of American exports annually.

The Kennedy Round

The Dillon Round had brought significant cuts in individual tariff rates (but resulting in an average reduction of tariffs of only 7% to 11%). The Kennedy Round agreement of May 15, 1967, applying across-the-board cuts for the first time, leads to a massive general reduction of between 35% and 40% in import duties on industrial goods. The new agreement cuts duties on good in which world trade is estimated at \$40,000 million a year.

Following up the Community's proposal of November 1959 for a further round of cuts, the US Administration in the summer of 1962 obtained from Congress, in the Trade Expansion Act, the most sweeping powers it had ever had to cut American tariffs. In his message to Congress accompanying the Bill, the late President Kennedy made it clear that the main impetus behind the Bill had been the need to negotiate mutual tariff concessions with the European Community.

The Act authorized the US Administration to reduce existing tariffs by up to 50% over the next five years in reciprocal negotiations and to reduce or eliminate restrictions in imports of tropical products from less-developed countries, provided that the Common Market did the same.

The Kennedy Round negotiations began on May 4, 1964, after a year's preliminary talks. They aimed at a substantial cut in industrial tariffs (the figure of 50% was taken as a working hypothesis); the reduction of non-tariff barriers to trade in general, and measures to facilitate trade in agricultural products. The 49 countries taking part (counting the Six as one unit) account for 80% of world trade.

After three years of difficult negotiation the countries taking part in the Kennedy Round agreed to make at least a 50% cut in tariffs on most dutiable industrial products, and smaller cuts on many more. They also agreed to raise the minimum wheat price by 21½ cents to \$1.73 a bushel, and to grant 4.5 million tons of grain each year to developing countries faced with food shortage.

In the industrial sector, the average tariff reduction agreed was over one third of current rates of duty, to be introduced over a five-year period starting in mid-1968. Among the products subject to the full 50% cut were motor-cars, tires, washing machines, typewriters, tape recorders, and lingerie. The total of \$40,000 million a year of trade covered by the agreement was equivalent to about one quarter of all free-world trade.

The effect of these tariff cuts should be to reduce the average Community rate of duty on manufactured goods to some 8% *ad valorem* with the British and US tariffs falling to an average of about 12%.

A world agreement on anti-dumping measures was also concluded during the negotiations.

Most of the trading countries taking part in the Kennedy Round had submitted in November 1965 "exception lists"—goods on which they were unwilling to see tariffs reduced at all or by the full 50%. In the final agreement the number of exceptions was appreciably smaller than had been thought likely at one stage.

On the agricultural side, the Community put forward early in 1964 a basic plan for a system of discipline in world agricultural trade. Instead of commitments being accepted by the importing countries only, all countries would bind (i.e., commit themselves not to increase) the support they give to their farmers, whether by subsidies or by protection against imports, in order to prevent any increase in the degree of self-sufficiency already achieved; any production above this level would be kept out of commercial channels.

There was less general satisfaction with the results on the agricultural side of the Kennedy Round; the European Commission interpreted the outcome as an initial recognition of the need for further action in this field. The Community's proposal for binding current support levels was not accepted, nor was firm agreement reached on drawing up international agreements to stabilize the prices of grains and other products subject to wide price fluctuations on world markets.

However, the supply of 4.5 million tons of grain (or the monetary equivalent) each year to aid developing countries was considered a step towards meeting the needs of the poorer countries without dislocating world grain markets. This food-aid program, which will cost at least \$285 millions a year, will be financed 42% by the USA, 23% by the Community, 5% by Britain, and as to the rest by other countries.

The governments of the developing countries criticized the failure of the industrialized countries to remove all tariffs on imports of basic commodities, raw materials and other products of particular importance to their export trade.

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EXHIBITS

The European Community

A floor exhibit depicting the various activities of the European Community. Consists of a triptych with headboard and lights. Standing, the display measures 88 inches high, 70 inches wide, and 28 inches deep. Panels, lights and frame fit into a wooden shipping crate.

Bookings: European Community
Information Service
808 Farragut Building
900 - 17th Street, N.W.
Washington, D. C. 20006

The European Community

A travelling exhibition describing briefly in a series of pictures, maps, charts and short commentaries the history, aims and achievements of the European Communities. It stands six feet high and covers an area approximately six feet square, and when dismantled packs into two large boxes.

Bookings: European Community
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THE EUROPEAN COMMUNITIES: BIBLIOGRAPHIES

EUROPEAN BIBLIOGRAPHY

The Information Service of the European Communities maintains cumulative card indexes of books on the general theme of European integration, which may be consulted at the Washington and London offices.

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Occasional bibliographies on specialized subjects connected with the work of the ECSC and the EEC are also published from time to time by the Commission. Details in official catalogue available from the European Community Information Service.

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