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# *europaean community*



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# Community News

## US Cites Obstacles to Early Trade Talks

Despite Community desires to begin the next round of global trade talks as early as possible next year, US officials have indicated that the talks cannot be scheduled until late 1973.

Following talks with Community officials in Brussels, US Under Secretary of State for Economic Affairs Nathaniel Samuels told reporters on April 28 that the US Administration's request for congressional authorization to begin the talks would not go to Capitol Hill until after the 1972 presidential election. Such a timetable would probably mean that, because of strong protectionist sentiment in the United States, congressional consideration of the legislation would not be concluded until late 1973. "Nobody expects them [the talks] to begin in early 1973," Mr. Samuels said.

At a separate news conference the same day, Ralf Dahrendorf, the Commissioner responsible for the Common Market's foreign trade, had expressed the hope that the global trade talks could begin next year without delay.

The two-day talks, headed by Mr. Dahrendorf and Mr. Samuels, were part of a twice-yearly exchange of information and opinion between the Community and the United States initiated after the Kennedy Round of negotiations in the General Agreement on Tariffs and Trade (GATT).

### US Understands EFTA Talks

Mr. Dahrendorf noted that the US team had a better political understanding of the Community's negotiations for an industrial free trade zone with the six members of the

European Free Trade Association (EFTA) which are not joining the Community. In a formal protest against the negotiations in November, the United States had termed the proposed trade pacts "discriminatory" and had announced plans to bring the matter up in the GATT. In his April 28 news conference, Mr. Samuels said that although the United States still objected "in principle" to such special accords, it understood "fully" the European desire to avoid restoring trade barriers between the enlarged Community and the EFTA non-candidates.

### Coordinating Aid Policies

The two delegations agreed to try to coordinate and harmonize EC-US positions on aid policy after the end of the third United Nations Conference on Trade and Development in Santiago, Chile. Mr. Samuels said that the United States "welcomed" the Community's concern for "Third World" development. He said that the two delegations had discussed "the need for a more sophisticated approach" toward development aid.

Both Mr. Dahrendorf and Mr. Samuels said that their discussions had focused on broad strategy rather than specific issues and on common purposes rather than conflicting interests. Among the other topics of discussion were an institutional link between the United States and the Community, the relationship of trade and monetary matters, the possibility of increased European investment in the United States, environmental problems, and energy policy.

*During an abbreviated tour of European capitals, US Secretary of State William P. Rogers (foreground) met on May 5 with Commission President Sicco L. Mansholt. Mr. Rogers emphasized the importance of frequent US-EC contacts during "the difficult transition we are now going through in our relations."*



## US Company Investigated Under Antitrust Rule

A major American chemical firm has been accused of taking unfair advantage of its monopoly of the raw material for a common antituberculosis drug.

The charges against Commercial Solvents Corporation of New York and its Italian affiliate Istituto Chemioterapico Italiano (ICI) were brought before the European Communities Commission by Laboratorio Chimico Farmaceutico Giogia Zoja of Milan, another Italian firm. The Zoja company alleged that ICI and Commercial Solvents had refused to supply the raw material necessary to produce the tuberculosis drug. Zoja also alleged that Commercial Solvents was trying to establish a world monopoly for the product in cooperation with American Cyanamid's Italian subsidiary, Cyanamid Italia.

The Commission found in its investigation that Commercial Solvents had suspended sales of the raw material to Zoja after the breakdown of merger negotiations between the two. Then, in 1970, ICI began to process and market the drug. The Commission is now studying ICI's explanation of these events. It is expected to decide this summer whether or not to prosecute under Article 86 of the Common Market Treaty which prohibits unfair trade practices by companies with a dominant market position.

## European Steel Producers Limit Exports

The steel industries of the European Community and Great Britain have agreed to limit their exports to the United States for a three-year period.

The new agreement, replacing a similar agreement that expired at the end of 1971, sets an export ceiling of 7.27 million tons for the six member countries and Great Britain. This ceiling would be increased by 2.5 per cent in 1973 and again in 1974. The United States concluded a similar accord with Japanese steelmakers.

The agreement was made on the condition that it would not run counter to EC policy and that the United States would impose no import restrictions, surcharges, or customs increases during the period.

The negotiations were conducted by Jacques Ferry, president of the "European Steel Club" (representing European steelmakers), and US Deputy Under Secretary of State for Economic Affairs Nathaniel Samuels.



## US Marshall Plan Launched 25 Years Ago

On June 5, 1947, US Secretary of State George C. Marshall, addressing University of Harvard alumni, announced the US desire "to help start the European world on its way to [postwar] recovery."

With those words, General Marshall launched an aid program which eventually made \$13 billion available to 16 war-torn European countries. Without Marshall Plan assistance, the political and economic future of Europe would have been bleak.

Fostered in the early stages by Marshall aid, a rapid rise in the standard of living and diminished barriers to commerce inside the Six have made Europe an attractive ex-

port market for American consumer and capital goods. In addition to economic gains, the United States has seen one of its principle postwar goals, European political stability, achieved.

Between 1948-52, the six Common Market countries received more than \$7 billion in Marshall aid, \$6.4 billion in grants and \$756 million in loans. Most loans were repayable over a 35-year period, with interest at 2.5 per cent, the principal to be paid in dollars.

Today, 96 per cent of the loans to Common Market countries have been repaid. Payments, including interest, are still being made, on the remainder.

### MARSHALL PLAN AID TO EC COUNTRIES

(in millions of dollars)

	Marshall Plan Assistance			Status of Marshall Plan Loans September 1971		
	Total	Grants	Loans	Repaid	Outstanding	Interest Paid
European Community	7,154.4	6,398.8	755.6	722.7	32.9	224.5
Belgium	559.3*	491.3*	65.0	33.7	31.3	27.1
Luxembourg			3.0	1.4	1.6	1.2
France	2,713.6	2,488.0	225.6	225.6	0	51.2
Germany	1,390.6	1,173.7	216.9	216.9	0	77.6
Italy	1,508.8	1,413.2	95.6	95.6	0	21.1
Netherlands	982.1	832.6	149.5	149.5	0	46.3

\*Grants to Belgium and Luxembourg are combined. Source: Agency for International Development.

## EC Rules on Belgian, Italian State Aids

The Commission has ruled that some Belgian regional aids violate Common Market law and has asked Italy to submit for Community investigation periodic reports on certain state aids for industry.

Article 92 of the Treaty prohibits state aids which distort competition by favoring certain enterprises, but makes exceptions in cases where aids promote economic development in member states' poor regions.

In its April 26 decision on Belgian aids, the Commission said that the Belgian Government has been aiding areas which do not meet the Commission's criteria for underdeveloped regions. Belgian law defines areas which qualify for assistance so broadly that most of the country is eligible for state aid, the Commission said.

The Commission's decision culminated months of discussion between Belgium and the Commission on the Belgian "economic expansion law" in force since January 1971. The Commission gave the Belgian Government two years to modify its regional policy

to conform to Community law.

The distribution of regional aid is a particularly volatile issue in Belgium because of the age-old rivalry between Flanders and Wallonia. The Belgian Government apparently finds it difficult to placate political tempers if aid is distributed on the basis of need alone.

### Italian Aid to Restructure Industry

The Italian law investigated by the Commission helps restructure Italian industry through state intervention. The Commission ruled on April 21 that the Italian Government should submit periodic reports on temporary state participation in private companies' capital holdings and authorized the use of preferential credits until April 1973.

In making its decision, the Commission took into account the "grave disturbances in the Italian economy" which the law was expected to help remedy.

## EIB Finances Road: Sets New Interest Rates

A \$32 million (new dollars) loan from the European Investment Bank (EIB) will help finance the final 18-mile link in the Genoa-Savona highway in Northern Italy.

On completion in 1974, the link will have cost \$86 million. The project will complete a major international link from Genoa's Ligurian Riviera to France.

The Institute for Industrial Reconstruction, a semi-public Italian corporation, guaranteed the loan signed on April 28.

In other business that day, the EIB Board of Directors lowered the interest rate on loans guaranteed by the Bank, fixing the new annual rates at

● 7½ per cent for loans with a duration not exceeding 9 years

● 7⅞ per cent for loans with a duration of more than 9 years.

The previous rate was 8.125 per cent annually on loans of any duration.

## Commission Protests Arrests in Greece

The Commission of the European Communities expressed "indignation" about recent arrests of several Greek citizens who have supported the European movement and helped foster the agreement associating Greece with the Community.

In a statement of protest delivered to the Greek chargé d'affaires in Brussels on May 10, the Commission said that the Greek Government "is still far from meeting one of the basic conditions of association [with the Community], the return to democracy."

Greece signed an association agreement with the Community in 1961. Since the 1967 coup d'état in Greece, only those provisions of the agreement entailing clearly defined obligations, principally in the area of customs arrangements and trade, have been applied. The Commission said that the situation in Greece reinforces the Community's position that "nothing is to be done beyond the current operation of the agreement."

The Commission's protest followed the recent arrest of Ioannis Pasmazoglou, one of the main negotiators of the EC-Greece association agreement. Mr. Pasmazoglou, an economist, had called for the return to democratic procedures in his country to aid the Greek economy and to bring it closer to the Common Market. Panayiotis Kanellakis, president of the Hellenic European Youth Movement, was also arrested, and his organization was banned.



## Transport Ministers Set Truck Standards



The Six finally have agreed on standard truck sizes.

European trucks will be built in standard weights and dimensions by 1980 if the candidates for Common Market membership agree with the conclusions reached by the Council of Ministers at its May 18 meeting.

At present, France, Belgium, and Luxembourg authorize a maximum load of 13 metric tons per axle, while Germany, Italy, and the Netherlands set a 10-ton limit. These disparities complicate intra-Community commercial truck transportation. French trucks now cross Germany with a partial load by French standards, while German trucks on French highways face an economic disadvantage because their cargoes are smaller than French loads.

Culminating ten years of talks and compromise, the Council of Ministers decided to ease road transportation of goods by harmonizing truck standards. It established tentative guidelines of 11 tons per axle and 40 tons total weight for trucks crossing intra-Community borders. The Council also set guidelines for the lengths of trucks: cabin chassis trucks, 12 meters; tractor trailer trucks, 15.5 meters; and tandem trailer trucks, 18 meters. Standard widths for all trucks will be 2.5 meters, height four meters, and power horsepower per ton.

The Council of Ministers hopes to enact a directive embodying these standards after consultations with the candidate countries. Britain, however, has already objected.

## "Le Bon Vin" Has a Bad Year

A good glass of wine in Europe last year took some shopping.

Only 25 per cent of the wine processed during the 1971-72 season in the six member countries was deemed "quality" wine, according to the Commission's annual report on wine production. The report said it was an "abnormal situation in a community whose member states have such an ancient winemaking tradition." Some producers apparently ignored consumer tastes, the report said. Some 370 million quarts of inferior wine had to be withdrawn from the market and distilled into alcohol.

Total production for the Six during the 1971-72 season slipped to 14 billion quarts from 16 billion the previous year.

## EC to Create Youth Corps for Aid Programs

European university students may be recruited each year to help administer development programs in the Community's 18 African Associated States.

In an effort to involve European youth in the political and economic integration process, the Commission of the European Communities proposed on May 8 a pilot program to train 25 European and five African university students to help administer the trade and aid programs. Three experimental classes were recommended, the first beginning in 1973.

The program would involve one year of study at the College of Europe in Bruges, Belgium, and a two-year internship in an associated country.

## Community Aids Steel Workers in Lorraine

The Commission has earmarked \$2.5 million to retrain 6,200 unemployed steel workers in Lorraine, in northeastern France.

Replying to a question from Adriaan Oele, a Dutch Socialist member of the European Parliament, the Commission of the European Communities on April 28 said the Community is also working with the French Government to bring other industries into the region.

Raw steel capacity in Lorraine will increase by only 2 per cent annually, 1970-74, while production in the coastal regions (particularly the Mediterranean) may increase 14 per cent, the Commission said. Mr. Oele indicated that 10,000 workers might lose their jobs as production shifts from inland to coastal steelworks.

The Commission said that Lorraine, like other inland production centers in the Community, is suffering from economic and technical conditions that encourage accelerated growth in coastal steelworks. In Lorraine in particular, the raw materials supply does not allow for any marked increase in total raw steel production. To remain competitive, the Lorraine industry must concentrate on its most productive units, an effort that will reduce working hours, the Commission said.

## Alleged Dumping Prompts Tariff Commission Study

The US Tariff Commission has applied special dumping duties on large power transformer imports from Europe and is investigating wire mesh and truck imports from Belgium and France.

Prompted by a complaint from the Westinghouse Electric Corporation, the Tariff Commission investigated the sale of large power transformers imported from France, Italy, Japan, Switzerland, and the United Kingdom. The Commission officially stated on April 20 that these imports have caused injury to US manufacturers by being sold at unfair prices on the US market. The anti-dumping penalties will be assessed by the Department of the Treasury.

June hearing dates have been set for review of investigations now under way of imports of welded-wire mesh for concrete reinforcements, from Belgium, and hand pallet trucks from France. If the Commission rules that these imports injure or impair the establishment of US industries, the Belgian and French imports will be subject to dumping duties similar to those imposed on the power transformer imports.



## EC Says GATT Talks Must Include "Third World"

Developing nations should participate in future General Agreement on Tariffs and Trade (GATT) negotiations on non-tariff barriers, although many do not yet belong to that organization.

This opinion was adopted as a declaration by the industrialized nations participating in the third United Nations Conference on Trade and Development (UNCTAD III) in Santiago, Chile, on May 17. The European Community had initiated the declaration to "reaffirm the Community's recognition of developing countries' desires to participate in important multilateral negotiations," Ambassador Marcel Fischbach from Luxembourg said.

The declaration also suggested that the UNCTAD and GATT Secretariats cooperate to make the necessary information available to those nations that wish to participate in GATT negotiations but which are not yet members.

### Mansholt Returns to UNCTAD

Before the five-week conference ended, European Commission President Sicco L. Mansholt returned to Santiago to express

Community concern for developing nations' problems.

During his first appearance in April, the Commission President had supported a proposal to set aside allocations of Special Drawing Rights (SDR's or "paper gold") for the developing countries to compensate for their reserve losses in last year's international monetary crisis.

President Mansholt's unexpected return to Santiago on May 16 was consistent with his unorthodox ways and his oft-expressed concern for the "Third World." The Commission President said it was imperative for the governments of the Six and of the Ten to work out a Community position vis-a-vis the poorer countries, particularly on commodity price stabilization and monetary problems.

The failure of the Community's Council of Ministers to reach a common position before UNCTAD III began on April 13, Mr. Mansholt said, showed the importance of thorough preparation for the Community's summit meeting in October. Aid to the Third World will be a major topic on that meeting's agenda.

## Malta's Mintoff Demands More Trade Plus Aid

Malta's Prime Minister Dom Mintoff has asked for immediate Council action to increase commodities covered by the EC-Malta association agreement and to include his country in the Community's system of generalized preferences for developing countries.

At the April 24-25 meeting of the EC-Malta Council of Association, Mr. Mintoff said that the 1971 EC-Malta agreement provided for large tariff cuts on Maltese manufactured exports, but that Malta's level of industrialization was too low to take advantage of the lower tariffs. He asked the Community to aid industrialization of the island by fostering investments, guaranteeing outlets for Maltese goods, and letting Malta benefit from the European Investment Bank and European Development Fund. The Community should ease access for Maltese exports of farm and processed agricultural goods, he said.

The mercurial premier criticized the Community for its slow action and said he would "not leave the meeting" until something positive was decided. The Six agreed to discuss the generalized preference demand at their June Council of Ministers session and asked the Commission and the Association Committee to examine immediately Malta's other demands.

## EC, Commonwealth Island Sign Association Pact

Mauritius will become the Common Market's nineteenth associate under the Yaoundé Convention after ratification of an agreement signed with the Community on May 12 at Port Louis, the island's capital.

Lying less than 100 miles off Madagascar in the Indian Ocean, Mauritius was the first Commonwealth nation to seek association with the Community. Other developing Commonwealth countries in Africa, the Caribbean, and the Pacific are expected to follow suit after the United Kingdom's accession to the Treaty of Rome on January 1, 1973.

In 1969 a seventh (\$10 million) of Mauritius' total imports came from the Six.

Of total exports worth \$67 million, only \$330,000 went to the Community. Mauritius' main export, sugar, is not covered by the association agreement, but the island will now be eligible to receive up to \$5 million in development assistance through the European Development Fund.

The agreement must be ratified by the legislatures of the Six, but Mauritius can immediately send observers to meetings of the Yaoundé institutions.

The island of Mauritius has an area of about 720 square miles and a population of 794,750, according to a 1968 estimate. Per capita gross national product in 1968 was \$190.

## EC Lowers Farm Compensatory Levies

The Commission lowered agricultural compensatory levies to reflect the new currency parities of the Six on May 15.

After the US notification to the International Monetary Fund of the new dollar parity on May 5, the Commission reduced compensatory rates by 8 per cent. The Community first introduced the system of compensatory charges on farm imports and rebates on farm exports at member states, borders in May when the German mark and the Dutch guilder began "floating" in international currency markets. The system has since protected farmers from a drop in income during recent international monetary instability.

The levels of the new compensatory amounts are: in Germany, 5.7 per cent instead of 13.2 per cent; in the Benelux States, 4 per cent instead of 11.5 per cent; in France, 1.9 per cent instead of 9.2 per cent; and no compensatory levy in Italy instead of 7.2 per cent.

## EC Gave Food to Needy in 61 Countries

June marks the end of a two-year international aid program through which the Common Market contributed food to the needy in 61 countries.

Channeled through the World Food Program, the Community has contributed 120,000 tons of powdered milk and 35,000 tons of butter-oil at a cost of approximately \$180 million (new dollars), including \$9 million in transportation costs.

Decisions are now pending on grants of sugar (20,000 tons) and egg products (500 tons) which, if approved by the Commission, will be distributed through the Red Cross, the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), and the World Food Program. These grants supplement both the Community's own aid program and unilateral aid from individual member states.



## Commonwealth Is Wary of EC Association

Developing countries in the British Commonwealth have adopted a cautious attitude toward future links with the enlarged Community.

During meetings of the Commonwealth Secretariat in London in February and April, several Commonwealth nations said that the creation of a huge Euro-African trading bloc could lead to retaliatory measure from other countries. Some countries also expressed fear that association with the Common Market might foster a neocolonialist relationship with their ex-rulers.

According to the Accession Treaty enlarging the Community from six to ten members, 21 developing Commonwealth nations are eligible to negotiate special

pacts with the Community. They may seek either full trade and aid association under the Yaoundé Convention, which now links 18 African countries to the Common Market, or a less comprehensive association like the one with Kenya, Uganda, and Tanzania through the Arusha Convention. They may also choose to negotiate a simple trade agreement.

So far only Mauritius has negotiated a full association agreement with the Community. Before deciding on a course of action, the other eligible Commonwealth nations have asked for complete information on the benefits which the 18 African associates have derived from their relationship with the Community.

## EC and Egypt Negotiate Preferential Accord

All but some details for a five-year preferential trade accord between Egypt and the European Community were settled during negotiations on April 27-28.

According to the proposed agreement, the Community will grant a 45 per cent tariff reduction to Egyptian industrial exports in the first year, with a further 10 per cent cut in the second year. Community tariffs will also be lowered for Egyptian petroleum and cotton textiles, but quotas for those products will remain in force. Egyptian agricultural exports to the Six will receive tariff cuts of 25 - 50 per cent.

In return, some Community industrial exports to Egypt will benefit from a 30

per cent reduction immediately with two further 10 per cent cuts before 1975.

Negotiations between the Community and Egypt had been delayed for two years while a formula was sought to circumvent Egyptian participation in the Arab League's boycott of all firms dealing with Israel. The Egyptians decided to declare that the accord would not affect national regulations necessary for the security of the country, while promising that such regulations will conform to the trade agreement. The proposed EC-Egyptian accord, scheduled to come into force on January 1, 1973, is similar to the one between the Community and Israel.

## EC Says Continental Can Offer Not Enough

Continental Can's proposals for ending its "abuse of a dominant position" in the European Community's metal packaging market are "unsatisfactory," the EC Commission announced May 19 in Brussels.

Continental Can had made the proposals in accordance with the Commission's December 9, 1971, decision that the American company, acting through its subsidiary Europemballage of Brussels, had abused its dominant position by acquiring a 77.3 per cent interest in the Dutch company Thomassen and Drijver Verblifa NV. (See *European Community No. 152, page 18.*) Since this acquisition, the Commission alleged, Continental Can's subsidiary has held too large a share of the market for three types of metal packaging

goods: light metal cans for meats, cans for fish and shellfish, and lids.

Article 86 of the Common Market Treaty forbids companies "to take improper advantage of a dominant position" that affects trade between the member countries. Violations of the Community's competition rules are punishable by penalties of up to \$1,086 a day.

Article 86 has not yet been tested in the Community's "supreme court," the Court of Justice in Luxembourg. It has been invoked only once before, against the German company GEMA, which controlled the rights of composers. GEMA took the dispute to the Court of Justice but abandoned proceedings before the Court had ruled.



Interpreters and translators will rule the Community of "Ten" with eight languages.

## EC of Ten Faces Modern Tower of Babel

The era of the fast and smooth talking European diplomat may be coming to a close, at least for Community officials.

The number of official Community languages will increase from four to eight if all four candidate countries, the United Kingdom, Denmark, Norway, and Ireland become members of the Common Market in 1973. French and German are both "working" languages, but French predominates in Community conferences and official communiques. English may become a third working language after British entry.

The Community's 1971 budget provided for 818 permanent and 20 temporary positions for linguists. The English translating staff will have to be expanded by at least 160 persons to cope with the new written and verbal demands of an enlarged Community. Translators will also have to be found for Danish, Norwegian, and Gaelic.

## Correction

In the April 1972 issue, in the article "Europe Slims the Money Snake" on page 11, Signor Ricci's problems were described inaccurately. If he had billed his customers in German marks and the lira had depreciated 4.5 per cent against the mark, he would have received 1,045 lire. If the lira had strengthened and the mark weakened to the limits permitted by the December 18, 1971, Washington accord, Mr. Ricci would have received 955 lire per sweater. In other words, the situation would be the opposite of the one outlined.



## \$33 Million From EDF to Aid African Development

Seven new allocations to Africa from the European Development Fund were announced by the Commission of the European Communities on May 10 in Brussels.

The grants, amounting to a total of approximately \$33,000,000 (new dollars) were as follows:

- **Central African Republic:** \$798,000 to finance additional construction costs for an agricultural college at Bambai.
- **Senegal:** \$2,201,000 for a 25,000-acre extension to a peanut plantation in the Sine-Saloum region.
- **Dahomey:** \$3,034,000 to finance a cashew tree plantation extension and \$4,550,000 for the development of a new agricultural community, based on the palm nut industry, in the Saketé region. The grant will create seven villages with the necessary infrastructure, housing, sanitation, and schools.
- **Chad:** \$1,806,000 to help expand the Hospital of Abeché.
- **Congon (Brazzaville) and the Central African Republic:** \$10,000,000 as a joint grant for the purchase and maintenance of river dredging equipment to keep waterways between the two countries navigable year-round.
- **Ivory Coast:** \$11,163,000 to help finance a four-year development plan to increase rice production.

## EC Asks Auto Makers to Cancel Import Pacts

Three car manufacturers in Europe have been asked to cancel import contracts which violate Common Market competition rules.

In reply to an April 6 question from Ludwig Fellermaier, German Socialist member of the European Parliament, the Commission of the European Communities said it reviewed contracts forbidding importers to sell their purchases for export and decided such pacts contribute to price disparities on the European automobile market. The Commission declined to name the alleged violators. Sources close to the Commission, however, said the companies were Bayerische Motorwerke (BMW), Ford-Germany and Peugeot.

The Commission is also expected to review similar pacts in the spare parts market, the Commission said.

## Former EC President Wins Election in Italy

Franco Maria Malfatti, former President of the European Communities, was elected to the Italian Chamber of Deputies during national elections on May 7-8.

Stressing his personal commitment to European unity throughout his campaign, Mr. Malfatti received overwhelming support for his bid to return to national politics. Mr.

Malfatti had resigned from the Commission in March to spend full time on his campaign.

Mr. Malfatti's party, the Christian Democrats, won 38.8 per cent of the total vote, capturing 267 seats in the Chamber of Deputies, one more than before, and retaining 135 seats in the Italian Senate.

## Report Urges New Powers for European Parliament

By 1978 Council decisions should be ratified by the European Parliament before they become binding on member states.

This proposal for radical transformation of the Parliament's current advisory capacity is part of a report prepared by 14 experts on the enlargement of powers of the 142-member European Parliament.

Headed by Georges Vedel, a French constitutional authority, the committee rejected the commonly cited "Catch-22" contradiction that the European Parliament's legislative powers cannot be widened before it is directly elected, and that it cannot be directly elected until it is granted more power.

The group did recommend the establishment of a timetable for direct election, as stipulated in the Rome Treaty. It also urged, however, the expansion of legislative powers as soon as possible, before Parliament's direct election if necessary.

The Vedel report is meant to provide the basis for Commission proposals on the future institutions of the enlarged Community, an issue receiving top billing for the October "summit" meeting of current and candidate Common Market countries.

### Report Proposes 2-Stage Plan

The Vedel report recommended widening the Parliament's powers in two stages. In the first transitional stage, the Parliament would have power of codecision. Parliamentary approval would be necessary for Council decisions involving

- revision of the Community Treaties
- areas beyond the scope of the Treaties
- the entry of new member states
- agreements between the Community and third countries.

In other policy areas, such as agriculture or transport, the Parliament would have only delaying powers. If voted down by the Parliament, Council decisions would be suspended for a month, and the Council would be obliged to reconsider. The second Council vote, amended or not, would be final.

During the second and final stage of enlarging the Parliament's powers, begin-



*Expansion of the European Parliament's powers will be discussed at the summit meeting this fall of the Community members' and candidates' heads of state or government.*

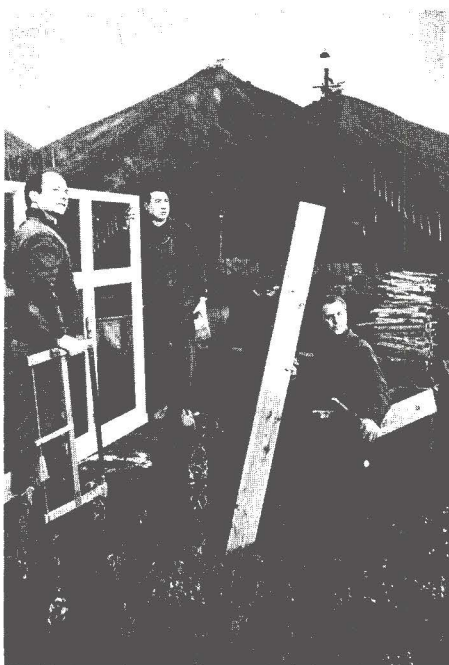
ning in 1978, the Parliament would ratify all Council decisions before they would be binding on member states. If Parliament rejected a Council decision, the Council would have to reconsider it and negotiate with the Parliament until agreement was reached. Neither institution could overrule the other. The Vedel Report recommends mediation by the Commission to break a prolonged deadlock.

### Council Must Adopt Majority Voting

The committee urged the adoption of majority voting in the Council to streamline decision-making in a ten-nation Community. The Commission currently has to make proposals that could win unanimity in the Council. This unanimity practice, which followed the French boycott of Community institutions in 1965-66, sacrifices long-term Community interests to short-term national interests, the report said.

The group also recommended frequent contacts between the European Parliament and national parliaments and suggested that a reduction in the number of plenary sessions of the European Parliament would allow members to spend more time in their national legislatures.





The reformed Social Fund can finance vocational rehabilitation projects before workers become unemployed.

## “New” Social Fund Begins Operations

European workers threatened with unemployment will receive increased Community assistance since the reformed European Social Fund went into effect May 15.

The Fund will help to retrain workers, resettle them and their families, provide unemployment allowances, and inform workers of job openings. Like the old Fund it replaces, it will allocate its resources mainly in the Community's development regions, where the worst unemployment and underemployment problems exist. The new Fund's resources and activities, however, will be considerably extended.

Instead of acting as a relatively passive and inflexible “clearing house,” financing up to half the cost of retraining and redeployment programs initiated by the member governments, as happened in the past, the reformed Fund will play a more active role in retraining workers threatened with unemployment before their existing jobs are mechanized.

From September 1960 to December 1970, more than \$307 million had been spent, half contributed by the Social Fund and half by the government concerned, on retraining 1,301,100 workers. The Fund will make more than \$100 million (new dollars) available during 1972, but that figure should increase to \$250-\$300 million annually in two or three years.

## EC Explains Position on German Pollution Law

A recent German antipollution law reducing the lead content in gasoline could create trade obstacles within the Six and may not help keep the air clean.

This opinion was expressed by the Commission in replies made March 24 and April 20 to questions from Jacob Boersman, former Christian Democrat member of the European Parliament, and Adriaan Oele, Socialist member of the Parliament. According to the Commission, the new German legislation will force refineries to produce special grades of fuel for German consumption, possibly pricing many refineries in the Six out of the German market.

The Commission also said that current experiments reveal the high probability that reducing lead content in gasoline may lead to emission of nitric oxide and other noxious gases, equally detrimental to health.

Trade distortion caused by national antipollution measures can be avoided only by adopting a common environmental policy for the Six, the Commission said, adding that the Community cannot establish a common policy for car exhaust until one method is scientifically proven effective.

## Fund Helps Projects in Tropical World

The European Development Fund will help finance four development projects in Chad, Cameroon, and Surinam, bringing total EDF commitments to more than \$297 million (new dollars) for 114 projects.

The April 4 decisions included \$1.2 million to help finance construction of roads, housing, and sanitation facilities in Surinam's capital city, Paramaribo.

The landlocked republic of Chad will commission a feasibility study for a railroad to connect southern Chad with the seaport of Douala in Cameroon. Chad was awarded \$777,000 for the study.

A tea plantation project in eastern Cameroon was granted approximately \$147,000.

Finally, the EDF will pay the salaries of four African professors at the Pan-African Development Institute in Douala, Cameroon. The instructors (from Togo, Senegal, Mali, and Mauritania) now teach development administration. The teaching subsidy, totals \$146,000 over two years.

## The Month in Brief

### MAY 1972

**5** US Secretary of State William P. Rogers visited Sicco L. Mansholt, President of the European Communities Commission (see page 3).

**5** The US Department of the Treasury informed the International Monetary Fund of the dollar's 7.89 per cent devaluation.

**7-8** Former Commission President Franco Maria Malfatti won a seat in the Italian Chamber of Deputies (see page 8).

**10-12** Ralf Dahrendorf, Commissioner of the European Communities, responsible for trade and external affairs, visited Japan and Thailand.

**12** Mauritius and the European Community signed an association agreement at Port Louis, the island's capital (see page 6).

**15** The new European Social Fund began operations.

**16** Commission President Sicco L. Mansholt returned to Santiago, Chile, to make a second appearance at the third United Nations Conference on Trade and Development.

**18** The Council of Ministers agreed on weights and dimensions for trucks (see page 5).

**19** The West German Treaties with the Union of Soviet Socialist Republics (USSR) and Poland were ratified by the German legislature.

**26-27** The Council of Ministers met to discuss preparations for the October summit meeting and institutional reform.

**29** Twelve European Parliament members arrived in the United States for a five-day visit to the US Congress.

## EC Defends VAT as Fraud Investigation Proceeds

Despite some opportunities for fraud, the value added tax (VAT) seems to be the most foolproof of national methods to raise revenue, according to the European Communities Commission.

French authorities are investigating illegal manipulations of the VAT, a tax on a product at each stage of production and distribution. These investigations prompted a request for an explanation from Hendrikus Vredeling, Dutch Socialist member of the European Parliament. The French scandal involved the alleged forging of false invoices by non-existent companies.

The Commission defended the VAT in its April 28 reply, saying that a cumulative tax like the VAT makes fraud difficult, because successful cheating would require the complicity of many people.



# Ralf Dahrendorf "On Record"

**Question:** *What are the foreign policy objectives of the European Community?*

**Dahrendorf:** Foreign policy is conducted less by design than, for example, economic and monetary policy. It is more often a reaction to events than action planned in advance. So far there have been no objectives for Community foreign policy. In the Mediterranean area, for example, we have made one agreement after another without any predetermined goal. As Community contacts with third countries increase, defining specific Community foreign policy objectives becomes imperative. We are midway between participating in foreign relations and actually conducting foreign policy.

**Question:** *When you say "we," whom do you mean, the Council or the Commission?*

**Dahrendorf:** I mean the Council and the Commission. I have been closely following the discussions on institutional problems, particularly in the area of foreign policy. Both German Foreign Minister Walter Scheel and Council of Ministers President Gaston Thorn have suggested that the Council should participate more fully than it has in foreign affairs. Dialogue between the Council and Commission can have and has had good results, especially in the area of Community foreign relations.

**Question:** *During recent EC-US negotiations, William D. Eberle, US Special Representative for Trade Negotiations, rejected an offer one day by telephone before negotiations on that topic had begun. In view of such incidents, would you say that the system of mandates authorized by the Council and executed by the Commission has proven effective?*

**Dahrendorf:** First of all, reference to a mandate appears nowhere in the Common Market Treaty. What you call a mandate, the Treaty calls a "directive." Proposals for directives are initiated by the Commission and approved by the Council. So you see that the Commission is not only a body to which things are delegated. The Commission contributes extensively to determining the negotiating position. To return to your question, however, negotiating procedures can be successful if we establish a flexible and secret decision-making process.

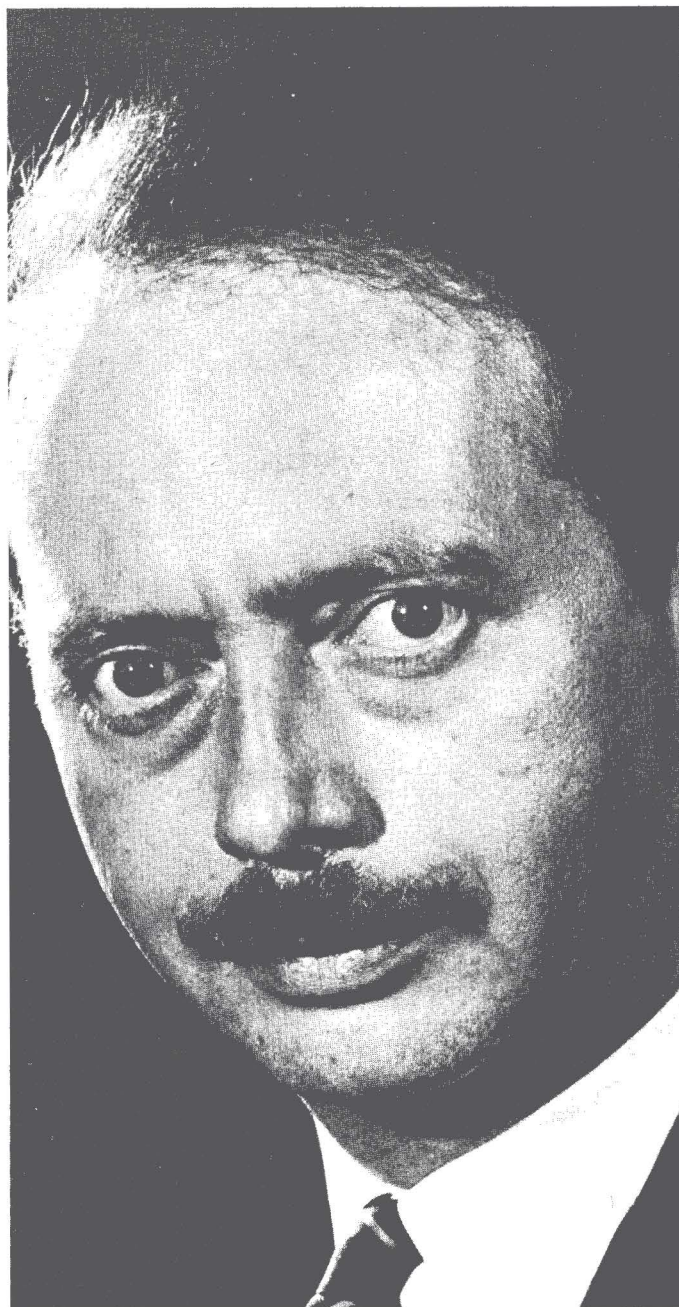
I remember that incident with Mr. Eberle. Less than an hour after the Council had approved directives for negotiations with the United States, Mr. Eberle telephoned me from Washington — Washington, mind you — to say he could not accept the terms. That is not a satisfactory way to negotiate.

Other times, the negotiating procedure has run smoothly. For example, during the last phase of the Kennedy Round, the Council's directives to EC negotiator Jean Rey were flexible and the results were predictably satisfactory. Also, during my negotiations with the United States, I believe that the Council wanted the negotiations to succeed. I therefore remained within the limits of the directive but sought some conclusions not mentioned in my mandate. Such flexibility in Council directives is essential to successful negotiations.

**Question:** *Did the February agreement with the United States restore peace or simply postpone war?*

**Dahrendorf:** I have never used military terms to describe EC-US relations. I would rather speak in family terms. In our relations with the United States, the family structure has changed from patriarchal to that of a family of equals. The change has been gradual and the February trade agreement typifies this transition to a new stage.

*Ralf Dahrendorf is the member of the Commission of the European Communities responsible for trade and external affairs. In an interview with European Community, Mr. Dahrendorf examines Community policy toward third countries, EC-US trade negotiations, and the Community's world image.*





**Question:** *To continue your analogy, does this gradual transition mean that for the United States, the Community, the favorite child of the Fifties, has become the black sheep of the Seventies?*

**Dahrendorf:** Europe is no longer a favorite child, but rather a negotiating partner, hardly a "delinquent." But that's enough of this analogy.

**Question:** *Will EC-US relations be a major topic of discussion at the summit meeting this fall?*

**Dahrendorf:** I believe so. Much of the conference will be devoted to the Community's external relations. Other topics scheduled for consideration are relations with Eastern Europe, Community responsibilities toward the developing countries, and commercial policy toward the third countries.

**Question:** *What effect will economic and monetary union have on the Community's external relations?*

**Dahrendorf:** No one knows what will happen if EC economic and monetary union succeeds and the dollar loses its predominant position in the international monetary system. As the Commissioner responsible for external relations, I'm afraid that we have not thought enough about the effects of economic and monetary union on third countries. This negligence might perhaps be forgiven, since we don't even know its internal consequences. Only in March did fundamental decisions finally set the Community on a true course toward economic union. If steadfastly followed, this course will profoundly affect the Community's relations with third countries. An entirely new question begins to surface: Will Europe become a power endowed with a kind of hegemony in monetary affairs, perhaps replacing the United States in some geographical areas? What does this mean for us? That is a crucial question.

**Question:** *As "foreign affairs minister" for the Community, you visit many countries and receive many emissaries in Brussels? You should be well acquainted with the Community's image in the world. Is this image bad?*

**Dahrendorf:** A simple description of that image is impossible. For most countries (not only governments but the people) the European Community brings an element of hope into a world dominated by superpowers. The Common Market experience demonstrates that small nations, if united, wield considerable economic power. In some countries, such as the Soviet Union, European integration arouses fear and suspicion.

**Question:** *You speak of the hope and the fear inspired by the Community in the world, but there seems to be a contradiction. A large part of the world sees the Community as a strong, united economic force, yet Community officials quarrel about the types of labels on mayonnaise jars. Is the Community as strong as its friends and enemies imagine?*

**Dahrendorf:** One of our colleagues has called the Community a dinosaur, a monster capable of throwing great weight but possessing too small a brain to realize its potential. I am not quite so skeptical. Every great political organization has internal problems. Every solution brings new problems. If the Community decides to undertake its responsibilities, I believe that even the complicated decision-making process we now have will work. This depends, however, on strong leadership.

**Question:** *It seems third countries would prefer to deal with the six member states individually rather than with the large Community. Doesn't the two-thirds of the globe which make up the so-called "Third World" feel overwhelmed by the powerful Community?*

**Dahrendorf:** The Third World does not fear the Community, despite our size and our importance in world trade. For confidence to continue, we should keep doing as we have done in the past: offer our cooperation and assistance without imposing our will.

**Question:** *In 1969 the Council of Ministers ruled that the member states must have a common commercial policy toward the Eastern bloc by January 1, 1973. Will any member state try to avoid this commitment toward countries with state-controlled trade?*

**Dahrendorf:** No member state has tried either to avoid the limitations concerning bilateral commercial policy or to delay the January 1, 1973, application of the common commercial policy toward countries with state-controlled trade.

**Question:** *The integration process has been going on 20 years in the Community. Has a Community consciousness developed during this time?*

**Dahrendorf:** In my opinion, Community consciousness has fluctuated. In 50 years, disillusionment in some member states has been followed by enthusiasm. If I am not mistaken, a durable Community consciousness is developing and must be reinforced.

**Question:** *How do you develop consciousness?*

**Dahrendorf:** The European people's immediate concerns are national. I believe that the Community's great task is not to oppose heterogeneity in Europe but rather to bind different interests and opinions into an integrated whole.

**Question:** *European integration in 1950 was a reaction to the menace of Moscow. Can Europe unite without a Stalin, that is, without an outside threat to its existence?*

**Dahrendorf:** No outside force has to point out that certain subjects can no longer be dealt with on the national level. Development aid is one example. Trade negotiations with the great powers is another. An outside threat is a more powerful integration catalyst than meetings and conferences, but calm deliberations are prerequisites of the integration process.



# A Landslide for Europe

JOE CARROLL

The Irish overwhelmingly supported their country's entry into the Common Market by a vote of almost five to one, astonishing even the most optimistic European Community supporters.

Just a week before the May 10 referendum, Prime Minister John Lynch had said he hoped for a two-to-one victory, and many officials had privately admitted that Mr. Lynch's estimate might be too high. Irish sympathies fortunately proved to be highly unpredictable, however, when 83 per cent of those voting favored EC entry, only 17 per cent opposed it, and more than 70 per cent of the electorate went to the polls.

In the two-week campaign before the referendum, the Irish public had seemed confused by the diametrically opposed arguments for and against entry. Political commentators had suggested that this confusion would lead to negative votes and abstention. Contrary to all predictions, however, even in areas on the agricultural seaboard, where Commission President Sicco L. Mansholt had been billed as opposing the small farm, 90 per cent of the voters supported Irish entry. Urban areas where factory workers had been deluged with statistics indicating that joining the Common Market would raise the cost of living and threaten jobs also turned out heavily to support Irish membership.

## Accurate Predictions Impossible

The unique nature of the referendum made accurate pre-

dictions impossible. Never before had the Government party, Fianna Fail, and the main opposition party, Fine Gael, campaigned together on such a major issue. Nonetheless, the referendum did not concern purely domestic issues, and automatic allegiance seemed unlikely.

The Labour Party based its anti-EC campaign on ideological dislike of free trade and fear of increased unemployment. Considered even more damaging, the two wings of the extremist nationalist group, Sinn Fein, ran a vigorous campaign arguing that the entry of Ireland and Britain into the Community would destroy chances for reunification of the country's North and South. At a time when the border has again become a sensitive issue in Irish politics, it looked as if the Sinn Fein argument could have considerable influence.

The Government, however, countered the Sinn Fein viewpoint with a more convincing and logical argument. If Northern Ireland entered the Common Market and the South remained outside, the border between the two would become firmly entrenched as a tariff barrier and an international frontier, the entry proponents argued. Even the border areas of Cavan and Donegal, traditionally supporters of Sinn Fein, overwhelmingly approved EC entry.

## Some Voters Decided Long Ago

It is of course impossible to determine the actual effect of campaign polemics on the voting intentions of a 1.7 million person electorate. A considerable proportion of the people had made up their minds long ago to support Irish entry into the Community. Indeed, the Government's first attempt to join was made in 1961 soon after the first British application.

In those years, EC entry inspired great if uninformed enthusiasm. Membership in the Common Market seemed to signify economic independence from Britain and a special place for Ireland alongside other European nations restoring cultural and historic ties more than a thousand years old.

Since the renewal of the Irish application in 1969, the debate on Common Market entry concentrated more on the hard economic facts than ideas of grandeur. Many Irish realized that the country would face severe economic difficulty if exports of beef and dairy products were cut off from their traditional British market by EC levies and tariffs. For this reason, most rural areas had decided long ago in favor of Irish entry. People in the towns and cities, however, faced more complex issues. Fears of unemployment and increased food prices had to be weighed against hopes for a psychological and economic boost to reverse emigration trends and revitalize a shrinking home market.

When the day came, the Irish had made up their minds. Never since independence 50 years ago had the people spoken with such unanimity and unity of purpose, so often lacking in Ireland's troubled history. The landslide for Europe bodes well for the future.



Joe Carroll is foreign editor for the Irish Press.



# A Fight to the Finish

*The formation of the Common Market has for more than 14 years spurred unprecedented expansion and growth, raising the economic well-being of every European. Economic growth by itself, however, is a shallow goal. It can breed as much social harm as economic good, a dangerous and unacceptable trade-off. The depletion of natural resources, air and water pollution, deteriorating working conditions, and a reduction in the quality of life need not be the cost of progress.*

*The Community must continue fostering economic development without sacrificing social needs. It must raise the quality of life not only in Europe but also in poor areas of the world with their grave problems of economic development and overpopulation.*

*As Commission President Sicco L. Mansholt maintains, the Community must seek to solve problems caused by the physical and social deterioration of the environment, the true sickness of modern industrial society.*

*The Commission has made proposals for a transnational fight against environmental pollution. With the public's continuous and full support, it could become a fight to the finish.*

**ALTIERO SPINELLI** *Commissioner responsible for industrial, technological, and scientific affairs.*

*Conservationists make the dying Rhine River the symbol of the International effort which alone will stop pollution.*





# Arming Against Pollution

## COMMISSION RECOMMENDS COMMUNITY-WIDE ACTION TO PROTECT THE ENVIRONMENT

JOHN LAMBERT

Environmental pollution ignores international borders.

The Rhine river serves as a sewer for the Swiss, the French, and the Germans while the Dutch must use it for drinking water. The wind picks up sulphur waste from industrial complexes in the British Midlands and the German Ruhr and deposits it in Scandinavia where it jeopardizes health.

A problem which knows no boundaries needs international attention. This is the view of the Commission of the European Communities which submitted four recommendations on Community environmental problems to the Council of Ministers on March 22. The proposals include:

- harmonizing national pollution detection methods, punitive measures, and economic incentives to spur industrial action
- an information system to inform the Commission of existing and pending environmental legislation in the Six so that such laws can be harmonized throughout the Community

- setting purity goals for the Rhine River and its tributaries
- endowing a European Institute for the Environment to coordinate research and information efforts and to train teachers in environmental studies.

### The Community Reacts Sluggishly

The Commission has lagged behind most other international organizations in drawing attention to environmental problems. The Council of Europe, the United Nations Economic Commission for Europe, the Organization for Economic Cooperation and Development (OECD), the General Agreement on Tariffs and Trade (GATT), and even the North Atlantic Treaty Organization (NATO) discussed pollution before the Commission. Nonetheless, the Community seems to be the most likely candidate for action. The others write studies and make recommendations mostly ignored by governments. The Community, through its institutions, can pass regulations and issue

*Noise pollution abated for a time in Paris after motorists were forbidden to sound their horns in the city. Today, however, the sheer number of motor vehicles in the streets has raised the noise pollution to its former level.*







*The Commission's anti-pollution goals include the setting of purity standards for the Rhine River, used as a sewer by the Swiss, the Germans, and the French but as drinking water by the Dutch.*

directives binding on industry and member states.

Without harmonization of antipollution laws, international competition often prevents passage of national legislation to protect the environment. Building non-polluting factories costs money, and lowering pollution levels costs more. If a nation acting alone passes strict antipollution laws, its industry will lose sales to companies which can produce more cheaply because their countries tolerate pollution. Only uniform rules applied throughout a wide area can be enforced without massive protest from industry.

### **Overcoming National Interests**

The Commission's proposals will be considered next year by the Council of Ministers of the Community of "Ten," after the United Kingdom, Denmark, Ireland, and Norway become members. The outcome will depend on careful groundwork and behind the scene diplomacy in the days to come. The public certainly needs no proof of ecological crisis. Public awareness will be spurred by the U.N. conference on the human environment to be held in Stockholm in June. Chauvinistic politicians need to be convinced that Community action is the solution most likely to succeed. Amid the tug and pull of national and Community interests, compromises will have to ensure an effective fight against pollution.

The Commission adopted the principle, "Let the polluter pay." Quoting at length from an OECD paper, the Commission stated that Community companies should bear the costs of their misdeeds by paying for antipollution

measures. Under certain circumstances, however, temporary state aid could be granted if the costs would put companies out of business, the Commission said.

Community rules should cover procedures for obtaining permission to establish potentially polluting operations, according to the Commission. These applications should be published to elicit opposing viewpoints.

The Community's new environmentalist role will not precipitate a sudden flood of heavy fines and factory closings. No dramatic decrease in the pollution level is expected in the next few years, but the Commission has set the slow Community machinery in motion for a long, hard fight to protect the environment.

If approved by the Council, the Commission would begin by harmonizing methods of measuring water, air, and noise pollution. Then, common procedures for financing antipollution measures would be established. The Commission would also study sewage and industrial pollution of coastal waters and try to curb the dumping of waste at sea.

### **Cleaning up the Rhine**

In addition to general antipollution measures, the Commission urged immediate attention to a specific problem, Rhine River pollution. About 41 percent of the river's content of salts, which harm Dutch agriculture, come from potash mines in Alsace. The French have not yet discovered an equally cheap but less damaging way to dispose of the waste than dumping it into the river.

An International Commission for the Protection of the Rhine Against Pollution, founded 22 years ago, has existed formally since 1960 but has remained powerless. It has tried to solve the problem of French potassium salts and failed, perhaps because the mines are state-owned.

The European Commission has approached the problem gently, asking first to be allowed to participate in the work of the International Commission. The European Commission wants to establish a European agency for the Rhine valley, manned by the Six and Switzerland. The Commission also urged the Six to propose an international organization to protect the high seas against polluters. Community member countries suffer extensive damage from oil washed ashore. The new international organization could be established within the framework of the International Marine Navigation Consultative Organization (IMCO), the Commission said.

The deteriorating state of the environment is not an isolated technical problem. It demands an overall approach to society's organization and goals. The Commission has clearly realized that environmental problems are inextricably linked to trade, agricultural, social, transport, energy, and regional policies.

The Commission's recommendations are sound; now the Community must replace words with action.

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*John Lambert edits Agenor, a monthly magazine on Europe, and writes on Community affairs for The Sunday Times of London.*



# Farmer, Reformer, Now Commission President

When he became President of the European Community Commission in March, Sicco L. Mansholt discovered he had written himself a letter.

Mr. Mansholt, for many years the Commission's farming expert, had sent the missive a few weeks earlier to Franco Maria Malfatti who was then President. Written as a warning and a call for action, the letter contained a radical plan for a European economy based on restrained growth, environmental protection, and tax incentives to control population growth. His recommendations were still on the President's desk awaiting a full airing when Mr. Mansholt inherited the office.

Discussing his letter, Mr. Mansholt termed overemphasis of gross national product "diabolical," and said more attention should be given to "gross national welfare." The new President's concern extends beyond the Commission's March 22 antipollution recommendations to the Council (see page 13).

## Meeting His Own Challenge

With characteristic vigor, President Mansholt decided to answer his own challenge. He forcefully introduced and defended his ideas to his Commission colleagues. President Mansholt's letter became an agenda item. The full Commission discussed the contents in April and will consider action in the future.

A fellow Commissioner has remarked that Mr. Mansholt's capacity to shock others into action is one of his best qualities. The speed and zeal with which he brought his personal convictions on the environmental crisis to Community attention dispelled any thoughts that President Mansholt and the existing Commission would serve as a caretaker body, marking time until the historic 1973 enlargement of the Community from six to ten members.

Mr. Mansholt was named by the Council of Ministers to fill the unexpired term of President Malfatti who resigned to campaign in Italy's parliamentary elections. (He won.) Before his appointment, President Mansholt himself had announced plans to return to the Netherlands at the end of the year to strengthen the Dutch and trans-European socialist movement.

## The Son of Dutch Socialists

The first socialist Commission President, Mr. Mansholt apparently inherited his passion for the land and political persuasion from his parents, both farmers and reformers. In fact, his mother may have been the author of the first "Mansholt Plan," when, as a local official, she initiated a proposal to distribute free milk to school children.

As a youth, President Mansholt worked first on a tea plantation in Sumatra and later on a Dutch farm project draining sea from the land. During World War II, he aided fugitives and prisoners, later becoming an underground resistance leader. Shortly before the end of the war, the Nazis opened the Dutch dikes and flooded much of the Dutch farmland, including the Mansholt farm. After the war, President Mansholt was named Minister of Agriculture, Fisheries, and Food and given the job of restoring Dutch agriculture and food distribution.

## Forging the Common Agricultural Policy

Upon the formation of the Commission of the European Economic Community in 1958, Mr. Mansholt was appointed Commission Vice President in charge of agriculture, a post he held until March. Largely through his perseverance, a common agricultural policy was fashioned in hard fought, all-night negotiations between Community members.

In Europe, as in the United States farm policy-making is a delicate and thankless endeavor. Because the original program did not run smoothly, Mr. Mansholt made proposals for agricultural reform in 1968, including pensions to encourage ageing farmers to leave the land and aid for others seeking to modernize and increase productivity. With that policy still in the early stages, President Mansholt has predicted a shift in emphasis from agricultural price setting toward direct payments to farmers. This move has long been requested by Americans who claim high European price support levels discourage American farm exports to Europe.

The new President seems to accept adversity and criticism with good-humored stoicism. In 1971 farmers protesting Community agricultural policies barged into a Brussels conference room accompanied by three cows. "Oh well, this is a farmers' meeting, isn't it?" he quipped.

Intra-Community disputes are often played down in official press conferences where member countries like to present a united front. After a particularly difficult marathon agricultural council meeting, however, Mr. Mansholt briefed reporters during a break by informing them that "there were a few explosions, but that's normal."

## Fulfilling a Legacy

In establishing agricultural programs, Mr. Mansholt had years to gather support, study their effects, and make necessary changes. Now he has nine months to achieve what he has called the "legacy" of this Commission, but deadlines appeal to him. "We have very little time to lose if we note how slowly we are moving and how slowly policies which have been followed for a century are being changed," he told a March 27 news conference.

The Mansholt letter is not the only unfinished business facing the Commission in 1972. President Mansholt himself has called the planned October summit meeting of European heads of state "the most important event that lies before us for this year." Economic and monetary union, major reform of Community institutions, the creation and location of a political secretariat, farm and social problems, and global trade talks in 1973 crowd the agenda for the next six months.

Even if President Mansholt had wanted to be a one-issue, low-profile President devoting full time and energy to the fulfillment of his environmental legacy, the Community's 1972 calendar would not afford him that luxury.



# Rhetoric and Controversy

## EUROPEAN BUSINESS LEADERS TAKE AN OVERDUE LOOK AT INDUSTRY IN THE COMMUNITY

DAVID HAWORTH

Focusing on the Common Market's industrial policy from an island in the middle of Venice takes imagination. Nonetheless, more than 300 European industrial leaders did just that at a conference on the future of the industrially united Europe.

With 86 per cent of the Community budget spent on agriculture, it was time industry captured the Community spotlight, even if only for three days.

The April 20-22 conference, sponsored by the Commission of the European Communities, started on a gloomy note when Altiero Spinelli, the Commissioner in charge of industrial, technological, and scientific affairs, announced that the Community could not shoulder new tasks without extensive reforms. His assistant, Robert Toulemon, added that a technologically advanced Europe remains a hope, not a reality. Eurocrats privately admitted that, unless the United Kingdom can spur action on an industrial policy, the Community could degenerate into an agricultural club with pretentious political aspirations.

### Labor to Share Management Decisions

Rhetoric at the conference was all too familiar. Some issues, however, sparked controversy. For instance, Professor Michael Fogarty of Dublin's Economic and Social Research Institute asserted that company profit and investment plans will soon become a responsibility shared by management and labor, rather than the exclusive purview of management. Profits should not be considered separately from other types of income; wages, salaries, and profits should all be treated in the same manner, with management and labor planning and bargaining for profits on an equal footing, Professor Fogarty maintained. Stock ownership, giving workers a stake in the company's management, could inspire workers to concentrate on productivity. In the past, policies for even distribution of capital ownership had only partially succeeded, but within a generation all large businesses could be converted into something resembling a Yugoslav commune.

Many employers at the conference seemed unenthusiastic about Professor Fogarty's ideas to revolutionize capital ownership.

### Views of European Labor Differ

European labor unions are also deeply divided on the issue of worker participation in management decisions (see *European Community*, No. 156, pages 14-16). The Germans and the Dutch strongly advocate profit sharing and wage investment plans, which are more common in the United States than in any European country. European unions often see participation as a device to bind workers to the capitalist system.

The French take the view that any system to encourage workers to save or invest, which enlarges the capital pool available to industry, must include direct benefits for the workers themselves, such as expanded supplementary pension plans and improved social security. A major Belgian union opposes capital investment plans which force workers to save. The Italian unions take a similar line.

The conference exposed the makings of a fierce debate

in Europe. If company law is harmonized throughout the Community, what sort of company will be acceptable to all? Will there be Community arrangements for workers' participation or compulsory savings plans? Collective agreements with "Euro-companies" operating across national borders will be difficult to write if such divergent national viewpoints persist.

### Mansholt Argues "Third World" Interests

Sicco L. Mansholt, President of the Commission of the European Communities, electrified the conference with a lengthy off-the-cuff speech at the end of the third day. He ranged fearlessly (some people said "tactlessly") over a wide range of topics. Having arrived directly from the third United Nations Conference on Trade and Development (UNCTAD III) in Santiago, Chile, President Mansholt warned that the world cannot survive if the affluence-poverty gap between the rich and poor nations continues to widen.

"If we have the political courage to adjust our society to a world which has limits, then we will have a chance in the fight for survival," Mr. Mansholt said.

He had noted "bitterness" toward the industrial nations on the part of the poor countries' delegates to UNCTAD III. If development programs remain as they are today, the gap will increase by 1980. The rich nations' average annual income of \$2,400 will then amount to \$3,600, compared to \$280 in the Third World, he said.

"We need solidarity in Europe to give financial aid to underdeveloped regions, and that must be done on a world scale too," he urged. Tariff reductions and commodity agreements favoring the Third World should complement financial aid, he suggested. In addition, he predicted that Europe would have to reduce production of sugar, vegetable oils, wheat, and other commodities which can be imported from the developing world.

Mr. Mansholt's emphasis on the problems of the developing world and his criticism of affluent countries' consumption habits were unexpected at an industrial conference where most participants had long considered growth the panacea for all ills. Some delegates commented that Mr. Mansholt was "obsessed" with growth limitation, but most agreed that industrial growth and consumption are insufficient goals for today's society.

The conference passed no resolutions and made no decisions. As intended, it functioned as a clearinghouse for ideas on a wide range of topics from pollution to labor-management relations, from investment to regional policy. The next move hinges on the summit meeting in Paris this fall where industrial policy is high on the agenda.

David Haworth writes for the International Herald Tribune



# Munich's Second Thoughts on the European Patent Office

**PETER WILLIAMS**, *journalist based in Munich.*

Munich pulled out all the stops to win the honor of staging the 1972 Olympic Games and has suffered with more or less good grace major inconveniences resulting from the building of an underground railway and other projects connected with the Games. But Bavarian patience seems to be wearing thin.

Munich residents are up in arms at the prospect of becoming the first German city to house a major international body — the proposed European Patent Office. To build the Patent Office in Munich, 12 apartment buildings, occupied by some 300 persons, would have to be torn down initially. Later, an additional 11 buildings, housing some 500 people, would probably follow.

The unhappiness of people directly affected is understandable, but public wrath over a few apartment buildings seems exaggerated in a city where building demolition is not unusual. Indeed, visitors to the city in the past five years might have thought the whole city one vast building site.

Why have the Münchners dug in their heels on this one? Why have the local parties taken up the anti-Patent-Office banner and suddenly discovered objections to a project which, on December 17, 1971, they had endorsed at a session of the municipal council?

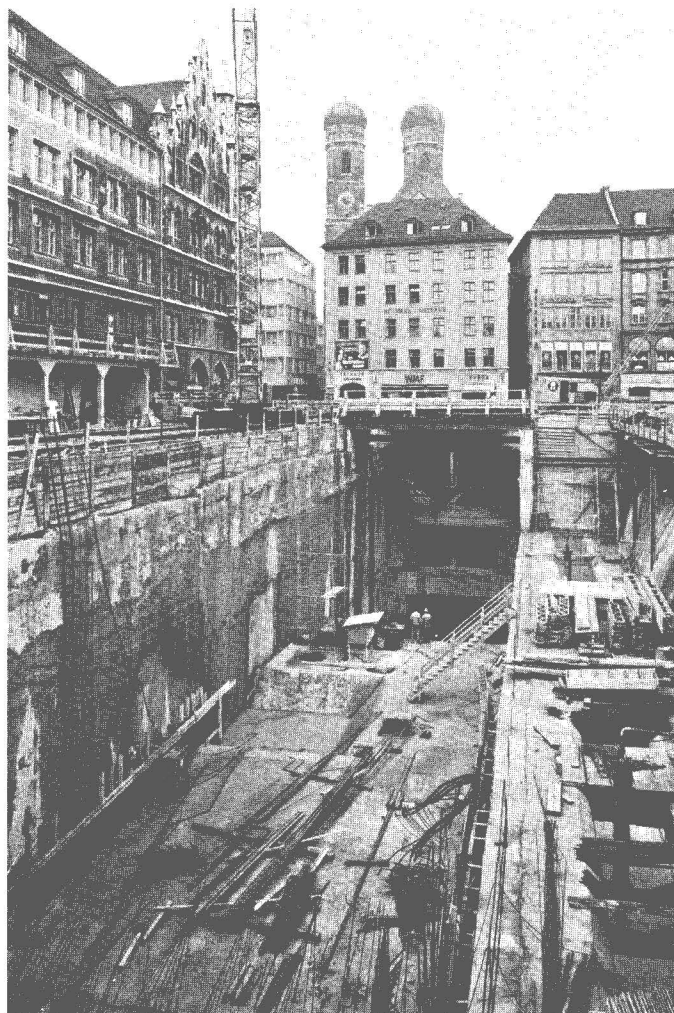
## Local Elections Highlight Issues

It could have something to do with the approach of local elections on June 11, 1972. The observer is now struck with the sight of such strange bedfellows as the conservative Christian Social Union (CSU), the liberal Free Democrats (FDP), the Social Democrats (SPD), and the Communists (DKP) joining to oppose the project. The Communists, it must be admitted, were always against it.

Shock waves from this explosion of Bavarian wrath have reached Bonn, where the federal authorities are reportedly worried that they might have to withdraw Germany's offer to play host to the European Patent Office.

The Patent Office would be one feature of an agreement on the introduction of patent legislation applicable throughout a large part of Europe. Twenty nations are involved in negotiations on this agreement, including the six Community members and the four candidate members (the United Kingdom, Ireland, Denmark, and Norway). With so many countries involved, Germany is not the only prospective seat of the Patent Office. Its most serious rival is the Netherlands, which has proposed The Hague. Luxembourg would like compensation for the loss of the European Coal and Steel Community's High Authority (following the merger of the three Community executives in 1967 and the location of the single Commission in Brussels), while the German press has mentioned Britain as another possible contender.

Government-level negotiations on the patent agreement, scheduled for conclusion by the end of June, have led to agreement on every detail but the location of the Patent Office. Germany has a good chance of being chosen if it can deliver the Munich site.



*Subway and other construction has worn Munich's nerves so thin that the city may refuse to build the European Patent Office.*

## German Patent Law Advanced

The German Government has reasons besides the fear of embarrassment for wanting to act as host nation. First, its leading position in the field of patent law would be confirmed by locating the Patent Office in Munich. Secondly, Germany will have to make a major financial contribution to the cost of building the Patent Office, wherever it is located.

The German authorities chose Munich because the German Patent Office is located there. The site picked for the European Patent Office by the Munich municipal authorities and the Bavarian state authorities is on the banks of the river Isar, a stone's throw from the German Patent Office. The opponents of locating the new Patent Office there (to the extent they are willing to have it in Munich at all) have proposed that it be built in the suburb of Zamdorf, several miles away on the edge of town.

## One Move Prompts Another

This suggestion sounds reasonable until one discovers that the European Patent Office depends heavily on collaboration with the German Patent Office which would



have to be moved, along with its more than 13 million patent descriptions, 630,000 volumes of general technical literature, and innumerable periodicals. Furthermore, the German Patent Office cannot function properly without the library of the "Deutsche Museum," Germany's largest technical museum located just across the Isar. The Deutsche Museum's library would also have to move to Zamdorf. Even if these moves could be made by the 1976 deadline, they would be costly.

Under pressure to reconcile the exigencies of local politics with the need to ward off the reproaches which

other federal states are always happy to heap on Bavaria, the Munich City Council has come up with a classic solution. On February 23, 1972, it passed a Socialist-sponsored resolution to form a working committee (consisting of representatives of the Bonn Government, the state of Bavaria, the city of Munich, and the President of the German Patent Office) to investigate the possibility of building the European Patent Office in Zamdorf and of moving there the German Patent Office and the library of the Deutsche Museum.

There, for the moment, the matter rests.

## Recent Books

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

**Industry and Europe.** By Christopher Layton, in collaboration with Y. S. Hu, and Michael Whitehead. Political and Economic Planning, London, 1971. 91 pages. A survey of 20 key British companies' expectations for industrial potential in an enlarged Community.

Despite difficulties expected from the effects of the common agricultural policy on the balance of payments (which the authors hope will be minimized through exchange rate adjustments), the industries studied expressed a generally positive view on the effects of entry. The authors indicate that the advantage of an open and secure market (which neither the disintegrating Commonwealth nor the distant, and sometimes protectionist, United States can provide) will give British industry an incentive for the permanent long-term investment necessary for its restructuring. In addition, non-tariff barriers in Europe will probably be eliminated faster within the Community than outside it, and the rapid marketing possible in the enlarged Community will put the excess technological capacity of Great Britain to use.

If Britain joins the Common Market, many UK industries can expect an increased production capacity as a consequence of enlargement: 7-10 per cent increases in chemical, automobile, and advanced technology industries and 5 per cent increases for capital goods, steel, and glass.

**The Accession of Ireland to the European Communities.** Laid by the Government before each House of Oireachtas. Stationery Office, Dublin, January 1972. 214 pages with an appendix.

The Irish Government's White Paper on entry into the Common Market, with background and the terms of the Treaty of Accession.

The paper contains a short history of the Communities and the negotiations for entry, summarizes the constitutional, legal, and political implications of membership for Ireland and gives an assessment of the economic effects of accession. The Government expects joining the Communities to help stabilize the economy, provide an outlet for its export industries and incentives for direct investment from abroad, and hasten growth of employment and output. Agricultural prices on the whole will rise to meet Community prices, and Irish farmers should benefit from the modified Mansholt Plan, the White Paper says. Hopefully, Community regional policy will supplement national programs.

In conclusion, participating in the drive for European unity and gaining the means to improve economic and social development will outweigh difficulties that will certainly occur.

**Change and Harmonization in European Education.** By Robert H. Beck. University of Minnesota Press, Minneapolis, 1971. 206 pages, with index and bibliography. \$8.50.

A study of the modernization and harmonization of concepts and practices in European education with reference to the European and national institutions fostering changes.

The author attributes the harmonization thus far achieved to three factors: improved communication, as exemplified in the increased study of languages; certain common ideological commitments to maximize and equalize educational opportunities; and economic and social challenges, such as

the need to upgrade the quality and status of vocational training. Following the example of the "European Schools," created for the children of officials of the Six, the idea of a universally acceptable baccalaureate has been encouraged, along with easily transferable credit throughout European schools. Texts in historic-cultural fields are being revised with a more European outlook. Postgraduate institutions with European curricula are growing in number. Equally important, institutions such as the Organization for Economic Cooperation and Development (OECD), the European Association of Teachers, and pedagogical centers have encouraged comprehensive change in adult education, continuing education for professionals, and student guidance in educational systems.

**Managing the Environment: International Economic Cooperation for Pollution Control.** Edited by Allen V. Kneese, Sidney E. Rolfe, Joseph W. Harned, Praeger for the Atlantic Council, New York, 1971. 356 pages with appendices. \$15.00.

A compendium of papers presented and conclusions reached at a January 1971 conference of businessmen and officials of the Western industrialized countries in Washington, D.C.

The report and papers describe environmental problems and suggest domestic and international approaches to regulate pollution. Environmental knowledge should be shared either through marketable patents or anti-trust exemptions for cooperation in this area. Conferees favored national policies for standard-setting and regulating over-taxation. Local, regional, and national projects to stabilize population growth should be coordinated. Conferees also recommended the establishment of an International Ecological Institute of government, business, and academic representatives to help eliminate trade obstacles such as non-tariff barriers relating to pollution control.



## Publications Available

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

**L'EVOLUTION DES PRIX DU GAZ DANS LES PAYS DE LA COMMUNAUTE EUROPEENNE DE 1955 A 1970.** *Etudes et enquêtes statistiques* No. 3, 1971, Commission of the European Communities, Brussels, 1971, 270 pages .....\$2.00

*French/German text. Studies the price of synthetic and natural gas for industrial and domestic use from 1955 to 1970 for each Community member state. Includes data on consumption and taxes.*

**THIRD SYMPOSIUM ON MICRODOSIMETRY.** EUR 4810e, Commission of the European Communities, Luxembourg, February 1972, 924 pages .....\$20.00  
*Proceedings of the October 18-22, 1971, symposium on Microdosimetry in Stresa, Italy, organized by the Commission's Directorate General for Industrial, Technological, and Scientific Affairs.*

**SPECIAL COMMISSION REPORT ON COMPETITION POLICY.** *Information Memo* No. P-22, Commission of the European Communities, Brussels, May 1972, 4 pages ..free  
*Summary of the first annual report on competition policy. Reviews Community policies toward individual firms, state monopolies, firms dominating markets, and consumers. The report itself is available in French for \$2.00.*

**THE EUROPEAN COMMUNITY IN FIGURES.** Commission of the European Communities, Brussels, 1971 .....free  
*Comparative data in a 6 x 9½ in. folder on the Community's member states. Covers area, population, gross national product, energy, industry, agriculture, finance, trade, and standard of living.*

**ADDRESS TO BOTH HOUSES OF THE MALAGASY NATIONAL ASSEMBLY IN TANANARIVE.** Commission of the European Communities, Brussels, 1972, 17 pages .....free  
*Address by Franco Maria Malfatti, President of the Commission of the European Communities on November 23, 1971. Discusses the Community's relations with the Yaoundé countries.*

**STATEMENT OF MR. SICCO MANSOLT, PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES, IN THE PLENARY MEETING OF UNCTAD III, APRIL 17, 1972.** Commission of the European Communities, Brussels, April 24, 1972, 10 pages .....free  
*Mr. Mansholt's speech before the third United Nations Conference for Trade and Development.*

**THE ECONOMIC IMPACT OF SOCIAL SECURITY.** *Social Policy Series* No. 21, Commission of the European Communities, Brussels, 1971, 193 pages .....\$6.00  
*Analyzes the effects of social security on income distribution, consumption, labor supply and demand, price structure, and economic growth. Data covers 1958-65.*

**PROPOSAL FOR A FOURTH DIRECTIVE ON THE ANNUAL ACCOUNTS OF LIMITED LIABILITY COMPANIES.** *Supplement* No. 7/71 to *Bulletin of the European Communities*, Commission of the European Communities, Brussels, 1971, 67 pages .. 60 cents  
*Fourth proposal, dated November 10, 1971, based on Article 54 of the Common Market Treaty related to company law. The proposal concerns the presentation, content, and publication of annual accounts and report methods of valuation.*

**COLLOQUIUM ON THE IDENTIFICATION OF IRRADIATED FOODSTUFFS.** EUR 4695e, Commission of the European Communities, Luxembourg, 1971, 157 pages .....\$4.20  
*The proceedings of an October 27, 1970, seminar in Luxembourg organized by the Directorate for Health and Safety of the European Communities Commission. Surveys research, completed or in progress, on the measurable physical, chemical, and biological changes in foodstuffs irradiated for preservation.*

**MEMORANDUM FROM THE COMMISSION ON A COMMUNITY POLICY ON DEVELOPMENT COOPERATION: PROGRAMME FOR INITIAL ACTIONS.** *Supplement* No. 2/72 to *Bulletin of the European Communities*, Commission of the European Communities, Brussels, 1972, 23 pages ..... 20 cents.  
*Outlines an action program toward developing countries. Includes commodity agreements, trade promotion, abolition of fiscal duties on tropical produce, guarantee of origin, public aid, and technical assistance.*

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