

EUROPEAN COAL AND STEEL COMMUNITY  
EUROPEAN ECONOMIC COMMUNITY  
EUROPEAN ATOMIC ENERGY COMMUNITY

COMMISSION

First

## GENERAL REPORT

on the

# Activities of the Communities

1967

BRUSSELS-LUXEMBOURG

February 1968

The President and the Members  
of the Commission of the European Communities  
to the  
President of the European Parliament

---

Mr. President,

We have the honour to submit the First General Report on the Activities of the Communities, which the Commission is required to publish in pursuance of Article 18 of the Treaty establishing a single Council and a single Commission of the European Communities.

In accordance with Article 122 of the Treaty establishing the European Economic Community, the Commission also prepares a Report on the Social Situation in the Community as an annex to the General Report. This document will be submitted to you in the near future.

Please accept, Mr. President, the expression of our high consideration.

Brussels, 12 February 1968.

Jean REY

*President*

Sicco L. MANSHOLT

Lionello LEVI SANDRI

Fritz HELLWIG

Raymond BARRE

*Vice-Presidents*

Albert COPPÉ

Hans VON DER GROEBEN

Emanuel SASSEN

Henri ROCHEREAU

Guido COLONNA DI PALIANO

Victor BODSON

Edoardo MARTINO

Wilhelm HAFERKAMP

Jean-François DENIAU

This report covers the months of February-December 1967 for ECSC, March-December 1967 for Euratom and April-December 1967 for EEC.

## CONTENTS

<b>Introduction</b>	17
<b>Chapter I—Entry into force of the Merger Treaty</b>	25
<b>Chapter II—Establishment and functioning of the Common Market</b>	31
<i>Customs union and free movement of goods</i>	31
<i>Tariff disarmament</i> , p. 31—Elimination of charges equivalent in effect to customs duties, p. 31— <i>Common customs tariff</i> , p. 32—Establishment and harmonization measures, p. 32—Suspension or temporary reduction of CCT duties, p. 33—The institution and application of the common customs tariff for 1968, p. 35—Tariff quotas, p. 35—Tariff duties for nuclear products, p. 36— <i>Customs legislation</i> , p. 37—Customs arrangements based on economic considerations, p. 37—Value for customs purposes, p. 41— <i>Quantitative restrictions and measures with equivalent effect</i> , p. 41—Easing of trade formalities between Member States, p. 42—Removal of technical obstacles to trade, p. 42— <i>Miscellaneous waivers</i> , p. 43—Goods not included in Annex II of the Treaty and manufactured from agricultural product, p. 43—Safeguard measures (Article 226), p. 45	
<i>Competition policy</i>	46
<i>Articles 65 and 66 of the ECSC Treaty</i> , p. 46—Restrictive agreements, p. 47—Combinations, p. 50— <i>Articles 85 and 86 of the EEC Treaty</i> , p. 56—Restrictive agreements and dominant positions, p. 56— <i>Government monopolies</i> , p. 68— <i>State Aids</i> , p. 69—General schemes, p. 69—Aids to specific industries, p. 70	
<i>Taxation policy</i>	74
<i>Specific cases</i> , p. 74—Turnover taxes, p. 74—Indirect taxes other than turnover taxes, p. 75—Excise duties, p. 76— <i>Approximation of provisions concerning indirect taxes</i> , p. 77—Turnover taxes, p. 77—Excise duties, p. 77— <i>Approximation of provisions concerning direct taxes</i> , p. 77—Capital movements, p. 78—Industrial combinations, p. 78—Basis of assessment of tax on profits, p. 79	

<i>Freedom of establishment and freedom to supply services</i>	79
<i>Directives adopted, p. 83—Proposed directives laid before the Council, p. 84</i>	
 <i>Approximation of legislation and the creation of Community law</i>	 86
<i>General, p. 86—Public law, p. 93—Legislation on pharmaceutical products, p. 93—Civil procedure, p. 95—Jurisdiction and the enforcement of judgments, p. 95—Bankruptcy laws, p. 96—Private law, p. 97—Company law, p. 97—Unfair competition, p. 98—Economic law, p. 99—Specific cases of measures involving distortions of competition, p. 99—Price legislation, p. 100</i>	
 <i>Interpenetration of markets</i>	 101
<i>Development of intra-Community trade in 1967, p. 101—The Common Market and consumers, p. 103—The repercussions of the Common Market on domestic electric appliances, p. 104—Price differences and price levels in the Community, p. 105</i>	
 <b>Chapter III—General economic policy</b>	 109
<i>The current situation and short-term economic policy, p. 109—The Community's economic situation in 1967 and the outlook for 1968, p. 109—The Community's economic policy in 1967, p. 112—Council recommendation of 11 July, p. 112—Improving the instruments of policy, p. 117—General Objectives for coal and steel, p. 118—Medium-term economic policy, p. 120—Work on the preliminary draft of the second medium-term economic policy programme, p. 121—Medium-term economic forecasts, p. 123—Financial, monetary and budget policy, p. 124—Monetary questions, p. 124—The free movement of capital within the Community, p. 126—Co-ordination of budget policy, p. 127—The European Investment Bank, p. 128</i>	
 <b>Chapter IV—Creating an economic union</b>	 131
 <i>Common agricultural policy</i>	 131
<i>Foreword, p. 131—Functioning of the common organization of agricultural markets, p. 131—Common organization of the market in cereals, p. 131—Common</i>	

organization of the market in rice, p. 133—Common organization of the market in pigmeat, p. 135—Common organization of the markets in beef and veal, p. 136—Common organization of the markets in eggs and poultry, p. 138—Common organization of the markets in milk and milk products, p. 139—Common organization of the markets in fruit and vegetables, p. 140—Common organization of the markets in oils and fats, p. 142—Common organization of the market in sugar, p. 143—Common organization of the markets in vine products, p. 144—The European Parliament's work on the market organizations for the single market stage, p. 145—*Agricultural prices policy*, p. 146—Opinion of the European Parliament, p. 148—The Council decision, p. 148—*New basic regulations*, p. 150—Tobacco, p. 150—Unmanufactured tobacco, p. 150—The taxation of manufactured tobacco, p. 152—National tobacco monopolies, p. 153—Common table wines, p. 154—*Financing the common agricultural policy*, p. 155—Guarantee section of the Farm Fund, p. 155—Guidance section of the Farm Fund, p. 157—Resolutions of the European Parliament, p. 158—Special sections, p. 158—*Establishment of competitive conditions in agriculture*, p. 159—Rules of competition and aid, p. 159—Conditions of competition in agriculture, p. 160—Proposal for a regulation on agricultural producers' groups and union thereof, p. 161—*Approximation of legislation in agriculture, foodstuffs and forestry*, p. 162—Legislation concerning foodstuffs, p. 162—Veterinary legislation, p. 162—Legislation on animal feedingstuffs, p. 163—Plant health legislation, p. 163—Regulations concerning agricultural and horticultural seeds and seedlings, p. 164—*A Community policy for the improvement of agricultural structures*, p. 164—Policy co-ordination, p. 164—Community programmes, p. 165—Miscellaneous, p. 167—Information media for the common agricultural policy—Information on farm accounts, p. 168—Survey on the pattern of farming, p. 169

### *Energy policy*

170

*The energy position in the Community*, p. 170—The general picture, p. 170—Coal, p. 171—Oil and gas, p. 172—Electricity, p. 174—Nuclear energy, p. 174—*Establishment of a common energy policy*, p. 175—Coal policy, p. 176—Operation of the Community system of State aid for the coal industry, p. 181—*Oil and gas*, p. 184—*Nuclear energy*, p. 186—Safeguards and controls, p. 191

### *Industrial policy*

192

*Industrial structure policy*, p. 192—*Technical harmonization*, p. 197—*Small and medium-sized enterprises: Craft industries*, p. 199—*Policy for steel industries*, p. 200—State of the iron and steel market in 1967, p. 200—Measures to stabilize the common market for steel, p. 202—Co-operation with steel consumers, p. 204—Progress in standardization, p. 205—Raw materials of the iron and steel industry, p. 205

*Investment policy : coal and steel*

207

The annual investment survey, p. 208—Declarations of investment projects, p. 210—Reasoned opinions, p. 212—*Financing of investment*, p. 213—Borrowing operation, p. 214—Lending operation, p. 214

*Transport policy*

217

*Transport policy under the Treaty of Rome*, p. 217—*Access to the market*, p. 219—*Discrimination and support tariffs*, p. 219—*Harmonization of terms of competition*, p. 221—*Application of the rules of competition to transport*, p. 221—Aids to enterprises, p. 222—Prior examination and consultation for laws and regulations contemplated by Member States, p. 222—Application of the standstill clause, p. 223—Consultation procedure concerning infrastructure investments, p. 223—Infrastructure costs, p. 224—The Consultative Committee on Transport, p. 224—*Under the Treaty of Paris*, p. 225—Price information and transport conditions in the coal and steel sector, p. 225—Publication of rates and conditions of carriage, p. 227

*Regional policy*

229

*Development of the different regions of the member countries*, p. 229—*Projects relating to various regions*, p. 229—Promotion of an industrial development pole in southern Italy, p. 229—Co-operation in the frontier areas of France, Belgium and Luxembourg, p. 230—Study of the frontier areas Liège-Maastricht-Aachen, p. 230—Regional study of Schleswig-Holstein, p. 230—Study on the promotion of a focal point for tourism in Calabria, p. 231—*General schemes*, p. 231—Study of additional costs caused by excessive industrial combination, p. 231—Surveys of the finances of local authorities, p. 232—Investigation of the repercussions of the business trend on structures, p. 232—Regional aspects of Community activity in the agricultural sphere, p. 232—The role of transport policy at regional level, p. 233—Aids and regional policy, p. 234

*Social policy*

235

*Employment and training*, p. 235—Activities in connection with employment, p. 235—*Common policy on training and retraining* p. 236—Co-operation with Britain (ECSC/UK Council of Association), p. 239—Co-operation with Sweden, p. 239—*The Social Fund : Readaptation and reconversion*, p. 240—The European Social Fund, p. 240—Readaptation of workers (ECSC), p. 242—Redevelopment and reconversion (ESCS), p. 248—*Free movement of workers*, p. 251—Proposals for a regulation and a directive on free movement of workers within the Community, p. 251—*Harmonization of social security arrangements*, p. 253—Wages

and terms of employment, p. 256—Equal pay for men and women, p. 259—Industrial relations, p. 260—Subsidized housing, p. 260—Germany (F.R.), p. 260—Belgium, p. 262—France, p. 262—Italy; Luxembourg; Netherlands, p. 263—*Common health and safety policy*, p. 266—General activities, p. 266—Research on industrial health and safety (ESCS), p. 267—Research on industrial medicine, industrial health and industrial physiology and psychology (ESCS), p. 269—Mines Safety and Health Commission, p. 274—*Health and safety* (Euratom), p. 276—Social aspects of the common agricultural policy, p. 280—Social aspects of the common transport policy, p. 281

*Research and technology* 281

*General policy*, p. 281—*Progress of research concerning the ECSC industries*, p. 286—Financial assistance in 1967, p. 287—Technical research : coal, p. 290—Technical research : iron ore and steel, p. 291—Scientific and technical research in other sectors, p. 293—Agricultural research, p. 293

**Chapter V—Nuclear research and development** 295

*Completion of Second Five-Year Programme and preparation for future activity* 295

*Implementation of research and development programme* 301

*Research activities*, p. 301—Joint Research Centre Establishments, p. 301—Major activities, p. 306—Results, p. 319—*Nuclear power plants, marine propulsion and radioisotope applications*, p. 320—Nuclear power plants, p. 320—Nuclear ship propulsion, p. 324—Industrial applications of radioisotopes, p. 325

*Dissemination of information and other infrastructure activities* 327

*Dissemination of information and industrial property*, p. 327—*Other infrastructure activities*, p. 330—Implementation of Articles 41-44 of the Euratom Treaty, p. 330—Third-party liability and insurance, p. 331—Nuclear plant safety, p. 332—Transport of radioactive materials, p. 333—Industrial documentation and card-index systems, p. 334—Technical and economic studies, p. 334



<b>Chapter VI—External relations</b>	<b>337</b>
<i>The enlargement of the Community</i>	<b>337</b>
<i>Applications for membership</i> , p. 337—United Kingdom, p. 337—Denmark, p. 339—Ireland, p. 339—Norway, p. 340—Sweden, p. 341— <i>Request from Malta for the opening of negotiations</i> , p. 342— <i>The Commission's Opinion on the applications for membership</i> , p. 343— <i>The work of the Council</i> , p. 347	
<i>The association of European countries with the Community</i>	<b>352</b>
<i>The association of the United Kingdom with the ECSC</i> , p. 352— <i>The association of Greece with the EEC</i> , p. 352—The Council of Association, p. 352—The introduction of the customs union, p. 353—Parliamentary work, 354— <i>The association of Turkey with the EEC</i> , p. 355	
<i>The Associated African States and Madagascar and the Associated Overseas Countries and Territories</i>	<b>357</b>
<i>Institutions of the Yaoundé Convention</i> , p. 357—The Council of Association, p. 357—The Committee of Association, p. 358—The Parliamentary Conference and the Joint Committee, p. 359—The European Parliament, p. 360—Co-operation with the Associated States, Countries and Territories on vocational training, p. 360—Programme of full-time training scholarships, p. 362—Other forms of aid, p. 363— <i>Right of establishment and freedom to supply services</i> , p. 365— <i>Trade</i> , p. 366—Customs and quota disarmament, p. 366—Marketing of Associated States' products, p. 366—The trend of trade between the Community and the Associated States, p. 367—The interests of the AASM as regards similar and competing agricultural products, p. 368—Production aids, p. 369—Financial and technical co-operation in general: the main lines of approach, p. 369—Financial and technical co-operation in 1967, p. 370—Co-ordination of Community aid with other aids, p. 372— <i>Research concerning the Associated States</i> , p. 372	
<i>Commercial and other agreements</i>	<b>374</b>
<i>Negotiations with non-member countries</i> , p. 374—Austria, p. 374—Spain, p. 374—The Maghreb countries, p. 375—Israel, p. 375—East African States: Kenya, Uganda, Tanzania, p. 376— <i>Implementation of the trade agreements</i> , p. 376—Nigeria, p. 376—The Agreement with Lebanon, p. 377—Renewal and	

amendment of the Trade Agreement with Iran, p. 377—*Activity in the nuclear sector*, p. 378—Co-operation in the nuclear sector, p. 378—Problems arising from the draft of the nuclear non-proliferation treaty, p. 380

*The Community's external relations and commercial policy* 381

*Results of the Kennedy Round of trade negotiations*, p. 381—The legal instruments, p. 382—The results by key sectors: industry, p. 383—Chemicals, p. 384—Textiles, p. 385—Steel, p. 386—Non-ferrous metals, p. 386—Mechanical engineering, p. 386—Paper pulp, paper and paperboard, p. 387—Other sectors, p. 387—The farm sector: general commodity arrangements, p. 388—Conclusions, p. 389

*Common commercial policy* 391

*Proposals for regulations*, p. 391—Common liberalization list and administration of Community quotas, p. 392—Special import system for certain products, p. 392—Defence against dumping practices, p. 393—*Commercial policy: Steel*, p. 395—Peripheral tariff arrangements, p. 395—Restriction of steel imports from countries with State-trading systems, p. 395—*Trade agreements*, p. 396—Consultations, p. 396—Concerted action, p. 396—*Co-ordination of policy on credit insurance*, p. 398—*Commercial policy regarding non-member countries*, p. 398—Eastern European countries, p. 398—The Community and the Latin-American countries, p. 399—Renewal of the agreement with the United Kingdom on tea, maté, and tropical hardwoods, p. 400—Relations with Asian countries, p. 401—ECSC specific agreements, p. 401—*General problems of development aid*, p. 402—The trend of trade with the developing countries, p. 402—The United Nations Conference on Trade and Development, p. 403—Tariff preferences for developing countries, p. 403—Co-ordination of development aid and of technical assistance, p. 404—The OECD and development work, p. 404—Commodities and international commodity agreements, p. 405—*Relations with international organizations*, p. 406—The Community and GATT, p. 406—The Council of Europe, p. 407—The Organization for Economic Co-operation and Development (OECD), p. 407—European Free Trade Association (EFTA), p. 408—Western European Union, p. 408—The Community and the United Nations, p. 408—International Labour Organization (ILO), p. 409—*Co-operation with international organizations in the nuclear field*, p. 409—*The Community's diplomatic relations*, p. 410

**Chapter VII—Institutions and organs of the Community** 411

*The European Parliament* 411

*The Council*

418

*The Councils of the three Communities*, p. 419—ECSC Council, 107th session, p. 419—EEC Council 212th session and Euratom Council, 124th session, p. 419—EEC Council 213th session, p. 419—EEC Council, 214th session, p. 420—Euratom Council, 120th session, p. 420—ECSC Council, 108th session, p. 420—EEC Council, 215th session, p. 420—EEC Council, 216th session, p. 421—EEC Council, 217th session, p. 421—EEC Council, 218th session, p. 421—EEC Council, 219th session, p. 421—EEC Council, 220th session, p. 422—EEC Council, 221st session, p. 422—EEC Council, 222nd and 223rd sessions, p. 423—EEC Council, 224th session, p. 423—Euratom Council, 127th session, p. 423—ECSC Council, 109th session, p. 424—*The Single Council*, p. 424—1st session, p. 424—2nd session, p. 424—3rd session, p. 425—4th session, p. 426—5th session, p. 426—6th session, p. 427—7th session, p. 427—8th session, p. 428—9th session, p. 428—10th session, p. 428—11th session, p. 429—12th session, p. 429—13th session, p. 429—14th session, p. 429—15th session, p. 430—16th session, p. 430—17th session, p. 430—18th session, p. 431—19th session, p. 431—20th session, p. 431

*The Court of Justice of the European Communities*

432

The Judges, p. 432—New cases, p. 432—Judgments, p. 435

*The organs of the Communities*

439

*The ECSC Consultative Committee*, p. 439—Constituent session (112th session), p. 440—113th session, p. 440—114th session, p. 440—115th session, p. 440—116th session, p. 441—117th session, p. 441—*The Economic and Social Committee*, p. 441—61st session, p. 441—62nd session, p. 442—63rd session, p. 442—64th session, p. 443—65th session, p. 443—66th session, p. 443—*The Euratom Scientific and Technical Committee*, p. 444—*Other Community organs*, p. 445—The Monetary Committee, p. 445—The Short-term Economic Policy Committee, p. 445—The Medium-term Economic Policy Committee, p. 445—The Budget Policy Committee, p. 446—*The Consultative Committee on Nuclear Research*, p. 446

*The Commission*

446

*Composition*, p. 446—*Internal administration of the Community*, p. 449—Reorganization of departments, p. 449—The Statute of Service, p. 450—Budget questions, p. 450—Other matters, p. 451—Languages, documentation and terminology, p. 452—*Former joint services*, p. 452—The Statistical Office, p. 453—The Information Service, p. 454—The Legal Service, p. 458

**Chapter VIII—Community law** 459*The legal order of the Community* 463

*EEC Treaty*, p. 464—The machinery of the Community legal system, p. 464—  
Sources of Community law, p. 467—Interpretation of substantive rules of  
Community law, p. 470—*ECSC Treaty*, p. 472—*Euratom Treaty*, p. 474

## INTRODUCTION

I. Seven months after taking office on 6 July 1967, the Commission of the European Communities is called upon to submit its First General Report to the Parliament. Though this is too short a time for a proper assessment of the action taken, the Commission has used the opportunity offered by the parliamentary debates of September 1967 and January 1968 to describe the course being followed. There is none the less much to be said for giving a complete review of the progress made during the period covered by this Report and outlining the difficulties now being faced by the Community, primarily as a result of the disagreement that arose in December 1967 over enlargement of the Community.

This First General Report, which is a transitional one, describes not only the activities of the single Commission but, in addition, the work done by the High Authority and by the EEC and Euratom Commissions between the time when their last General Reports were prepared<sup>(1)</sup> and the beginning of July 1967.

II. The most important events which occurred in Community life before the merger Treaty of 8 April 1965 became effective are recorded below.

In the European Economic Community, two events of great political significance should be mentioned, as their effects will be felt for a long time to come. The first of these was the decision, reached at the Council of Ministers in February 1967, to harmonize indirect taxes in the Community and to adopt the principle of the added-value tax system. The second was the adoption by the Council, on the same date, of the first medium-term economic policy programme—a real milestone on the road to defining and fixing the aims of the Community's economic policy for the years ahead.

---

<sup>(1)</sup> End January, end February and end March 1967.

III. The successful conclusion of the Kennedy Round in May 1967 was an international achievement of great significance, in which the European Communities (EEC and ECSC) played a considerable part. Everyone has recognized the importance of their role, which provided striking confirmation of their willingness to contribute "to the harmonious development of world trade, the progressive abolition of restriction on international trade and the lowering of customs barriers," as stipulated in Article 110 of the EEC Treaty.

The tariff cuts agreed upon in Geneva are far larger than any achieved in previous rounds of tariff negotiations. Moreover, the Kennedy Round has led to some degree of harmonization among the customs tariffs of the principal trading powers and has made it possible to start dismantling non-tariff barriers in several fields, such as chemicals, where they are paralysing trade. The Kennedy Round also represents the first overall attempt to organize world markets in agricultural products, even if the results obtained, although noteworthy, are not entirely commensurate with the efforts made.

For the Community these negotiations had a further significance. It was the first time that the Community took part as one entity in international negotiations of such importance, with the Commission representing it. In this respect, the Kennedy Round was a test of the smooth working and efficiency of the Community system in external relations. The Commission must therefore stress the political and institutional importance of the success achieved at Geneva.

IV. Another event of significance before the single Commission took office was the achievement on 1 July 1967 of the single market stage for cereals, certain animal products (pigmeat, poultry, eggs) and oil-seeds. Occurring simultaneously with another general reduction in intra-Community customs duties, this represented a further advance towards the full customs union and the single market in agricultural produce, due to be completed on 1 July 1968.

V. The date of 1 July 1967 also marked the beginning of a new phase in the organization of the Communities, as the Treaty merging their institutions then came into force. The ECSC High Authority, which had carried out its duties for fifteen years, and the EEC and Euratom Commissions,

which had been in existence for ten years, were replaced by a single Commission, which has assumed all the powers conferred on the earlier bodies by the three Treaties.

This is the first major change in the institutional field since the Treaties of Rome entered into force. In view of the number, variety and in many cases the scale of the responsibilities placed on the Executives since 1952, and of the powers given them by the Council in pursuance of the Treaties, the merger is much more than a simple matter of administrative concentration. It increases both the political authority and the efficiency of the single Commission.

The single Commission, which is heir to the three institutions that preceded it, acknowledges with gratitude the substantial results achieved by its predecessors over a period of fifteen years and pays tribute to the men who devoted themselves to this work and whose names are linked with it.

VI. The first task for the new Commission was to organize its work, define the tasks of its members, begin to merge its staffs organically and rationally, and establish the new, unified administration. This is an extremely arduous task, complicated by the fact that the Commission, while responsible for the organization of its services, does not have the budgetary authority that would enable it to complete the work quickly; it is complicated, too, by the many intricate problems, that inevitably accompany any attempt to merge and to rationalize.

This difficult task has not yet been completed, but the Commission intends to bring it to a satisfactory conclusion even ahead of the time-limit fixed by the Merger Treaty.

VII. In the internal field the Commission wishes that, while Community policies are pursued in the normal way, especially in the agricultural sector, particular attention should be paid to the points which follow.

One of the first concerns of the Community must be to end the doubts about Euratom's future. When the single Commission took office, the budget for the current financial year, 1967, had not yet been adopted. The Commission successfully urged the Council to take an immediate decision. As Euratom's second five-year programme was to expire at the end of 1967 and the Council had given no further consideration to any

new plan such as the one suggested by the Euratom Commission, the single Commission had no alternative but to submit to the Council a tide-over programme for 1968. The Commission deplores the restrictive attitude adopted by the Member States with regard to this programme and notes with satisfaction that its views have been in large measure shared by the European Parliament.

Even more important, in the Commission's opinion, is the task of deciding upon Euratom's future activities; it feels bound to stress the importance of the tasks incumbent on and of the means available to this institution, which it sees as one of the Community's first major moves in the field of research and technology. It would be paradoxical to jeopardize what is being done here just when the need for Europe to redouble its efforts in this field is universally recognized.

VIII. The Community's activities with regard to general research and technology are in fact a further point about which the Commission is concerned. If the economic union is to be established and if Europe's position in the world is to be enhanced, there must be a Community drive to expand research and development. The Council's discussion of this subject on 31 October 1967 was a welcome result of the efforts that the three former Executives had long been making. The Council's first resolution in this field could do no more than express a political will and give some general indications; it is the Commission's intention to translate these intentions into a coherent programme that will include co-ordinated or joint activities.

IX. The precise and effective way in which the solidarity of the Six showed itself in monetary matters last November is worthy of note. On this occasion the sterling crisis did not find the Member States unprepared, and the Community machinery devised and adopted by the Council in 1964 worked in an entirely satisfactory manner, both in the conference of Ministers of Finance and in the Monetary Committee.

X. The Commission and the Council have been able to get the common transport policy moving again, on the basis of a limited but concrete programme which the Commission will endeavour to have implemented in full before 1 July 1968, so that entry into force of the customs union may be accompanied by real progress in this sector too.



XI. For some months past the internal and external politics of the Community have been dominated by the problem of its enlargement. The Commission has clearly stated its support for enlargement without, however, concealing the difficulties that would have to be overcome or avoiding reference to the conditions that would have to be fulfilled. The Opinion adopted on 29 September 1967, after describing both the advantages and the obstacles, suggests a course that could be followed; this course might have provided the basis of an understanding among the Six had they devoted more effort to reaching agreement than to recording their differences.

It was and is the Commission's view that in order to remove the uncertainties which still persist, particularly on certain fundamental points, there should be negotiations, by the most appropriate procedures, with those States which have applied for membership; this would enable those concerned to make the necessary study of the problems highlighted in the Commission's Opinion and to see whether solutions can be found which would satisfy the conditions that must be fulfilled if the cohesion and dynamism essential in an enlarged Community are to be assured. To hear the countries concerned and to negotiate with them in order to examine the chances of arriving at solutions acceptable to all seemed, and still seems, to the Commission to be the line that should have been adopted.

XII. Following the Council session of 18 and 19 December 1967, the Commission declared that opportunities must be sought for resuming the movement towards enlargement of the Community which had been temporarily interrupted. While it is deeply sceptical about the usefulness, or even the possibility, of isolated action by some Governments with the countries that have applied for membership, and could take no part in any such moves, the Commission is convinced that there are real possibilities for action by the Six and the Community. It is for the Community to explore them, to agree about the steps to be taken, and to make suggestions to the United Kingdom and the other countries concerned. Action of this kind must not be a substitute for membership, nor prejudice subsequent negotiations; it must of course be taken within the Community framework and by Community methods.

XIII. Being convinced that the Member States will reach a reasonable solution to the problems posed by the enlargement of the Communities, and resolved to contribute to this result, the Commission would not wish to end this introductory statement without a glance at the future.

A general report is not an action programme. There can therefore be no question, in this introduction, of describing in detail the policies the Commission intends to pursue in the various sectors. All that can be indicated here is the general line to be followed.

Now that we are on the point of achieving full customs union, it is more and more necessary to press forward the establishment of economic union. The Commission has inherited the rich legacy left by its predecessors. The regrouping of forces and powers that the merger has permitted should enable more effective action to be taken in several sectors, whilst tariff disarmament and the elimination of frontiers increasingly underline the need for common policies.

Implementation of a common policy is becoming unavoidable now that customs frontiers are disappearing, to be followed soon by technical and fiscal frontiers. Co-ordination by the Member States of their short-term economic policies and elaboration by the Community of a medium-term economic policy are the first results to be seen. For the Community Institutions themselves, the fact that common policies are being developed in certain fields (starting with agriculture) makes it essential to adopt an overall policy such that the steps taken in individual sectors may be coherent and fully effective.

In agriculture, particularly, the Community has in recent years given priority to gradual establishment of the single market; it is now the fundamental problems of structure that will have to be tackled. Economic and financial needs will have to be reconciled with the fundamental requirements of social progress, which include narrowing the difference in living standards which divides many of those who work on the land from the rest of the population.

Elaboration of this general policy is a matter to which the Commission intends to devote more attention each year.

XIV. The merger of the Institutions will help to intensify the Community's action in the social field.

Thanks to the legal and material means at the disposal of the High Authority, the ECSC has gained, in those sectors for which it is competent, experience which will provide a useful model for activities of wider scope.

Moreover, as economic integration is achieved and the common market established, and as very far-reaching changes occur in the structure of

production and the size of enterprises, the effort made in the social sector will have to be increased in order to keep social progress abreast of economic progress and to assist the levelling upward of living and working conditions which is one of the fundamental aims of the Treaty of Rome.

The Commission will spare no effort to achieve these aims, in the conviction that it is thereby helping to gain the support and participation of the working people of the Community for the task of building Europe.

XV. The Commission is also determined to exploit to the full the other possibilities opened up by the merger, particularly in regional policy, industrial policy, research policy and energy policy. Its internal organization and the structure of its unified administration have been devised in the light of this objective. The experience gained by and the means available to the ECSC make it possible to give a new dimension to the work being done on regional policy and industrial policy. Where energy policy is concerned, the merger gives the single Commission the overall view and the control of all Community means needed for elaborating a common policy and having it accepted by the Governments and by the Community. In addition, the great events that have recently affected international policy in the financial and monetary field—the devaluation of sterling and the American plan of 1 January 1968—have been and must continue to be an opportunity for tightening the links between Community countries; the demonstration of solidarity given both before and after the devaluation of sterling has shown the importance of the Community in the international monetary field and how great its influence will be once monetary union has been established.

XVI. While our Communities have had to live through a succession of crises—the ECSC crisis, the Euratom crisis, the EEC crises of 1963, 1965 and 1967—great progress has been made from year to year: customs union will have been established faster than originally envisaged, common policies have been developed, and the Community has continued to do all that is possible within the framework of its association with certain African countries and Madagascar and, on a broader plane, for the developing countries generally.

The role of the Commission is to stimulate and accelerate these developments. The Commission does not consider that it can act in opposition to the Member States but, on the contrary, that it should work in constant

collaboration with them on a basis of mutual trust, under the permanent supervision of the European Parliament. Nor does it consider that its role is to act in opposition to non-member countries but, on the contrary, to co-operate with them increasingly. To complete the common policies, to merge the Treaties, to enlarge the Community, to increase the part it plays in the world—these are the objectives that the Commission has set itself in order to help forward the building of a united, independent Europe that will be a force for peace and progress in the world.

## CHAPTER I

## ENTRY INTO FORCE OF THE MERGER TREATY

1. The Treaty establishing a single Council and a single Commission of the European Communities came into force on 1 July 1967, all the instruments of ratification having been deposited with the Italian Government by 30 June 1967; this was in accordance with an agreement on the subject reached at the meeting of Heads of State or Government of the Member States in Rome on 29 May 1967 at the tenth anniversary of the signing of the Treaty of Rome.

As required by Article 1 of the Merger Treaty, the Council of the European Communities which replaces the Council of the European Economic Community, the Euratom Council and the Special Council of Ministers of the European Coal and Steel Community has been brought into being. At the first meeting of the new Council on 3 July 1967 Mr. Schiller, Minister for Economic Affairs in the Federal Republic of Germany and President-in-office of the Council, stressed the political importance for the ultimate construction of a united Europe of this institutional step, which is intended to prepare the way for the merger of the Communities themselves. The Committee of Permanent Representatives, whose mandate has now been extended to include the powers previously exercised by the Co-ordinating Committee of the ECSC, held its first meeting subsequent to the merger from 4-10 July.

As required by Article 32(2) of the Merger Treaty, the Commission of the European Communities, which replaces the three Executives, took up its duties on the fifth day following the appointment of its members, that is, on 6 July 1967; simultaneously the term of office of the members of the High Authority and of the EEC and Euratom Commissions came to an end. On the occasion of the first meeting of the new Commission its President, Mr. Jean Rey, sent the Presidents of the European Parliament, of the Council of Ministers and of the Court of Justice a message in which the Commission laid stress on the close collaboration it intended to maintain with these other institutions.

As required by Article 10(2) of the Merger Treaty, the President, Vice-Presidents and members of the Commission on 13 July 1967 gave, at a special session of the Court of Justice in Luxembourg, a solemn undertaking that they would respect the obligations arising from their duties.<sup>(1)</sup>

2. The time that had elapsed between the signature of the Merger Treaty on 8 April 1965<sup>(2)</sup> and its entry into force was long. First, the Treaty had to be submitted to the Parliaments of the Member States for their approval. This part of the procedure was completed on 25 October 1966, when the Upper House in the Netherlands signified its approval.<sup>(3)</sup> Furthermore, the difficulties experienced by the Community in 1965-1966 meant that for a long time the climate was not propitious for implementation of the Merger Treaty. Finally, its entry into force depended on prior agreement between Governments on the appointment of the new Commission and, in particular, of its President.

As a result of the discussions on this last point, Mr. Walter Hallstein, President of the EEC Commission, informed the Chancellor of the Federal German Government, Mr. Kurt Kiesinger, on 5 May 1967 of his wish that the Chancellor should not carry through his idea of proposing him as first President of the single Commission. President Hallstein made it clear that he had never considered the possibility of being part of this Commission as Vice-President or as member. He also pointed out that there were serious political and juridical objections to the term of office of the President of the European Executive being reduced to less than one year by means of a personal agreement between the Governments of the Member States and the candidate being considered for the presidency.

When the Heads of State or Government met in Rome on 29 and 30 May 1967 for the tenth anniversary of the signing of the Treaty of Rome they expressed, in the official *communiqué* issued after their conference, "their intention of bringing into force from 1 July 1967 the Treaty of 8 April 1965 merging the institutions of the three Communities"; this decision was a step towards the merging of the three Communities.

---

(1) The budgetary and administrative aspects of the implementation of the Merger Treaty are dealt with in secs. 603 et sqq.

(2) *Fourteenth (ECSC) General Report*, sec. 37, *Eighth (EEC) General Report*, sec. 1 and *Eighth (Euratom) General Report*, Introduction III.

(3) *Tenth (EEC) General Report*, sec. 421.

3. At a meeting of the European Parliament in June 1967, when Mr. Walter Hallstein presented the Tenth General Report on the Activities of the EEC and Mr. Antonio Carrelli the corresponding Report from Euratom, and when the Fifteenth General Report from the High Authority of the ECSC<sup>(1)</sup> was being discussed, Parliament congratulated the three Executives—then nearing the end of their terms of office—on their successes which, on balance, had far outweighed all setbacks.

Mr. Alain Poher, President of the European Parliament, welcomed the action taken to make a reality of the merger of the institutions, “a prelude to the rational unification of the Community Treaties,” and stressed the difficulties which the division of the Community into three parts had at times engendered for the Euratom Commission. The difficulties met by this institution and the efforts it had made to manage its difficult field of action “merit the lively tribute which the European Parliament wishes to make to this Commission,” to its members and its Presidents, past and present, Mr. Louis Armand, Mr. Étienne Hirsch and Mr. Pierre Chatenet. In his reply, Mr. Chatenet recalled the uncertainties that had hampered and were still hampering the research budget, and stressed the fact that “the work put in, the tasks accomplished, had made it possible to execute the Treaty faithfully and efficiently.”

Mr. Poher next saluted the High Authority as “the pioneer that has been in the forefront during the building of the Community”; he recalled the early Presidents of this institution, Mr. Jean Monnet, Mr. René Mayer and Mr. Paul Finet, adding that it was thanks to the results achieved in their time that Europe was a little able to take shape. The President of the Parliament then paid tribute to Presidents Malvestiti and Del Bo. While, in the words of the *rapporteur*, Miss Lulling, the scale of the task accomplished and the success of the European project ought not to hide the seriousness of certain items in the situation today, such as the large stocks of coal, the insufficiency, despite its volume, of the aid given to coal production and the unused capacity available in the iron and steel industry of the Community, “the Parliament’s assessment is positive because it is endeavouring to be realistic.” In his reply, Mr. Coppé associated himself with the tribute paid to his predecessors and laid stress on the fact that at the end of the road covered by the ECSC, parliamentary control had, in day-to-day matters, been considerably strengthened.

---

(1) This Report has been presented to Parliament by Mr. Coppé, Vice-President of the High Authority, in May 1967.

The statement made by the President of the European Economic Community, Mr. Walter Hallstein, ranged beyond the limits of the General Report and dealt with all that had been done in the ten years of the Community's life; he stressed the great advances made since 1958 thanks to the effort put forth by all the institutions in many fields, particularly customs union, common agricultural policy, medium-term programming, freedom of movement and the right of establishment, competition policy, the tax field, as well as the progress made in external relations and association policy, and in connection with trade agreements to which the Community was a partner. As he drew up this balance sheet, the retiring President of the Commission noted a number of encouraging facts: economic growth was rapid and genuine interpenetration was producing a coherent industrial centre for the European economy—a factor of importance for economic stability. Mr. Hallstein then reviewed the political results, in particular the fact that the Treaty of Rome had proved its efficacy as a constitutional instrument and could be looked on as the first chapter in a constitution for Europe; it had, he said, been proved that when Europe acted as a community it could stand up to overweening demands from without.

The Parliament paid special tribute to President Walter Hallstein, and also to Mr. Marjolin, the outgoing Vice-President, and Mr. Schaus, an outgoing member of the EEC Commission. The President of the Parliament and the spokesmen of the political groups reviewed the work done by the Commission in the preceding ten years and stressed the decisive part played by President Hallstein in the advances made by the Community since it had come into being; they paid tribute to the reasons for his going, but none the less regretted it.

President Poher read out a telegram from the President-in-office of the Council, Mr. Van Elsdande, who was unable to be present, and then dwelt on the gratitude due to President Hallstein for the immense and lasting work that had been accomplished thanks to his tenacity, his breadth of vision and his legal and political perspicacity; he hoped that the new Commission would continue the work that had been put in hand and "that Europe would rapidly emerge as an economic and social, indeed a political reality."

4. On the day the Merger Treaty came into force the representatives of the Governments of Member States made the following appointments to the single Commission: Mr. Jean Rey, President; Mr. Mansholt, Mr. Levi Sandri, Mr. Hellwig and Mr. Barre, Vice-Presidents; and Mr. Coppé,



Mr. von der Groeben, Mr. Sassen, Mr. Colonna di Paliano, Mr. Bodson, Mr. Martino, Mr. Haferkamp and Mr. Deniau, members.

5. The members of the Commission presented themselves to the European Parliament on 20 September 1967, and Mr. Jean Rey, as President, made a statement on how he and his colleagues saw the task before them, on the first steps already taken and on the objectives the Commission proposed to pursue. After reviewing in turn the responsibilities incumbent on himself and his colleagues under the three Treaties, the problem of enlarging the Communities, the merger itself and the new tasks involved, Mr. Rey gave an assurance that the merger of the administrations, a difficult task which was already well in hand, would be pushed through as rapidly as possible without, however, holding up the elaboration of common policies and the management of current tasks. Referring to the new tasks, or the new approach to old problems occasioned by the Merger Treaty, Mr. Rey dealt with four points: a more systematic study of industrial policy in the light of the larger market within the Community and the keener competition from without; a common energy policy, a field in which concentration of the responsibilities borne by Commission and Council should make it possible to move forward much faster than before; the search for practical ways of reducing Europe's leeway in scientific research by introducing a common policy in this field too; and finally regional policy, which could now, as a result of the merger of the institutions, be treated as a whole at Community level. The President of the Commission also stressed the importance which the Commission attaches to social matters and its impatience to see a fresh impetus given to social progress in the Community.

The President of the Commission then showed that the Communities were in need of a fresh political *elan* if they were to execute these tasks with success. The merger meant more than mere streamlining, mere harmonization of the Treaties. It was a means of advancing a stage further along the road to European unity. Strengthening of the Communities' policies, strengthening if possible of the Institutions, and more personal co-operation with the members of the various Governments—such were the wishes and intentions of the Commission in its endeavour to find this political *elan*, which was becoming more and more necessary with “the increasingly dangerous cleavage that was occurring between the growing power of the Communities and the acute political disagreements which still existed between Governments.”

In order to get closer to the requisite degree of co-operation and to show that we are moving forward by the simple device of actually moving forward,

the Commission suggested that it might be possible to undertake jointly certain tasks which would allow Europe to begin speaking as Europe in the world. The Commission was in any case conscious of the fact that the Community's task was not merely one of economic unification in Europe, but also one of political progress.

6. When the Treaty establishing a single Council and a single Commission for the three Communities was signed on 8 April 1965, the six Governments agreed that as soon as the new institutions were installed they would begin the preparatory work for a merger of the Treaties. On the initiative of the German Government, the Council decided in October 1967 to make a start with this work.

The Commission, anxious to make its full contribution to the elaboration of the requisite arrangements, immediately sought and obtained the Council's agreement to the submission of a memorandum on the matter as soon as possible. A group of senior officials from the three former Executives has been instructed to draw up an inventory of the main problems and basic choices that will need to be considered. The conclusions reached by the group of officials will shortly be submitted to the Commission, which will immediately examine them so that its memorandum can be forwarded to the Council early in 1968 and the Parliament informed of the Commission's views on this subject, which is of such fundamental importance for the future of the European Community.

## CHAPTER II

ESTABLISHMENT AND FUNCTIONING  
OF THE COMMON MARKET

## Customs union and free movement of goods

## TARIFF DISARMAMENT

7. Tariff disarmament within the Community entered its penultimate stage on 1 July 1967, when the Member States reduced the internal customs duties on industrial products to 15% of the basic duty. This means that the duties existing on 1 January 1957 have now been cut by 85%.

The remaining duties between the Member States will be abolished by 1 July 1968.

Basic duties on the agricultural products listed in Annex II of the Treaty and not yet subject to a common organization of the market were cut by 10% or 15% on 1 July 1967, bringing them down to 25% of the duties applicable on 1 January 1957. The Commission was able to note that these cuts were made in full by all the Member States.

*Elimination of charges equivalent in effect  
to customs duties*

8. The Commission added to its list six new charges requiring examination under the Treaty's provisions on charges equivalent in effect to customs duties.

There are still 81 charges on which the Commission has still to decide. Most of them present very complex problems which are still under examination. Consequently, it is not yet possible to predict even

approximately when the Commission will be able to complete its work on abolishing such charges between the Member States, bearing in mind the fact that further charges not yet brought to light may still come to its attention.

## COMMON CUSTOMS TARIFF<sup>(1)</sup>

### *Establishment and harmonization measures*

9. No general alignment of national customs duties on those of the common customs tariff was planned for 1967. Nevertheless, the Member States instituted common customs tariff duties for various products—mainly oilseeds, vegetable oils, margarine and prepared fats, for which the CCT came into force on 1 July 1967 in accordance with Council Regulation No. 136/66.

In addition, as a result of a decision by the representatives of the Member State governments meeting in the Council (Article 24) on 11 July 1967,<sup>(2)</sup> alignment on the CCT duties was speeded up for a group of products with which Israel was concerned and for which duties had been reduced.<sup>(3)</sup> A similar decision was taken in October 1967<sup>(4)</sup> for various products exported by Iran to the Community (dried grapes, woollen carpets, etc.).

Moreover, the Commission renewed<sup>(5)</sup> the authorization it granted to certain Member States in 1966,<sup>(6)</sup> under Article 26, to postpone the raising or lowering of the duties on a limited number of tariff headings.

As in the EEC General Reports, *Table 1* below gives the calendar for implementation of the customs union and the pace so far achieved in intra-Community tariff disarmament and the introduction of the common customs tariff.

---

(1) *The Customs Tariff of the European Communities* (July 1963 edition) has been kept up to date by loose leaves issued regularly which give the Council decisions amending or suspending duties. The sixteenth set of these leaves dealt chiefly with a new list of suspensions of duty applicable from 1 January 1968.

(2) *Official Gazette* No. 157, 15 July 1967.

(3) Council decision of 27 June 1967, *Official Gazette* No. 145, 8 July 1967.

(4) *Official Gazette* No. 309, 19 December 1967.

(5) *Ibid.* No. 201, 21 August 1967.

(6) *Ibid.* No. 155, 25 August 1966, and *Tenth (EEC) General Report*, sec. 8.

*Suspension or temporary reduction  
of CCT duties*

10. Numerous suspensions or temporary reductions of CCT duties (EEC Treaty, Article 28) were decided during the period under review. Most of them were covered by the Council decision of 14 June 1967 extending, on the basis of a Commission draft,<sup>(1)</sup> the 20% reduction on some 500 items<sup>(2)</sup> up to 30 June 1968. If this reduction were not maintained, there would be certain increases in duties because the Member States would have to align their national duties on the unreduced CCT duties. The Commission felt that such increases, however moderate, were not desirable at the present time.

The Council granted other suspensions or temporary reductions of duty. These mainly concerned anchovies,<sup>(3)</sup> certain synthetic textile fibre yarns,<sup>(4)</sup> ferro-nickel,<sup>(5)</sup> and the products listed in the 1964 agreement between the EEC and Israel, which expired on 30 June 1967.<sup>(6)</sup>

As in previous years the Commission, in conjunction with the national experts, examined applications for suspensions or reductions of duties on basic products imported from non-member countries, Community output of which was inadequate or non-existent. For 1968, these applications related to 96 products or groups of products. Agreement having been reached on 83 of them, a draft decision was passed to the Council on 7 November 1967. On the basis of a Commission draft, the Council also decided to reduce the duties on 14 agricultural and industrial products for which the Member States had requested national tariff quotas.<sup>(7)</sup>

Lastly, still on the basis of Article 28, the Council extended until 30 June 1969 its decisions suspending duties on various standard Indian products and on tea, maté and tropical hardwoods. The tariff arrangement between the Community and the United Kingdom for these latter products was renewed at the same time.

---

<sup>(1)</sup> *Official Gazette* No. 116, 17 June 1967.

<sup>(2)</sup> *Tenth (EEC) General Report*, sec. 8.

<sup>(3)</sup> *Official Gazette* No. 74, 17 April 1967.

<sup>(4)</sup> *Ibid.* No. 89, 9 May 1967.

<sup>(5)</sup> *Ibid.* No. 285, 23 November 1967.

<sup>(6)</sup> *Ibid.* No. 145, 8 July 1967, and sec. 471.

<sup>(7)</sup> *Ibid.* No. 285, 23 November 1967, and sec. 12.

Table 1 — Progress towards customs union in the Community

	1st stage					2nd stage					3rd stage	
	1.1.58	1.1.59	1.7.60	1.1.61	1.1.62	1.7.62	1.7.63	1.7.65	1.1.68	1.7.67	1.7.68	1.1.70
				(acceleration)	(acceleration)	(acceleration)	(acceleration)					
<b>A — Elimination of intra-Community duties:</b>												
<b>1. Agricultural products</b> (Annex II to Treaty):												
(i) Reduction made (on the basis of national duties on 1.1.57)	10%	10%	10%	5% <sup>(1)</sup> 10%	5% <sup>(2)</sup> 10%	10%	10%	10%	10%	10% or 15%		
(ii) Total reduction	10%	10%	20%	25% <sup>(1)</sup> 35% <sup>(1)</sup> 20%	35% <sup>(1)</sup> 30% <sup>(3)</sup>	45% <sup>(1)</sup> 40% <sup>(3)</sup>	55% <sup>(3)</sup> 50% <sup>(3)</sup>	65% <sup>(3)</sup> 60% <sup>(3)</sup>	75% <sup>(4)</sup>	75%		
<b>2. Industrial products:</b>												
(i) Reduction made (on the basis of national duties on 1.1.57)	10%	10%	10%	10%	10%	10%	10%	10%	10%	5%	15%	
(ii) Total reduction	10%	10%	20%	30%	40%	50%	60%	70%	80%	85%	100%	
<b>B — Institution of CCT:</b>												
<b>1. Agricultural products</b> (Annex II to Treaty):												
(i) Adjustment made <sup>(5)</sup>				30% <sup>(6)</sup>	30% <sup>(6)</sup>				30%			
(ii) Total adjustment				30%	30%				30%			
<b>2. Industrial products:</b>												
(i) Adjustment made <sup>(5)</sup>				30% <sup>(6)</sup>	30%				30%			
(ii) Total adjustment				30%	30%				30%			

(1) Reduction applicable only to non-liberalized products.  
 (2) Reduction applicable only to certain liberalized products.  
 (3) Total reduction applicable to certain liberalized products only.  
 (4) The free movement of agricultural goods will be achieved in principle on 1 July 1968.  
 (5) i.e. narrowing of the gap between national duties on 1 January 1957 and CCT duties.  
 (6) The CCT duties were applied immediately where the difference between them and national duties on 1 January 1957 was no more than 15%.

*The institution and application of the  
common customs tariff for 1968*

11. The Commission is actively preparing for institution of the common customs tariff for industrial products by 1 July 1968. It is determining what parts of the tariff nomenclature will require modification, in particular by the incorporation of new sub-headings arising from certain concessions granted to non-member countries at the recent Geneva negotiations. It is calculating the rates which will gradually become applicable in accordance with the five instalments of rate reduction agreed under GATT, the first two of which are to come into force simultaneously on 1 July 1968. In conjunction with the national experts, the Commission has proceeded with compilation of the explanatory notes on the sub-headings of the CCT, to promote correct and uniform interpretation of the nomenclature and thus prevent distortions of competition or deflections of trade and therefore of receipts. Notes on almost 60 chapters have been examined, out of a total of 99. Fifteen chapters out of 24 in the agricultural sector will very shortly be given their final form.

At the same time the national experts, under Commission chairmanship, have been working to solve the further problems of classification submitted to them in numerous special cases concerned with the interpretation of CCT sub-headings. These were usually immediate problems raised by the entry into force of certain agricultural regulations. In most cases, opinions were rendered and were promptly adopted by the national customs authorities.

*Tariff quotas*

12. The number of requests for national tariff quotas, which reached its highest level in 1962 with 278 requests, has declined continuously in recent years and was 77 for 1967 and 66 for 1968. The number of quotas granted showed a similar trend, with 104 for 1962 and 61 for 1967.

Since 1961 the Commission has been endeavouring to abolish as many national tariff quotas as possible, and in the period under review it submitted to the Council a draft decision to introduce, in pursuance of Article 28 of the EEC Treaty, reductions in CCT duties on 14 items for 1968. This decision was adopted by the Council and will render unnecessary 21 out of 66 applications for national tariff quotas for 1968.

Another means of eliminating the national tariff quota is the Community tariff quota. Good progress was made by the Council's Working Party on Economic Affairs in examining the Commission's memorandum on the general lines for administration of Community tariff quotas.

At this stage in the work, the Commission referred to the Council practical proposals for the administration of Community tariff quotas bound in GATT as a result of the Kennedy Round. This procedure has the advantage not only of illustrating the proposed rules but also of enabling these agreed tariff quotas to come into force at an early date. Their entry into force may lead to the elimination of a further twelve applications for national tariff quotas.

### *Tariff duties for nuclear products*

13. For the products on lists A 1 and A 2 of Annex IV of the Euratom Treaty, a nuclear common market has been in existence since 1 January 1959. The duties on nuclear products, listed according to type in the various chapters of the common customs tariff, have therefore been reduced in accordance with the agreement on 30 June 1967 between the Contracting Parties to GATT.

The Council decided, however, to keep certain nuclear products on the list of exceptions. These were mainly reactors and fuel elements, for which duties were kept at 10%.

For a long time past, the Member States have held differing opinions concerning the rate of duty on fuel elements. Some of them have pointed out that, in customs practice, the value of the uranium contained in the fuel elements is subject to import duty as well as the fuel elements, while crude and even finished uranium may be imported duty-free, which means that the Community industries enjoy decidedly more protection than the 10% shown in the CCT.

The Euratom Commission more or less approved this, feeling that in practice it was the best way of serving the interests of Community industry.

The Commission's attitude was not supported by all the Member States; reductions in duty were accepted by way of compromise. These reductions expired on 1 January 1967, and it has not been possible to arrive at an agreement in the Council to secure their extension.



However, the German Government, in a letter to the Council dated 30 August 1967, did raise once again the problem of duty on uranium in fuel elements and its industrial repercussions. The matter is under consideration.

## CUSTOMS LEGISLATION

14. Since the customs union must be established by 1 July 1968 the Commission, in conjunction with the national administrations, has prepared some of the main texts for the harmonization of customs legislation, some of which have taken the form of proposals submitted to the Council. This preparatory work has been done with a view to achieving the objectives specified in the Action Programme of 1963<sup>(1)</sup> and in the resolution adopted by the Council of Ministers on 11 May 1966.

Work has been mainly in the following fields:

### *Customs arrangements based on economic considerations*

#### *Duty-free entry on economic grounds*

15. After the decisions on equipment for the servicing and repair of aircraft weighing more than 15,000 kg,<sup>(2)</sup> attention was given to problems connected with servicing equipment and fittings for aircraft weighing less than 15,000 kg and with the construction of aircraft of all weights. The draft decisions will be submitted to the Council shortly. The conditions of granting Community exemption for shipbuilding equipment and fittings have also been studied; a draft decision will be submitted to the Council on this matter too.

All these measures have been the subject of detailed studies. The economic interests of the countries concerned have been taken into account, as well as the desirability of improving the competitiveness of Community industries on the world market.

---

(1) Community Action Programme on customs legislation; *Sixth (EEC) General Report*, sec. 3.

(2) *Tenth (EEC) General Report*, sec. 9.

*Bonded warehouses and free areas*

16. Basically, these two arrangements permit goods originating in non-member countries to be stored on Community territory without payment of customs duties, charges with equivalent effect, or agricultural levies.

Two proposed directives for eliminating the divergences between the national legislations in this respect were passed to the Council on 27 November 1967. The measures suggested were adapted to the needs of international transport, especially by sea. They should allow expansion of bonding and redistribution activities. In particular, there will be nothing to prevent zones known as "free harbours" or "free points" from being created or maintained in the ports, where goods can be stored in bond without formality and where industrial activities can develop under the same economic conditions as in the rest of Community territory.

*Processing traffic*

17. The experts' contribution to the harmonization work has been completed, and the draft Community regulation will be submitted to the Council early in 1968.

These processing arrangements in the different Member States allow industrialists to import goods temporarily from non-member countries without payment of customs duties, to process these goods, and to re-export the finished products to markets abroad. The industrialists concerned are able to enjoy improved conditions of competition in foreign markets because customs duties are not a factor in the cost price for them, and to work to order or otherwise meet special needs of customers. Such facilities, which can only exist where the common customs tariff is not applied to the goods concerned, are normally restricted in a Member State when the danger arises that products from non-member countries will be unnecessarily substituted for that Member State's products in goods exported.

Because of the economic effects of inwards processing traffic in certain sectors, and its social consequences, the customs union cannot function unless national provisions on the matter are harmonized.

*General rules of customs clearance, including arrangements for paying customs duties*

18. It is important in this connection to avoid deflections of trade and of customs receipts which might result from the existence of different procedures in the Member States. Action taken in 1967 covered the following points:

*Customs examination and temporary warehousing of goods arriving in the Community:*

A proposed directive has been prepared subjecting the Member States to identical rules in this respect. This directive will allow goods arriving from non-member countries to be stored temporarily in specified places without administrative complications and under similar conditions in all the Member States. In particular, such measures should facilitate port activities.

*Arrangements for payment of customs duties, charges with equivalent effect and agricultural levies*

On 27 November 1967 a proposed directive was passed to the Council concerning harmonization of the facilities granted in the Member States for time in which to pay customs dues. In view of its economic and fiscal effects, this directive is to be implemented gradually, via a transitional period until 31 December 1969.

*Community transit trade*

19. In accordance with a Council resolution on 11 May 1966, Community rules are to be prepared to enable goods originating from non-member countries to be transported in bond, and to facilitate the movement of products in free circulation. Most of the work has been completed, in conjunction with the national administrations, and the Commission will submit a proposal to the Council in the early months of 1968.

The proposed arrangements will help to remedy the present situation. Since, with a few exceptions, customs formalities have so far retained their national character, the passage of goods from one Member State to another necessarily involves the renewal of customs documents.<sup>(1)</sup> For

---

(1) For example in the international road transport arrangements (T.I.R.).

Community goods, the Community transit arrangements will include all the controls and formalities to which intra-Community trade continues to be subject under national regulations of all kinds pending their harmonization. The arrangements will also provide a framework for present or future Community controls (for instance agricultural regulations, collection of statistical data).

These arrangements should make traffic flow more smoothly by avoiding congestion at frontier posts in that users will be encouraged to complete the customs clearance formalities for imports and exports in the customs offices inside the Community rather than in the frontier offices. This point is particularly important for imports from non-member countries since it is calculated to prevent deflections of customs receipts, as the Council recommended.

#### *Miscellaneous provisions*

20. An amended proposal for a regulation defining the origin of goods was passed to the Council on 26 June 1967. Its body of provisions constitutes an essential instrument for uniform implementation of the CCT and of the other measures applicable to imports of goods. To ensure that these measures are applied efficiently and correctly, whatever the place and time at which goods enter the Community, it is absolutely necessary that the origin of goods should be determined on the basis of uniform customs procedures and rules.

To facilitate trade by post, a proposed decision has been submitted for the approval of the EEC-AASM Association Council on use by the sender of Label AY 2, which will eliminate the procedure for issuing Movement Certificate AY 1 and for determining the origin of products sent by this method.

The same proposal, *mutatis mutandis*, was submitted to the Council for application to similar trade between the EEC and the Associated Overseas Countries and Territories (Label AB 1).

An amended proposal for a regulation providing for the introduction where necessary of anti-dumping and countervailing duties was passed to the Council on 6 December 1967. Its primary object is to supplement the first proposal by taking into account the Kennedy Round arrangements leading to the anti-dumping code, which is a set of standards of "good behaviour" for the application of GATT Article VI.

### *Value for customs purposes*

21. On 27 November 1967 the Commission submitted to the Council a draft Council regulation on the customs valuation of goods. Since the duties in the common customs tariff are almost exclusively *ad valorem* duties, the valuation of goods in the Member States by identical criteria is a fundamental condition of the uniform application of the tariff. The basis of the draft regulation is the definition of customs value given in the Convention on Valuation of Goods for Customs Purposes, signed in Brussels on 15 December 1950.

The draft regulation also makes special provision for the time to be taken as applicable for the valuation of goods, the place of introduction into the Community's customs territory, the conditions of acceptance of the price paid or to be paid, and the monetary exchange rate to be applied.

Implementation measures are in preparation.

### QUANTITATIVE RESTRICTIONS AND MEASURES WITH EQUIVALENT EFFECT

22. The few remaining agricultural import quotas (fish, wine, preserved foods, etc.) have continued to increase in conformity with Article 33 of the Treaty. On 1 January 1968 they will be at least 20% of national output, in accordance with paragraph 3 of the Article.

Moreover, on 5 July 1967 the Commission adopted four decisions<sup>(1)</sup> in pursuance of Article 33 (4), recording that for two consecutive years imports had been below the level of the quotas granted or resulting from the application of Article 33. The cases in point were French imports of pineapples, compound feedingstuffs and pectic juices or extracts. The Member State in question was instructed to cancel the quota arrangements for these products.

With regard to measures equivalent in effect to quantitative restrictions, the Commission's experience so far has led it to regard as such laws, regulations, administrative rules and administrative practices which form obstacles to imports or exports, including those which make imports or

---

<sup>(1)</sup> *Official Gazette* No. 180, 3 August 1967.

exports more costly or more difficult to dispose of than national production on the national market. It should be noted, however, that arrangements applicable without distinction to imported products and to national products do not in most cases constitute measures with equivalent effect to quantitative restrictions.

The Commission is, however, aware that future experience may cause it to revise its assessment. With this possibility in mind it has continued to investigate and examine arrangements likely to constitute measures with equivalent effect, and has proceeded in accordance with Article 169 against Member States which in its view have infringed the provisions of the Treaty in this connection.

### *Easing of trade formalities between Member States (Art. 235)*

23. The European Parliament on 19 June 1967, and the Economic and Social Committee on 27 April 1967, rendered favourable opinions on the Commission proposal to the Council concerning this matter dated 6 December 1966.<sup>(1)</sup> Both institutions stressed the psychological value of the step and the importance, for ensuring rapid and active movement of goods, that imports and exports (apart from a few rare exceptions) should not be dependent on compliance with certain formalities such as the open licence.

### *Removal of technical obstacles to trade*

24. The complete removal of customs barriers within the Community, which will soon be an established fact, is likely to reveal more clearly the seriousness of obstacles to intra-Community trade resulting from the disparities between existing national legal provisions in the field of industrial technology.

The Commission has studied the problem as a whole and has sought to determine what problems of a general nature should be solved to enable the work under way in the various sectors to be speeded up.

---

<sup>(1)</sup> *Official Gazette* No. 16, 27 January 1967.

In the interest of fulfilling this objective of the Treaty—i.e. the removal of technical obstacles to trade—it is preparing a report to the Council proposing:

- (a) A general programme for the removal of obstacles to trade by 1 January 1970;
- (b) The establishment of a legislative “status quo” in which the Member States would undertake not to legislate in sectors where harmonization work was very advanced and to consult the Commission in the event of introduction or amendment of technical standards;
- (c) The mutual recognition of inspections carried out by each Member State on the basis of the existing procedures insofar as the regulations are equivalent;
- (d) The implementation of a flexible and rapid procedure to enable analysis and sampling requirements and methods to be adopted and revised in the light of technical progress.<sup>(1)</sup>

#### MISCELLANEOUS WAIVERS

##### *Goods not included in Annex II of the Treaty and manufactured from agricultural products*

25. Council Regulation No. 160/66/CEE of 27 October 1966, instituting a trading system for certain goods manufactured from agricultural products,<sup>(2)</sup> came into force on 1 June 1967. This system replaced the system of countervailing charges specified in the Council decision of 4 April 1962.<sup>(3)</sup>

Under the above regulation, the Commission has submitted to the Council a certain number of proposals for implementing regulations.

Thus the Council, in Regulation No. 83/67/CEE,<sup>(4)</sup> established tariff specifications relating to the goods falling under Regulation No. 160/66/CEE and determined the fixed components applicable to them and the

---

<sup>(1)</sup> All matters concerning technical harmonization are discussed in sec. 201 *et seq.*

<sup>(2)</sup> *Official Gazette* No. 195, 28 October 1966.

<sup>(3)</sup> *Ibid.* No. 30, 20 April 1962.

<sup>(4)</sup> *Ibid.* No. 81, 26 April 1967.

quantities of basic products deemed to have been used in their manufacture. On the basis of these quantities the Commission determined the variable components applicable to imports of such goods into the Member States, first for June 1967, and thereafter each quarter since 1 July.

It should be noted that, in intra-Community trade, the amount of the variable component applicable by a Member State to imports from another Member State corresponds to the amount of the refund which it may grant when it exports to that Member State. In determining the variable components from 1 July 1967 onwards, account has had to be taken of the transitional measures which the Council decided should apply to cereals when the single prices came into force.

In accordance with the decision of principle which it took on 27 October 1966 concerning sorbitol, mannitol and other products processed from sugar and intended for industrial purposes, the Council, in Regulation No. 408/67/CEE,<sup>(1)</sup> added sorbitol and mannitol to the list of goods to which Regulation No. 160/66/CEE applied, in order to solve the difficulties encountered in this field by the industries of Member States.

As a result of the tariff negotiations in GATT the Council adopted special measures for the import of processed preparations known as "fondues"<sup>(2)</sup> and mixtures of milk powder or butter with cocoa.<sup>(3,4)</sup> It also adapted the provisions of the above-mentioned Regulation No. 83/67/CEE to the special situation of the market in "Knäckebrot" crispbread.<sup>(5)</sup>

To implement its resolution of 27 October 1966, on the Community's financial responsibility for basic agricultural products made into goods not included in Annex II of the Treaty and exported to non-member countries,<sup>(6)</sup> the Council adopted Regulation No. 247/67/CEE,<sup>(7)</sup> under which the Commission may, in certain specified conditions, fix a refund the amount of which must be determined each month with reference to prices on the Community and world markets. In accordance with these provisions, from 1 July 1967 onwards the Commission fixed each month the refunds on exports of cereals, husked rice, milk products, eggs in shell

---

(1) *Official Gazette* No. 183, 5 August 1967.

(2) *Ibid.* No. 174, 31 July 1967.

(3) *Ibid.* No. 81, 26 April 1967.

(4) *Ibid.* No. 263, 30 August 1967.

(5) *Ibid.* No. 234, 28 September 1967.

(6) *Ibid.* No. 195, 28 October 1966.

(7) *Ibid.* No. 135, 30 June 1967.



and sugar in the form of goods in this category. The Commission did, however, undertake to re-examine matters concerning the conditions for fixing the amount of refunds and concerning their advance fixing, in view of the specific requirements of the industries concerned.

In addition, the Council laid down special provisions applicable to goods subject to Regulation No. 160/66/CEE and imported into the member countries from the Associated States and Territories<sup>(1)</sup> and to goods in trade between the Member States and Greece.<sup>(2,3)</sup> In its decision of 18 April 1967<sup>(4)</sup> the Council decided, on the basis of Article 227 of the Treaty, that the provisions of this regulation were applicable in full to the French Overseas Departments.

### *Safeguard measures (Article 226)*

26. The measures previously authorized for the purpose of reorganizing the silk and sulphur production sectors in Italy were renewed or modified.

The decision of 6 July 1966, authorizing Italy to take safeguard measures for lead waste and scrap until 31 December 1967, was amended. The amendment consisted in eliminating the advantages which had been granted to Italian users in obtaining supplies of lead and zinc waste and scrap until the protection of crude lead and lead contained in these products was harmonized.

On request, the Commission authorized the Netherlands to adopt a measure safeguarding the production of carded wool fabrics. A similar request by Belgium was rejected; another by Germany is under consideration.

An application by Italy for safeguard measures in the oilseed-crushing sector was rejected; the Commission felt that the problem should be solved by applying Council Regulation No. 136/67.

An application for measures to safeguard kraft plyboard production was made by France. The Commission decided that it was impossible to introduce a quota system for imports to assist the French industry or other measures which might lead to a restriction or deterioration of the

---

<sup>(1)</sup> *Official Gazette* No. 119, 20 June 1967.

<sup>(2)</sup> *Ibid.* No. 135, 30 June 1967.

<sup>(3)</sup> *Ibid.* No. 183, 5 August 1967.

<sup>(4)</sup> *Ibid.* No. 81, 26 April 1967.

conditions of intra-Community trade; however, it invited the French Government to co-operate with it in finding a measure compatible with the Treaty which could lessen difficulties of significance at regional level.

On 16 November 1967 the French Government asked the Commission for authorization under Article 226 of the Treaty to introduce quotas for two years on imports of domestic refrigerators, washing machines, gas cookers and combined gas and electric cookers, on the basis of the situation in the first half of 1966. The French request is being studied.

In a letter from its Permanent Representative on 13 December 1967 the Italian Government asked the Commission to extend until 31 December 1969, by means of degressive tariff measures, the safeguards enjoyed by Italy's lead and zinc industry. In a telex message on 28 December 1967 Italy also requested an extension to 1 July 1968 of the existing measures to safeguard its sulphur industry.

### Competition policy

#### ARTICLES 65 AND 66 OF THE ECSC TREATY

27. By Decision No. 25-67<sup>(1)</sup> the High Authority adopted, with the endorsement of the Council, a regulation implementing Article 66 (3) of the Treaty, relating to exemption from the requirement of prior authorization. This implementing regulation replaces the one in force since 1954,<sup>(2)</sup> which had needed amendment on a large number of points. The High Authority, having decided to drop a number of rules constituting barriers to exemption, increased the quantitative limits, exempted from prior authorization most combinations between producing firms and firms whose consumption of coal or steel is below specified amounts and exempted all combinations between distributors and firms not covered by the definition in Article 80.

The High Authority took a number of decisions on cases involving restrictive agreements and combinations in the course of the past year.

---

<sup>(1)</sup> *Official Gazette* No. 154, 14 July 1967.

<sup>(2)</sup> *ECSC Official Gazette* (1954), p. 346 *et seq.*

## *Restrictive agreements*

### *Purchasing and sales organization*

#### Joint sales of Sidmar products<sup>(1)</sup>

28. This decision relates to joint sales agreements for cold-rolled sheet and strip between Arbed (Luxembourg), Cockerill-Ougrée-Providence (Belgium),<sup>(2)</sup> Aciéries Beautor (France) and Sidmar (Belgium). The first two of these firms, together with a number of others, had set up Sidmar as a joint venture.<sup>(3)</sup> Having decided not to establish a separate sales organization for Sidmar, these firms, together with Beautor, which is controlled by Cockerill-Ougrée-Providence, plan to co-ordinate sales of all their products through a central office, using the existing sales networks. The distribution of orders and the equalization of proceeds and freight costs remove all incentive to competition between the parties involved. When the Sidmar joint venture was authorized, this meant that those concerned might co-ordinate their business activities in Sidmar's field, even outside the joint subsidiary itself, and restrain competition between themselves. Although this "group effect" was authorized, however, the parties were still at liberty to proceed with such co-ordination or not, as they wished. Now it is this liberty to remain competitors between themselves that has been abandoned in the new agreements, in which they contract to follow a specified line of conduct towards one another.

The agreements—which are caught by Article 65 (1)—were authorized as being strictly analogous to a joint selling agreement, the High Authority having found that the tests of Article 65 (2) had been met, particularly the requirement that agreements should contribute to a substantial improvement in production or distribution.

#### Joint sales of rolled products through four agencies<sup>(4)</sup>

29. The four decisions taken by the High Authority on this matter in 1967 relate to agreements between German steel producers intended to rationalize the production and distribution of rolled products by setting

---

(1) *Official Gazette* No. 49, 16 March 1967.

(2) *Fifteenth (ECSC) General Report*, sec. 238.

(3) *Eleventh (ECSC) General Report*, sec. 346.

(4) *Official Gazette* No. 76, 21 April 1967.

up four agencies—"West," "Westfalen," "Nord" and "Süd"—and to utilize the production facilities of each of the parties to the greatest advantage through specialization and joint distribution.

In assessing what improvements might result in the production or distribution of the products in question (the test of Article 65 (2 a)), the High Authority noted the following points: simplification of ordering by customers, lower freight costs, better utilization of production capacity, streamlining of production programmes and alignment of rolling programmes. The High Authority found that considerable economies could be made, but it ruled that the firms involved must produce within two years evidence of improvements obtained by rationalization.

The High Authority considered that the conditions of Article 65 (2 b) were fulfilled, but it made one proviso: while some restriction on the freedom of firms to build new production facilities was not objected to in the current situation of the steel market, the High Authority reserved the right to re-examine the lawfulness of such a restriction should the market situation change appreciably.

Considering the market position of the agencies (to determine whether they met the test of Article 65 (2 c)), the High Authority found that they would operate separately and independently of each other and that each agency should therefore be considered individually. The fact that two groups of companies each form part of two agencies through various subsidiaries was shown not to affect competition between the agencies because of the special circumstances within these groups. The percentages of their output that the various agencies distributed in the Common Market—considered the relevant market—were not enough to make their market position unlawful. In certain cases the percentages were relatively high for given products but in absolute terms the tonnages were low except where there were special market situations (few customers, or a large proportion of output processed by the producer). Comparison of the market shares of each of the agencies with those of the eight major producers in the Common Market showed that the common market in steel is oligopolistic and that the establishment of the agencies would not upset the balance of the oligopoly in rolled products. Taking account of the influence of non-Community firms on the market, the High Authority found the market position of the agencies compatible with the Treaty in the "current circumstances on the Community's steel market." Should these circumstances change fundamentally, the authorization might have to be reviewed in accordance with the fourth paragraph of Article 65 (2).

There are certain conditions and provisos attaching to the authorizations, which were granted until 30 June 1971.

#### Ruhr coal sales agencies

30. The decisions authorizing joint sales by the Geitling and Präsident agencies<sup>(1)</sup> were extended for two years with effect from 31 March 1968 by High Authority Decisions Nos. 21-67 and 22-67 of 22 June 1967.<sup>(2)</sup>

#### Stahlring GmbH: joint purchasing of iron and steel products

31. The High Authority authorized<sup>(3)</sup> agreements concluded by sixteen steel wholesalers in Germany for joint purchasing of specified minimum tonnages to add to stocks. The authorization, valid until 31 December 1971, permits the wholesalers to acquire all their stocks from Stahlring GmbH.

#### N.V. Kempense Steenkolenmijnen joins Cobechar

32. On 19 December 1967 the Commission issued Decision No. 37-67<sup>(4)</sup> authorizing, under Article 65 (2) of the Treaty of Paris, an agreement concluded on 28 November 1967 whereby N.V. Kempense Steenkolenmijnen (KS)—a joint venture already authorized—can take part in the joint sales arrangements of the Comptoir belge des charbons (Cobechar).<sup>(5)</sup> This authorization was needed because one of the parent companies of KS was not already a member of Cobechar. Cobechar's market position is altered only very slightly by the admission of this new member.

#### *Specialization agreements*

##### Hainaut-Sambre/Espérance-Longdoz

33. The High Authority authorized<sup>(6)</sup> until 30 June 1978 certain agreements between the following Belgian and French iron and steel companies: Société métallurgique Hainaut-Sambre; Société des aciéries

<sup>(1)</sup> *Official Gazette* No. 221, 28 December 1965.

<sup>(2)</sup> *Ibid.* No. 154, 14 July 1967.

<sup>(3)</sup> *Ibid.* No. 127, 27 June 1967.

<sup>(4)</sup> *Ibid.* No. 318, 29 December 1967.

<sup>(5)</sup> *Fourteenth (ECSC) General Report*, sec. 200.

<sup>(6)</sup> *Official Gazette* No. 127, 27 June 1967.

et tréfileries de Neuves-Maisons, Châtillon<sup>(1)</sup>; Société métallurgique Espérance-Longdoz; and Phénix-Works. These agreements oblige the companies involved to align their investments and restrict them to the highly specialized range of their production programmes, to utilize each other's production facilities in turn, to purchase raw materials jointly and to market their products through a joint sales organization. The High Authority ordered those concerned to furnish evidence every two years that the results expected to flow from rationalization had in fact been achieved.

Delimitation of fields of operation of German coal wholesalers and retailers

34. This decision<sup>(2)</sup> authorized agreements similar to those in the French coal trade which the High Authority had already authorized in 1963<sup>(3)</sup> as agreements strictly analogous in their nature and effects to specialization agreements.

Falck-Redaelli

35. The specialization and joint purchasing and sales agreements concluded by Acciaierie e Ferriere Lombarde Falck SpA, Milan, and Giuseppe & Fratello Redaelli SpA, Milan, two Italian steel producers, were found by the Commission to comply with the provisions of Article 65 (2) of the Treaty of Paris and were therefore authorized by Decision No. 38-67 of 21 December 1967.<sup>(4)</sup>

### *Combinations*

#### *Coal/Coal*

N.V. Kempense Steenkolenmijnen

36. On 19 December 1967 the Commission authorized a joint venture (N.V. Kempense Steenkolenmijnen) by the Belgian State and the five companies operating coalmines in the Campine, the five mining companies transferring their entire plant and operations to the new subsidiary.

---

<sup>(1)</sup> For details of the Hainaut-Sambre/Neuves-Maisons, Châtillon combination see *Fifteenth (ECSC) General Report*, sec. 237.

<sup>(2)</sup> *Official Gazette* No. 138, 1 July 1967.

<sup>(3)</sup> *Ibid.* No. 169, 25 November 1963, and *Twelfth (ECSC) General Report*, sec. 239.

<sup>(4)</sup> *Ibid.* No. 24, 27 January 1968.

Authorization was needed because of the numerous links between these pits and many other coal and steel producers in the Common Market.

The Commission concluded that despite these links the combination could not, directly or indirectly, have any of the effects that might stand in the way of authorization. The chief purpose of this combination is to facilitate the controlled reduction of Belgian coal output while assuring security of supplies.

*Steel/Steel*

*Société mosellane de sidérurgie/Sacilor*

37. By a decision issued on 24 May 1967, the High Authority authorized the Société mosellane de sidérurgie (SMS) to join the group of firms exercising joint control of the Société des aciéries de Lorraine (Sacilor), i.e. Union sidérurgique lorraine S.A. (Sidelor) and De Wendel & Cie S.A.<sup>(1)</sup> SMS will contribute to the financing of the Sacilor joint venture and will be entitled to draw supplies of Sacilor products in proportion to its contribution. The three parent companies will now jointly control Sacilor without themselves having merged.

The market position of those concerned is consistent with the terms of the authorization, even if account is taken of the production of the firms that are combined with each of them and of the consequent group effect.

*Coal trade/Coal trade*

*Klöckner/Fisser & v. Doornum*

38. By its decision of 24 May 1967 the High Authority authorized Klöckner Reederei und Kohlenhandel GmbH to acquire a 50% holding in Fisser & v. Doornum and to take over joint control of this fuel and building materials wholesaler together with the Fisser family and Seeschiffahrtsgesellschaft Fisser KG. This combination links all the Klöckner Group companies—through the Klöckner & Co. holding company, which controls Klöckner Reederei und Kohlenhandel—and the subsidiaries

---

<sup>(1)</sup> *Thirteenth (ECSC) General Report, sec. 202 et seq.*

of Fisser & v. Doornum, most of which are in North Germany. Although the combination creates a major coal wholesale group, authorization was granted because there are other companies of similar size competing with the group in all parts of the relevant market.

*Other cases*

39. (a) Ferroplan GmbH, a joint venture by Hüttenwerk Oberhausen AG, Gutehoffnungshütte Sterkrade AG and Ferrostaal AG (authorized on 15 February 1967);
- (b) Usinor (Union sidérurgique du nord et de l'est de la France)/S.A. des Établissements Aubagnac (authorized on 1 March 1967);
- (c) Société meusienne de galvanisation de produits d'usines métallurgiques, a joint venture by S.A. Produits d'usines métallurgiques, Rheims, and S.A. des forges d'Haironville (authorized on 1 March 1967);
- (d) Otto Wolff AG/Chemiebau Dr. A. Zieren (authorized on 1 March 1967);
- (e) Société des hauts fourneaux de la Chiers S.A./the Corbie plant of Société étirage et laminage du Nord (Etilam-Gravigny) (authorized on 12 April 1967);
- (f) Redaelli/TECI (authorized on 31 October 1967);
- (g) Braunschweigische Kohlenbergwerke, Helmstedt/Braunschweigische Kohlenhandelsgesellschaft Ring & Co., Hamburg (authorized on 21 December 1967);
- (h) Howaldtswerke—Deutsche Werft Hamburg—Kiel AG, a joint venture by Salzgitter AG and Deutsche Werft AG (authorized on 22 December 1967);
- (i) Société métallurgique Hainaut-Sambre, Couillet/S.A. Etablissements Carlos Leduc, Liège (authorized on 22 December 1967).



Table 2 — Procedures under Article 65 of the ECSC Treaty  
(situation on 31 December 1967<sup>(1)</sup>)

Country	Procedures opened	Settled						Total
		Agreements authorized	Agreements prohibited	Article 65 not applicable	Agreements voluntarily terminated	Otherwise settled <sup>(2)</sup>		
1) Procedures based on an application for authorization								
Germany (F.R.)	53	21	1	10	3	2	37	
Belgium	18	6	—	8	2	1	17	
France	52	7	—	22	—	3	32	
Italy	13	2	—	6	—	—	8	
Netherlands	4	—	1	1	1	—	3	
Total	140	36	2	47	6	6	97	
2) Procedures opened by the High Authority on its own initiative								
Germany (F.R.)	63	1	3	49	1	—	54	
Belgium	9	—	—	4	—	—	4	
France	35	—	—	15	1	8	24	
Italy	4	—	1	2	—	—	3	
Luxembourg	1	—	—	—	1	—	1	
Netherlands	7	—	—	5	—	—	5	
Community	6	—	1	—	—	—	1	
Total	125	1	5	75	3	8	92	
Grand total	265	37	7	122	9	14	189	

<sup>(1)</sup> For details concerning arrangement of Tables, see Ninth (ECSC) General Report, sec. 288.  
<sup>(2)</sup> The category "Otherwise settled" includes cases held in abeyance pending receipt of further particulars.

Table 3 — Procedures under Article 66 of the ECSC Treaty  
(situation on 31 December 1967)

Country	Procedures opened	Settled					Total	
		Combinations authorized	Combinations examined under Article 66 (5)	Combinations affected before signing of ECSC Treaty	Combinations exempt from regulating implementing Article 66 (3)	Article 66 not applicable		Otherwise settled (1)
		1) Procedures opened following application for authorization						
Germany (F.R.)	110	74	—	3	10	15	2	104
Belgium	25	11	—	2	4	6	—	23
France	91	37	1	—	4	16	5	63
Italy	9	4	—	—	1	2	1	8
Luxembourg	5	3	—	2	—	—	—	5
Netherlands	1	1	—	—	—	—	—	1
Community	14	10	—	1	2	—	1	14
<b>Total</b>	<b>255</b>	<b>140</b>	<b>1</b>	<b>8</b>	<b>21</b>	<b>39</b>	<b>9</b>	<b>218</b>
		2) Procedures opened by the High Authority on its own initiative						
Germany (F.R.)	30	—	—	2	1	16	3	25
Belgium	16	—	—	—	1	11	—	12
France	20	—	—	2	1	11	—	16
Luxembourg	2	—	—	1	—	1	—	2
Netherlands	3	—	—	—	—	—	—	1
Community	2	—	—	—	—	2	—	2
<b>Total</b>	<b>73</b>	<b>6</b>	<b>—</b>	<b>5</b>	<b>3</b>	<b>41</b>	<b>3</b>	<b>58</b>
<b>Grand total</b>	<b>328</b>	<b>146</b>	<b>1</b>	<b>13</b>	<b>24</b>	<b>80</b>	<b>12</b>	<b>276</b>

(1) The category "Otherwise settled" includes cases in which the project was dropped.

*Spot checks on Community coal and steel firms*

40. Further spot checks on ECSC firms were made in 1967 in order to ensure compliance with the Treaty's rules on pricing and levies, agreements and combinations, and the notification of investment projects.

In the ECSC's Fifteenth General Report,<sup>(1)</sup> reference was made to assistance from governments in the investigation of cases involving individuals and bodies corporate outside the Community's jurisdiction. The initial contacts made in 1967 in three countries—either with governments or with dealers through governments—have as yet only a tentative character. It is too early to draw conclusions, but difficulties—notably of a legal nature—have already arisen.

41. Table 4 gives a breakdown of spot checks in iron and steel firms on pricing (for compliance with Article 60) and on production (to ascertain whether the proper levy had been paid under Article 49). The two checks were often made together.

Table 4

Country	Article 60 Spot checks	Article 49 Spot checks	Articles 49 and 60 Fact-finding visits
Germany (F.R.)	3	15	—
Belgium	2	2	—
France	—	6	—
Italy	13	27	15
Luxembourg	—	—	—
Netherlands	1	—	—
Total	19	50	15

In the course of the year thirteen investigations were brought to a close. Fines were imposed in seven cases, and four warning letters were sent out. At the end of the year twenty-five cases were still being examined. One firm appealed to the Court of Justice against a fine.

After spot checks had been made in connection with production levies, many supplementary statements were forthcoming in respect of production not previously notified.

(1) Sec. 245.

Eleven interdependent checks were also made in the course of 1967 after complaints of infringement of Article 65 had been filed. These have not yet been completed.

42. There were three spotchecks and thirteen visits to collieries in three Community countries to verify compliance with the rules of Article 60. In Belgium, the checks were again based on laboratory analysis of qualities delivered. No sanctions were imposed. Compliance with Article 49 was checked at one colliery.

Checks under Article 65 were continued on the authorization of joint fuel sales by the two Ruhr agencies Geitling and Präsident—Decisions No. 5-63 and No. 6-63 of 20 March 1963, extended by Decisions No. 17-65 and No. 18-65 of 15 December 1965 and by Decisions No. 21-67 and No. 22-67 of 22 June 1967.<sup>(1)</sup>

Checks were begun on the financial machinery for equalization set up under Decision No. 1-67 of 21 February 1967, relating to coking coal and coke for the Community's iron and steel industry.

## ARTICLES 85 AND 86 OF THE EEC TREATY

### *Restrictive agreements and dominant positions*

Individual cases: situation at 31 December 1967

43. The number of cases pending before the Commission on 31 December 1967 totalled 23,423; 138 new cases having been filed during the period under review. Over the year, 13,729 cases were settled—13,037 of them under the block-exemption regulation, two by decision, 613 before and 77 after investigations had been started. The general breakdown is given in *Table 5 A*.

---

<sup>(1)</sup> *Official Gazette* No. 57, 10 April 1963, No. 221, 29 December 1965, and No. 154, 14 July 1967.

Table 5 A — Individual cases dealt with between 1 April and 31 December 1967 (total number of cases)

	Procedures based on notifications and clearance applications		Procedures based on complaints or opened on the Commission's own initiative			Total
	Negative clearance applications and/or notifications	Notifications on Form B1	Complaints from firms	Requests from Member States	Own-initiative procedures	
<i>Total number of cases on 1 April 1967</i> <sup>(1)</sup>	24,991	11,887	78	—	58	37,014
New cases submitted in reporting period	+ 106 <sup>(2)</sup>	+ 5	+ 9	—	+ 18	+ 138
Cases settled in reporting period:						
(i) Withdrawn before investigations opened <sup>(3)</sup>	— 592	— 21	—	—	—	— 613
(ii) Settled by decision:						
(a) Orders to desist under Article 3 of Regulation No. 17 <sup>(4)</sup>	— 1	—	— 1 <sup>(5)</sup>	—	—	— 2
(b) Exemption and application of Article 7 of Regulation No. 17	—	—	— 1 <sup>(6)</sup>	—	—	— 1
(c) Negative clearance under Article 2 of Regulation No. 17	1	—	—	—	—	1
(d) Rejection of complaint under Article 3 of Regulation No. 17	—	—	—	—	—	—
(iii) Settled under block exemption regulation	— 1,170	— 11,867	—	—	—	— 13,037
(iv) Closed without decision after investigations opened:						
(a) Application, notification or complaint withdrawn, or case lapsed because Commission decision no longer needed <sup>(7)</sup>	— 38	— 4	— 22	—	— 13	— 77
(b) Restraint of competition terminated <sup>(8)</sup>	9	—	10	—	1	20
(c) Investigations suspended <sup>(9)</sup>	16	—	9	—	1	26
(d) Procedures closed for other reasons <sup>(7)</sup>	— 13	4	3	—	6	5
<i>Total number of cases on 31 December 1967</i>	23,296	0	64	—	63	23,423

<sup>(1)</sup> This figure is the total number of individual cases shown in the *Ninth (EEC) General Report*, less the cases settled by 31 March 1967.

<sup>(2)</sup> Notifications and negative clearance applications withdrawn owing to termination of contracts.

<sup>(3)</sup> In some cases coupled with refusal of exemption under Art. 85 (3).

<sup>(4)</sup> Including tacit withdrawal of complaints through failure of complainant to answer questions addressed to him.

<sup>(5)</sup> Voluntary termination, after the opening of investigations, of restraint of competition challenged by the Commission, in some cases after the despatch of a communication under Art. 15 (6) or of an order to parties to desist under Art. 3 (3) of Reg. No. 17.

<sup>(6)</sup> Insufficient evidence of infringement, no direct need for Commission decision.

<sup>(7)</sup> Lack of jurisdiction, closure of own-initiative procedure (and opening of notification procedure) after notification of the restraint challenged, commercial agency contracts.

<sup>(8)</sup> Including four notifications on Form B1 replaced by notifications on Form B.

<sup>(9)</sup> Complaint against Grundig-Consten. This case was classed under "Notifications" in the *Ninth (EEC) General Report*.

Table 5 B — Individual cases dealt with between 1 April and 31 December 1967  
(stage reached in procedures)

	Situation on 1 April 1967	New cases submitted in reference period	Cases settled in reference period	Situation on 31 Decem- ber 1967
Cases for which:				
(i) The Commission opened pro- cedures under Art. 9 (3) of Regulation 17:	235	22	23	234
(a) On the basis of complaints	43	2	12	33
(b) On its own initiative	1	5	1	5
(ii) Investigations <sup>(1)</sup> were under- taken:	445	43	39	449
(a) On the basis of complaints	78	9	10	77
(b) On the Commission's own initiative	58	18	12	64

<sup>(1)</sup> Investigation measures of all kinds to establish the facts of the case, mainly requests for information and investigations under Article 14 of Regulation 17.

44. *Exclusive dealing agreements.* At the beginning of the year covered by this report, 31,400 of the 37,014 cases pending concerned exclusive dealing agreements. Of these, 13,041 were settled under the block-exemption regulation, which came into force on 1 May 1967.<sup>(1)</sup> Of these agreements, 11,871 were notified on Form B 1 and 1,170 on Form B.

Of the 12,232 agreements notified on Form B 1, all but four qualified for exemption under the block-exemption regulation. In the other four cases, where the agreements did not comply with the criteria laid down in the regulation and were not adjusted accordingly, the firms involved sent in Form B to supplement their notification on Form B 1, as required by Article 7 (2) of Regulation No. 67/67/CEE, asking for an individual decision.

Among the notifications made on Form B there were about 5,000 agreements entailing absolute territorial protection. In these cases the Commission advised the firms involved that they were free to adapt their agreements to the terms of Regulation No. 67/67/CEE. In 1,170 cases the firms notified the Commission that their agreements had been adjusted.

<sup>(1)</sup> Commission Regulation No. 67/67/CEE of 22 March 1967 on the application of Article 85 (3) of the Treaty to certain classes of exclusive dealing agreement (*Official Gazette* No. 57, 25 March 1967; see also *Tenth (EEC) General Report*, secs. 43 and 60).

A number of business associations that had claimed the need for absolute territorial protection for their members' fields of operation were given a hearing. The opinion to emerge from these hearings was that a distribution agreement would normally suffice and that territorial protection was not indispensable. In the Commission's view, absolute territorial protection might be authorized as a temporary measure for exclusive dealing agreements intended to enable a new producer to enter the relevant market. But no case of this kind is to be found among the agreements notified.

45. *Licensing contracts.* The number of notifications made totalled 4,700. Investigations into the anti-competitive effects of the various provisions involved were continued. Individual decisions will be adopted on the basis of the results of these inquiries.

46. *Complaints.* In the period under review the number of complaints filed with the Commission rose from 78 to 87. All were examined immediately. In 9 cases the restraints of competition challenged were terminated. No further action was taken on 10 complaints, the complainants having desisted. Sixty-four cases are still pending. On several occasions firms asked for investigations to be made without filing formal complaints. In these cases the Commission carried out investigations on its own initiative.

47. *Own-initiative procedures.* At the beginning of the period under review 58 own-initiative investigations were in hand, and a further 18 were opened. Of the investigations already begun earlier in order to seek out restrictive agreements that had not been notified, proceedings were instituted in 5 cases; in one case the firms involved were notified of the "provisions or arrangements challenged" by the Commission.

Most of the investigations under Articles 13 and 14 of Regulation No. 17 were carried out as part of own-initiative procedures. 141 checks on the conduct of business by firms were made in pursuance of Article 14 (1) in 15 individual cases. In two cases, five checks were made under Article 13 by the authorities in the member countries involved at the Commission's request. Table 6 shows the situation as regards these cases.

Major inquiries were carried out in the following industries, *inter alia*: flat glass, cement, titanium dioxide, sulphuric acid, quinine and insulated wire and cable. In some cases, firms had notified the Commission of

Table 6 — Measures taken as part of current investigations <sup>(1)</sup>

	Procedures based on notifications and clearance applications		Procedures based on complaints or opened on the Commission's own initiative			Total
	Negative clearance applications and/or notifications	Notifications on Form BI	Complaints from firms	Requests from Member States	Own-initiative procedures	
<i>Investigation (Art. 14)</i>						
(i) Individual cases concerned	3	—	2	—	10	15
(ii) Firms involved	18	—	13	—	110	141
<i>Investigations (Art. 13)</i>						
(i) Individual cases concerned	—	—	1	—	1	2
(ii) Firms involved	—	—	4	—	1	5
<i>Decisions to call for information and institute investigations (Art. 11 (5) and Art. 14 (3))</i>						
(i) individual cases concerned	—	—	—	—	—	—
(ii) Firms involved	—	—	—	—	—	—
<i>Recommendations to parties to desist (Art. (3))</i>						
(i) Individual cases concerned	—	—	—	—	—	—
(ii) Firms involved	—	—	—	—	—	—
<i>Communications (Art. 15 (6))</i>						
(i) Individual cases concerned	—	—	—	—	—	—
(ii) Firms involved	—	—	—	—	—	—
<i>Fines and periodic penalty payments Arts. 15 and 16)</i>						
Hearing of parties concerned and of third parties	—	—	—	—	—	—
(i) Notification of provisions or arrangements challenged (Art. 19 (1))						
(a) Individual cases concerned	5	—	3	—	1	9
(b) Firms involved	9	—	10	—	1	20
(ii) Publication of applications or notifications (Art. 19 (3))	230	—	9	—	60	299
(iii) Individual cases concerned	5	—	—	—	—	5
Oral hearings	5	—	—	—	—	5
Individual cases concerned	2	—	—	—	—	2
	3	—	—	—	—	3
<i>Consultation of Cartels and Monopolies Committee prior to decisions under Article 10</i>						
Individual cases concerned	5	—	—	—	—	5
	7	—	—	1	—	8

<sup>(1)</sup> The table gives the number of specific measures (other than those concluding the procedure) taken in the year under review. Requests for information under Article 11 of Regulation No. 17, which are made in almost every case, are not included.

existing agreements, but examination of the market situation revealed restraints of trade other than those of which the Commission had been informed.

In other industries no notification was made to the Commission, but close observation of the market, together with informal complaints in some cases, brought agreements or practices to light that were caught by Articles 85 or 86 of the Treaty.



Mention should also be made of the many investigations carried out as part of the general inquiry into the margarine industry under Article 12 of Regulation No. 17.<sup>(1)</sup>

#### *Investigation of individual cases*

48. *Decisions.* The Commission reached its first decision on a co-operation agreement between medium-sized firms. This decision<sup>(2)</sup> exempts from the EEC Treaty's ban on restrictive agreements the agreement between eighteen medium-sized marine paint manufacturers in various European countries, including five Community countries, setting up the Transocean Marine Paint Association.<sup>(3)</sup> The members of the Association, with headquarters in the Netherlands, have agreed to pool their technical knowhow in order to develop certain marine paints, to manufacture them from standard formulas and to sell them under the same trade marks. Each member is required, in the country where it operates, to see that regular supplies of its paints are available, to maintain adequate stocks and to provide after-sales service so that customers can buy and subsequently match paints of the same quality in a large number of countries. This is particularly important for the special toxic paints used to coat the submerged parts of ships' hulls. The purpose of the agreement is to tap a worldwide market and compete from a stronger position with the big international marine paint manufacturing groups.

For this purpose the agreement as originally notified to the Commission specified that each member could normally manufacture and sell its own marine paint products only in the country where it had its headquarters and could not export to territories reserved to other members. This applied not only to Transocean paints but also to marine paints manufactured and sold by the members individually, which still account for most of their turnover. The Commission had challenged these territorial protection arrangements as obstructing the interpenetration of markets and the establishment of a common market required by the EEC Treaty.

The parties to the agreement then deleted the clauses instituting absolute territorial protection. In the amended version the agreement authorizes exports of marine paint against payment of a relatively small commission to members with headquarters in the importing country, but members of the Association may still not manufacture paints on the territory of another member.

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 51.

<sup>(2)</sup> Decision No. 67/454/CEE, *Official Gazette* No. 163, 20 July 1967.

<sup>(3)</sup> *Tenth (EEC) General Report*, sec. 54, last paragraph.

The Commission found that these restraints of competition were indispensable if during the Association's running-in period its members were to be able to cultivate their market intensively and concentrate on it so as to build up an efficient international organization. The decisive point, in the Commission's opinion, was the relatively small market share of members of the Association and the lively competition they had to face from other marine paint manufacturers. On these grounds, the Commission declared the Association immune from the EEC Treaty's ban on restrictive agreements for a period of five years. However, certain stipulations were made that would enable the Commission to ascertain whether the future activities of the members continued to justify exemption.

The Transocean Marine Paint Association case is a test case for a number of decisions on co-operation between small and medium-sized firms being prepared by the Commission. In its report on industrial combination in the Common Market,<sup>(1)</sup> published in 1968, the Commission had urged that small and medium-sized firms be encouraged to enter into agreements for joint research, specialization and rationalization so that they might better play their part in competition with big firms. The Commission's Transocean decision confirms its basic approval of certain forms of co-operation.

*Publication of the Commission's intention to grant exemption or negative clearance.*

49. The Commission has published the essential content of five applications for negative clearance, inviting interested third parties to submit their observations on the agreements concerned before the Commission issues a final decision; the cases were the following:

*Comptoir belge de l'azote (Cobelaz).*<sup>(2)</sup> The manufacturers of nitrogenous fertilizers in Belgium had agreed to sell their products jointly through Cobelaz. The original version of these agreements included several restraints of competition that the Commission held to be incompatible with Article 85 of the EEC Treaty. When notified of the provisions or arrangements challenged by the Commission, the manufacturers party to the agreements decided to discontinue the practices concerned. Under

---

<sup>(1)</sup> *Ninth (EEC) General Report*, secs. 70-77.

<sup>(2)</sup> *Official Gazette* No. 93, 18 May 1967.

the amended agreements Cobelaz will still be the sole sales agent for members on the Belgian market and on export markets outside the EEC, but exports from Belgium to other EEC countries will now have to be effected by each of the manufacturers acting for himself. Moreover, Cobelaz will no longer put any obstacle, direct or indirect, in the way of imports or exports by Belgian wholesalers and retailers in nitrogenous fertilizers.

*Comptoir français de l'azote (CFA).*<sup>(1)</sup> Twenty-eight French manufacturers of nitrogenous fertilizers had agreed to channel through CFA the sales in France and on foreign markets of part or all of their production. Here too, the Commission considered that the agreement involved restraints of competition that did not qualify for exemption under Article 85(3). After notification of the provisions or arrangements challenged by the Commission, the participating firms discontinued the practices concerned and altered the agreement so that CFA can now sell members' products specified in the agreement only on the French market or outside the EEC. Exports to other Common Market countries must go direct from the various manufacturers to their customers. Furthermore, the equalization of prices of nitrogenous fertilizers exported by CFA is no longer linked with sales figures inside France.

*Eurogypsum.*<sup>(2)</sup> Eurogypsum, with headquarters in Geneva, is an association of European plaster and plaster products manufacturers, with 31 members in 16 different countries (five of them EEC countries), designed to promote the growth of the plaster, gypsum and anhydrite industry, including building materials made from these products. Eurogypsum is a non-profit association which organizes and finances joint surveys and research on scientific, technical, economic and legal problems arising in the industry and is responsible for disseminating information on the industry by public relations techniques, including factory visits, lectures, technical films, and the publication of studies in the trade press.

*Rieckermann/AEG-Elotherm.*<sup>(3)</sup> This relates to an exclusive dealing agreement between two German firms, whereby Rieckermann KG, an exporter, undertakes to promote sales in Japan of installations manufactured by AEG-Elotherm GmbH and not to market competing products in Japan. AEG-Elotherm undertakes to market its installations in Japan through Rieckermann exclusively.

<sup>(1)</sup> *Official Gazette* No. 239, 4 October 1967.

<sup>(2)</sup> *Ibid.* No. 105, 3 June 1967.

<sup>(3)</sup> *Ibid.* No. 119, 20 June 1967.

*Notification of provisions or arrangements challenged; hearing of parties concerned*

50. In nine cases of agreements embodying provisions incompatible with the common market and prohibited by Article 85 of the EEC Treaty, the Commission notified the firms concerned of the provisions or arrangements challenged. In two cases it then gave a hearing to firms which had shown that they had a sufficient interest.

*Termination or adjustment of agreements in the course of investigations*

51. Some ten files were closed after investigations had begun when the firms involved spontaneously terminated the agreements, following talks before or after the Commission had indicated the provisions or arrangements challenged. These agreements included the following:

52. *Market-sharing agreement.* The members of an association of building materials firms in one EEC country had agreed not to export their products to a certain other EEC country and to allow one of their members, which accounted for a large share of production in both the exporting and the importing country, to be sole exporter to the latter. This firm had guaranteed the other member firms that it would export a specified quantity to this particular EEC country. It had also promised—and obtained the agreement of nearly all those concerned—that manufacturers in that country would not supply the member country to which the association belonged. The association justified the market-sharing agreement on grounds of certain changes in part of the market and the threat of economic disturbances.

The Commission held that the purpose and effect of the agreement was to restrain and distort competition within the Common Market, since manufacturers in each of the two countries refrained from supplying the other country's market. The only exception was the one firm in question, which sold part of its output in the country to which, by agreement with the other members of the association, it was sole exporter. As this firm had pledged itself to a specific level of exports to that country, it could not sell its products as it wished in the common market. The Commission also felt that the market-sharing arrangement was "liable to affect trade between member countries." Apart from the deliveries of the sole exporter, trade in these products between the two member countries was to all intents and purposes non-existent.

Exemption (under Article 85 (3)) from the ban on restrictive agreements was ruled out by the Commission because the arrangements at issue contributed neither to improving the production or distribution of goods nor to promoting technical or economic progress. There was no evidence of the economic disturbances that had been feared. Besides, even if some industries had really been put in a difficult position by the process of economic integration and the consequent shifting of traditional patterns of competition, the Commission considered that remedies should have been sought primarily not in private agreements in restraint of competition but in the appropriate procedures laid down by the EEC Treaty.

The association informed the Commission that its market-sharing arrangements had been terminated because of the objections raised.

*53. Agreement not to export.* Several manufacturers of semi-finished metal products in one member country had agreed not to export their products to four other Common Market countries. According to the manufacturers concerned, the main reason for their agreement had been a fear that manufacturers of these products in the four other countries involved, who had not made any corresponding agreement, would react to entry into their home markets by trying themselves to sell on the home markets of the parties to the agreement.

The Commission found that the agreement would prevent or at least restrain competition within the Common Market, since its purpose was to reserve the markets of four member countries for home manufacturers by withholding competition by members of the association and to prevent exports from these countries entering the home markets of parties to the agreement. The Commission also held that the agreement was "liable to affect trade between Member States" because it excluded deliveries from one member country to four other member countries and was designed to prevent deliveries from the four latter to the former.

The Commission decided that it could not exempt this agreement from the ban of Article 85 (1) because it made no contribution to improving the production or distribution of goods but obstructed technical and economic progress by denying users certain opportunities of buying products of new or—possibly—improved qualities. The Commission rejected the argument that economies might be made on freight costs because it was not established that changes in freight costs would in fact be reflected in the price of the products.

The manufacturers concerned informed the Commission that they had terminated the agreement concerned.

54. *Reciprocal exclusive dealing agreements.* A trade association located in one of the member countries, made up of national retailers and national and foreign manufacturers of certain installations, imposed reciprocal dealing arrangements on its members. These arrangements were made through a series of standard contracts supervised by the association, which laid down retailer's profit margins and obliged the national and foreign manufacturers to charge uniform prices in the member country in question, thus eliminating all competition at the retail stage.

Eighty percent of sales of the goods in question on the home market were made by retailers who were members of this association, so that any foreign manufacturer who wanted to sell in this country was virtually obliged to join the organization and fulfil the conditions imposed on him. The agreement consequently kept part of a member country's economy in artificial isolation. A foreign manufacturer filed a complaint with the Commission, challenging this practice as an infringement of Article 85 of the Treaty of Rome.

During the investigation of the case, the association in question decided to terminate all the contracts still in force and to break up.

55. *Price-equalization agreement.* Eight manufacturers in one of the member countries had set up a national sales agency to sell their products on the home market, in other EEC countries and in non-member countries. Sales by the agency accounted for about 84% of exports of a specific building material from this member country to other EEC countries and for about 92% of one of these countries' imports of that material. Under the standard outline contract entered into by each member firm, the agency co-ordinated and negotiated orders for all markets, fixed rates and sales conditions and shared out orders among its members in accordance with annual quotas. An equalization price was applied to total annual sales on the various markets.

The Commission had intended to deny exemption to this agreement because it contained clauses relating to trade between Common Market countries and the Commission felt that the provisions and practices impaired trade between member countries and restrained competition but did not have the favourable economic consequences mentioned in Article 85 (3) of the EEC Treaty. While the case was being investigated, the members of the agency decided to dissolve it of their own accord and to terminate existing contracts rather than make the adjustments that Community law would have required, for this would have robbed the agency of the main interest it had for its members.

56. *Price agreement.* Under agreements made in one of the member countries between a textile firm and three weavers' trade associations, the firm in question provided the raw material and granted the weavers an exclusive licence for one or more brands; the weavers were obliged to meet very strict manufacturing specifications and to comply with minimum price arrangements on the markets of the other member countries and non-member countries. The textile firm had also set up a fund to support exports.

After talks with the Commission, the parties to these agreements agreed to terminate the price and aid arrangements for exports to other member countries.

As can be seen, firms are increasingly inclined to discontinue of their own accord practices challenged by the Commission when investigations are instituted and to bring their agreements into line with the Treaty's rules on competition. Consequently, more and more individual cases are being settled before the stage of formal proceedings is reached.

#### *Consultative Committee on Cartels and Monopolies*

57. The Consultative Committee on Cartels and Monopolies held five meetings to give formal opinions on proposed decisions.

#### *General measures*

58. *Measures introduced by Member States.* Under Article 14 (6) of Regulation No. 17, the Member States are required to take the necessary steps to ensure that they can lend the Commission's servants the assistance necessary to carry out investigations. Following Italy and Luxembourg, Germany<sup>(1)</sup> has now introduced appropriate regulations.<sup>(2)</sup> The other Member States were again asked to take action as soon as possible.

59. *Rules of competition for transport.* The panel of experts on transport continued its examination of the Commission's proposal—submitted to the Council 8 June 1964—for a regulation providing for the application of the rules of competition to transport, since Council Regulation No. 165/65/CEE<sup>(3)</sup> was to lapse on 31 December 1967. As it became

---

(1) Law of 17 August 1967, published in *Bundesgesetzblatt I*, 23 August 1967.

(2) *Tenth (EEC) General Report*, sec. 50.

(3) Dated 9 December 1965 (*Official Gazette* No. 210, 11 December 1965).

clear that the proposal would not be adopted by this date, Council Regulation No. 1002/67/CEE<sup>(1)</sup> was adopted on 14 December, extending until 30 June 1968 the non-application of Regulation No. 17 to transport.

60. *Measures relating to co-operation.* The Commission feels that co-operation between firms should be facilitated where it is economically desirable and presents no difficulties from the angle of competition policy. The following documents were therefore submitted to the member countries' experts on restrictive agreements at the conference on such agreements held on 9 and 10 November 1967:

- (a) A draft memorandum on agreements, decisions and concerted practices relating to co-operation between firms. This document is to list those agreements, decisions and concerted practices which in the Commission's view are not caught by the ban of Article 85 (1) of the Treaty;
- (b) A proposal for a second Council regulation on the application of Article 85 (3) of the Treaty to classes of agreement and concerted practice. This regulation is intended to give the Commission power to issue a regulation on block exemption in the field of scientific research and technological development.

At the same time the Commission notified associations operating at Community level of its intentions and asked for their suggestions.

## GOVERNMENT MONOPOLIES

61. The Commission pursued its efforts to find solutions to the problems arising in this field, giving special attention to some of the most important and most difficult cases.

The Commission's proposals for the adjustment of tobacco monopolies (submitted to the Council on 4 July) are discussed with the other tobacco proposals.<sup>(2)</sup>

In respect of *spirits monopolies*, as in the case of tobacco, the Commission is endeavouring to find an overall solution that will take account of the various agricultural and taxation requirements.

---

<sup>(1)</sup> *Official Gazette* No. 306, 16 December 1967.

<sup>(2)</sup> Sec. 138.



The French Government replied on 7 August 1967 to the Commission recommendation transmitted to it on 29 July 1966 on the adjustment of its powder and explosives monopoly. It stated that from 1 January 1968 import licences would be issued to individuals by the Direction des poudres—with no limit in the case of some products and up to specified amounts in the case of others. Imported products would be subject to the general price regulations.

Before another recommendation is made to the French Government on its treatment of imports of petroleum products, progress should be made towards a Community energy policy.

## STATE AIDS

62. During the period under review the Commission issued findings on fifteen cases of general aids and nineteen cases of specific aids. The main cases are discussed below. Work was continued on drafting a regulation for the implementation of certain provisions of Article 93 of the EEC Treaty.

### *General schemes*

63. The Commission was notified of various schemes for introducing new measures to aid regional development or for adjusting certain existing arrangements. Particular attention should perhaps be given to the following provisions:

- (a) *Arrangements to promote economic development in the north of the Netherlands, southern Limburg<sup>(1)</sup> and other Dutch development areas.* These are designed to supplement action already taken to help development centres in the country's "problem areas," to contribute to regional development and to reduce the employment difficulties arising from the conversion of the coalmining areas in southern Limburg.

---

<sup>(1)</sup> The measures relating to Limburg are not the same as those mentioned in the *Tenth (EEC) General Report*, sec. 66.

The scale of the arrangements planned aroused grave misgivings from the competition angle. The Commission decided it should consult the Dutch authorities in order to seek agreement on the adjustments needed to make these measures compatible with the Common Market. This is now being done.

- (b) *Arrangements to extend and modify the French industrial-development and industrial-reorganization bounty scheme introduced by Decree No. 64-440 of 21 May 1964.* These measures provide for a general increase in the rates of bounty fixed in 1964 and the extension of the bounty to schemes to move businesses in the tertiary sector out of the Paris area. Although the increase in rates is general (applying both to the development areas in the west and south-west and to the areas in the east and north-east where industries are being reorganized), the increase in government assistance seems to be aimed chiefly at remedying the difficulties felt in old industrial areas that are having to adapt now that their traditional occupations (coal, iron and steel, textiles) are on the decline. Since the advantages of these new measures are comparable with those provided for in the Dutch regulations and are intended to combat similar problems, they call for similar reservations. These measures are currently being examined.

There is some concern that if competition were to develop between the various regions, the geographical distribution of productive activities, which ought to be one of the most natural consequences of European unification, might eventually be upset by a process of escalation between member countries or even between regions in each country. The Commission is therefore taking steps to encourage governments to relate the scale of aid to the gravity of the problems involved and to examine their application systematically in order to obviate distortions of competition in the light of the situation in the industry concerned, the characteristics of the firm receiving aid and its location.

### *Aids to specific industries*

#### *Shipbuilding*

64. The proposal for a directive to introduce Community aid for shipbuilding is still being discussed in the Council. The Member States would all prefer discretionary arrangements, while the Commission had advocated a compulsory system.

Pending a final decision, the Commission continued to assess Member States' aids in the light of its proposal.

*The French Government* had already stated the year before that it intended, on 1 July 1968, to scale down the rate of its aids to 10% of the contract price of vessels built. However, as the amount of aid can be affected by a price review factor, the Government has since adopted another measure to reduce the importance of this factor by gradually introducing a minimum below which it would not be applied. On 1 January 1969, then, French aid is to be cut back to a net benefit to shipyards not exceeding 10% of contract prices.

After some of the main points in the new *Italian draft law* on shipbuilding aids had been amended, the Commission decided in July 1967 to raise no objection to its implementation. A degressive aid calculated on cost is envisaged for 1967-71, dropping to 10% of the cost price of the vessel by the end of this period. Complete alignment on the proposed Community aid (10% of the selling price) is to be effected by 1973. In view of the difficulty of assessing aid for the later years during which the law would be in effect, the Commission reserved the right to review the situation at a later date.

Lastly, the Commission raised no objection to the introduction in the *Netherlands of credit facilities* for sales of ships or to the strengthening and extension of the *fifth German aid programme* for exports of ships outside the Community. These two arrangements involve assistance below the level envisaged for Community aid.

### *Ship repairs*

65. Since the ship-repair industry in the Mediterranean area was coming under particularly heavy pressure from non-member countries, the Commission decided not to object to the maintenance of aids granted by France and Italy.<sup>(1)</sup>

In the north of the Community, French shipyards are the only ones receiving Government aid. Conditions of competition are fairly normal, so the Commission asked the French Government not to grant aids for repair work to yards in the north. This was agreed.

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 68.

### *Textiles*

66. French Government aids to encourage research and the reorganization of manufacturing and marketing arrangements in the textile industry<sup>(1)</sup> drew fundamental objections from the Commission on the question of financing. For although these aids benefit the French textile industry alone, the "parafiscal" charge from which they are financed affects not only French textile products but also imports from other member countries. The procedure laid down in Article 93 (2) of the Treaty has now been instituted.

### *Computers*

67. On 19 May and 27 June 1967 the German Government notified the Commission of measures envisaged for assisting research and development in the computer field. The German proposals were discussed with representatives of the six Member States on 11 July 1967 and are now being examined by the Commission. Similar measures already in force in the other member countries were also examined at this meeting. The French authorities submitted to the Commission a document outlining the action taken under the *Plan Calcul*.

### *Film industry*

#### Action at Community level

68. The Commission had a study made by outside experts of financing arrangements now in force in the member countries and added to the information currently available by initiating a study on the distribution of films with a view to assessing whether and how far the competitiveness of the industry as a whole could be improved. This study is to cover competition both from non-member countries and from other leisure activities (television, motoring, etc.).

#### France

The Commission examined the draft laws notified by the French Government towards the end of 1966 and early in 1967. One of these was a draft law to extend into 1967 the arrangements for aid to feature-film

---

(1) *Tenth (EEC) General Report*, sec. 69.

production and the other was a draft law to make aid available to exhibitors and to modify the benefits for shorts.<sup>(1)</sup>

The proposed extension of aid for shorts was approved. The Commission had no objections to the other measures either, but it asked the Government to keep it duly informed of implementing provisions.

### Germany

The Commission was notified of a draft law to introduce aid arrangements for the film industry in Germany, mainly for feature films.

The funds needed to pay the subsidies would come from a special charge related to box-office receipts.

The draft is still being discussed.

### *Decorative laminated board*

69. The Commission examined the competitive situation in this industry following a complaint filed by the French Government on 30 August 1967 referring to recent very large increases in Italian exports.<sup>(2)</sup>

### *Processed farm products not listed in Annex II to the Treaty*

70. On representations from the Commission, the member countries agreed to adjust the aids they grant in respect of these products.

A new situation was created by the entry into force on 1 June 1967 of Council Regulation No. 160/66, regulating trade in certain goods manufactured from farm produce and not listed in Annex II to the Treaty.<sup>(3)</sup>

The Member States also agreed to comply with the Commission's proposal on the adjustment of aids granted under Article 23 (4) of Council Regulation No. 19 (common organization of cereals markets).

### *Pulp*

The Commission received an application from the French Government for authorization to extend current aids until 30 June 1968, pending the introduction of new arrangements now being studied.<sup>(4)</sup>

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 70.

<sup>(2)</sup> For the French application under the safeguard clause, see sec. 26.

<sup>(3)</sup> Sec. 25.

<sup>(4)</sup> Sec. 200.

## Taxation policy

### SPECIFIC CASES

#### *Turnover taxes*

71. The examination of specific cases of presumed infringement of Articles 95 to 97 of the EEC Treaty continued during the period under review.

The *tax on woollen yarns* in Italy (Law No. 1309),<sup>(1)</sup> which lapsed on 10 October 1967, will be extended after the necessary amendments have been made in order to eliminate the infringements noted. There are two cases, however, in respect of which discriminatory situations might persist, and these are now under study.

The *differential taxation arrangements for wood imported* into Belgium are to be adjusted before the end of the year. The taxation of wood in the Netherlands is being examined in the context of state aids.

Arrangements for levying the turnover equalization tax in the case of *processing traffic* were adjusted in Germany by ministerial decree in August 1966 in respect of processing operations carried out in the other Member States. In certain cases this adjustment entailed heavier taxation than before, and this was liable to create difficulties for certain processing firms in the other Member States. Further to representations by the Commission, the German Government decided to relax these measures so as to eliminate the difficulties arising until the entry into force of the TVA system in Germany.

Under the decision of 21 June 1960 taken by the representatives of the Governments of the Member States meeting within the Council, Belgium and the Netherlands each submitted for prior consultation two drafts for the amendment of *countervailing charges on imports and drawback on exports*. An examination of the calculations on which the level of the charges and drawback is based confirmed that Articles 95 to 97 of the

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 78.

EEC Treaty had been complied with except for four Belgian tariff headings on which there is disagreement as to the calculations.

In July 1967 the Commission laid before the Council a proposal for a directive instituting a *common method for the calculation of the average rates referred to in Article 97 of the EEC Treaty*. For the turnover taxes calculated by a cumulative cascade system, this proposal is designed to eliminate obscurities and achieve fuller compliance with Articles 95 to 97 in respect of countervailing charges and drawback in intra-Community trade.

In Germany the seventeenth law amending the turnover tax has entailed a higher rate of countervailing charge in respect of the tax on *imported iron and steel products*—which covers nearly all ECSC items. A practical examination of the implications of these amendments led the High Authority to express reservations as to any change in the relationship between the internal tax burden and taxation at the frontier on ECSC iron and steel products. It intimated, however, that the change in the turnover tax arrangements on 1 January 1968 would in its view create a new situation, since this general measure would absorb the increase in the countervailing charge rates on imported iron and steel products.

The High Authority also found that the new rates charged in Belgium on imports of *carburized ferromanganese and certain categories of stainless or refractory steel sheets* after a change in the arrangements for taxing iron and steel products at the frontier do not exceed the cumulative internal tax charged as turnover tax.

### *Indirect taxes other than turnover taxes*

72. The checks undertaken in Italian firms by the Commission's staff further to the Court of Justice's ruling of 1 December 1965 on Italian Law No. 639 are complete. The Commission will shortly study the information obtained and any implications in the light of this ruling.

A number of similar cases are being considered by the Commission. They concern *several Italian legal provisions* by virtue of which drawback on indirect taxes other than turnover tax is paid on exports. The findings in respect of Law No. 639 could well have a direct bearing on these measures.

*Excise duties*

73. Examination of differential taxation arrangements continued on the basis of a list already established.<sup>(1)</sup>

The Italian Government notified the Commission that it intended to withdraw completely the excise duty on *cocoa*.

The *excise duty on imported sugar* preparations was adjusted by the Netherlands along the lines recommended by the Commission. Belgium and Luxembourg will adopt in the near future an identical arrangement. The procedure of Article 169 was initiated with regard to Italy, since the amendments it proposes to make do not comply with Article 95 of the Treaty.

The legislative procedures having taken longer than foreseen in Belgium, Luxembourg, Germany and the Netherlands, the tax rules concerning *beer* were not amended with effect from 1 April 1967 as the Commission had requested in a recommendation. The legislation is at present before the respective Parliaments.

An examination of discriminatory rules in the Member States' legislation on excise duties on *alcoholic* beverages (wines and spirits) led the Commission to initiate the procedure of Article 169 in respect of each of the Member States. With the exception of Germany (for sparkling wines) and Italy (a specific case of flat-rate charges on imported products containing alcohol), the Member States informed the Commission that they were prepared to amend their legislation.

The Dutch arrangements to make a partial refund for vehicles entering into international transport of the *motor-vehicle tax* supplement charged for vehicles using fuel other than petrol were examined. The Commission had made a recommendation to the Dutch Government on this subject on 9 February 1966.

---

(1) *Tenth (EEC) General Report*, sec. 79.



---

## APPROXIMATION OF PROVISIONS CONCERNING INDIRECT TAXES

### *Turnover taxes*

74. After approving on 9 February 1967 the first two directives concerning harmonization of turnover taxes,<sup>(1)</sup> the Council formally adopted them on 11 April 1967.<sup>(2)</sup>

### *Excise duties*

75. The proposals for a regulation and for a resolution concerning manufactured tobacco (4 July 1967) are discussed elsewhere in this report.<sup>(3)</sup>

With regard to the excise duty on beer, five Member States came out in favour of its maintenance and harmonization. The sixth, though not opposed to the maintenance of the duty during the transition period, reserved its position as to the final arrangements to be made when tax frontiers disappear. A special difficulty in this field concerns the help that small and medium-sized firms are currently deriving from the graduated duty scales applied in four of the member countries.

Certain basic disparities also emerged from studies of the *sugar* excise duty.

## APPROXIMATION OF PROVISIONS CONCERNING DIRECT TAXES

76. During the year the Commission devoted considerable effort to the elimination of fiscal obstacles in the shape of certain direct taxes which may hamper, in particular, the establishment of a Community capital market.

On 27 June 1967 the Commission submitted a memorandum pursuant to the programme for the harmonization of direct taxes laid before the Council on 8 February 1967.<sup>(4)</sup>

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 80.

<sup>(2)</sup> *Official Gazette* No. 71, 14 April 1967.

<sup>(3)</sup> Sec. 137.

<sup>(4)</sup> *Tenth (EEC) General Report*, sec. 85.

This memorandum gives the Commission's views on the solutions to the various urgent problems mentioned in the programme—in particular the need to harmonize certain fiscal provisions which may affect the movement of capital and the concentration of industry.

### *Capital movements*

77. The rates and arrangements for withholding at source tax on dividends and interest in the Member States were studied in the light of the financing problems posed by the economic development of the Community. Real fiscal frontiers are at present preventing the free movement of capital between the Member States. Emphasis has been on the need to achieve some measure of harmonization of these arrangements and rates in order to eliminate distortions which engender abnormal capital movements. A standard 10% withholding tax rate for interest and 25% for dividends is recommended in all the member countries for non-residents and residents alike, this tax being allowable against personal income tax in the country of domicile of the taxpayer. The memorandum includes a proposal along these lines.

### *Industrial combinations*

78. The tax obstacles to amalgamations and mergers across frontiers have been widely discussed. The major problem in mergers and similar operations is the emergence at the time of the merger of capital gains attracting tax. In its memorandum the Commission proposed the outlines of a system of capital gains taxation which would enable the member countries to safeguard receipts without making it difficult, by unduly heavy taxation, for firms to merge across frontiers. With regard to industrial combination operations consisting in the purchase of participations, the Commission found that the various problems arising in this field (for example, the application of the *Schachtelprivileg*<sup>(1)</sup> across frontiers and double taxation in respect of withholding tax) can be solved satisfactorily only through the harmonization of legislation.

---

(1) The *Schachtelprivileg* is an arrangement under which, where one company holds a participation of not less than 25% in another, any dividends, etc., on the shares representing its participation escape corporation tax and capital yield tax.

*Basis of assessment of tax on profits*

79. Among the rules governing the assessment of the basis of profits tax (capital gains, depreciation, stocks, losses), the Commission stressed the importance of those serving as incentives. The short-term problem is one of co-ordination, and the solution adopted must take into account Community objectives in the field of short-term economic policy.

The Council began its examination of the memorandum.

**Freedom of establishment and freedom to supply services**

80. On 3 July 1967 the Commission laid before the Council a report on the implementation of the General Programmes.<sup>(1)</sup> This report reviews the progress made by 30 April 1967<sup>(2)</sup> in work to eliminate differential treatment and to co-ordinate the legislation of the Member States, and makes forecasts as to subsequent developments. Work now outstanding will have three main objectives:

- (i) In the first place, some instances of differential treatment have not yet been properly dealt with. It is true that by 1970 the most obvious barriers to engaging in numerous activities will have been removed, but few activities and certain trades or professions may still raise problems.
- (ii) In addition, co-ordination must be pursued in the sectors where it has been begun, and work on these lines must be put in hand in other sectors. The co-ordination of company law is a case in point. And in all the sectors in which tideover measures are applied, definitive arrangements must be adopted.
- (iii) Lastly, where the co-ordination of legislation is achieved, care will have to be taken to ensure constant adaptation to any new laws or regulations. Co-ordination must be pursued without interruption, the aim being the harmonization of the Member States' laws to prevent them developing along divergent lines.

---

<sup>(1)</sup> Document No. SEC (67) 2387 final.

<sup>(2)</sup> See preceding (EEC) General Reports.

The Council took note of and approved this report at its session of 11 and 12 December 1967. It issued the following statement: "The Commission has rightly emphasized the importance of this work for the establishment of the common market. The Council shares the Commission's opinion that work on the completion of the directives which have not yet been adopted should be pressed forward so that the directives can be adopted by the end of the transition period."

The table below summarizes the work carried out on the removal of restrictions on freedom of establishment and freedom to supply services between the entry into force of the Treaty of Rome (1 January 1958) and 31 December 1967. As in the past, work on the co-ordination of legislation in these sectors is summarized in the table on approximation of legislation.<sup>(1)</sup>

81. The table below shows that between 1 January 1958 and 31 December 1967, 18 directives had been adopted by the Council and one recommendation by the Commission in this field.

Thirteen proposals for directives were before the Council on 31 December 1967.

Thirty-three further proposals are being prepared by the Commission.

Removal of restrictions on freedom of establishment and freedom to supply services for the nationals of other Member States (1 January 1958 to 31 December 1967)<sup>(2)</sup>

Object	Legal basis	Legal nature of the measure and reference
1. <i>General</i>		
Travel and residence	Arts. 54, 63	Dir. No. 64/220 ad. 25. 2. 64 <i>OGEC 845/64</i>
Payment for services	Art. 63	Dir. No. 63/340 ad. 31. 5. 63 <i>OGEC 1609/63</i>
2. <i>Production activities</i>		
Mining and quarrying	Arts. 54, 63	Dir. No. 64/428 ad. 7. 7. 64 <i>OGEC 1871/64</i>
Exploration and drilling for petroleum and natural gas	Arts. 54, 63	pro. dir. sub. 17. 3. 67 <i>OGEC 1427/67</i>
Electricity, gas, steam	Arts. 54, 63	Dir. No. 66/162 ad. 28. 2. 66 <i>OGEC 584/66</i>
Agriculture and stockbreeding	Art. 54	
(a) Farms derelict or uncultivated for more than two years		Dir. No. 63/262 ad. 2. 4. 63 <i>OGEC 1326/63</i>
(b) Paid farmworkers from other Member States		Dir. No. 63/261 ad. 2. 4. 63 <i>OGEC 1323/63</i>

<sup>(1)</sup> Sec. 81.

<sup>(2)</sup> The key to the abbreviations is at the end of the table.

Object	Legal basis	Legal nature of the measure and reference
(c) Access to farm leases (farmers already in business)		Dir. No. 67/531 ad. 25.7.67 OGEC 190/3, 67
(d) Right to change farms (farmers already in business)		Dir. No. 67/530 ad. 25.7.67 OGEC 190/1, 67
(e) Access to co-operatives (farmers already in business)		Dir. No. 67/532 ad. 25.7.67 OGEC 190/5, 67
(f) Access to loans (farmers already in business)		pro. dir. sub. 21.12.65
(g) Access to aids (farmers already in business)		pro. dir. sub. 23.12.66
(h) Right of establishment		dir. prep. 1967
Forestry and logging		Dir. No. 67/654 ad. 24.10.67 OGEC 263/6, 67
Ocean and coastal water fishing		dir. prep. 1965
<b>3. Processing activities</b>		
(industry, crafts)		
Processing industries	Arts. 54, 63	Dir. No. 64/429 ad. 7.7.64 OGEC 1880/64
Food-manufacturing industries	Arts. 54, 63	pro. dir. sub. 15.4.65
Manufacture of pharmaceutical products	Arts. 54, 63	dir. prep. 1964
Construction of transport equipment	Arts. 54, 63	dir. prep. 1967
<b>4. Contractors</b>		
Agricultural contractors (supply of services only)	Art. 63	Dir. No. 65/1 ad. 14.12.64 OGEC 1/65
Agricultural contractors (establishment)	Art. 54	dir. prep. 1967
Public works contractors (participation of firms in public works contracts)	Arts. 54, 63, 66	pro. dir. sub. 16.3.64 Bull. Sup. 5, 64/19
		pro. dir. (amdt.) sub. 28.6.65 OGEC 2523/65
<b>5. Wholesale and retail trade</b>		
Wholesale trade	Arts. 54, 63	Dir. No. 64/223 ad. 25.2.64 OGEC 863/64
Wholesale and intermediary trade in pharmaceutical products	Arts. 54, 63	dir. prep. 1964
Wholesale trade in coal	Arts. 54, 63	dir. prep. 1966
Retail trade	Arts. 54, 63	pro. dir. sub. 13.4.65 Bull. Sup. 6, 65/23
Trade in toxic products	Arts. 54, 63	dir. prep. 1965
Intermediaries in trade, industry and craft	Arts. 54, 63	Dir. No. 64/224 ad. 25.2.64 OGEC 869/64
Peddling	Arts. 54, 63	dir. prep. 1967
<b>6. Services</b>		
<i>Insurance, banks and financial establishments</i>		
Reinsurance and retrocession	Arts. 54, 63	Dir. No. 64/225 ad. 25.2.64 OGEC 878/64
Direct insurance other than life (establishment)	Art. 54	pro. dir. sub. 2.2.67 OGEC 955/67

Object	Legal basis	Legal nature of the measure and reference
Direct insurance other than life (freedom to supply services)	Arts. 54, 57	dir. prep. 1966
Insurance agents and brokers	Arts. 54, 57	dir. prep. 1967
Banks and financial establishments	Arts. 54, 63	pro. dir. sub. 30.7.65 OGEC 2576/65
<i>Personal and business services</i>		
Transport auxiliaries, warehousing and customs agents	Arts. 54, 63	pro. dir. sub. 21.12.65
Real estate and business services	Arts. 54, 63	Dir. No. 67/43 ad. 12.1.67 OGEC 140/67
Restaurants and hotels	Arts. 54, 63	pro. dir. sub. 9.4.65
<i>Film industry</i>		
Determination of the nationality of films	Art. 63	Dir. No. 63/607 ad. 15.10.63 OGEC 2661/63
Certificates of nationality of films	Dir. No. 63/607	Com. rec. of 8.4.64 OGEC 1025/64
Exhibition of certain films and use of cinemas	Arts. 54, 63	Dir. No. 65/264 ad. 13.5.65 OGEC 1437/65
Film distribution	Art. 54	pro. dir. sub. 2.5.67 OGEC 254/1, 67
Film production	Arts. 54, 63	dir. prep. 1967
<b>7. Professions</b>		
(a) <i>Technical professions</i>		
(i) Architects	Arts. 54, 63	pro. dir. sub. 16.5.67 OGEC 239/15, 67
(ii) Engineers	Arts. 54, 63	dir. prep. 1960
(iii) Accountants	Arts. 54, 63	dir. prep. 1961
(iv) Agricultural engineers	Arts. 54, 63	dir. prep. 1965
(v) Surveyors	Arts. 54, 63	dir. prep. 1965
(b) <i>Medical, paramedical and pharmaceutical professions</i>		
(i) Doctors	Arts. 54, 63	dir. prep. 1962
(ii) Pharmacists	Arts. 54, 63	dir. prep. 1963
(iii) Dentists	Arts. 54, 63	dir. prep. 1965
(iv) Veterinarians	Arts. 54, 63	dir. prep. 1965
(v) Opticians	Arts. 54, 63	dir. prep. 1965
(vi) Nurses	Arts. 54, 63	dir. prep. 1965
(vii) Midwives	Arts. 54, 63	dir. prep. 1965
(viii) Qualified masseurs	Arts. 54, 63	dir. prep. 1965
(c) <i>Legal professions</i>		
(i) Lawyers	Arts. 54, 63	dir. prep. 1964
(ii) Tax consultants	Arts. 54, 63	dir. prep. 1964
(iii) Industrial property consultants	Arts. 53, 63	dir. prep. 1964
(iv) Clerks and assistants	Arts. 54, 63	dir. prep. 1966
(d) <i>Cultural professions</i>		
(i) Press	Arts. 54, 63	pro. dir. sub. 6.7.64
(ii) Recreation services	Arts. 54, 63	dir. prep. 1966
(iii) Sports instructors	Arts. 54, 63	dir. prep. 1967

Object	Legal basis	Legal nature of the measure and reference
<b>8. Transport</b>		
Transport (freight by road)	Art. 54	dir. prep. 1967
Transport (passengers by road)	Art. 54	dir. prep. 1967
Transport (inland waterways - freight and passengers)	Art. 54	dir. prep. 1967

*Abbreviations*

ad.	= adopted on ...	OGEC	= Official Gazette of the European Communities (page/year)
amdt.	= amendment		From 1 July 1967 (OGEC No. 137), the figures indicate No., page/year
Art(s).	= Article(s) of the Treaty of Rome		
Bull. Sup.	= Supplement to Bulletin of the EEC (No., year/page)	prep.	= in preparation since ...
Com rec.	= Commission recommendation	pro	= proposal for a ...
Dir. No. (dir.)	= Council directive	sub	= submitted on ...

## DIRECTIVES ADOPTED

82. During the period under review the Council adopted four directives concerning agriculture and forestry.

These represent further steps towards the completion of the special timetable laid down for agriculture.<sup>(1)</sup> Complete freedom of establishment for all agricultural activities is provided for only at the end of the transition period.

The purpose of Directive No. 67/530/CEE<sup>(2)</sup> of 25 June 1967 is to enable farmers who are nationals of one Member State and established in another Member State to change farms. It requires the Member States to withdraw all regulations which deny or qualify the right of farmers (individuals or companies) of other Member States to change farms. Those concerned must, however, have been engaged in a self-employed agricultural activity in the host Member State for more than two years.

When adopting this directive the Council incorporated the amendments proposed by the European Parliament<sup>(3)</sup> and the Economic and Social Committee.<sup>(4)</sup>

<sup>(1)</sup> For directives adopted previously, see *Tenth (EEC) General Report*, sec. 22.

<sup>(2)</sup> *Official Gazette* No. 190, 10 August 1967.

<sup>(3)</sup> *Ibid.* No. 23, 5 February 1966.

<sup>(4)</sup> *Ibid.* No. 146, 23 August 1965.

Directive No. 67/531/CEE<sup>(1)</sup> of 25 July 1967 concerns the application of Member States' legislation on farm leases to farmers from other Member States. It requires the Member States to withdraw any limitations on the application of farm lease arrangements to farmers (whether individuals or companies) of other Member States who are engaged in or are setting up in a self-employed agricultural activity in the host Member State.

The Council did not accept the amendment to Article 1 proposed by the European Parliament<sup>(2)</sup> but adopted the proposed addition to Article 2. The Economic and Social Committee had endorsed the directive.<sup>(3)</sup>

The purpose of Directive No. 67/532/CEE<sup>(1)</sup> of 25 July 1967 is to enable farmers who are nationals of one Member State but are in business in another Member State to join co-operatives. It requires the Member States to withdraw any restrictions relating to access to co-operatives discriminating against farmers (whether individuals or companies) of other Member States engaged in or setting up in a self-employed activity in the host Member State. The European Parliament<sup>(4)</sup> and the Economic and Social Committee<sup>(5)</sup> had endorsed the directive.

Directive No. 67/654/CEE<sup>(6)</sup> of 24 October 1967 makes arrangements for the introduction of freedom of establishment and freedom to supply services in self-employed forestry and logging activities. It requires the Member States to abolish, for individuals and companies from other Member States, the restrictions listed in Title III of the General Programmes for the abolition of restrictions on freedom of establishment and freedom to supply services applying to access to self-employed forestry and logging activities and the pursuit of these activities.

The Council accepted most of the amendments proposed by the European Parliament<sup>(7)</sup> and the Economic and Social Committee.<sup>(8)</sup>

## PROPOSED DIRECTIVES LAID BEFORE THE COUNCIL

83. During the period under review the Commission laid before the Council four proposed directives:

---

(1) *Official Gazette* No. 190, 10 August 1967.

(2) *Ibid.* No. 23, 5 February 1966.

(3) *Ibid.* No. 146, 23 August 1965.

(4) *Ibid.* No. 201, 5 November 1966.

(5) *Ibid.* No. 17, 28 January 1967.

(6) *Ibid.* No. 263, 30 October 1967.

(7) *Ibid.* No. 96, 28 May 1966.

(8) *Ibid.* No. 205, 7 December 1965.



The first<sup>(1)</sup> concerns details for the introduction of freedom of establishment and freedom to supply services as self-employed architects. It provides that the Member States should withdraw, for architects and firms of architects from the other Member States, all restrictions on access listed in Title III of the General Programmes for the removal of restrictions on freedom of establishment and freedom to supply services, and that they should permit the architects concerned to join professional associations. In addition, architects should be granted the right to use the legal professional title of the host country.

The second proposal<sup>(1)</sup> provides for the mutual recognition of the degrees and diplomas listed therein and the recognition of certificates issued under the third (co-ordination) directive. Architects should also be granted the right to use the legal title of the member country of origin.

The third proposal<sup>(1)</sup> contains the first measures for co-ordination of laws and regulations concerning self-employed architects. Under this directive architects who have not received their training in one of the schools mentioned in the second proposal may qualify for the mutual recognition arrangements when they have passed a test based on a scrutiny of their paper qualifications. The details of the test are specified.

In addition the Commission laid before the Council a draft recommendation concerning Luxembourg nationals holding an architects's degree awarded in a non-member country.<sup>(1)</sup> It recommends the Governments of the other Member States to facilitate access to and pursuit of self-employed architects' activities within the Community for Luxembourg nationals holding an architect's degree awarded in a non-member country and recognized by Luxembourg. They should do this by recognizing such diplomas on their territories.

Another proposal<sup>(2)</sup> concerns the introduction of freedom of establishment in respect of self-employed film distribution activities. It provides that the Member States shall abolish for individuals and companies from the other Member States any restrictions on freedom of establishment in the industry.

The first three proposals are particularly important, since they embody the first arrangements concerning freedom of establishment and freedom to supply services (including mutual recognition of degrees and diplomas)

---

<sup>(1)</sup> *Official Gazette* No. 239, 4 October 1967.

<sup>(2)</sup> *Ibid.* No. 254, 20 October 1967.

for the professions. Other proposed directives in this field will be laid before the Council in 1968.

84. The Commission continued to supervise, in accordance with Article 155, second paragraph, of the EEC Treaty, the implementation of Council directives by the Member States. A large number of directives have now entered into force, and the Commission's supervisory function is therefore of growing importance.

By adopting laws and regulations or by putting in hand the relevant legislative procedures, the Member States have also taken important steps towards the elimination of those restrictions on foreigners attacked in the directives. The Commission will publish a table of the legal measures adopted by the Member States under Community directives with a view to the elimination of restrictions.

### **Approximation of legislation and the creation of Community law**

#### GENERAL

85. The table below gives a picture of the work carried out in this field for the period under review and brings up to date the tables published in the last three EEC General Reports.

The table shows:

- (i) progress made in the work referred to in the Eighth, Ninth and Tenth (EEC) General Reports;
- (ii) the state of work begun in the period under review.

During this period 6 directives, 1 recommendation and 6 opinions were adopted, and proposals for 4 regulations, 12 directives and 1 decision were laid before the Council. Sixteen new approximation questions were also tackled.

Between the entry into force of the Treaty of Rome and 31 December 1967, 8 regulations, 33 directives (including 2 Commission directives), 4 decisions, 23 recommendations and 7 opinions had been adopted. Twenty directives

are based on Article 100 (including 2 also based on Articles 99 and 155, 3 also based on Article 227 (2) and 6 also based on Article 43), 5 on Article 43, 2 on Articles 57 and 66 and 7 on Article 56 (2).

On 31 December 1967, proposals for 3 conventions, 14 regulations, 50 directives, 3 decisions and 1 recommendation lay before the Council. The Commission's staff is also preparing 1 regulation, 132 directives, 4 recommendations, 30 approximation measures whose legal form has not yet been decided, and 9 conventions.

### *Approximation of legislation*

This table brings up to date Table 6 of the Tenth (EEC) General Report and covers new work undertaken between 1 April and 31 December 1967<sup>(1)</sup>

Object	Legal basis	Legal nature of the measure and reference
<b>I — CUSTOMS LEGISLATION, EXTERNAL TRADE</b>		
Duty-free entry of aircraft	Art. 28	dec. 22.12.66 OGEC 4181/66
Common definition of the concept of origin of goods	Art. 111	pro. reg. (amdt.) sub 26.6.67
Customs value of goods	Art. 235	pro. reg. sub. 27.11.67
Customs clearance:		
(i) Deferred payment of duty	Art. 100	pro. dir. sub. 27.11.67
(ii) Production to customs and storage		pro. dir. sub. 27.11.67
Bonded warehouses	Art. 100	pro. dir. sub. 27.11.67
Introduction of special import arrangements for certain products from certain non-member countries	Art. 111	pro. reg. sub. 3.7.67
<b>II — FREE MOVEMENT OF WORKERS</b>		
Free movement of workers	Arts. 48, 49	pro. reg. sub. 7.4.67 OGEC 145/11, 67 pro. dir. sub. 7.4.67 OGEC 145/23, 67

<sup>(1)</sup> The key to the abbreviations is at the end of the table.

Object	Legal basis	Legal nature of the measure and reference
<p>III — ESTABLISHMENT AND SERVICES</p>		
<p>2. <i>Access to and pursuit of activities in trade and industry</i></p>		
<p>Transport auxiliaries (711-719) (transitional measures)</p>	Arts. 57, 66	dir. prep. 1967
<p>Wholesale trade in coal (transitional measures)</p>	Arts. 57, 66	dir. prep. 1967
<p>Peddling</p>	Arts. 57, 66	dir. prep. 1967
<p>Personal services listed in Annex III to the General Programmes (transitional measures)</p>	Arts. 57, 66	dir. prep. 1967
<p>Construction of transport equipment (transitional measures)</p>	Arts. 57, 66	dir. prep. 1967
<p>Real estate</p>	Art. 57	dir. prep. 1967
<p>4. <i>Banking and insurance</i></p>		
<p>Maximum conditions in life insurance</p>	Art. 57	dir. prep. 1966
<p>Rules of private international law concerning insurance</p>	Art. 57	dir. prep. 1966
<p>Freedom to supply direct insurance services, other than life</p>	Arts. 57 (2), 66	dir. prep. 1966
<p>Insurance agents and brokers (transitional measures)</p>	Art. 57	dir. prep. 1967
<p>5. <i>Access to and pursuit of the professions</i></p>		
<p>Technical professions Architects</p>	Arts. 57 (2), 66	pro. dir. sub. 16.5.67 OGEC 239/15, 67
<p>6. <i>Film industry</i></p>		
<p>Film distribution</p>	Art. 63 (2)	pro. dir. sub. 2.5.67 OGEC 254/1, 67
<p>7. <i>Companies</i></p>		
<p>Guarantees required of companies</p>	Art. 54 (3, g)	pro. dir. (amdt.) sub. 3.10.66
<p>Sociétés anonymes: Constitution, maintenance of company capital, increase in company capital, reduction of company capital</p>	Art. 54 (3, g)	dir. prep. 1965
<p>Sociétés anonymes: Corporate accounts, balance sheets, profit and loss accounts, assessment methods</p>	Art. 54 (3, g)	dir. prep. 1966

Object	Legal basis	Legal nature of the measure and reference
<p>Sociétés anonymes: Mergers between companies of the same country</p> <p>Sociétés à responsabilité limitée: Constitution, capital, conduct of business, shares, corporate accounts, dissolution, liquidation, conversion to another type of company, mergers between companies of the same country</p>	Art. 54 (3, g)	dir. prep. 1967
	Art. 54 (3, g)	dir. prep. 1965
V — COMPETITION		
3. <i>Pharmaceutical products</i>		
Advertising of branded pharmaceuticals and inserts	Art. 100	pro. dir. sub. 7.6.67 <i>OGEC</i> 248/18, 67
Mutual recognition of licences for the sale of branded pharmaceuticals	Art. 100	pro. dir. sub. 8.12.67
8a. <i>Elimination or prevention of distortions of competition in specific cases</i>		
Italian draft Law No. 792 relating to the marketing of edible oils	Art. 102	Com. rec. 31.7.67
17th German turnover-tax amendment law to increase the countervailing charge on imports of certain products	Arts. 101, 102	pro. dir. sub. 13.6.67
French decree No. 24873 of 12.9.63 on producer prices for manufactures (price of sulphur)	Art. 101	ex. cptd. 1967 distortion eliminated
German law of 9.9.65 on the protection of copyright	Art. 101	ex. begun 1966
20% rebate granted in northern frontier districts of France to Belgians using traveller's cheques	Art. 101	German reply under examination ex. begun 1967 new regulations to be introduced in France
French decree of 20.1.65 freezing profit margins	Art. 101	ex. begun 1967
Taxation of oil products imported into the Netherlands	Art. 101	ex. begun 1967
Draft German law on wines, dessert wines, sparkling wines, wine-based beverages, and spirits distilled from wine (Wine Law)	Art. 102	ex. begun 1967

Object	Legal basis	Legal nature of the measure and reference
<p>8b. <i>Notification pursuant to the recommendation of 20 September 1965 concerning prior submission to the Commission of certain provisions in draft form</i></p> <p>Draft German law on weights and measures  Draft German law on weighing and measuring units  Draft Belgian Royal Decree introducing a general arrangement concerning the technical standards to be met by motor vehicles and their trailers  Draft Belgian Royal Decree laying down safety standards for screwed lampholders  Draft Belgian Royal Decree laying down safety standards for cables  Draft German law on explosives  Draft Belgian Royal Decree laying down safety standards for transformers feeding Category B and C discharge lamps  Draft Dutch decree relating to electric power  Draft German regulation relating to movable containers and to filling plant for compressed gases  Draft Belgian Royal Decree amending Article 393 of the general industrial safety regulation (dangerous substances and preparations)  Draft Belgian Royal Decree relating to safety standards for acetylene generators, check valves and relief valves</p>	<p>Arts. 5, 155</p>	<p>Com. op. 5.7.67  Com. op. 5.7.67  Com. op. 12.4.67    Com. op. 26.5.67    Com. op. 26.5.67    Com. op. 20.10.67  draft notified 14.6.67  ex. begun    draft notified 11.7.67  ex. begun  draft notified 19.10.67  ex. begun    draft notified 30.11.66  Letter to Belgian Government  26.10.67    draft notified 30.11.66  ex. begun</p>
<p>13. <i>Civil procedure</i></p>		
<p>Legal jurisdiction and enforcement of judgements in civil and commercial cases</p>	<p>Art. 220,  fourth sub-paragraph</p>	<p>pro. conv. sub.  Govs. December 1967</p>
<p>14. <i>Taxation law</i></p>		
<p>Turnover taxes (introduction of TVA)  TVA structure and implementing procedures</p>	<p>Arts. 99, 100,  155  Arts. 99, 100,  155</p>	<p>Dir. No. 67/227 ad. 11.4.67  OGEC 1301/67  Dir. No. 67/288 ad. 11.4.67  OGEC 1303/67</p>

Object	Legal basis	Legal nature of the measure and reference
<b>Taxes on:</b>		
(i) Manufactured tobacco	Arts. 99, 235	pro. reg. sub. 4.7.67
(ii) Spirits and spirituous beverages	Arts. 99, 100	form und. 1966
(iii) Wine	Arts. 99, 100	form und. 1966
(iv) Mineral oils	Arts. 99, 100	form und. 1966
(v) Beer	Arts. 99, 100	form und. 1966
(vi) Sugar	Arts. 99, 100	form und. 1966
Taxes on private cars	Arts. 99, 100	dir. prep. 1967
<b>VI — SOCIAL LAW</b>		
<b>3. Industrial safety</b>		
Classification, labelling and packaging of dangerous substances	Art. 100	Dir. No. 67/548 ad. 27.6.67 OGEC 196/1, 67
<b>VII — AGRICULTURE</b>		
<b>1. Food legislation</b>		
Colouring matters	Arts. 100, 227 (2)	Dir. No. 67/653 (amdt.) ad. 24.10.67 OGEC 263/4, 67
Preservatives	Art. 100	pro. dir. (amdt.) sub. 26.5.67
Preservatives in and on citrus fruits	Art. 100	pro. dir. (amdt.) sub. 26.5.67
Purity standards for preservatives	Art. 100	Dir. No. 67/427 ad. 27.6.67
Antioxidants	Art. 100	OGEC 148/1, 67
Cocoa and chocolate	Art. 100	Dir. No. 67/428 ad. 27.6.67
Jams, marmalades, fruit jellies and chestnut paste	Art. 100	OGEC 148/10, 67
Packaging materials	Art. 100	pro. dir. (amdt.) sub. 26.5.67
Diet foods	Art. 100	pro. dir. (amdt.) sub. 26.5.67
Soft drinks	Art. 100	pro. dir. (amdt.) sub. 26.5.67
Spa waters	Art. 100	dir. prep. 1967
Institution of a Food Committee	Art. 100	pro. dec. (amdt.) sub. 26.5.67
Methods of analysis for the control of additive purity criteria	Art. 100	dir. prep. 1967
<b>2. Veterinary legislation</b>		
Health requirements for intra-Community trade in cattle and pigs	Arts. 43, 100	pro. dir. (amdt.) prep. 1967
Health problems with regard to trade in fresh meat	Arts. 43, 100	pro. dir. (amdt.) prep. 1967
Health problems with regard to trade in fresh poultry	Arts. 43, 149	pro. dir. (amdt.) sub. 26.5.67

Object	Legal basis	Legal nature of the measure and reference
Health problems with regard to trade in meat products	Art. 43	pro. dir. (amdt.) sub. 26.5.67
Health problems connected with imports from non-member countries of fresh beef and veal, pigmeat, cattle and pigs	Art. 43	pro. dir. (amdt.) sub. 26.5.67
Institution of a Veterinary Committee		pro. dec. (amdt.) sub. 26.5.67
Health problems with regard to fresh meat cuts	Art. 43	dir. prep. 1967
<i>3. Forestry legislation</i>		
External quality standards for forestry reproductive material	Art. 43	dir. prep. 1966
<i>4. Legislation on seeds and seedlings</i>		
Marketing of beet seed	Art. 43	pro. dir. (amdt.) prep. 1967
Marketing of herbage seed	Art. 43	pro. dir. (amdt.) prep. 1967
Marketing of cereal seed	Art. 43	pro. dir. (amdt.) prep. 1967
Marketing of seed potatoes	Art. 43	pro. dir. (amdt.) prep. 1967
<i>6. Animal feed legislation</i>		
Additives in feed	Art. 43	pro. dir. sub. 27.6.67 <i>OGEC 254/55, 67</i>
Community methods of sampling and analysis for the official control of feed	Art. 43	pro. dir. (amdt.) sub. 26.5.67 <i>OGEC 249/10, 67</i>
Working out of methods of sampling and methods of analysis for the basic components and the additives contained in feed	Art. 43	dir. prep. 1964
Institution of a Feed Committee		pro. dec. sub. 26.5.67 <i>OGEC 249/11, 67</i>
Marketing of feed	Art. 43	dir. prep. 1964
VIII — TRANSPORT		
Harmonization of the structures of vehicle taxes	Arts. 75, 99	dir. prep. 1967

*Abbreviations*

ad.	= adopted on ...	OGEC	= Official Gazette of the European Communities (page/year)
amdt.	= amendment		From 1 July 1967 ( <i>OGEC</i> No. 137), the figures indicate No./page, year
Art(s).	= Article(s) of the Treaty of Rome		
Com.	= Commission		
conv.	= convention	op.	= opinion
cptd	= complete	prep.	= in preparation since ...
dec.	= Council decision	pro.	= proposal for a ...
Dir. No. (dir.)	= Council directive	rec.	= recommendation
ex.	= examination	reg.	= regulation
form und.	= work in hand since ... but legal form still undecided	sub. (Govs.)	= submitted (to Governments) on ...



The following approximation fields are discussed in other chapters of this Report: customs legislation and external trade, technical harmonization, free movement of workers, right of establishment and of services, free movement of capital, harmonization of tax legislation, social law, agriculture, transport.

## PUBLIC LAW

### *Legislation on pharmaceutical products*

86. On 7 June 1967 the Commission submitted to the Council a proposal for a directive concerning the advertising of branded pharmaceuticals. The general principle on which the proposal is based is that advertising must never be allowed to constitute a threat to public health. Publicity material intended for persons authorized to prescribe or supply drugs must include a certain minimum of information, and special rules are laid down for the distribution of samples and the use of certificates or expert opinions. Limits are set to advertising to the public. In future no prior authorization will be required, but advertising will none the less be subject to a notification requirement and, if appropriate, to restrictive measures. Lastly, rules are laid down concerning package inserts, where these are provided with branded pharmaceuticals.

On 8 December 1967 the Commission laid before the Council its proposal for a third Council directive concerning the approximation of Member States' legislation on branded pharmaceuticals. This directive, the fifth of a series on the establishment of a common market for drugs and medicines in the European Economic Community, is designed to facilitate further the licensing for sale of branded pharmaceuticals.

In order to give the Member States and the general public an overall view of the work still to be carried out and to facilitate approval of the proposals previously submitted to the Council, the Commission also laid before the latter a draft Council resolution incorporating a working programme and a timetable. In addition to those already put forward, the Commission will present, by the end of 1969, further proposals relating to the distribution of drugs and medicines, to patents, to prices, to serums

and to vaccines, and will also examine any problems involved in the reimbursement of the cost of branded pharmaceuticals under sickness insurance schemes.

The object of the new directive is the recognition by each Member State on its own national territory of licences for the sale of branded pharmaceuticals granted in other Member States. Recognition is to be effected by means of a "declaration of validity." The procedure is as follows:

- (i) The Member State which has granted approval for a licence for sale will provide any other Member State which the party responsible for marketing has designated with a copy of the licence and a translation of the particulars and documents which have to accompany the application for approval in accordance with the Council directive of 26 January 1965;
- (ii) The Member State to which the copy of the approval granted in another Member State is sent will check that the supporting particulars and documents are complete and, within thirty days of receiving the information, will publish in an official gazette the name of the drug approved in the other Member State and refer to this approval;
- (iii) This act of publication in the Official Gazette will signify recognition of the approval granted by the other Member State.

In order that the Member States may be sure that the branded pharmaceuticals marketed in the other Member States have been manufactured according to the declared standards, care must be taken that the manufacturing process is supervised by persons of equal professional qualifications in all the Member States. The proposed directive therefore provides that manufacture and supervision shall be directed by a pharmacist or by a person holding a qualifying certificate and having had at least three years' professional experience.

In the light of the experience gained during the first three years of application of the regulations to be issued in pursuance of the proposed directive, the Commission will check whether the formalities pertaining to the declaration of validity may be dispensed with, or whether the declaration may not be replaced by a Community permit directly applicable in all the member countries. Under the terms of the new proposal, the Commission will make further proposals to the Council to this end.

## CIVIL PROCEDURE

*Jurisdiction and the enforcement of judgments*

87. Under the chairmanship of Professor A. Bülow, former State Secretary on the Federal German Ministry of Justice, government experts and representatives of the Commission department responsible for approximation of legislation prepared a draft convention concerning jurisdiction and the enforcement of civil and commercial judgments. The legal basis for this convention is Article 220 of the EEC Treaty. The draft and a detailed report by Mr. Jenard, a director in the Belgian Ministry of Foreign Affairs and External Commerce, have since been submitted to the Governments and to the Presidents of the Council and of the Commission.

The convention covers all kinds of litigation concerning property in the civil and commercial fields, excluding only the following: the status and legal capacity of individuals, marriage *régimes*, wills and inheritances, social security and arbitration. But the convention will not apply to bankruptcies, composition arrangements and similar procedures, for which a special convention is being drafted.

The convention determines the international jurisdiction of courts; the underlying principle is that all individuals and corporate entities (including companies) whatever their nationality, domiciled or having their headquarters in a Contracting State, must be sued before the courts of that State. This rule is supplemented by a list of optional competences and of exclusive competences, from which are derived the conditions under which a suit may or must be filed with the courts of another Contracting State. Where there are no exclusive competences, the parties will be entitled to assign competence to a specific court. Lastly, rules as to pendency and *connexité* are included so as to preclude the courts of the various Member States handing down conflicting judgments in this field.

Part II of the convention lays down a simpler and speedier procedure for obtaining the *exequatur* of the judgments of courts of other Contracting States. Compared with the bilateral conventions concluded so far, the number of reasons for which recognition and enforcement may be refused has been reduced considerably. In particular, the jurisdiction of the court whose judgment is to be enforced will normally not be open to question.

### *Bankruptcy law*

88. The preliminary draft of a convention on international bankruptcy law<sup>(1)</sup> was completed, its legal basis being Article 220 of the Treaty.

Like the convention on jurisdiction and the enforcement of civil and commercial judgments, this convention is designed to improve within the Community the situation of creditors vis-à-vis their debtors. One of its aims is to enable creditors to take possession without delay of all the bankrupt's assets wherever they may be in the Contracting States. The convention seeks to achieve this objective by settling along uniform lines international jurisdiction in the bankruptcy field. For example, for the opening of bankruptcy proceedings, jurisdiction will normally be vested in the courts of the State on whose territory the bankrupt has his business centre and in which, consequently, the bulk of his assets will generally be kept and where also most of his creditors will be living. The opening of bankruptcy proceedings in a Contracting State will automatically entail the dispossession of the bankrupt in all other Contracting States. Extension of proceedings to all Community countries and the centralization of proceedings are made possible through the application of the *lex fori* principle. Moreover, the receiver will have the power to carry out his duties in all the Contracting States.

With regard to procedure concerning the sharing-out of assets, Member States' individual arrangements concerning general and special preferential claims will remain applicable for the time being: the scope and status of these rules vary a great deal from one country to another. The claims of tax departments and of social security institutions will be the main obstacle to the establishment of uniform rules until such time as the enforcement abroad of the claims of these agencies is ensured.

The convention is therefore, in this respect, based on the territoriality principle. Those creditors entitled under the rules applying in a Contracting State to claim preferential treatment in bankruptcy proceedings will be paid from the funds yielded by liquidation of the bankrupt's assets present on the territory of that State. Where the claims of such creditors have not thus been settled, they will have the right to an interest in the residue as an unprivileged debt. By way of an excep-

---

(1) *Ninth (EEC) General Report*, sec. 95, and Introduction to the *Tenth (EEC) General Report*, XXV, *in fine*.

tion to this rule, employees may claim, in respect of assets situated on the territory of each of the Contracting States, any privileges specified in favour of such persons by the law of that State.

## PRIVATE LAW

### *Company law*

89. In addition to approximation work in the field of company law,<sup>(1)</sup> two further steps towards a new legal type of company which would be available for Common Market enterprises were taken. In the first place, the *ad hoc* working party set up in the autumn of 1966 completed its consideration of the case for setting up European joint-stock companies and laid before the Permanent Representatives in April 1966 a report on the main issues. In addition, the preliminary draft of a statute for European joint-stock companies, prepared at the request of the Commission by Professor P. Sanders, Dean of the Law Faculty in the Rotterdam School of Economics, was published.<sup>(2)</sup> Now that the main economic and legal problems have been pinpointed and solutions proposed, nothing stands in the way of a political decision.

Professor Sander's draft was given an initial examination by the Commission, which concentrated on the issues whose importance had been stressed by the *ad hoc* working party. These were: access to the legal type of European joint-stock company, the amount of the minimum capital, judicial control of incorporation, disclosure requirements, the representation of workers on the company's boards, the form of shares, debentures, etc., taxation, uniform legal interpretation and the legal basis.

During discussions in the Council, the Commission stressed once again the value of providing a new legal form for Common Market firms: this would favour an optimum combination of the various factors of production available in industry taken as a whole, facilitate the choice of the best location for firms and encourage the development of commercial relations and trade between the different areas of the Common Market.

---

<sup>(1)</sup> See table, p. 94.

<sup>(2)</sup> EEC Commission, *Studies*, Competition Series, No. 6, Brussels 1967.

The Commission stressed the need for prompt action. It feels that, in the first stage, the future statute for European joint-stock companies should be confined to rules framed to cope with the most pressing needs of the economy. Another point was that if access to the new legal form were initially confined to those cases where there was a need for a structural adaptation of firms to the Common Market, this would have the advantage of facilitating the adoption of the statute by all the Member States.

The *ad hoc* working party's report shows that most of the government experts agree with the Commission on the value of European joint-stock companies in a new legal framework. And it concludes that if a statute is to be drafted, certain guidelines on one or other of the important fundamental questions mentioned above must be provided by the Council. Before beginning to draft a statute, it will probably be necessary to decide whether more stringent rules determining access to the European joint-stock company should be laid down than those at present obtaining in the relevant laws of the Member States.

### *Unfair competition*

90. The Commission pursued its analysis of the study of the regulations governing unfair competition in the Member States prepared at its request by the Institut für ausländisches und internationales Patent-, Urheber- und Markenrecht in Munich. This study was also discussed in section 93 of the Ninth (EEC) General Report.

The Commission's inquiries were mainly concerned with finding the method of approximation of legislation most appropriate for eliminating obstacles—due to disparities in laws from country to country—to free movement of goods and to the equalization of the conditions of competition. An effort was also made to assess the economic scale of the obstacles.

For this purpose the Commission drafted a questionnaire to be sent out to persons and institutions working in the relevant fields. The replies will show what are the areas in which disparities have the most serious economic implications.

The Commission also drafted a report to be sent to the Member States. This report is a combined summary of the inquiries carried out so far.

On the basis of the replies to the questionnaire and the Governments' views, the Commission will decide on appropriate measures.

## ECONOMIC LAW

### *Specific cases of measures involving distortions of competition*

91. In this field, the aims of the Commission's work are the elimination or the prevention of distortions of competition due to disparities between the laws of the Member States and the approximation of the laws in question.

In three cases, the examinations based on Article 102 were terminated, and in four cases those carried out in accordance with Article 101 were completed. In four other cases, examinations were begun in accordance with Article 101. In one individual case a new procedure was opened.

In the tax field, the Commission had addressed a recommendation on 20 December 1966 to the Federal Republic of Germany concerning the seventeenth law amending the turnover-tax law. No action was taken on this recommendation. The Commission consulted the Member States and submitted to the Council on 13 June 1967 a proposal for a directive based on Article 101.

It also examined the Belgian and Dutch draft laws amending the rates of the countervailing charges on imports and of drawback on exports. So far no evidence of distortion has been discovered.

The problem of the 20% tax exemption granted by France to Belgians making purchases in the frontier areas of northern France with traveller's cheques was examined under Article 101. The difficulties should be solved under the new regulations soon to be introduced in France.

Further to complaints, the German copyright protection law of 9 September 1965 was examined in detail. The German Government was invited to state its views, and its reply is now being considered.

A Commission recommendation adopted on 31 July 1967<sup>(1)</sup> was transmitted to the Italian Republic on 4 August 1967. Based on the second sentence of Article 102 (1) of the EEC Treaty, it concerned the proposed Italian private bill (No. 792 B) relating to rules for the control of advertising and trade in olive oil and seed oil. The recommendation calls upon the Italian Government to exclude the compulsory discoloration of seed oils from the bill.

In general, experience shows that any effective action by the Commission to eliminate or to prevent distortions of competition depends to a great extent on the systematic implementation of Article 102.

### *Price legislation*

92. On several occasions Commission departments had studied cases in which price legislation, because of its effects on intra-Community trade or on competition in the Common Market, had led to claims or complaints from the firms or industries concerned. A recent report from the Union of Industries in the European Communities also deals with the impact of price legislation in the Common Market.

A first general view of the objectives pursued by the Member States with regard to price policy and laws in force in the Member States in this field reveals appreciable differences from one country to another. Intervention is always possible when certain conditions—defined in varying degrees of precision in the outline laws—are fulfilled. The grounds justifying intervention include a desire to offset shortages, the fight against inflation, the protection of the consumer, the protection of wage-earners, the campaign against price disparities from industry to industry or region to region, and other considerations of general or specific economic policy.

In view of the relationship between this problem and the establishment of the common market, the Commission drafted, on the basis of a technical report, a working paper concerning the legal situation in each of the Member States. On 6 November 1967 the paper was discussed for the first time with government experts in the working party on price legislation.

---

<sup>(1)</sup> *Official Gazette* No. 198, 17 August 1967.



## Interpenetration of markets

### DEVELOPMENT OF INTRA-COMMUNITY TRADE IN 1967<sup>(1)</sup>

93. Since economic growth in the Community slackened appreciably in 1967—the gross Community product increased by only approximately 2.6% in real terms as against 4% in 1966—there was a sharp drop in the growth rate of intra-Community trade also. Customs returns for imports show that visible trade between the member countries amounted to 24,100 million in 1967; the approximate growth rate was therefore only 4% by volume and 5% in value, compared with 11% and 12% respectively from 1965 to 1966. The tendency to slacken which had been a feature of intra-Community trade from the middle of 1966 was, admittedly, less marked from the middle of 1967 onwards, but expansion was nevertheless poor during the major part of the year.

This not very dynamic development of trade between the member countries in 1967 is due in the first place to the direct and indirect effects of the weak economic trend in Germany on activity in the other Community countries and, to a lesser extent, to the influence of internal factors. Demand from Germany, which alone accounts for almost a third of all intra-Community trade, remained very weak for most of the year. The fall-off in German purchases which had first become evident in the spring of 1966 was, it is true, arrested early in the following year, but since economic activity did not revive until the end of 1967, the level of the Federal Republic's imports from its partners remained below that recorded in the previous year.

In France there was a slowdown in the growth of import demand as the year wore on, associated with the general slackening of expansion noted since the end of 1966. Although this trend did not continue during the closing months of 1967, the growth rate of French imports from the other Community countries was only 10% for the full year, as compared with 21% in 1966.

---

<sup>(1)</sup> Since this General Report is being submitted on 13 February 1968, it has not been possible to include the usual analysis of intra-Community trade by commodity: the necessary statistics were not available in time. This aspect of the problem will be dealt with in a separate Commission communication, if necessary.

Similarly, in the Benelux countries, imports were influenced by the rather slow expansion of economic activity and of domestic demand in particular. In the Netherlands, purchases from member countries are unlikely to have risen by any more than 3.5% in value between 1966 and 1967, as compared with 8.5% in the previous year. In Belgium, Community imports were only barely above the level reached in the previous year, whereas a growth rate of 15.5% had been recorded in 1966. Demand from Italy alone showed any dynamism and even it was marked, as the year advanced, by a rather more hesitant trend, which may be partly explained by a more cautious attitude to stocking. All in all, the annual growth rate of purchases by Italy, estimated at 21.5% in terms of value, remained as high as in the previous year.

On the export side, sales by France and Italy to the other member countries, which had increased by 12% in value between 1965 and 1966, were scarcely any higher in 1967 than the level reached in the previous year. In both countries, this development was largely the result of the quite appreciable fall-off in exports to the Federal Republic of Germany. Added to this, in the case of France, was the stagnation of sales to BLEU and, for Italy, a distinct slackening in the growth of deliveries to France. Similarly, the lack of buoyancy in demand from the Benelux countries and the slowdown in sales to France put a brake on the expansion of German exports, which only increased by 8% in 1967, compared with 16% in 1966. The increase in sales by BLEU was also smaller than in 1966, despite very rapid development of exports to Italy. By contrast, sales by the Netherlands to the other member countries increased, principally because of larger deliveries of agricultural produce, which made it possible to maintain a positive growth rate for sales to Germany.

The development of intra-Community trade was reflected as follows in the trade balances of each member country with its partners: The surplus on the German balance again increased vigorously; it passed the 1,000 million u.a. mark in 1967 and is now fairly close to the record level reached in 1963. On the other hand, the tendency for the French and Italian trade balances to deteriorate which began in 1966 continued in 1967, the main reason being the very limited expansion of sales by these countries. The trade balance in both France and Italy deteriorated by almost 450 million u.a. in 1967. In France the deficit, which amounted to almost 700 million u.a., is by far the largest recorded since 1958. Lastly, in the Netherlands, as in BLEU, the balance of trade with the other member countries improved somewhat.

All in all, the development of intra-Community trade in 1967, when the growth rate was the lowest recorded since 1958, has once again revealed the growing importance of the effect on each member country of fluctuations in economic activity in one or other of its partners. The main reason for this is the ever-increasing share of intra-Community trade in the overall trade of these countries and in their national product. Thus for Germany visible exports to the Community represented 36% of the total value of exports in 1967, as against 27.5% in 1958; for France the figure was 41% (22% in 1958), for Italy 38% (23.5% in 1958), for the Netherlands 55% (41.5% in 1958) and for BLEU 62.5% (45% in 1958). Similarly, the share of intra-Community exports in the gross national product of the various member countries has increased notably since 1958; by 1967 it had gone up from 4.5% to 6.5% in Germany, from 2.5% to 4% in France, from 2% to 5% in Italy, from 13% to 18% in the Netherlands and from 13% to 23% in BLEU.

As for the growth rate of intra-Community trade, it remained higher than that of imports from non-member countries, which increased by only 1% in value from 1966 to 1967, clearly influenced as they were by the reduction in stocks of raw materials and semi-manufactures. On the other hand, for the first time since 1959, it was appreciably below the growth rate of exports from the Community to non-member countries. Indeed, since the economic trend in the countries which are the Community's main customers was on the whole more dynamic than the trend within the Community, exports to non-member countries showed, in 1967 as in 1966, a growth rate of 8.5% in terms of value.

## THE COMMON MARKET AND CONSUMERS

94. The Commission continued its studies in this field. Although the relatively short time at its disposal since the Tenth General Report was published precluded analysis of intra-Community trade in all household products and the effect of the Common Market on it, the preliminary results of a survey on domestic electric appliances came to hand, and the Commission undertook a second survey concerning retail prices for approximately 200 consumer products which are strictly comparable in the six member countries.

*The repercussions of the Common Market  
on domestic electric appliances*

95. Recent developments in the field of domestic electric appliances have been characterized by the rapid expansion of intra-Community trade, which has led to a very distinct intensification of competition between the member countries, a considerable increase in production and the reorganization of the structure of the industry in the Community.

Intra-Community trade in domestic electric appliances has increased very rapidly: over the years 1960 to 1965 it grew by almost 120%, while intra-Community trade as a whole went up by about 100%. The increase however varied considerably with the different categories of products. Although trade in the larger items of equipment (washing-machines, refrigerators) almost quadrupled between 1960 and 1965 (jumping from \$35 to \$138 million), trade in smaller appliances only increased by approximately 60% (from \$14 million in 1960 to \$22 million in 1965) and in radio and television sets only about 55% (from \$77 million in 1960 to \$121 million in 1965).

In large appliances, the most striking feature has been the headway made by the Italian industry on the markets of its EEC partners. Over the years 1960 to 1965, Italy's share in intra-Community imports increased from 33% to 62% for refrigerators and from 3% to 38% for washing machines. In other categories (small appliances, radio and television sets) no Member State has been able to gain such clear supremacy over its partners; there has been relatively little interpenetration of the markets because of technical differences. It can be noted that French products have scored a success in the field of small kitchen appliances (mixers, coffee-mills, etc.).

A survey carried out among a number of German enterprises producing and distributing in this sector confirms that competition is now keener; almost all (90%) of the enterprises felt that this was because of the Common Market.

This has led to some important structural changes in the apparatus of production in the various member countries.

In some cases, enterprises have had to concentrate and rationalize their production units and install more efficient production lines and methods. In others, the production capacity of existing enterprises has been considerably expanded (refrigerators and washing-machines in Italy, small

kitchen appliances in France and Germany, vacuum-cleaners in the Netherlands). Lastly, in many cases, firms have been forced either to go out of production or to specialize in assembling imported parts (the manufacture of refrigerators in Belgium, for example).

These structural changes have been accompanied by a drop in production costs and pressure on producer prices. The average price of Italian refrigerators fell from 80 u.a. in 1960 to 55 u.a. in 1965, even though refrigerators tended to increase in size. On the German market, the price fixing system in the field of small appliances had to be abandoned because of very lively competition. Lastly, the research institute commissioned to carry out this study<sup>(1)</sup> indicates that product quality has improved appreciably.

To sum up then, the opening of the markets has had considerable repercussions on the production apparatus. This development is a good thing in itself in so far as it reflects an effective improvement in production conditions and is not merely the result of artificial advantages linked to temporary and contingent national situations. The research institute is continuing its work with the view to assessing the repercussions of the Common Market at distribution and consumer level.

### *Price differences and price levels in the Community*

96. The Statistical Office of the European Communities recently published the results of a second survey carried out in April 1967 on prices for some 200 consumer products. Like the earlier survey, this one gives some indication of the price level and price differences for certain products which are comparable from one country to the next.

A comparison of the results of the two surveys yields a certain amount of information on developments in the half year October 1966 to April 1967.

It should be pointed out that the figures given do not allow of a general assessment of the level or the trend of retail prices and the cost of living.<sup>(2)</sup>

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 103.

<sup>(2)</sup> *Ibid.*, sec. 106.

According to the information collated, price differences from one member country to another for products which are comparable, if not identical, remain high. The average difference between the highest and the lowest prices is 59%.<sup>(1)</sup> The widest gaps were for foodstuffs (72%), radio and television sets (69%), large domestic electric appliances (65%) and toilet preparations (62%). On the other hand, price differences are relatively small for motor-cars and petrol (29%); for the remaining categories of products they are somewhere between 45% and 55% (see table below).

Product group	Mean price difference by product group (%)		Percentage variation in price difference October 1966 April 1967
	April 1967	October 1966	
Motor-cars and petrol	29	33	— 12
Photographic products	45	36	+ 25
Tinned foods	48	44	+ 9
Eggs and milk products	49	64	— 23
Small household appliances	51	47	+ 9
Fruit and vegetables	53	61	— 13
Paper goods	54	64	— 16
Textile products	55	48	+ 15
Toilet preparations	62	66	— 6
Large domestic electric appliances	65	72	— 10
Radio and television	69	61	+ 13
Miscellaneous foodstuffs	72	64	+ 13

The mean price difference for all these articles has remained virtually unchanged since October 1966 (59%, as compared to 58% in October 1966). The price differences for certain product groups have, however, increased while those for others have fallen.

A country-to-country comparison of average price levels for the different product groups studied (calculated on the basis of the lowest price) shows that the lowest levels in the Community were recorded in the Netherlands (for five product groups) and in Germany (for four product groups). (See table on next page).

<sup>(1)</sup> The mean price difference is obtained by calculating for each article the difference between the lowest and the highest price and expressing it as a percentage of the lowest price; the arithmetical average is then calculated.

Price levels for the different product groups included in the survey (April 1967)<sup>(1)</sup>

Product group	Germany (F.R.)	France	Italy	Nether- lands	Belgium	Luxem- bourg
Foodstuff	112	102	122	100	105	102
Textiles and clothing	116	140	119	100	139	124
Household goods	110	113	104	100	117	109
Domestic electric appliances	100	137	121	117	120	116
Radio and television sets	100	156	134	141	148	134
Cleaning products	125	119	125	110	122	116
Paper goods	100	119	108	109	118	109
Photographic apparatus and sup- plies	110	124	115	119	100	120
Motor-cars	100	117	114	124	112	106
Petrol	104	138	138	100	114	111

<sup>(1)</sup> It must be pointed out that if other methods of calculation were used (for example, by always taking one country's data as a basis for calculation) the percentage differences found would diverge slightly from the above.

Under the method used here, the average price level per product group for the different countries was obtained by calculating in indices the price differences for each article in the different countries on the basis of the least expensive country, and establishing for each country the arithmetical average of the indices for the various articles making up the groups. All these price differences were then expressed as a percentage of the least expensive country (in the table above, the average price level in the least expensive country equals 100).

Between October 1966 and April 1967, price levels in the different countries did not change very appreciably. The Commission will continue its efforts to pinpoint the reasons for the large price differences, and studies have begun in collaboration with consumers' representatives. In view of the complexity of the factors affecting the level and trend of prices, their mutual interplay and the absence of firm information, discussions have been initially confined to a limited number of products. The Commission hopes to be able to give some pointers on this research in its next General Report.

## CHAPTER III

### GENERAL ECONOMIC POLICY

#### THE CURRENT SITUATION AND SHORT-TERM ECONOMIC POLICY

##### *The Community's economic situation in 1967 and the outlook for 1968*

97. *Economic growth* in the Community lost momentum in 1967. The gross Community product in real terms increased by only about 2.5% in relation to the previous year, whereas in 1966 the annual growth rate was 4%.

Indeed, in the Federal Republic of Germany production actually declined slightly. According to very provisional estimates, this country's GNP fell in 1967 by 1% in real terms, whereas in 1966 there had still been a 2.6% increase. Growth rates in France and Belgium also eased down, albeit very slightly, being 4% in France, as against 4.9% in 1966, and 2.5% in Belgium, compared with 2.8% the previous year.

In Italy, the Netherlands and Luxembourg, on the other hand, the GNP rose slightly faster than in 1966 (6% in Italy, as against 5.5% in 1966, 3.5% (2.8%) in the Netherlands and 2.5% (2%) in Luxembourg).

However, the picture of the economic situation suggested by these annual figures is somewhat incomplete. In fact, in all the member countries except Italy economic expansion began to flag from the middle of 1966 and the slowdown (or stabilization) of production continued until the summer of 1967. After this, during the second half of 1967, production trends definitely improved.

The reversal of the trend which became discernible mainly from the middle of 1966 onwards in several Community countries was due to a spontaneous reaction—particularly as regards industrial investment—after a period of expansion and to retrenchement policies implemented by the national



authorities or the Central Banks to stem inflation. The authorities were forced to rely too heavily on monetary measures because of the inadequacy of the budget policy measures taken in 1965, and to some extent in 1966, and in some cases even because of the very sharp fall in public savings linked with the excessive growth of budgetary expenditure. As far back as 1965 the Commission had drawn the attention of the authorities responsible for economic policy in the Member States to the need to bring under control without delay the inflationary trends which were emerging in several Community countries.

Because of the growing interdependence of the six economies some of the countries also suffered from the slowdown in others.

98. These considerations are also relevant to the *labour market trend* in 1967. For the greater part of the year there was an underlying tendency in all Community countries except Italy and Luxembourg for the number of persons in paid employment to decline or cease rising, for unemployment to increase, and for the number of unfilled vacancies to fall.

The scale of this deterioration of the labour market was, however, not the same in all four countries: it was quite pronounced in the Federal Republic and the Netherlands but less appreciable in France and Belgium. Moreover, in all these countries, with the possible exception of France, it may be viewed as the transition from a situation of "overemployment" to that of a market carrying a certain amount of cyclical unemployment. Thus it must not be forgotten, in interpreting the 1967 situation, that the objective to be attained is full employment and not a return to the overemployment of the years prior to 1967.

99. Slower economic growth also inhibited the rise in *living standards* for, although its main impact was on industrial investment, household consumption too gradually lost tempo. Real private consumption per head fell by an estimated 1% in Germany and increased more slowly than in 1966 in France (3%, as against 4%) and Belgium (2%, as against 2.5%).

In the Netherlands, on the other hand, the expansion year-to-year of this aggregate was greater than for 1966 (3%, compared with 1.5%). However, this is not very significant as the 1966 rate was exceptionally low because of purchases made at the end of 1965 in anticipation of impending tax measures. Finally, Italy maintained its high rate of expansion of private consumption per head (5%). In all, for the Community taken as a whole the increase was about 2%, compared with 3% for 1966.

100. Although the calm trend of demand slowed down the pace of expansion of production, it had favourable effects on *prices*. For the first time since 1958, the year-to-year rise in the average level of consumer prices hardly exceeded 2.5% for the Community as a whole, whereas in the preceding years it had often been more than 3.5%. In almost all member countries average prices of manufactures remained stable: indeed in several industries they declined substantially. Meanwhile, thanks to particularly good weather, food prices as a whole went down during a part of 1967. As against this, the increase continued for services, where the rises are due partly to higher charges for public services and rents, which largely represent a deferred adaptation to the rising costs of recent years. The slowdown in the rise of the general level of consumer prices was particularly marked in Germany, where the slackening of economic activity was the most pronounced, but it was also appreciable in the Netherlands and Belgium. In France and Italy, on the other hand, the year-to-year increase in consumer prices was at the same—fairly moderate—rate as in 1966.

101. As for the *external balance*, there was a fairly considerable increase in the current-account surplus in 1967, but this was largely offset by capital outflows and an improvement in the net external assets of banks, so that in the aggregate the increase in the official gold and foreign currency reserves in the Community was fairly small.

Whereas in 1967 visible exports continued to increase at roughly the same pace in the previous year, the growth of imports definitely weakened and even ceased altogether for a time in 1967. This last development was mainly the result of the relative weakness of domestic demand in most member countries, which also accounts for the definitely slower expansion of intra-Community trade, whose growth rate was only 6% in value in 1967, as against 12.5% the previous year. Under these conditions the Community's (visible) trade balance improved about \$1,000 million and, according to still very provisional estimates, the surplus on the overall balance of current payments may have increased even more. During the second half of 1967, as a result of the recovery in imports, the Community's current-account surpluses began however to contract slightly. The annual figures (provisionally estimated) for the various member countries reveal a very clear increase in the current-account surpluses of the Federal Republic of Germany and, to a lesser extent, of BLEU and the Netherlands. On the other hand, on the year-to-year comparison, the surplus on the current balance continued to decline in 1967 in France and Italy.

The fall in interest rates, which began in the Community in the autumn of 1966 and continued, with a few interruptions, for the greater part of 1967, stimulated exports of private short- and long-term capital. This was the case particularly from mid-1967 onwards, when rates hardened on foreign money markets, especially the market for the Eurodollar and Eurobonds, as a result, among other factors, of the rise in rates in the USA.

## THE COMMUNITY'S ECONOMIC POLICY IN 1967

### *Council recommendation of 11 July*

102. The "Tenth EEC General Report"<sup>(1)</sup> described the chief measures introduced early in 1967 by most of the member countries, particularly in the framework of the Council recommendation of 20 December 1966.<sup>(2)</sup> In view of the changes which had occurred in the economic situation and the economic outlook in the member countries—the changes being mainly a reflection of the pronounced slowdown in economic activity in France and Benelux added to the slowdown which had already started in Germany—the Commission proposed to the Council on 19 June that it make a further economic-policy recommendation to the Member States. This the Council did on 11 July.<sup>(3)</sup> The Community institutions therefore resumed the regular consultations which had taken place once or twice yearly at Council level since April 1964 but had been suspended for more than a year.

103. *The Council recommendation stressed :*

- (i) the need to have constantly in readiness in all Member States programmes for expanding public investment;
- (ii) the value, in countries having payments surpluses, of a flexible monetary policy in order to facilitate lower interest rates;
- (iii) the need for structural reorganization of public budgets, short-term deficits being tolerated and financed temporarily by recourse to the money market;

---

<sup>(1)</sup> Secs. 118 and 119.

<sup>(2)</sup> See *Tenth (EEC) General Report*, sec. 118: Recommendation concerning the guidelines for economic policy in 1967 (*Official Gazette* No. 241, 28 December 1966).

<sup>(3)</sup> Recommendation concerning the guidelines to be followed in their economic policies during the second half of 1967 and the first decisions to be taken for 1968 (*Official Gazette* No. 159, 18 July 1967).

(iv) in the matter of incomes policy, the continued efforts to relate wage increases to increased production per worker.

Finally, the Council expressed a general reservation as to the repercussions of the international political situation, which would have to be taken into account in the implementation of measures to invigorate and support the economic trend.

The Council intends to pursue its study of the short-term economic policies of all the member countries, meeting for this purpose in December 1967 or early in 1968.

At the close of the meeting of 3 July 1967, the Council also adopted a political resolution on the general lines of economic policy for the Community and its member countries. In this resolution the Council noted that the economic and social objectives determining the action of the Governments of all the Member States were identical, i.e. :

- (a) to ensure optimum employment through the most vigorous and smooth expansion which can be achieved;
- (b) to maintain currency stability by preserving the requisite equilibria between prices and wages, supply and demand, savings and investment.

In their essentials the short-term economic policies pursued by the Member States in the period covered by this report were in line with the recommendation of 11 July 1967. This being so, an account of the measures taken since the spring of 1967 must also be an account of the action taken on the recommendation.

104. In the monetary policy field, several member countries had taken action to make their credit policy more flexible even before the publication of the recommendation. This was the case in Belgium and the Netherlands, where the restrictions on the growth of bank lending were lifted in June 1967, while the Bundesbank was encouraging the increase in domestic liquidity in Germany. This policy was continued after the middle of 1967,<sup>(1)</sup> so that, in the aggregate, and in conformity with Point No. 9 of the Council recommendation, Member States whose payments balances<sup>(2)</sup> were in surplus and whose economies were slack adopted a flexible monetary policy and were able to cut interest rates further. However, these reductions were much sharper on the money markets than on the capital markets.

---

<sup>(1)</sup> Sec. 116.

<sup>(2)</sup> The reference is to the basic balance.

This feature of the trend of rates, which was particularly evident in Germany, led the Bundesbank to intervene directly on the bond market. Moreover, the decline in interest rates was undoubtedly slowed down by the upward trend after the end of the spring, in particular in the United States and on the Eurodollar market. In August, to prevent the market becoming too tight as a result of short-term capital outflows due to the diverging rate trends, the Bundesbank raised the buying rate for the dollar and widened intervention margins. Despite the easier situation due to this measure, the more restrictive monetary policy applied by leading non-member countries until mid-1967 further hampered the pursuit of an easy-money policy in the Community.

105. Support or reinvigoration of economic expansion through public finance measures and through the structural reorganization of the budgets were the main achievements in the *budget policy* field during the period under review. In most of the member countries, action undertaken in this respect is a continuation of work, mainly consequent upon the Council recommendation of 22 December 1966, begun in early 1967.

Thus, among expansionary measures in the Federal Republic of Germany, the voting of a DM2,500 million "reserve budget" in March 1967 and improved depreciation allowances for industrial investment made by October 1967 were followed up in September 1967 by the adoption of a "second programme of short-term economic measures" providing for DM5,300 million of investment expenditure, of which DM2,800 million were to be financed by the Federal Government and DM2,500 million by the Länder. To this must be added higher tax allowances in respect of stocks on hand before 1 January 1968, when the tax on value added came into force. In addition, the Bundesbank increased credit facilities for the public authorities (two supplementary budgets for the Bund and financing of the deficit of the main budget).

As regards the reduction of the structural part of the budget deficit, the Bundestag had approved in March 1967 a budget reorganization programme submitted by the Federal Government.<sup>(1)</sup> The new arrangements for this purpose adopted on 7 December 1967 for the period 1968-71, which will become effective on 1 January 1968, introduced into the 1968 budget a supplementary tax of 3% on incomes and company profits; this was accompanied by the withdrawal of certain tax advantages in the credit field and by the public finance amendment law (*Finanzänderungsgesetz*), under

---

(1) See *Tenth (EEC) General Report*, sec. 119.

which certain spending commitments entered upon for the years ahead may be cancelled. These arrangements are consequent upon the raising of the tax on value added from 10 to 11% with effect from 1 July 1968 (5 to 5.5% for the reduced rate).

In *France* the Government had already begun, in the first half of 1967, to speed up the placing of orders and the rhythm of its actual spending, particularly investment spending. Several concrete measures exemplified this policy in June and July. These included the abatement ahead of schedule of the tax on value added on capital goods, the expansion of the subsidized housing programmes ("HLM") and the bringing forward of certain central government expenditures originally planned for 1968. In September, the Government decided to make a once-and-for-all reduction of FF100 in personal income tax paid for 1967.

Under these conditions, and also in view of the slower growth of tax revenue, the deficit resulting from the implementation of the 1967 finance laws could well be of the order of FF6,000 million, compared with FF2,000 million in 1966.

On the other hand a number of reorganization measures were taken, in particular in the form of implementing regulations pursuant to the law granting the Government special powers. Some of these measures will have no impact before 1968 (introduction of new tariff schedules for certain public supply and transport services, regulation on the reform of social security).

In *the Netherlands* public spending continued to expand sharply throughout the year. At the same time tax revenue grew at a slower rate because of the slacker business climate. Despite efforts to curb the growth of expenditure, and despite the increase in indirect tax revenue under the central government budget for 1967, the actual deficit for the year is likely to be about Fl.2,900 million as against Fl. 2,200 million in 1966. Although the increase in relation to budget estimates and also in relation to actual revenue and spending in 1966 is due to supplementary outgoings (farm subsidies, wages and salaries of public servants, social transfers) it also reflects a substantial increase in infrastructure expenditure, applied selectively to combat unemployment more efficiently in regions where it has reached a relatively higher level.

In *Belgium* the Government had planned early in 1967 a number of measures to re-establish the budget on a sound footing. On 31 March 1967 the Parliament passed a law to ensure the balance of the ordinary State budget in 1967 by savings, mainly on public consumption, and by an increase in

certain taxes. Implementing decrees were issued between April and July 1967. With a view to keeping the business situation buoyant, the Government endeavoured to speed up public works commitments, but for part of the year financing problems hampered progress in this field. Under the above-mentioned law the authorities also intensified their regional conversion policy, in particular by creating an economic expansion fund.

In *Luxembourg* most of the measures designed to achieve a sound budget proposed early in 1967<sup>(1)</sup> were adopted. The Government also endeavoured to bring to a halt the decline in building and construction and the contraction of investment. With these aims in view, the Parliament adopted laws concerning the extension for a further period of a framework law on the diversification of industrial structures, reorganization of temporary investment aid and the establishment of a Highways Fund.

In *Italy*, where expansion was relatively balanced and dynamic, there was no basic change in budget policy. Nevertheless, the authorities maintained their drive to reduce the deficit on the central government budget and improve its structure by increasing the relative share of direct and indirect investment spending.

On the whole the Member States seem to have orientated their budget policy in the direction indicated by the Council recommendation of 11 July 1967. However, it is still too soon to judge whether the structural reorganization will be on a large enough scale in 1967, and above all in 1968. As regards the latter year, budget forecasts suggest that the objectives will not be attained without a further effort to curb expenditure under certain heads.

106. In the field of *incomes policy*, there was little fresh action under the Council recommendations of 22 December 1966 (Point 14) or 11 July 1967 (Point 11) : the Governments continued their consultations with both sides of industry. It should be emphasized that the German Government continued the "concerted action" it had begun early in 1967. The French regulation of August 1967 concerning the participation of workers in the fruits of industrial expansion is also an interesting initiative in this field.

The general trend of the economic situations in all the member countries meant that a closer relationship was established between the trend of production costs—wages costs in particular—and productivity improvements.

---

(1) *Tenth (EEC) General Report*, sec. 119.

*Improving the instruments of policy*

107. More flexible machinery for applying short-term economic policies and better co-ordination of action by the various bodies concerned within the countries themselves are requirements of steadily growing importance. In this connection the Council recommendation of 11 July (based on a Commission proposal) urged<sup>(1)</sup>: "The public authorities of the Member States are advised to have available at all times programmes for additional public investment. These contingency programmes should be on a sufficiently large scale, they should be properly prepared, and suitable means of financing should have been worked out; further programmes should be prepared as soon as existing ones have been implemented."

In Germany a "Law to promote stability and expansion" adopted in July 1967 represents an important advance in the direction advocated by the Commission. It is partly based on the ideas elaborated by the Commission in its "Memorandum recommending that the weapons of anti-cyclical policy be put into a state of readiness to combat any sharp fall-off in economic growth or recessive trend."<sup>(2)</sup> It is calculated to promote balanced economic expansion. Above all it enables the Federal Government in agreement with the *Länder*, to pursue an anti-cyclical budget policy and to co-ordinate action in this field. For this purpose, it sets up an "Economic Policy Council" consisting of the Ministers of Economic Affairs and Finance and delegates of the *Länder* and *communes*. Furthermore, the Bund's budget policy is to be fitted into a medium-term public finances programme, the main lines of which have been agreed for 1967-71. The law further provides for contingency reserves to be used to support the economy and for changes in the rates of direct taxation and of fiscal incentives to investment, etc.

Although this law does not yet make it possible to resolve all the problems which may arise in this field, the Commission welcomes the new measures—which are in line with its views in this field—and in due course intends to study with other Member Governments ways and means of improving their short-term economic machinery and perfecting co-ordination procedures.

---

<sup>(1)</sup> Point 8.

<sup>(2)</sup> *Sixth (EEC) General Report*, sec. 93.



108. The other studies concerning the improvement of the joint arrangements for analysis and forecasting<sup>(1)</sup> were continued. The Commission also submitted a scheme for a consumer survey to the Council, where it is at present under study.

109. In June 1967, the *Short-term Economic Policy Committee* examined the preliminary economic budgets for 1968 and summed up its conclusions in an Opinion addressed to the Commission.

The Committee, in collaboration with the Monetary Committee, also examined the proposal for a Council recommendation concerning the guidelines to be followed in their economic policies during the second half of 1967 and the first decisions to be taken for 1968. The conclusions of this discussion were submitted orally to the Council at its meeting on 3 July 1967 by the chairmen of the two Committees.

Finally, the Committee took note of the studies of the Panel of Experts on Economic Budgets on ways and means of improving procedures for drawing up these budgets.

### *General Objectives for coal and steel*

110. Experience gained in establishing "General Objectives" in the coal and steel industries is of particular value now that the need to work out an industrial policy has become obvious. The lessons to be learned must be carefully studied in the near future. Because of their forecasting element, the General Objectives are a valuable instrument of information and guidance for all those who, in one capacity or another, bear responsibility for the future of the industries in question. Moreover, because of the choices and guidelines which they indicate or propose, the Objectives form the basis of a number of attitudes and decisions, of Community authorities particularly, regarding investment and merger projects.

111. For the *steel industry* the most recent General Objectives were laid down by the High Authority during 1966 and published at the end of that year.<sup>(2)</sup> At its session of 1967 the European Parliament debated this document and the Council of Ministers' *ad hoc* Committee on Steel Problems

---

<sup>(1)</sup> See *Tenth (EEC) General Report*, sec. 123.

<sup>(2)</sup> *Official Gazette* No. 244, 30 December 1966.

endorsed many of the analyses and conclusions. The Committee's report, which was laid before the Council in 1967, reflects an identity of views on the analysis of the situation in the Community's steel industry and on the outlook.

Developments since 1966 confirm the correctness of the general guidelines chosen at the beginning, in particular those concerning the slowdown in the growth of markets and the strengthening of external competition, especially in the markets of non-member countries.

The key objective for the Community's steel industry, i.e. to strengthen competitiveness far more than capacity, has therefore not changed, and the means suggested by the High Authority to attain it have lost none of their importance: use of large scale plants, constitution of large firms (which are generally in a better position to sustain international competition and thus to ensure the necessary and sometimes radical measures of adaptation of existing plants and carry out the necessary specialization) and, lastly, systematic use of the most economic sources of energy and raw materials.

Furthermore, the remarks in the latest General Objectives as to the social consequences of the reorganization of the Community's steel industry are still completely valid. Both for services and in industry reorganization is likely to mean laying off staff, sometimes in large numbers. The working-out of General Objectives provides an opportunity for public authorities, both national and Community, to plan the necessary conversion and readaptation measures sufficiently in advance.

Preparation of the next General Objectives will shortly begin. Longer-term memoranda are at present being prepared at the request of the Council of Ministers with a view to defining the main choices the Community's steel industry may have to make in the near future, as regards both the level and nature of output and the location of production units.

112. As regards *coal*, the Memorandum on the Coal Production Target for 1970 and on Coal Policy submitted by the High Authority in March 1966 <sup>(1)</sup> brought out clearly the need for a gradual reduction in the Community's production towards a level better adapted to competition from the other sources of energy. For quantities to be marketed in 1970, it envisaged a range of 170 to 195 million tons, the lower limit to be exceeded only under measures pursuant to the Protocol of Agreement of April 1964.

---

(1) *Fifteenth (ECSC) General Report*, secs. 89 *et seq.*

The High Authority intensified action to promote the marketing of Community coal and to ensure the financial equilibrium of the collieries during the transition period. It also requested the Council to suggest general Community guidelines—with figures—for the output of each country or each basin in coming years. Agreement on this matter has not yet been reached. In point of fact, the deterioration of the competitive situation has been even more rapid than foreseen and production has declined steeply, so that producers now predict that quantities mined in 1968 will be close to the lower limit of the range for 1970.

It is likely that the merger of the Executives will make it possible to advance towards the establishment of a common energy policy and to provide a more general framework for working out new General Objectives for coal. As soon as it took up office the Commission began consideration of these problems.

### MEDIUM-TERM ECONOMIC POLICY

113. The Medium-term Economic Policy Committee continued its studies and the economic policy measures taken or envisaged by the Member States were regularly discussed at its meetings.

On 9 June 1967 the Committee sent the Council and the Commission an Opinion on means of promoting the *structural adaptation* of Community firms. This Opinion emphasizes that the new market conditions and technological progress call for enterprises sited in several Community countries and thus able to enjoy the advantage of a wider territorial basis and the pooling of different methods and experiences. Such units would be better adapted to investment, research and commercial policy tasks and able to face competition on the world market. With this in view, the Opinion stresses the need to expedite the studies undertaken in the field of company law (especially those on ways and means of facilitating mergers between companies in the different Member States and those on a European company), to eliminate tax obstacles to the constitution and operation of multinational company groupings, and to ensure effective competition in the Common Market, in particular through a body of case law which would clearly define the scope of Articles 85 and 86 of the EEC Treaty and through the adoption of rules to facilitate the conclusion of business agreements qualifying for exemption from Article 85(1) under Article 85(3).

At its session of 2 and 3 October 1967, the Council of Ministers recognized the importance of the points made in this Opinion, called upon the Committee to pursue its research and agreed to intensify the work being carried out in the Council on matters covered by the Opinion.

The Commission, too, stressed the urgency of the studies mentioned in the Opinion and expressed its intention of applying Articles 85 and 86, within the framework of its powers under the EEC Treaty, along the lines laid down in that instrument.

*Work on the preliminary draft  
of the second medium-term economic policy programme*

114. The Committee continued work on the preliminary draft of the second medium-term economic policy programme, which is to be completed in the first half of 1968. It will probably contain seven chapters.

An introductory chapter would show the link between the guidelines laid down in the first programme and the general economic trend. Six further chapters will deal with particular fields.

One of these chapters would discuss suitable means of promoting the structural adaptation of firms. It would describe the general lines of a policy to cope with the problems of adapting the structures of European enterprises to wider markets, to more rapid technical progress and to keener international competition. Another would deal with structural policy for individual industries,<sup>(1)</sup> describing the structural problems in the main sectors of the economy (save agriculture) and defining general policy guidelines. The problems of two specific industries will be examined: electronics, a growth industry specially important for technological progress, and shipbuilding, which by contrast, is an industry faced with serious problems of structural adaptation.

The chapter on agricultural policy was examined by the Committee largely on the basis of the studies of an *ad hoc* Working Party. It will lay down the general lines of agricultural policy and show how it should fit into general economic policy. The chapter will also endeavour to establish what agricultural policy measures must be brought to bear to improve farming productivity and the social situation of farmers and farm workers.

---

(1) See also secs. 198 *et seq.*

For the preparation of the chapter dealing with scientific and technological research policy, an expert working party drafted a report for the Medium-term Economic Policy Committee on guidelines for a policy designed to encourage private and public research and to develop Community co-operation in this field, having due regard to the close links between research, innovation and growth.

The first part of the report defines the general conditions for the promotion of research and innovation by analysing certain priority problems which arise. Selective measures to encourage research, and the conditions and outlook for a policy of scientific and technological co-operation, make up the second part.

At the request of the Committee of Permanent Representatives, the Medium-term Economic Policy Committee submitted the report as a working document to the Council of Ministers in preparation for the meeting of Ministers of Science on 31 October 1967.<sup>(1)</sup>

At this meeting the Council instructed the Committee's Working Party on scientific and technological research policy to study co-operation initially in six fields (data processing and telecommunications, new transport media, oceanography, metallurgy, abatement of nuisances, meteorology) and then to consider the suitability of other topics for discussion. These questions are dealt with in the "Research" chapter. On the basis of the report, the Committee will draw up the chapter for inclusion in the preliminary draft of the second programme. Problems connected with a policy to expand saving and finance investments will be covered in a further chapter, which will deal with the chief ways in which the development of private saving and a better distribution of total saving can be achieved, the operating methods of capital markets in the member countries improved, and the markets progressively integrated.

As regards incomes policy, to which a chapter will also be devoted, the specialist Working Party drew up a report for the Committee on the chief problems in this field. The chapter will be written on this basis. It will endeavour to lay down procedures for co-ordinating Member States' policies in this field.

The Committee has already put in hand certain studies in preparation for the establishment of later programmes, particularly as regards public

---

<sup>(1)</sup> See also secs. 351 *et seq.*

finances and external trade policy. In the first of these two fields the Member States' government departments are encountering difficulties in establishing the forecasts requested by the Committee.

Terms of reference for an expert Working Party to study external trade problems were drawn up. This Working Party will make an inventory of the objectives pursued by the Member States, particularly as regards commercial policy, and relate them to overall medium-term economic policy.

### *Medium-term economic forecasts*

115. Work on medium-term economic projections—including actual figures— is making steady progress at both national and Community level. It is more and more generally recognized that such projections are indispensable as a guide to decisions concerning the general lines and co-ordination of medium-term economic policies.

One important development in this field in 1967 took place in Germany, where the results of a target projection are now being used in the Federal Republic of Germany as the basis for the elaboration of a five-year budget programme (1967-1971). In Italy the medium-term economic development programme (1966-1970) was examined and approved by Parliament. The Luxembourg Government intends to establish indicative short- and medium-term programmes to provide a basis for concerted action.

The Study Group on medium-term economic forecasts, of which Professor P. de Wolff is chairman, continued work in several fields. It made an initial comparison of the trend up to 1967 with the projections established for 1970 and began to examine the underlying technical hypotheses and assumptions as to policy. However, it is not possible, purely on the basis of volume projections, to check the internal consistency of the different national projections or to work out in detail the problems of orientating economic policy. For this an effort must be made to incorporate into the projections the general trend of prices and the changes expected in their structure. This is why the Group embarked on a difficult task, that of transition to value projections established in a consistent overall framework—in some cases on the basis of already existing national projections (France, the Netherlands) and in others beginning from a fresh projection study. This work is now in hand.

These projections will make it possible to analyse the medium-term outlook in the matter of public finances, the conditions of balance between saving and investment and the co-ordination of incomes policy with the probable general economic trend.

Preliminary work began on external trade. Here, there are a number of obstacles to the analysis of the compatibility of the projections, and further discussions as to method are therefore required.

The Group also endeavoured to draw a picture of the chief structural changes which had occurred over the last ten years in the EEC member countries. This structural analysis can help to guide the discussions of the Medium-term Economic Policy Committee and to avoid unbalanced development.

Finally, at the request of the Medium-term Economic Policy Committee, the Group drafted two opinions concerning the frequency of projections and the problem of alternative economic projections.

## FINANCIAL, MONETARY AND BUDGET POLICY

### *Monetary questions*

116. One result of the growing interpenetration of the economies of the member countries in the European Communities has been the increasingly marked interdependence of national monetary and financial trends. Experience in recent years shows that integration has progressed to such a point that the achievement of the economic objectives of each of the Member States is now to a great extent dependent on the economic trends in the partner countries. The consequence of this process of integration is that there is a need for fuller co-ordination of monetary and financial policies.

This need is very well illustrated by the summary of economic trends presented above, which also mentions the most important monetary policy developments in 1967. But in the present situation it is important to ensure a trend of interest rates compatible with both internal and external requirements: any increase in interest rates would have an unfavourable effect on investment in private industry, which the Member Governments are endeavouring to promote. At the same time higher rates would be

bound to attract capital from non-member countries, and this would contribute to maintaining the payments surpluses which the Community has been accumulating for a good many years.

A satisfactory trend of interest rates is not solely a function of monetary policy. It will be important for the budget authorities to pursue a policy which will obviate the need for any excessive recourse by the public sector to the capital market.

Important progress was made in 1967 with the reform of the international monetary systems. At the Rio de Janeiro Conference (25 to 29 September 1967) two decisions on matters of principle were made :

- (a) to introduce a system of special drawing rights (SDRs) within the IMF to cope with the need—should it arise—for additions to existing reserves;
- (b) the reform of certain IMF rules and practices.

The agreement on the introduction of a system of special drawing rights is the outcome of four years of negotiations. It has been greeted as the most important development in the monetary field since the Bretton Woods Agreements of 1944. The object of the system envisaged is the creation, in the future, of international monetary reserves by decisions concerted in the International Monetary Fund. In the past additions to reserves have depended more or less exclusively, on the one hand, on that part of current gold production not absorbed by hoarding or industrial uses and, on the other hand, on the deficits of the reserve currency countries.

In accordance with the Council decisions of 1964, the Member States held consultations with a view to harmonizing their positions in the field of international payments relations. As regards reform of the international monetary system more particularly, the consultations in the Monetary Committee and the Conference of Finance Ministers led to agreement on a standpoint common to all the Community Member States with regard to the international agreement on the establishment of a system of special drawing rights and to the reform of the rules and practices of the Monetary Fund.

An important point is that certain procedural arrangements which lay down that important decisions as regards the operation of the international monetary system must be taken by a majority of 85% will enable the Member States, if they maintain their unity, to exercise a measure of control over these decisions and effectively defend their legitimate interests.



### *The free movement of capital within the Community*

117. After approving the general lines of the report on The Development of a European Capital Market<sup>(1)</sup> drawn up at its request by a group of independent experts, the Commission continued the studies undertaken to prepare measures which it could put into effect in this field. To this end it consulted the Monetary Committee and the Medium-term Economic Policy Committee and called for the views of persons and groups working in the capital markets field on the points which would entail action on their part. Subsequently, the Monetary Committee decided to instruct a Working Party to compare the machinery and techniques used in the Member States to ensure the balance of supply and demand for capital on the securities markets. The Commission will examine carefully the information and guidance provided by these consultations and studies and, in due course, will make proposals under the provisions of the EEC Treaty designed to promote effective mobility of capital in the Community.

The amended proposal for a third directive to implement Article 67 of the Treaty was discussed at several Council meetings in 1967. This amended proposal reproduces the provisions in the Commission's initial proposal and introduces new exchange control liberalization measures with a view to establishing a better balance between the Member States in this matter.

The Council's organs have begun study of the draft directive "for the communication to the Commission of statistics relating to capital movements to and from non-member countries." This draft provides for an improvement in the quality and quantity of the statistics supplied by the Member States in implementation of Article 72 of the Treaty, a more detailed breakdown of the industries in which the capital is invested and a classification of the direct foreign investments by regions in which the investment is made.

In the course of this examination the Council noted that certain practical and technical problems hamper the Member States in establishing the statistics requested by the Commission. Accordingly, it was decided that the Commission would convene a group of national experts on capital movements statistics. According to its terms of reference, this group will examine *inter alia* the difficulties which prevent the Commission from obtaining the data it considers necessary and will propose solutions. When

---

(1) Tenth (EEC) General Report, sec. 134.

these studies have been completed, the Commission will draw up a report for the Council. The group met for the first time at the end of September 1967.

### *Co-ordination of budget policies*

118. The progress made in integration calls for steadily increasing co-ordination of national budget policies and the decision taken as to the principle of the tax on value added has made the need for co-ordination even greater. To this end, the Council set up in 1964 a Budget Policy Committee. The development of integration in recent years has brought out the need for consultation on budget policies. Such consultation should precede budget policy decisions and in particular the establishment of the annual budget. It should enable Governments, when finalizing their draft budgets, to take into account the main lines of the budget policies of the other member countries.

Because of ever increasing budget strains and the relative increase in public expenditure, endeavours are at present being made in several countries to improve budget administration by working out budget programmes covering several years.<sup>(1)</sup> In this respect it should be mentioned that in the Federal Republic of Germany the Government has presented a central government financial programme covering a period up to 1971. It would seem essential that the competent Community institutions, and in particular the Budget Policy Committee, should co-ordinate the efforts of the different countries in this field. There is a good case not only for continuing the studies undertaken some time ago at the level of the Six to establish budget forecasts for 1970, but also for working out methods and procedures which could be of use in work at national level.

The *Budget Policy Committee* actively pursued its efforts for closer co-ordination of budget policies between the Member States. It based its work mainly on the programme proposed for its guidance by the Commission particularly as regards a uniform structure for the presentation to the Committee of the budgets of Member States.<sup>(2)</sup>

In July, the Committee carried out a comparative examination of the main lines of the Member States' budget policies planned for 1968 and reported

---

<sup>(1)</sup> For budget policy followed in the Member States, see secs. 104 *et seq.*

<sup>(2)</sup> For the activities of the Committee, see sec. 594.

to the Council and the Commission. In November it studied in detail the 1968 draft budgets of Italy and the Netherlands. The budgets of the other countries will be studied early in 1968.

The Working Party for the comparison of budgets also submitted a report on a method of calculating the impact of budgets on domestic demand. On the occasion of the periodical examination of budgets for 1967 this method of calculation was applied for the first time on a provisional basis. It is essential that in future these efforts to apply common definitions and presentation and to introduce uniform methods of calculation should be stepped up, so that those concerned will be better able to examine the budget policy of the different States and to achieve improved adaptation of national policies.

### THE EUROPEAN INVESTMENT BANK

*119.* The activities of the European Investment Bank for the financial year 1967 will be described in detail in its annual report.

In accordance with the provisions of the Treaty of Rome, and under agreements or association conventions, the Bank continued its work in the Community, in the associated States—Greece, Turkey, the seventeen African States and Madagascar—and in the overseas countries and territories dependent on the Member States.

During the first 11 months of the year the Bank signed 29 loan contracts for a total sum of 154,400,000 units of account.

This amount comprises 121,400,000 u.a. broken down into 21 ordinary loans and 33,100,000 u.a. made up of eight loans granted under the Special Section, which enables the Bank to grant loans on favourable terms on the instructions either of the Community or the Member States, at their exclusive risk and with funds supplied directly by them.

From its inception to 1 December 1967 the Bank had signed 166 loan contracts for a total sum of 865,100,000 u.a., of which ordinary operations represented 765,400,000 u.a. spread over 147 loans, while the Special Section accounted for 99,800,000 u.a. spread over 19 loans.

During the first 11 months of 1967, six loans were concluded for an amount of 29,960,000 u.a. for schemes in Italy, five for 40,180,000 u.a. for France,

four for 15,250,000 u.a. for projects in Germany. There was one loan for 16 million u.a. in Belgium, four for 15,920,000 u.a. in Greece and one for four million u.a. for a project in Cameroon.

Under the Special Section six loans were signed or notified in Turkey for a total of 25,400,000 u.a.

In addition, two loans on special terms—drawn from EDF funds but to be administered by the Bank—were concluded for investments in Cameroon<sup>(1)</sup> and Chad<sup>(1)</sup> for an amount of 7,700,000 u.a.

As regards the ordinary loan operations signed by the Bank during the first 11 months of 1967, 12 loans for 24,500,000 u.a. concern industrial investment and nine for 96,800,000 u.a. go to finance economic infrastructures.

The Bank continued its traditional work of helping less-developed regions in the Community countries, particularly in the South of Italy (eight loans for 36,200,000 u.a.).

At the same time it stepped up its financing of projects of common European interest (eight loans for 65,200,000 u.a.). In this field (which is covered by Article 130(b and c) of the EEC Treaty) the Bank adopted a twofold approach :

In the first place, it continued its work in favour of intra-European communications. Two loans concern motorway schemes—the stretch of motorway common to the main Paris-Brussels and Paris-Liège-Cologne routes and all the bridges and tunnels, etc., on the motorway linking the corniche roads of the French Riviera with the *Autostrada dei Fiori* at the Franco-Italian frontier. One loan concerns the network for transporting natural gas from the Netherlands to the North and East of France.

Secondly, the Bank also stepped up its assistance to European industrial policy by financing schemes whose value arises from the pooling by firms from more than one Community country of technological or commercial potential or from mergers and the establishment of joint subsidiaries or agreements with the same effect. Among operations of this kind are the joint construction by Charbonnages de France and Saar mines of a petrochemical complex in the Saar-Lorraine triangle, the joint creation in Alsace by a French and a German group of a fertilizer production plant and the building in Germany of a pilot nuclear power station of Community interest.

---

<sup>(1)</sup> See sec. 461.

In addition to their value to the Community as a single entity, these operations are contributing to the modernization or conversion of the firms or regions concerned.

Finally, the Bank signed a loan for a project in West Berlin.

To obtain funds, the Bank floated eight loans during the first 11 months of 1967 for a total of 189,500,000 u.a. Four loans are denominated in US dollars, one in French francs, one in German marks, one in Belgian francs and one in Italian lire.

By 1 December 1967 the Bank had borrowed 548,700,000 u.a. in all.

## CHAPTER IV

## CREATING AN ECONOMIC UNION

## Common agricultural policy

## FOREWORD

120. During the period under review, three main events occurred in the common agricultural policy field :

- (a) On 1 July 1967 the single market for cereals, pigmeat, eggs and poultrymeat was introduced and, on 1 September 1967, the single market for rice;
- (b) On 1 July 1967 the regulation on certain measures for a common organization of the market in sugar for the 1967/68 marketing year came into force and the Council also adopted the regulation on a common organization of the market in sugar as from 1 July 1968;
- (c) The prices applicable during the 1968/69 marketing year were fixed by joint decision.

The Commission also gave the first indications of what the general lines of its agricultural structures policy would be.

FUNCTIONING OF THE COMMON ORGANIZATION  
OF AGRICULTURAL MARKETS*Common organization of the market in cereals*

121. In accordance with the Council decision of 15 December 1964, the common organization of the markets in cereals and in cereals-based

processed products came into effect on 1 July 1967.<sup>(1)</sup> It provides for single prices, common levies and refunds valid throughout the Community, and for a Community system of regional intervention prices.

In some member countries, the transfer to the single price system caused considerable changes in cereal prices in general and in the price ratios for the different types of grain. Where Member States had to increase prices, the application of a tax to prevent the build-up of speculative stocks and the retention for a transitional period varying from one to three months of total or partial protection at the frontier from imports of processed products from member and non-member countries alike proved effective; indeed there was no sign of any market disturbance.

At present levies on imports from member countries are fixed by the Commission on the basis of a system derived from that which had been in existence since 1962. Experience has shown that the offer price of cereals on the Duisburg market corresponds with the target price, which is what the provisions of the basic regulation set out to achieve.

The play of the derived intervention prices, designed to offer all holders a permanent guarantee that any cereals offered to the intervention agencies will be absorbed, was sufficient to keep the general level of market prices in or around that of the intervention price, without however occasioning intervention. This development is worth stressing in view of the bumper crops of wheat and barley harvested in the Community and the prospect of an equally good maize harvest, which combine to exert general pressure on prices throughout the Community, in deficit and surplus areas alike.

Exportable surpluses are in the region of 6 million tons of wheat other than durum and 1.5 million tons of barley.

Refunds to enable surpluses to be exported are fixed each week in accordance with the Management Committee procedure at a uniform level for the entire Community though differentiated slightly according to the destination of the exports. The fixing of differentiated refunds should make it possible for Community produce to reach the different areas of the world market. Furthermore the latitude allowed the Commission to modify the refunds in the interval between Management Committee meetings makes it possible to adjust these to changes in the world market situation. However, despite

---

<sup>(1)</sup> Council Regulation No. 120/67/CEE, published in *Official Gazette* No. 17, 19 June 1967.

the fact that the refunds fixed were sufficient to make Community produce competitive, the absence of demand from non-member countries because of large harvests throughout the world, meant that it was not possible to export any great quantities of wheat, particularly in the early months of the marketing year; the market is likely to improve towards the end of 1967 but certainly not enough to absorb all surpluses.

The abolition of intra-Community levies coupled with the common system of regional prices, has stimulated trade within the Community, particularly trade between France on the one hand and Germany, Belgium and the Netherlands on the other.

The exceptionally good harvest in the Community has not had any appreciable effect on the numbering of applications for import licences up to the time of writing. During the early months of the marketing year, the volume of imports of quality wheat was at the same level as in previous years while imports of feed grains dropped slightly.

With regard to intervention, work has progressed since the beginning of the marketing year within the framework of the basic regulation on the harmonization of specifications to ensure comparable conditions for all cereals holders in the Community. Supplies were offered for intervention, particularly wheat, barley and rye in Germany but the tonnage involved was quite small; trifling quantities of barley and durum were also offered for intervention in France.

Nevertheless to avoid too much pressure on wheat prices, France was authorized to apply special intervention measures for 200,000 tons of wheat other than durum.

### *Common organization of the market in rice*

122. The regulation on the common organization of the market in rice came into force on 1 September 1967,<sup>(1)</sup> replacing the regulation in force since 1 September 1964 which did no more than provide for the gradual establishment of such an organization. With the new regulation it has been possible to simplify the marketing system considerably; the distinction

---

<sup>(1)</sup> Council Regulation No. 359/67/CEE dated 25 July 1967, published in *Official Gazette* No. 174, 31 July 1967.



between producing and non-producing Member States has been abolished, and measures concerning the system of levies and refunds between Member States are now replaced by the free movement of goods.

The basic regulation is modelled in part on the regulation on the common organization of the market in cereals, but it also takes the economic and technical characteristics of rice into account.

The arrangements introduced on 1 September include the weekly fixing by the Commission of common levies valid for all points of import into the Community; these are adjusted to each processing stage and each type of rice (round-grained or long-grained). Reduced levies are charged on imports from the Associated African States and Madagascar and the Overseas Countries and Territories by virtue of the preference accorded these countries by the Community. In addition, following this same weekly pattern, the Commission, using the Management Committee procedure, fixes the refunds for exports to non-member countries; these are also adapted to each processing stage and each type of rice, (round-grained or long-grained) making allowances for price levels within the Community and on the world market.

The exceptional size and quality of the rice crop harvested in September-October 1967 put pressure on prices in the producing areas of the Community, while the non-producing Member States had not yet run down the stocks accumulated at the end of the previous marketing year to avoid the repercussion of the common threshold price.

Faced with these two associated factors, the Commission fixed export refunds which made it possible to prevent large quantities of rice being offered for intervention; these quantities could have been quite sizeable, especially in the case of round-grained rice, at the beginning of the marketing year.

The arrangements introduced in September 1967 therefore played their role to the full, making it possible to prevent prices collapsing, since the market situation was eased by exports and to some extent by intervention in Italy.

The number of import licences issued since the beginning of the marketing year has been slightly lower than in the corresponding period of the previous marketing year. This situation is however explained by the build-up of stocks of rice of a quality not grown in the Community and cannot be attributed to the market organization machinery.

### *Common organization of the market in pigmeat*

123. The common organization of the market in pigmeat entered the single market stage on 1 July 1967<sup>(1)</sup>; as far as trade arrangements are concerned, however, intra-Community levies were not completely abolished until 1 October 1967.

The common market organization makes provision for a price system and trade arrangements.

The trade arrangements apply to live pigs, pigmeat, bacon, lard and preparations containing pigmeat or pig offal. The fixing and observation of sluice-gate prices, the charging of import levies and the possibility of granting export refunds are the means by which trade in pigmeat products with non-member countries is governed.

For the basic products, the levies are fixed by reference to the difference between feed-grain prices in the Community and on the world market; in the case of derived products, allowance is also made for other production and processing costs (pigmeat preserves).

The purpose of the sluice-gate prices is to protect Community producers from abnormally low-priced imports. During the autumn of 1967, when market Community prices were very low (pig cycle), it was found that pigmeat had been imported at prices lower than the sluice-gate price. Consequently, the Commission laid down and the Member States levied supplementary amounts on live pigs, pig carcasses, hams, shoulders and other cuts imported between the end of September 1967 and the end of the year.

The export refunds are fixed by the Commission; they usually represent the incidence on the products for which they are granted of the difference in feeding costs in the Community and on the world market.

With a view to contributing as far as is possible and necessary to the stabilization of producer and consumer prices alike (pig cycle), the Council introduced a new element into the market organization by fixing a basic price for pig carcasses (73.50 units of account or DM294 per 100 kg). This price is valid for a specified quality, namely Class B in the Community

---

<sup>(1)</sup> Council Regulation No. 121/67/CEE dated 13 June 1967, published in *Official Gazette* No. 117, 19 June 1967.

scale for grading pig carcasses adopted by the Council in June 1967. The basic price applies to the wholesale market in pig carcasses, and if prices fall below this level an enquiry into the pigmeat market takes place with a view to deciding on intervention measures. This price is fixed annually before 1 August.

The Commission has drafted implementing regulations on intervention measures for the pigmeat market, namely aid to private stocks and buying by the agencies responsible for market support.

The changeover from an automatic market support system to the single market stage gave rise to serious economic problems in certain areas of France. As a first step the French Government increased its subsidies for the formation and running of pig producers' organizations and then, in October 1967, subjected imports from non-member countries to prior authorization in accordance with the safeguard clauses contained in Article 18 of Regulation No. 121/67/CEE. The Commission's decision of 14 October 1967 limited the period of application of the conservatory measures taken by France to 20 October 1967, and its decision of 30 October 1967 authorized that country to take special intervention measures in the pigmeat sector.

In application of this decision the French intervention agency (SIBEV) intervened on the market, without however actually purchasing, during the period from 3 to 25 November 1967 and again from 12 December 1967 in Brittany and the Loire Valley, where a new price for pig carcasses was established on 27 October 1967.

In addition the Commission submitted two proposals to the Council for approval, one amending the list of representative markets and the other amending Regulation No. 121/67/CEE in respect of the time-limit for transitional measures.

### *Common organization of the markets in beef and veal*

124. A price bracket for mature cattle and calves was adopted by the Council for the 1967-1968 marketing year by derogation from Article 2 of Regulation No. 14/64/CEE, which lays down that as from the 1 April 1966 - 31 March 1967 marketing year guide prices shall be determined by the Council on a proposal of the Commission. In view of the links between

meat and milk production, this follows logically from the decision taken by the Council in July 1966 to refrain from fixing a common target price in the milk and milk product sector for the 1967/68 marketing year, but to lay down upper and lower limits within which national target prices could be fixed.

The upper and lower limits of the price bracket for guide prices for mature cattle were fixed at 62.25 and 66.00 units of account respectively. The corresponding limits for calves were fixed at 82.75 and 89.50 units of account respectively.

As in previous years, the increase in these upper and lower limits is justified by the need to encourage animal breeding in the Community. With the same aim in view, the Council extended until 30 September 1967 its authorization to Italy to suspend any customs duties or levies applicable to live animals of the bovine species weighing not more than 300 kg. imported from non-member countries.

Some difficulty was encountered on the markets of Member States in maintaining prices close to the guide price because of imports from certain non-member countries at a price lower than the import price. Towards the end of 1966, the Commission, wishing to remedy this situation, submitted to the Council a proposal which would change the method of calculating the levy on derived products (meats) and of determining the import price. On 26 September 1967, the Council adopted Regulation No. 631/67/CEE by virtue of which a special import price will be fixed on the basis of the most favourable offer prices whenever imports from non-member countries are offered at abnormally low prices.

Community imports of beef and veal, salted or in brine, increased appreciably during 1967. It was therefore necessary to consider the possibility of fixing a levy for this type of meat. On 3 October 1967 the Council adopted Regulation No. 617/66/CEE which dealt with this point and was later supplemented by Commission Regulation No. 712/67/CEE, dated 13 October 1967, which laid down the implementing measures. The levy applicable to offers of beef and veal, salted or in brine, from non-member countries is the same as that applicable to offers of the corresponding frozen meat.

To ensure adequate supplies of frozen meat for the Community, Regulation No. 34/67/CEE amended by Regulation No. 218/67/CEE contained certain provisions dealing with imports during the period from March to August 1967. Other provisions dealt with imports of live cows for the food industry.

France and Germany were both forced to take intervention measures (either under Article 10 of Regulation No. 14/64/CEE or under Regulation No. 111/66/CEE) for certain products when prices on their respective markets temporarily fell below the guide price. In the period 4 September to 15 October 1967, Germany intervened in respect of 10,000 head of cattle (about 2,500 tons of meat) and France intervened between 3 July and 14 October in respect of some 16,000 tons of meat.

### *Common organization of the markets in eggs and poultry*

125. With the introduction of a single price system for cereals on 1 July 1967, the common market in poultry products became a reality and the free movement of these products between the Member States was ensured.

Two new basic regulations,<sup>(1)</sup> Regulation No. 122/67/CEE (eggs) and Regulation No. 123/67/CEE (poultrymeat) rescind Regulations Nos. 21 and 22.

To facilitate the changeover from the transitional period to the single market stage, the Council made provisions for an adaptation period of one month for eggs and six weeks for poultrymeat. During this period, the Community countries benefited from a reduced levy designed to facilitate the marketing of products "obtained from cereals purchased at the national prices ruling in the producing country before 1 July 1967 and different from the common prices" in intra-Community trade, while in trade with non-member countries the Member States had the benefit of a supplementary levy.

At the single market stage the system applied at the Community frontiers to imports from non-member countries is similar to that previously used. Levies, sluice-gate prices and export refunds are used by the Community to organize its trade with non-member countries.

The levy is made up of two components. The first is calculated on the basis of the difference between feed-grain prices inside and outside the

---

<sup>(1)</sup> *Official Gazette* No. 117, 19 June 1967.

Community and must be adjusted every three months to take world market price fluctuations into account; the second represents compensations for other processing costs and is fixed each year.

The amount of the refund, which must be the same throughout the Community, is fixed by the Commission after hearing the Management Committee within a limit which allows of exports to non-member countries.

Regulations Nos. 122/67/CEE and 123/67/CEE do not make any provision for direct intervention to adapt supply to demand, but certain steps can be taken in accordance with the procedure laid down in Article 43 of the Treaty to encourage farmers' and inter-professional organizations to improve the quality of these products and to ensure a better organized market by making it easier to assess market conditions and trends.

### *Common organization of the markets in milk and milk products*

126. By Council decision of 24 July 1966, the transitional period in the milk and milk products sector is to come to an end on 1 April 1968, the date on which single prices are to be fixed and enter into force.

The aligning of national target prices with the common target price meant a slight increase in Germany and a more marked one in France and in the Netherlands, but caused no change in the other Member States.

Production followed the trend observed in previous years : there was an increase in milk production largely because of better yields, there was a more marked increase in the output of milk delivered to creameries and consequently a general increase in the production of milk products in general and butter in particular. Trade continued to develop favourably, reaching a high level. However, because of the level of Community production, there was a slight reduction in imports of skim milk powder and butter. Various measures affecting trade were introduced following amendments resulting from the new agreements reached within GATT.

Difficulties were encountered on the butter market : a steady increase in production coupled with stable demand led to increased stocks of butter and special measures had to be introduced to facilitate the marketing of these

stocks. The Council and the Commission had to adopt a series of provisions aimed at increasing butter consumption by authorizing the Member States to sell some of the surplus quantities in public and private stocks at a reduced price. Balance between supply and demand is still undoubtedly the major problem to be tackled in the milk products sector.

*Common organization of the markets  
in fruit and vegetables*

127. On 1 January 1967 new provisions came into force concerning :

- (a) The application of common quality standards to fruit and vegetables marketed in the Community;
- (b) The application of Community rules on the functioning of the markets;
- (c) The free movement of certain products within the Community.

In addition the provisions of Regulation No. 23, particularly those concerning the system of reference prices for imports from non-member countries, were applied as usual.

Since 1 January 1967, cauliflowers, tomatoes, apples, peaches, citrus fruit and table grapes can only be marketed within the Community if they conform to Community standards; these previously applied to intra-Community trade and have now been supplemented by the addition of a further quality class (Class III) to make them easier to apply. Despite the amendment, the application of these standards caused certain difficulties, particularly at retail level, largely because many in the trade were not sufficiently informed or were lacking in experience. The advisory programme for the trade now being carried out by the Member States should remedy this situation at an early date. However, in view of the results of this first year of application and the time needed to install the necessary technical equipment to pack the products in accordance with the criteria laid down in the standards, the Commission felt that it was opportune to propose to the Council that the deadline of 1 January 1968 laid down in Regulation No. 158/66/CEE for the application of common quality standards to other fruit and vegetable varieties be put back by six months.

In connection with the provisions of Regulation No. 159/66/CEE, the Member States examined conditions for the formation and functioning of growers' organizations and submitted to the Commission lists of those which in their view correspond with the provisions of Article 1 of the regulation.

Pursuant to the provisions of Article 4 of the same regulation, the Council fixed the basic and buying-in prices applicable during the 1967/68 marketing year to cauliflowers, tomatoes, sweet oranges, mandarins, lemons, table grapes, peaches, dessert apples and pears. Most of the Member States fixed the buying-in price for their own market at the same level as the price fixed by the Council. France however fixed higher buying-in prices for cauliflowers and table grapes and Italy did the same for tomatoes, pears and lemons, although both countries did of course respect the upper limit laid down in Article 8 of the regulation.

On several occasions in 1967, France, the Netherlands and Belgium found that their markets were experiencing a crisis within the meaning of Article 6 of the regulation; this affected cauliflowers, apples, pears and tomatoes in France, cauliflowers in the Netherlands, and cauliflowers and dessert apples in Belgium. These three Member States granted the compensation provided for in Article 6 of the regulation to growers' organizations who carried out withdrawal operations during the crisis period. The total cost of this compensation, which is borne by the EAGGF, is still trifling; it is estimated at something like 220,000 units of account for the first months of 1967.

The abolition on 1 January 1967 of customs duties and all quantitative restrictions in trade between the member countries in cauliflowers, tomatoes, sweet oranges, mandarins, lemons, table grapes, apples, pears and peaches did not cause any particular difficulties on the markets of the Member States.

The arrangements applicable to imports from non-member countries were applied without any major difficulty. Reference prices were fixed in accordance with the provisions of Article 11(2) of Regulation No. 23, as amended by Regulation No. 65/65/CEE, for the following products: tomatoes grown in the open air, plums, peaches, cherries, table grapes grown in the open air, lemons, pears, apples, mandarins, clementines, satsumas, wilkings and sweet oranges. During the period covered by this report the only countervailing duty applied was to imports of tomatoes from Rumania during the last few days of July.



*Common organization of the markets  
in oils and fats*

128. *Oilseeds*: The common organization of the market in oilseeds came into being on 1 July 1967,<sup>(1)</sup> except for sunflower seed, where the actual date was 1 October 1967 to make allowance for the dates of the harvest.

Adaptation to the single market system for colza and rapeseed necessitated the adoption of transitional measures during the month of June to prevent speculative stocks being built-up within the Community with a view to benefiting from the aid granted.

Following an initial period of uncertainty, due amongst other things to the fact that the machinery for fixing aid for oilseeds had to be run in, the particularly abundant Community harvest was satisfactorily marketed from the month of September.

The export refund for oilseeds is fixed each month by the Commission, following consultation with the Management Committee, at a uniform level for the entire Community. Under certain conditions it varies with the destination of the exports so as to keep certain traditional export channels open. Furthermore, the possibility of modifying the amount of the refund in the interval between Management Committee meetings means that it is possible to adapt to fluctuations in world market prices and to facilitate the marketing of Community produce. However, the volume of exports of colza seed to non-member countries has not been very significant to date.

Intra-Community trade has been rather slack since the beginning of the marketing year, first because certain Member States were rather late in adopting national implementing regulations and the offer price of oilseeds from non-member countries was relatively low and, secondly because certain measures had been adopted at national level.

Imports from non-member countries during the month of July were fairly sizeable in view of the very low offer prices of certain countries. It is estimated that in the months ahead the volume of imports will remain in or around the level recorded in previous years.

---

<sup>(1)</sup> Council Regulation No. 136/66/CEE, published in *Official Gazette* No. 172, 30 September 1966.

*Olive oil* : At the end of the first marketing year for olive oil, which has been subject to Community arrangements since 10 November 1966,<sup>(1)</sup> the following conclusions may be drawn.

Following a short adaptation period, wholesale prices in producing areas were aligned on those laid down by the Council, particularly in the case of the semi-fine quality; this meant that they were some 20% lower than in the previous marketing year. By contrast, retail prices did not fall to the same extent.

In the 1966/67 marketing year the harvest, at approximately 320,000 tons, was appreciably below the average for previous marketing years.

Allowing for the average harvest and the Community's needs, imports progressed normally, the levies which are fixed each fortnight having no repercussions on trade with non-member countries. These imports are likely to amount to 125,000 tons at least, which means that available supplies will be very little different from those in previous years. Trade with Greece has grown appreciably thanks to the preference granted that country through the application of a reduced levy.

Exports came to something less than 3,000 tons and would seem to be lower than in previous years. However, their real volume is likely to be higher than this figure if exports effected under the processing traffic arrangements are taken into account.

### *Common organization of the market in sugar*

129. Council Regulation No. 44/67/CEE on certain measures for a common organization of the market in sugar for the 1967/68 marketing year came into force on 1 July 1967. This regulation contains transitional measures valid for the period from 1 July 1967 to 30 June 1968. It deals with prices, trade and the limitation of production, and also comprises measures aimed at avoiding any difficulties in connection with surplus stocks when the common market organization for sugar comes into force at the single price stage.

Price levels still vary from one Member State to another. The Member States undertook when fixing their prices not to widen the gap between the

---

(<sup>1</sup>) *Tenth (EEC) General Report*, sec. 174.

national prices for the 1966/67 marketing year and the single price for the 1968/69 marketing year (21.23 u.a. per 100 kg of refined sugar).

The common market organization applies to beet sugar, cane sugar, sugarbeet and certain other sugars. Molasses are not covered by the present arrangements.

The regulation makes provision for the charging of levies in intra-Community trade as well as in trade with non-member countries; these levies are equal to the threshold prices in the importing Member State less the offer price.

Sugar is imported on the basis of an award following calls for public tender. In the case of imports from non-member countries, the offer price to be considered when awarding the contract is equal to the offer price plus 90% of the difference between the offer price and the threshold price in the importing Member State.

Export refunds may be granted under certain conditions. Refunds may also be paid to producers of sugar for use in the manufacture of certain chemical products and denaturing premiums may be paid in respect of sugar for use in animal feedingstuff.

Since the common market organization for sugar came into force, the volume of exports to non-member countries has been relatively small. France and Belgium grant denaturing premiums and refunds to producers of sugar intended for the chemical industry. These premiums and refunds are also granted when an outlet is found for these sugars in other Member States.

At its meeting of 25-27 October 1967 the Council reached agreement on a regulation to serve as a basis for the common organization of the market in sugar at the single price stage due to begin on 1 July 1968. The agreement made possible the formal adoption of this regulation by the Council on 18 December 1967.<sup>(1)</sup>

### *Common organization of the markets in vine products*

130. On 4 August 1967 the Commission proposed to the Council an increase in the quotas to be opened by Germany, France and Italy for 1967

---

<sup>(1)</sup> Council Regulation No. 1009/67/CEE, published in *Official Gazette* No. 308, 18 December 1967.

imports of wine; this proposal made provision for considerably greater import openings to be offered by these three Member States. The Council has not yet been able to agree to this proposal.

The vineyard register has been completed in Germany and in Luxembourg. This work should be finished in Italy and in France during 1968. A study undertaken by the Commission has shown that an annual return by growers of the number of vines planted and uprooted each year would give the Commission more information about the state of the Community's vineyards than sample statistical surveys. The Commission has drafted an amendment to this effect to Article 3 of Commission Regulation No. 26/64/CEE<sup>(1)</sup> and it has received the unanimous support of the Management Committee.

### *The European Parliament's work on the market organizations for the single market stage*

131. At its session of 8-11 May, the European Parliament rendered a favourable opinion on the Commission's proposals on the general principles governing the market organizations at the single market stage and the specific provisions of the various regulations dealing with cereals, pigmeat, poultrymeat, eggs and sugar.<sup>(2)</sup>

Before a vote was taken on these resolutions, there was a broad exchange of views on the problems arising at the current stage of implementation of the common agricultural policy, not only from the economic but also from the social point of view. The importance of relations with non-member countries and the need to keep possible new members in mind was also stressed.

The Parliament pointed to the need to fix prices which would be in line with the aim of providing satisfactory guidance for production, but would not ignore the fundamental concept of production costs. The Parliament felt in this connection that the aim of securing a standard of living for persons employed in agriculture equal to that enjoyed by those employed in other sectors of the economy is far from being realized in most cases.

---

<sup>(1)</sup> *Official Gazette* No. 48, 19 March 1964.

<sup>(2)</sup> Sec. 531.

Turning its attention to the overall development of the common agricultural policy, the Parliament pointed to the disadvantages of imbalances which resulted from the absence of a Community market organization for certain agricultural products and from the delay in introducing a social policy and a policy on the structure of agriculture. The Parliament also felt that the absence of any co-ordination in such spheres as aid, credit, taxation, investment and transport was the root cause of a distortion of competition which would hit agricultural holdings all the harder once the free movement of goods became a reality.

In its resolution on the common organization of the market in cereals, the Parliament expressed the view that growers should be guaranteed a market for their crops at prices as close as possible to the target prices fixed for the various types of cereals, so as to prevent the intervention price becoming the effective ruling price.

Other resolutions invited the EEC Commission to incorporate certain amendments into its proposals.

As its sessions of 19-23 June, 19 July and 16-19 October 1967, the Parliament adopted several resolutions dealing with the common market organizations; these concern notably the basic price for slaughtered pigs, the rice and sugar markets, tomatoes, and processed products based on fruit and vegetables.

#### AGRICULTURAL PRICES POLICY <sup>(1)</sup>

132. It was from 1967 onwards that annual determination of the agricultural prices applicable in the Community became necessary. So that farmers can plan accordingly, prices will be reviewed annually in advance (in principle for the marketing year beginning in the following calendar year) and on the same date (before 1 August) for all agricultural products. The procedure will be that laid down in Article 43 of the Treaty, which means that there will be prior consultation of the European Parliament.

---

<sup>(1)</sup> *Eighth (EEC) General Report*, sec. 161, and *Tenth (EEC) General Report* sec. 169.

The year 1967 is, however, something of an exception since the common agricultural policy has now arrived at a sort of halfway house between the transitional period and the final stage of the single agricultural market.

The proposals submitted by the Commission to the Council on 16 June 1967 therefore dealt with the 1967/68 marketing year in the case of olive oil and pigmeat and with the 1968/69 marketing year for the other products.

These proposals comprised :

- (a) The fixing for the second time of single prices for cereals, rice, olive oil and oilseeds;
- (b) Review of the first single prices fixed for mature cattle and calves, sugar and sugar beet; this was to take place before 1 November 1967 at the latest in accordance with the Council decision of 26 July 1966;
- (c) The fixing for the first time of a single price for pigmeat.

In the explanatory memorandum accompanying its price proposals, which also included the reports requested by the Council in connection with the review of beef and veal and sugar prices, the Commission examined the economic situation in agriculture and the present state of agricultural markets. In framing its price proposals, the Commission took the following factors into consideration :

- (i) Farm incomes;
- (ii) The supply situation for the various products, in the light of the desirable orientation of production;
- (iii) Supply to consumers at reasonable prices;
- (iv) External trade, with particular reference to international commitments;
- (v) The cost of financing the common agricultural policy.

In view of the supply situation for cereals, the Commission felt it necessary to reduce the gap between the price for bread grains and feed grains, and within the feed-grains group, to fix a higher price for maize than for barley to allow for the respective nutritive value of the two types of grain.

The Commission proposed that the guide price for beef and veal should be increased for 1968/69 and that an even higher price be planned now for the 1969/70 marketing year so as to channel production away from milk and into meat. (See table on p. 149.)

### *Opinion of the European Parliament*

133. At its meeting on 19 July 1967, the European Parliament rendered an opinion on the Commission's proposals on the fixing and revision of prices for agricultural products. It asked for higher prices not only for feed-grains, as the Commission proposed, but also for bread grains and pigmeat. It was of the opinion :

- (a) That the target price for wheat other than durum should be raised from 106.25 to 112 units of account per ton; that the price for durum should be raised from 125 to 132 u.a. per ton, and that the guaranteed minimum price to producers of durum be increased from 145 to 152 u.a. per ton.
- (b) That the target prices for barley and rye proposed by the Commission be increased from 96 to 100.80 u.a. per ton and that for maize from 99 to 104.16 u.a. per ton.
- (c) That the basic intervention prices be adjusted accordingly.

Parliament also invited the Commission to increase the proposed 1968/69 target price for husked rice from 190.20 to 195 u.a. per ton.

In the matter of meat prices, Parliament felt that the increased guide price for beef and veal which the Commission proposes to apply as from 1 April 1969 (700 u.a. per ton) should come into force with effect from 1 April 1968 and that the basic price for slaughtered pigs for the period from 1 August 1968 to 31 October 1968 be increased to 765 u.a. per ton to allow for the increase in feed-grain prices from 1 July 1968.

Parliament approved the Commission's proposal to leave the present prices for oilseeds, olive oil and sugar unchanged.

### *The Council decisions*

134. The Council discussed the proposed prices at three different sessions and adopted them at its 10th session of 25 to 27 October 1967 in Luxembourg. These prices are summarized in the following table, which also shows previous single prices and the prices proposed by the Commission :

*(in u.a. per ton)*

Product	Type of prices	Previous common price	Proposed price	Price fixed	Period of application
Durum wheat	Basic target price	125.00	125.00	125.00	1.8.68 31.7.69
	Basic intervention price	117.50	117.50	117.50	<i>idem</i>
	Guaranteed minimum price to producers (at wholesale stage)	145.00	145.00	145.00	<i>idem</i>
Wheat other than durum	Basic target price	106.25	106.25	106.25	<i>idem</i>
	Basic intervention price	98.75	98.75	98.75	<i>idem</i>
Barley	Basic target price	91.25	96.00	94.44	<i>idem</i>
	Basic intervention price	85.00	89.25	87.97	<i>idem</i>
Maize	Basic target price	90.63	99.00	94.94	<i>idem</i>
Rye	Basic target price	93.75	96.00	97.50	<i>idem</i>
	Basic intervention price	87.50	89.25	91.00	<i>idem</i>
Rice	Basic target price	181.20	190.20	189.70	1.9.68 31.8.69
Olive oil	Production target price	1,150.00	1,155.00	1,152.50	1.11.67 31.10.68
	Market target price	800.00	805.00	802.50	<i>idem</i>
	Intervention price	730.00	730.00	730.00	<i>idem</i>
	Threshold price	792.50	—	792.50	<i>idem</i>
Oilseeds	Target price	202.50	202.50	202.50	1.7.68 30.6.69
	Basic intervention price	196.50	196.50	196.50	<i>idem</i>
Sugar	Minimum price for sugar-beet	17.00	17.00	17.00	1.7.68 30.6.69
	Target price for refined sugar	223.50	223.50	223.50	<i>idem</i>
	Intervention price	212.30	212.30	212.30	<i>idem</i>
Beef and veal	Guide price for mature cattle (live)	662.50	672.50	680.00	1.4.68 31.3.69
	Guide price for calves (live)	895.00	907.90	915.00	<i>idem</i>
Pigmeat	Basic price (slaughtered pigs)	735.00	735.00	735.00	1.11.67 30.6.68

The Council therefore accepted the Commission's proposals and the opinion of the European Parliament in fixing the prices for olive oil, oilseeds and sugar. In fixing the price for feed grains it did not go as high as the Commission's proposals but, against this, the price fixed for beef and veal was slightly above that suggested by the Commission.



## NEW BASIC REGULATIONS

*Tobacco*

135. On 4 July 1967 the Commission submitted to the Council proposals for regulations on a body of measures in the tobacco sector. They dealt with a common market organization for unmanufactured tobacco, taxation, and national monopolies in manufactured tobacco. These proposals constitute a whole and it seems more appropriate to explain them together.

*Unmanufactured tobacco*

136. The aim of the regulation on the common market organization for unmanufactured tobacco is to guarantee growers a fair income, while allowing industrial users free access to supplies both inside and outside the Community, at prices in or around the world market level.

Growers will be assured of a guaranteed income by means of a price system and intervention measures including :

- (a) A norm price and an intervention price to be fixed each year for leaf tobacco grown in the Community.
- (b) Buyers of Community grown tobacco will be paid a premium with a view to encouraging the sale of the crop on the open market at prices as close as possible to the norm price.
- (c) The intervention agencies will be required to buy at the intervention price any tobacco offered them by Community growers.

In the first year, the norm and intervention prices will be fixed in such a way as to guarantee growers of each variety of tobacco a price at least as high as that previously received by them under national arrangements. Subsequent norm prices will be fixed on the basis of this first norm price, at levels which will allow for the need to encourage specialization in line with the economic structure and natural conditions of Community production, while still guaranteeing growers a fair income. The premium to be paid to industrial users buying leaf tobacco from Community growers should make it possible to give baled tobacco of Community origin an advantage over imported tobacco.

All these measures which are to be adopted at Community level as far as growers' incomes and the guidance of production are concerned will replace national measures now in force. They should make it possible to consider the abolition of existing restrictions including production quotas on tobacco-growing and trade in unmanufactured tobacco in the Community, within the framework of the common market organization. The Community will however reserve the right to adopt appropriate measures in the production field, particularly where there is a danger of surplus quantities of certain varieties being grown.

As for the conditions under which tobacco manufacturers in the Community will secure supplies on the world market, neither the nature nor the structure of the intervention arrangements guaranteeing Community growers a fair income call for any special arrangements at the Community's external frontiers. It will therefore be possible to envisage freeing trade with non-member countries, except for the facility of invoking a safeguard clause. Imports from these countries will attract only CCT duties and preferential rates or a nil duty will be charged on imports from associated countries.

The Commission took the interests of the associated countries into account when drafting its proposals and submitted to the Council a draft regulation laying down a preferential system applicable to the AASM and to the overseas countries and territories: duty equal to 15% of the CCT duty will be charged on imports, this preference being enough to allow the associated countries to maintain and even expand their sales to the Community.

The form of joint organization chosen also seems to provide the best way of dealing with the Community's commitments to Greece. The proposed measures seem to be as much in the interests of Greek as Community growers and the application of the CCT means that Greek tobacco will be more advantageously placed on the Community's market than tobacco imported from non-member countries.

In view of the close links between the structure of the market in unmanufactured tobacco and the market in manufactured products, the Commission felt that if a free market in unmanufactured tobacco guaranteeing industrial users free access to sources of supply were achieved through the implementation of a common agricultural policy, it would lose some of its economic significance unless manufactured tobacco were liberalized within the Community at the same time. This was why the

Commission simultaneously submitted to the Council further proposed regulations dealing with taxes on the consumption of manufactured tobacco and national trading monopolies in manufactured tobacco.

### *The taxation of manufactured tobacco*

137. The interpenetration of the Member States' manufactured tobacco markets has not made much progress to date. Leaving aside certain factors such as smokers' habits, this situation is mainly due to disparities in national regulations governing the levy of excise duties on manufactured tobacco.

The existence of a minimum tax which is already at a high level in one Member State, the absence of a degressive rate of excise duty in another or a tax differentiated according to product in a third are factors which could distort normal conditions of competition.

With a view to eradicating these distortions, the Commission has proposed the establishment of a harmonized excise structure for manufactured tobacco. This system will be neutral as regards competition. The Commission believes that at a later stage the harmonization of structures will have to be supplemented by measures to eliminate tax frontiers.

The proposed harmonization would be based on the following principles :

- (a) Taxes would be based on retail selling prices and would be levied by means of fiscal bands. Selling prices would be fixed freely by the manufacturers according to market conditions. Where one or more of the components of the retail selling price are determined by official regulations, the regulations must be consonant with sound competition.
- (b) In principle the rate of the tax should be proportional. It will be freely fixed by each Member State but a single rate must be applied to each product group which would mean, for example, that the rate would have to be the same for all cigarettes or all cigarillos in a given Member State.

Special arrangements have been made for cigarettes to avoid the distortion of competition which could result from the application of very high proportional rates to products in very different price categories. These arrangements correct the effect of the proportional rate by applying a

minimum rate of excise duty up to a certain retail price level and a degressive rate beyond another price level. The proposal lays down Community thresholds for the determination of the minimum excise duty as well as the degressive rate applicable.

The Commission proposes the introduction of the harmonized excise structure on 1 July 1968, but the Community threshold determining the minimum excise would only enter fully into force on 1 January 1970.

Before 1 January 1970 the Council would agree to decide on the means whereby tax frontiers will be abolished in the field of excise duties on manufactured tobaccos by that date at the latest.

### *National tobacco monopolies*

138. So as to ensure the free circulation of manufactured tobaccos and to abolish all discrimination based on their origin at distribution and retail level, the Commission has proposed that by 1 January 1975 at the latest Member States operating national commercial monopolies take steps

- (a) to abolish exclusive importation and marketing rights for imported manufactured tobaccos, and allow suppliers to create their own wholesale distribution network;
- (b) to guarantee the independence of retailers and enable them to purchase direct from suppliers of imported tobaccos;
- (c) to introduce non-discriminatory rules in the matter of advertising.

The Commission proposal envisages an adaptation stage with a view to achieving the final objective gradually. To this end, by 1 July 1968 at the latest, the Member States concerned are

- (a) to abolish all quantitative and qualitative restrictions on the importation and marketing of manufactured tobaccos;
- (b) to separate the manufacturing service of the national monopolies from the service distributing manufactured tobaccos, whether produced in the Community or imported;
- (c) to ensure that distribution arrangements involve no favouritism;
- (d) to suppress all discrimination in the matter of price formation and advertising.

*Common table wines*

139. The proposal for a regulation on additional measures in connection with the common organization of the market in vine products submitted to the Council by the Commission in June 1967 <sup>(1)</sup> supplements the first general measures adopted for the wine market in 1962.

The Commission advocates Community arrangements comparable to those already in force for the other major agricultural products : single basic prices, intervention prices and sluice-gate prices will be fixed; if prices fall or if there is a glut, intervention measures will be taken and the EAGGF will bear the cost; imports from non-member countries will be liberalized and measures introduced to prevent abnormally low-priced wines being imported into the Community; all obstacles to trade between Member States will be abolished.

*Prices and market support* : Before 1 August each year the Council will fix a basic price for each of the most representative types of wine in the Community. This price will be valid for the period from 15 December to 14 December of the following year and calculated on average producer prices during the preceding two marketing years and on price changes during the current one. Prices are noted on the reference markets which are situated in the surplus areas of the Community.

By 15 December each year the Council, on a proposal of the Commission, will fix an intervention price for each type of wine, representing between 75% and 90% of the relevant basic price. The Commission is required to watch the trend of markets and fix each week the average producer prices noted in the surplus areas of the Community.

The intervention measures would be as follows :

*Long-term support measures.* Where, at the beginning of the marketing year, the annual forecast shows that supplies will be more than a third in excess of requirements, support measures will be introduced from 15 December to 31 January. These consist of aid to private stocks for a minimum period of 9 months, purchase of alcohol, or payment of distillation bonuses for poorer quality wines.

---

(1) *Official Gazette* No. 201, 21 August 1967.

*Short-term support measures.* If, during the marketing year, prices remain lower than the intervention price for two consecutive weeks, the intervention agencies in each Member State may grant aid to short-term private stocks of wines meeting certain quality requirements and buy alcohol or grant distillation bonuses for wines delivered voluntarily by growers.

*Trade with non-member countries.* The Commission's aim is to prevent imports at prices which would upset the equilibrium of the Community market. The common frontier measures provided for are as follows: quantitative restrictions and measures equivalent in effect will be abolished; the CCT will be applied; import and, if necessary, export licences will be introduced and a sluice-gate price fixed to give Community preference to home-grown wines. If the free-at-frontier offer price plus customs duties falls below the threshold price, a levy equal to the difference between the offer price plus customs duties and the sluice-gate price will be charged on imported wines (i.e. in addition to the customs duties). The Commission has also made provision for the payment of refunds in certain cases.

*Improving quality and harmonizing legislation on production.* By 1 September 1968, the Council must, on a proposal of the Commission, adopt a system for classifying vine stocks in different quality categories. Planting of some of these qualities will be prohibited.

Quite apart from the arrangements dealing with production, provision has also been made in the interest of improved quality for the Council to adopt, on a proposal of the Commission, Community measures for the harmonization of legislation on the production, composition and marketing of wines and their basic products.

## FINANCING THE COMMON AGRICULTURAL POLICY

### *Guarantee Section of the Farm Fund*

140. In June 1967 the Commission submitted to the Council proposals to remedy the considerable delays in granting aid from the Guarantee Section of the EAGGF and to amend the present arrangements with effect from 1 July 1967 in order to take account of the beginning of the

single market stage for numerous products. With some amendments, the Council adopted the two "speed-up" regulations on 23 October 1967.<sup>(1)</sup> These regulations provide for :

- (i) The introduction of a system of payments on account based on the estimated expenditure included in the budgets for the 1964/65, 1965/66 and 1966/67 accounting periods;
- (ii) The introduction of a system of half-yearly payments on account based on the Member States' actual expenditure for the 1967/68 and 1968/69 accounting periods; expenditure for these periods is included in the budget one year earlier than expenditure for previous periods;
- (iii) A timetable spacing out the decisions concerned so as to allow financial operations to take place smoothly;
- (iv) The abolition, from 1 July 1967, of the criterion of the lowest average refund.

Pursuant to these measures, the Commission, on 30 October and 15 December 1967,<sup>(2)</sup> approved the following payments on account (in u.a.):

	1964/65	1965/66
Germany (F.R.)	5,337,600.—	12,172,500.—
Belgium	1,184,000.—	7,917,650.—
France	73,208,400.—	107,993,250.—
Italy	3,126,600.—	3,616,500.—
Luxembourg	9,400.—	60,100.—
Netherlands	14,889,000.—	48,329,250.—
	97,755,000.—	180,089,250.—

A certain number of administrative provisions have been drafted in connection with aid from the Guarantee Section of the EAGGF for the accounting periods 1964/65, 1965/66 and 1966/67 and implementing regulations adopted by the Commission, notably Regulation No. 52/67/CEE on claims for repayment from the Guarantee Section of the EAGGF.<sup>(3)</sup>

<sup>(1)</sup> Regulation No. 741/67/CEE on aid from the Guarantee Section of the EAGGF and the financial regulation amending the financial regulation on the EAGGF (640/67/CEE), published in *Official Gazette* No. 258, 25 October 1967.

<sup>(2)</sup> *Official Gazette* No. 275, 14 October 1967 and No. L 14, 17 January 1967.

<sup>(3)</sup> *Official Gazette* No. 54, 23 March 1967.

This meant that in recent months the Member States were able to submit applications for refunds for the 1964/65 accounting period and the Commission is now examining these.

Preparatory work leading to the implementation of the new financing arrangements introduced on 1 July 1967 is also in hand, estimates of expenditure and receipts from levies during the 1967/68 accounting period which will form part of the 1968 budget under the speed-up agreement are being drawn up, and conditions governing eligibility for intervention and aid which do not yet exist in the majority of cases are being drafted.

### *Guidance Section of the Farm Fund*

141. On 27 July 1967, for the third year running, the Commission approved aid from the Guidance Section<sup>(1)</sup> (254 projects) from credits under the 1967 budget.<sup>(2)</sup> After certain applications had been withdrawn for various reasons, the number of projects remaining was still too great for the resources available and the Commission therefore made its selection in the light of what had been said by the Council about the need to distribute assistance fairly throughout the Community and to give careful consideration to the less-favoured situation of Italy from the structural point of view. The Commission finally approved 119 projects in Italy, as against 59 in Germany, 33 in France, 20 in Belgium, 20 in the Netherlands and 3 in Luxembourg.

These projects received assistance totalling 41.6 million units of account in the form of grants up to a maximum of 25% of the total investments envisaged, which break down into 33% for the improvement of production structures (e.g. consolidation of holdings, water engineering and irrigation), 60.3% to improve marketing structures (e.g. in the milk products, meat, fruit and vegetables and wine sectors) and 6.7% on joint production and marketing projects (mainly concerned with animal feedingstuffs).

The Commission's examination of the 300 projects totalling 80 million u.a. introduced for 1967 is nearing completion; the funds available to meet these applications amount to approximately 26 million u.a. The Commission should reach a decision early in 1968.

---

<sup>(1)</sup> For the full list of projects approved, see *Official Gazette* No. 181, 4 August 1967.

<sup>(2)</sup> These are the 1966 tranche. 456 projects for aid totalling more than 100 million units of accounts had been lodged.



The Council has been obliged on several occasions to adopt regulations extending the closing date for filing of claims. It also decided that projects for the year 1968 would not be included in Community programmes.

On 2 October 1967, the Commission acting under Regulation No. 206/66/CEE (EAGGF contribution to repairing the damage caused by the disastrous floods in certain regions of Italy during autumn 1966<sup>(1)</sup>) allocated 10 million u.a. representing approximately 40% of the sum invested to 29 Italian projects.<sup>(2)</sup> Thirty applications for assistance totalling 13,037,634 units of account had been lodged; one application was subsequently withdrawn.

Under the provisions of Regulation No. 130/66/CEE, the Commission has granted Italy aid totalling 45 million units of account to be used to improve production and marketing structures for olives, olive oil and fruit and vegetables. The Commission is at present finishing its examination of the figures supplied by the Italian Government with a view to paying a sum of 8 million u.a. under the same regulation to refund expenditure incurred by Italy during the 1964/65 marketing year in respect of the production and marketing of olives and olive oil.

### *Resolutions of the European Parliament*

142. At its meeting on 19 July 1967, the Parliament discussed proposals dealing with the Guarantee Section and the Guidance Section of the EAGGF, the definition of the unit of account for the common agricultural policy, and the financial regulation. It adopted four resolutions embodying its opinion on these proposals.

### *Special sections*

143. On 24 October 1967, the Council, acting on proposals submitted by the Commission in March 1967,<sup>(3)</sup> adopted a regulation establishing the special sections I and II of the EAGGF concerning Community

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 188.

<sup>(2)</sup> The regulation laid down that subsidies granted by the Fund should not exceed 45% of the investment envisaged.

<sup>(3)</sup> *Tenth (EEC) General Report*, sec. 189, fourth paragraph.

compensation measures in favour of Germany, Italy and Luxembourg and the payment of a sum of 4 million u.a. to Luxembourg.<sup>(1)</sup> This regulation implements the Council decision of 15 December 1964, which, in connection with the agreements reached on common cereal prices, provided that financial compensation should be given degressively to Italy over a period of three years (these sums to be paid from Special Section I) and the Council Decision of 26 July 1966, which, in connection with the agreement on common prices on milk and milk products, provided that financial compensation should be given to Luxembourg for two years (these sums to be paid from Special Section II). These payments will be made in two annual instalments, starting with the 1968 budget.

At its session of 19-23 June 1967, the European Parliament passed a resolution embodying its opinion on the special section of the EAGGF.

## ESTABLISHMENT OF COMPETITIVE CONDITIONS IN AGRICULTURE

### *Rules of competition and aid*

144. In accordance with Article 93(1) of the Treaty of Rome, the Commission, acting in conjunction with the Member States, continued to review the systems of aid in these States in the cereals, rice, pigmeat, eggs and poultrymeat, fruit and vegetables, and oils and fats sectors. As a preliminary step it attempted to abolish or harmonize certain current aids which, because they are linked to quantities and prices, are likely to have a direct incidence on intra-Community trade in products which have been liberalized already. The Commission is shortly to inform the Member States concerned of its position on these aids.

During the period under review the Commission submitted its comments on the following measures notified by the Member States in accordance with Article 93(3) of the Treaty :

- (a) In France: The Commission had no particular comment on the arrangements to facilitate storing of potatoes under contract during

---

<sup>(1)</sup> Official Gazette No. 258, 25 October 1967.

the 1966/67 marketing year; it did however urge the French Government once again not to grant premiums for the preparation of potatoes for sale.

- (b) In Italy : The Commission had no objection to the implementation of Law 910 of 27 October 1966 containing measures to promote the development of agriculture during the period 1966-1970 (Second Green Plan) provided assurances were given that intra-Community trade would not be affected and that the objectives of the law were aligned with the Community's aims on agricultural structure. Nor had the Commission any objection to the aid under Law 910 granted in 1967 for the voluntary stocking of honey, carobs, grapes and grape must.
- (c) In Luxembourg : The Commission had no special comment on aid for the construction of a centre for the collection, preparation and sale of agricultural products;
- (d) In the Netherlands : The Commission had no special comment on various aids to the fishing industry provided they were granted for a limited period only.

On Community policy for aids to agriculture, the Council, at its session held on 29-31 May and 1 June 1967, agreed to resume later its examination of the proposal for a Council regulation amending Council Regulation No. 26.<sup>(1)</sup>

### *Conditions of competition in agriculture*

145. The Commission did not approve the 5% reduction in freight rates for farm products proposed by the Italian railways except for those not yet liberalized within the Community and for the period remaining before the date on which such products are liberalized.

As regards taxation in agriculture, the Commission continued to examine the problems resulting from the existence of special charges weighing on agricultural products (para-fiscal taxes and special levies). It also seems necessary to define from the fiscal angle the farm prices fixed in the context of the common market organizations; the Commission will shortly submit a proposal to the Council with a view to defining a single price net of tax.

---

<sup>(1)</sup> Tenth (EEC) General Report, sec. 191.

Meanwhile the draft of the second directive on common procedures for the application of tax on value added in the agricultural sector has been completed.

Conditions governing the supply of production media of industrial origin may be one of the root causes of distortions of competition within the Common Market. A joint study of animal feedingstuffs with non-governmental experts has continued, and the reports by countries have now been completed. A synopsis of these reports is now being prepared and should reveal the precise extent and nature of these distortions.

Examination of the economic and legal problems of large-scale production capacity in the livestock sector (poultry keeping, pig and cattle raising) has continued in co-operation with the Member States. Problems arise in connection with :

- (a) The tendency towards excess output of the products concerned;
- (b) The emergence of non-agricultural enterprises with large capital resources;
- (c) The existence in the same sector of a large number of small agricultural enterprises.

The Standing Committee on the Structure of Agriculture has been consulted on this problem.

*Proposal for a regulation on agricultural  
producers' groups and unions thereof<sup>(1)</sup>*

146. The Council referred this proposal to the Economic and Social Committee, which rendered its opinion on 28 September 1967. The Committee's opinion was favourable on the whole but suggested considerable amendments aimed in the main at associating farming bodies more closely with structural policy : it suggests that one of the conditions for the granting of subsidies to groups should be that they fit in with regional structural improvement plans and are in line with Community programmes : the measures of aid and the rules governing the running of the groups would

---

<sup>(1)</sup> Tenth (EEC) General Report, sec. 193.

vary from one sector to the next. The proposal was then referred to the Committee on Agriculture and the Economic Affairs Committee of the European Parliament which are examining it at present.

## APPROXIMATION OF LEGISLATION IN AGRICULTURE, FOODSTUFFS AND FORESTRY

### *Legislation concerning foodstuffs*

147. The following directives were adopted by the Council during the period under review :

- (a) A directive dated 27 June 1967 on the use of certain preservatives for the surface treatment of citrus fruit and on measures for tracing and determining the amount of preservatives in and on citrus fruits (diphenyl, orthophenylphenol and sodium orthophenylphenate)<sup>(1)</sup>;
- (b) A directive dated 27 June 1967 amending the Council directive of 26 January 1965 establishing specific purity standards for preservatives approved for use in foodstuffs for human consumption<sup>(1)</sup>;
- (c) A directive dated 23 October 1967 amending the Council directive on the harmonization of the Member States' regulations concerning colouring matters approved for use in foodstuffs intended for human consumption (erythrosin and BS brilliant acid green).

### *Veterinary legislation*

148. On 26 May 1967 the Commission submitted to the Council its proposals for amendments to the draft directives on :

- (i) Health requirements for trade in meat products;
- (ii) Health requirements for trade in fresh poultrymeat;

---

<sup>(1)</sup> *Official Gazette* No. 148, 11 July 1967.

(iii) Health requirements and health inspection for cattle, pigs and fresh meat imported from non-member countries;

and to the proposal for a Council decision setting up a Veterinary Committee.

These amendments deal with the appointment of a Standing Veterinary Committee and new procedures for making certain decisions.

On 20 July 1967, the Commission submitted to the Council a memorandum and a proposal for a Council resolution on a common veterinary policy.

At its meeting of 23/24 October 1967, the Council, on a proposal of the Commission, agreed in principle to grant Community aid totalling 4 million units of account to meet expenses incurred by Italy in its campaign against African swine fever.

At its meeting on 18/19 December 1967, the Council agreed to the payment of a further contribution of 360,000 units of account to the final FAO campaign against foot-and-mouth disease in Turkey.

### *Legislation on animal feedingstuffs*

149. On 26 May 1967, the Commission substituted a new proposal for its earlier one dated 12 October 1964 on the introduction of Community methods of sampling and analyzing for the official control of animal feedingstuffs. This proposal is completed by the new one for a Council decision on the setting-up of a Standing Committee for Animal Feedingstuffs.

On 27 June 1967, the Commission further transmitted to the Council a draft directive on additives in animal feedingstuffs. Work has continued on methods of analysis and marketing rules.

### *Plant health legislation*

150. Four proposals for directives were submitted to the Council in 1967.<sup>(1)</sup> Others dealing with the approval of chemical plant protection agents, pesticide residues and methods of pesticide analysis will follow over the next few months.

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 201.

*Regulations concerning agricultural and  
horticultural seeds and seedlings*

151. Work will soon be completed on several regulations which will deal with the amendments of the Council directives of 14 June 1966, the marketing of vegetable seeds and the seeds of oil-bearing and vegetable fibre plants, and the establishment of an EEC catalogue of agricultural and horticultural varieties. These can then be submitted to the Council.

Six trial stations for pest-control of plant varieties were set up in 1967 under the directives adopted on 14 June 1966.<sup>(1)</sup>

Work in the field of forestry legislation continued.

A COMMUNITY POLICY FOR THE IMPROVEMENT OF  
AGRICULTURAL STRUCTURES

*Policy co-ordination*

152. On 28 September 1967, Mr. Mansholt made a statement to the *Economic and Social Committee*. He referred in particular to the structure of agriculture and emphasized the serious problems to be grappled with in this sector in the Community today, problems which called for new, bold structures which would not only meet economic requirements—market support, the smooth functioning of common market organizations, free movement of goods, farmers' living standards—but would also measure up to the new sociological and financial realities. He stressed the gap between the position of farmers and industrial workers even more noticeable in their way of life than in their standard of living. This gap could not be bridged by a price policy alone; such a policy was of course necessary and must be vigorously pursued but it had its limitations. It was essential to have production and marketing structures of a kind that would allow farmers to enjoy all the advantages of the single market and Community marketing arrangements. But a preliminary step here was to define at Community level the place of agriculture in the economy of the European society of tomorrow and the aims to be achieved not only in the economic

---

(1) *Tenth (EEC) General Report*, sec. 202.

but also in the social and sociological fields. This constituted a political choice and much more was at stake than the mere consolidation of holdings, the percentage of population employed in agriculture, the size or type of farm or the produce grown; it even involved more than the essential rationalization of production and cultivation. A long-term view was needed. Considerable financial expenditure co-ordinated and supported in view of clearly defined common aims would be called for. Mr. Mansholt reviewed the Commission's work in this field and pointed out that the enormous efforts of improving the structure of agriculture would be doomed to failure if it did not form part of a Community policy for regional economic development.

It will only be possible to make this effort with due regard to the considerable disparities in the farming world. Studies will have to be undertaken in order to define, for each natural region of the Community, the objectives which should be aimed at in the matter of agricultural structures. In particular, it will be advisable to examine, in close co-operation with those immediately concerned, the way farms should evolve if farmers and their families are to achieve not only greater economic efficiency but also living and working conditions in harmony with the demands of our age. The necessary action to encourage the modernization of these structures will have to be guided by these objectives. It goes without saying that these efforts must be planned and carried out in a Community setting. If this were not done, all hopes of reducing the economic and social disparities still typical of agriculture in the Community today would have to be abandoned.

In a statement to the Council at its meeting on 17 October, Mr. Mansholt returned to this theme in greater detail and expressed the hope that the Council would be able to take the first decisions in this field in the spring of 1968 on the basis of proposals which the Commission would submit at an early date.

### *Community programmes*

153. On 19 June 1967, the Commission submitted to the Council proposals for Community programmes to be financed from the Guidance Section of the EAGGF. These proposals were in the form of draft regulations.<sup>(1)</sup>

---

<sup>(1)</sup> *Official Gazette* No. 254, 20 October 1967.



The co-ordination of national structure policies is provided for by the Council decision of 4 December 1962 whose guiding principle is that efficient agricultural structures should be striven for with due allowances for the balance of agricultural markets and regional economic development. Considered as a whole, co-ordination of the development and implementation of national agricultural structure policies can help to bring economic and social conditions in agriculture more in line with those in other sectors. In any case it seems advisable to increase this co-ordination in the near future so that it can serve as a more efficient Community instrument to stimulate and guide the Member States in their agriculture structure policies.

The Community programmes provide very important foundations for the future operations of the Fund as an instrument designed to encourage the necessary adjustment to the structure of farming. Priority in respect of aid from the Guidance Section of the Fund will be given to certain crucial areas, although they will not be the sole recipients. In order to determine which areas really deserve priority, the Commission has decided that as a general rule and depending on the nature of the operations, the areas where the main effort will be concentrated must not represent much more than a third of the total area of the farms or of the volume of production concerned. In accordance with Article 18 of Regulation No. 17/64/CEE, aid granted by the Fund will not exceed 25% of the sum invested.

The Commission proposes that in three years all the 672 million units of account that will be available during the period shall be spent on the 10 programmes envisaged.

Each of the ten proposed programmes extends over a period of three years; the Commission considers that the Member States need this lapse of time to adapt their structure policies to the opportunities for Community financing created by these programmes. This three-year period coincides with the Guarantee Section's accounting period from 1967 to the second half of 1969.

The adoption of Community programmes as provided for in Council Regulation No. 17/64/CEE will be an important step towards the creation of a full and coherent set of procedures and instruments for the common agricultural policy. The Commission is, however, aware that the proposed

Community programmes are only the first step towards promoting the many adjustments called for by the present situation in agriculture which will necessitate other forms of Community action.

Community programmes proposed by the Commission

Nature of the programmes	Total sums available <sup>(1)</sup> (million u.a.)
A. <i>Programmes whose main aim is to reduce unit costs and increase productivity of labour</i> (implementing Article 11 (1 a and b) of Council Regulation No. 17/64/CEE)	
1. Improvements to the structure of holdings	70
2. Irrigation	50
3. Drainage	50
4. Forestry operations to improve agricultural structures	12
B. <i>Programmes to achieve adequate valorization of farm produce by rational marketing</i> (implementing Article 11 (1c) of Council Regulation No. 17/64/CEE)	
5. Improvement of the marketing of fruit and vegetables	80
6. Improvement of the structure of the dairy industry	100
C. <i>Programmes combining the aims of classes A and B above</i> (operations under Article 11 (1a, b and c) of Council Regulation 17/64/CEE)	
7. Meat sector	90
8. Wines and grapes	40
9. Olives-growing	50
10. Development of agricultural areas that are backward or in difficulties	130
<b>Total</b>	<b>672</b>

(<sup>1</sup>) For a three-year period.

### Miscellaneous

#### Fisheries

154. The Commission has analyzed the general trend over the last seven years of monthly prices for the main types of fish in the principal fishing ports of the Community and for fish imported from non-member countries.

The aim is to reveal the main seasonal and long-term trends on the large markets. This information is required in connection with the drafting

of concrete measures to regularize costs provided for in the report submitted to the Council on 25 November 1965.<sup>(1)</sup> It has also served as a guide for the Commission proposals and the Council decisions in this sector in connection with the recent GATT tariff negotiations, to reconcile the requirements of these negotiations with those inherent in the effective implementation of a common fisheries policy on 1 July 1968. This made it possible to adopt some useful measures dealing in particular with products regarded as "sensitive" at Community level and to ensure that market support measures can be applied without impinging on the international commitments of the Member States and the Community.

### *Forestry*<sup>(2)</sup>

155. The storms which raged in certain parts of the Community in March and May 1967, destroying timber estimated at almost 15 million cubic metres, aggravated the steady downward trend of prices which has been hitting forest owners for several years past. These owners have redoubled their efforts to persuade the Governments and the Commission to take steps to arrest the worsening slump in this sector.

On 1 July 1967 a directive on the harmonization of genetic quality norms for forestry seeds and seedlings came into force in the Member States.

An inventory of state aids to forestry was submitted to the Council on 27 April 1967.

Lastly, it should be mentioned that several afforestation projects have been financed from the third instalment of the Guidance Section of the EAGGF.

### *Information media for the common agricultural policy — Information on farm accounts*

156. Contrary to expectations,<sup>(3)</sup> it was not possible to establish the information service on farm accounts in all areas during the first six months

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 185.

<sup>(2)</sup> Sec. 82 on right of establishment in this field.

<sup>(3)</sup> *Tenth (EEC) General Report*, sec. 205.

of 1967. Insuperable difficulties were encountered in some member countries mainly because they had no previous accounting infrastructure and this caused considerable delays. This situation led the Commission to defer for one year the lodging by the member countries of the lists of account-keeping farms to be drawn up by them, which means that the beginning of the first accounting year has been put back also.<sup>(1)</sup>

This postponement from 1967 to 1968 should make it possible for the Member States who are lagging behind to select the account-keeping farms under better conditions and to set up the necessary accounting services, thus ensuring that the statistical results of the first accounting year will be of the necessary quality. The Member States, with the exception of Luxembourg, have used this additional breathing space to perfect and consolidate the information service within their own frontiers.

The measures now adopted will make it possible for the Member States which managed to keep to the original timetable and began their information service in 1967, to submit accounting data collected during 1967 as provided for by the regulations. By the end of 1968 therefore the Commission should have accounting data at its disposal which it can use to "run in" the entire machinery for sorting and analyzing the results obtained from the information service.

### *Survey on the pattern of farming*

157. This survey approved by the Council on 14 June 1966 and carried out between 1 November 1966 and 30 March 1967 in Germany, Belgium, Luxembourg and the Netherlands, was effected between 1 November 1967 and 31 January 1968 in France and Italy.<sup>(2)</sup>

A draft programme of specific surveys to supplement certain aspects of the basic survey is now being prepared. The Commission will submit proposals to the Council on the organization of these surveys.

---

<sup>(1)</sup> *Official Gazette* No. 171, 28 July 1967.

<sup>(2)</sup> *Official Gazette* No. 33, 24 February 1967.

## Energy policy

### THE ENERGY POSITION IN THE COMMUNITY

#### *The general picture*

158. The Community's energy consumption in 1967 totalled 663 million tons,<sup>(1)</sup> an increase of 4% on 1966. The trends in the different countries, however, varied a good deal, consumption in Germany running practically level while Italy's jumped 8%.

The main impact of the industrial stagnation in Germany was on the fuel and electricity consumption of the "other industries" sector (that is, industries other than iron and steel). Household consumption was scarcely affected. The consequences in the transport sector are more difficult to establish, but the effects of the general business situation appear to have been felt more or less all round.

Table 7 — Energy balance sheet for 1966-67 and outlook for 1968

	Consumption ( <sup>'000,000 tons hce</sup> )			Percentage shares		
	1966	1967 (estimates)	1968 (forecasts)	1966	1967 (estimates)	1968 (forecasts)
Hard coal	206.6	198.3	195.8	33.9	31.3	29.3
Brown coal	31.2	31.1	30.9	5.1	4.9	4.6
Oil	294.9	323.5	351.2	48.4	51.1	52.6
Natural gas	27.2	34.4	42.7	4.5	5.4	6.4
Primary electricity	49.7	46.2	47.2	8.1	7.3	7.1
Total	609.6	633.5	667.8	100	100	100
Contribution of : indigenous energy (rounded figures)	309	304	313	51	48	47
imported energy	301	329	355	49	52	53

(1) Metric tons in hard-coal equivalent (hce).

The shares of the different energy sources in the total demand coverage were influenced by several factors—the business slowdown was principally in the countries where large amounts of coal are used; the iron and steel industry had a fairly good year; the by now well-established substitution trend went on, and State intervention and assistance was further stepped up. By and large, the tendencies of the last few years continued as before, with coal registering an appreciable drop and oil another sharp rise, while natural gas again made rapid strides, particularly in the Netherlands.

### *Coal*

159. Total Community requirements of hard coal and hard-coal briquettes were down in 1967 by 10m. tons hce from the previous year's level, and the share of coal in the member countries' aggregate energy consumption, which had already dwindled from around 50% in 1961 to 34% in 1966, fell to 31.3%.

160. The deterioration in sales is due primarily to slumping internal demand.

Of the main consumers sectors, the coking plants took just over 7% less coal than before, representing a decrease of 6.7m. tons hce for the Community as a whole; the upturn in steelmaking activity during 1967 brought no corresponding benefit to the energy producers. Gasworks reconversion is proceeding apace, so that less and less gas coke is being produced.

In industry the contraction was very marked indeed, 22%; in the household sector it was 5.6%.

Only in the thermal power stations did coal consumption show an increase, of 5%, or 5.7m. tons hce for the Community overall.

On the other hand it should be noted that the quantitative imbalance was smaller than in 1966, owing to the action taken at the production end; also, there was a 5% rise in intra-Community trade in hard coal and briquettes, in consequence more particularly of larger purchases by Italian consumers.

161. The collieries resorted, as they had begun to do in 1966, to cutting their prices, either publishing new price schedules altogether or engaging in more extensive price alignments.

In the case of house coal the Community Institutions were obliged to step in to stabilize the producers' prices to some extent. As regards coking coal and coke for the blast-furnaces, the industry was enabled by High Authority Decisions Nos. 1 and 16/67, of 21 February and 14 June, to go over to price alignment on a much larger scale.<sup>(1)</sup> Efforts to bring the prices of steam-raising coal into line with those of the competing fuels also continued.

Sales by alignment increased from 14.7m. tons in 1965/66 to nearly 17m. in 1966/67, of which 11m. went to the steel industry. The figures for the next coal year will be very much higher still, since contracts concluded with the steel industry in 1967 alone, on the strength of Decision No. 1/67, represent a total of 44m. tons.

A number of factors have combined to push up somewhat the fob-prices of the American coal grades for which there is a demand in the Common Market countries. On the other hand, the sheer size of the shipments carried, on own account or under long-term contracts, in the ever larger vessels of today is causing the average freight rates for coal between the United States and Community ports to go down, and consequently the net increase in the landed prices is only a small one.

## *Oil and gas*

### *Oil*

162. Community oil consumption rose by 9.7% in 1967 to 226m. tons (323.5m. tons hce). This brought the share of oil in total Community primary-energy consumption for the first time to over one-half (51.1%).

The big development of the year was of course the political crisis in the Middle East and its implications for the Community's oil supplies. When the trouble started, it was necessary to draw on stocks, the rundown amounting at the end of June to the equivalent, for the Community countries together, of rather over one week's consumption. The freight market was extremely brisk, and extra shipping was mobilized by bringing reserve tanker capacity into service and using grain carriers to take oil.

---

(1) Secs. 169 et seq.

At the request of the OECD Council in Paris, an international advisory industrial body was set up to advise the OECD Oil Committee on matters in connection with the member countries' oil availabilities. The oil companies co-ordinated their efforts and streamlined their operations.

163. It is not yet possible at the end of 1967 to assess the full impact of the crisis on the energy market. Procurements of petroleum products seem to have declined in some measure during the summer, but mainly in consequence of withdrawals from consumers' stocks. Coal consumption, particularly in the power station sector, picked up a little for a while, but not by more than a million tons or so, and part of that was the effect of action decided on before the Middle East developments to encourage the use of coal. An additional burden was placed on the Member States' balance of payments, roughly estimated for the second half of 1967 at between 250m. and 350m. units of account.

The Member States and the Commission conferred regularly, in accordance with Article 116, in order to prepare their part in the work of the OECD Oil Committee. They also exchanged information to enable a better picture to be formed of the possible implications of the crises and appropriate steps to be taken to deal with its effects.

### *Natural gas*

164. The official figure for the Community's natural gas reserves at the end of 1966 was 2,500,000m. cubic metres, 2,000,000m. of this total being located in the Netherlands.

With the opening-up of the proven reserves, Community production overall has soared (+24%). Production in France and Italy remained pretty well the same as before; in Germany on the other hand there was a 30% increase, and natural gas is expected before long to have replaced manufactured gas throughout the north of the country. In the Netherlands the expansion has been enormous, with production almost doubling in 1967 and quite possibly going to double again in 1968.

The volume of just under 12,000m. cu.m. of Dutch gas expected to be produced next year will account for some 36% of the Community's total availabilities. Through its substantially expanded export networks the industry will be able to supply 1,500m. cu.m. to Germany, 1,100m. to Belgium and 1,100m. to France.



As regards prospecting, no new strikes are reported, apart from a successful drilling operation in south-western France, the potential value of which it is not yet possible to assess.

Legislation concerning prospecting and production on the Continental shelf has been passed in the Netherlands and Italy, which should enable the oil companies to make an early start with their explorations. The first prospecting licences have been issued in the Netherlands.

A new Act concerning prospecting on Dutch soil and in Dutch territorial waters has come into force, so that the operations which were suspended when the Bill was brought in at the end of 1965 can now be resumed. A number of prospecting licences have already been issued under the Act.

### *Electricity*

165. A certain levelling-out in the demand for electric current which became observable in the second half of 1966 was also in evidence, in about the same degree, during 1967, gross consumption throughout the Community working out at 469 TWh,<sup>(1)</sup> or 5.5% more than the year before. The increase in 1968 is expected to be larger, about 7.5%, which would again be higher than the rate needed to give a doubling over ten years.

The short-term movements in overall demand did not make any difference to progress with the power-station construction programmes, with the result that standby capacity was substantially increased.

166. Of the three main forms of current, hydro-electricity was down in 1967 by 8% (105.6 TWh) and conventional thermal electricity up by 10.5% (341 TWh), while nuclear production increased 31% (7.5 TWh).

### *Nuclear energy*

167. For the time being the share of nuclear energy in electricity production is still comparatively modest. Nevertheless, the amounts of nuclear current supplied to the grid rose from 4,400m. kWh in 1965 to 5,300m. in 1966, and the figure for 1967 is expected to be in the neighbourhood of 7,500m.

---

(1) One terawatt-hour = 1,000 m. kilowatt-hours.

Reactor capacity now in service totals 2,106 MWe, of which France accounts for 1,039 MWe, Italy for 607, Germany for 317 and Belgium for 143. Reactors under construction represent a further 2,205 MWe (France 1,535, Germany 618, Netherlands 52). The target programme for 1970, taking into account both the installations already in production and those at present still building, indicates a capacity of 4,000 MWe.

In addition, reactors in the design stage or pretty definitely envisaged represent a total of 4,670 MWe, Germany contributing 1,568 (including a proposed joint German and Swiss 600 MWe station, of which 300 MWe is counted in with the Community figure), Belgium 1,460, France 1,000<sup>(1)</sup> and Italy 650.

The aggregate capacity of the reactors in service, building and planned in the Community thus works out at close on 9,000 MWe.

This is modest enough in comparison with the corresponding British and American figures. The first British programme is for over 5,000 MWe, with another 8,000 to come into service between 1970 and 1975 under the second. The expansion in American nuclear production is particularly striking: capacity in service, building and planned totalled nearly 47,000 MWe at the end of 1967, and the 1980 target of between 80,000 and 110,000 MWe fixed a year ago was recently raised by the USAEC to 150,000. The reason for this upsurge is that nuclear electricity can now be produced competitively even in the areas possessing cheap supplies of fossil fuels.

This highly promising outlook is bound to affect the position in the Community. Neither the electricity producers nor the authorities in the Community countries can afford to ignore that the break-even point has now been reached in the United States, despite the fact that fossil fuels there are cheaper than they are in Europe.

## ESTABLISHMENT OF A COMMON ENERGY POLICY

168. In the Protocol of 21 April 1964,<sup>(2)</sup> the Governments, while accepting that the formulation of a common energy policy must necessarily take some time, nevertheless declared themselves resolved to continue their

---

<sup>(1)</sup> Exclusive of Fessenheim II.

<sup>(2)</sup> *Official Gazette* No. 69, 29 April 1964.

endeavours to agree and introduce one, adding that they intended to do so in the context of the merger of the Communities. In the meantime, Community action in this field is having to be carried on within the limits of the existing Treaties, with the object of achieving the interim aims laid down in the Protocol. Work during 1967 was duly conducted on this basis and included a number of new moves : several important Decisions were issued concerning coal, the Council began its dialogue on oil, and fresh proposals were submitted with regard to nuclear problems.

### *Coal policy*

169. Decisions taken with respect to coal, apart from those in connection with the routine administration of the Community subsidization system, were concerned with four main matters, namely, support for Community-produced metallurgical coking coal, measures to help balance the supply and demand position for certain grades of house coal, the extension of Decision No. 3/65 instituting the Community system of State aid for collieries,<sup>(1)</sup> and the adjustment of production.

#### *Support for Community coking coal*

170. Early in 1966 it had become evident that more would need to be done to assist disposals of coking coal to the iron and steel industry. Work on appropriate arrangements began in the spring, and was successfully concluded when the ECSC Council of Ministers on 16 February 1967 unanimously adopted a Protocol on metallurgical coking coal and coke, and at the same time endorsed a High Authority draft Decision which had received the backing of the Consultative Committee on 2 February. The Protocol and the Decision were published in the Official Gazette of the Communities on 28 February.

171. The system thereby introduced, which is to run up to 31 December 1968, is based on the following three principles :

- (a) Collieries may allow rebates on their prices and schedules in the case of sales to the steel industry, even where there is no actual competition from third-country products.

---

<sup>(1)</sup> *Official Gazette* No. 31, 25 April 1965.

- (b) The Member States may furnish subsidies to collieries to enable them to cut their prices for metallurgical coking coal and coke to be consumed by the Community steel industry. Such subsidies may be payable either at a flat rate of 1.7 units of account per ton of coal, or on a non-discriminatory sliding scale operating at an average of 1.7 u.a. and in no case going above 2.2 u.a. per ton of coal.
- (c) Subsidies paid by a Member State in respect of sales within the country concerned must come from the national purse. Subsidies in respect of sales to steel enterprises in other Community countries come under a multilateral compensation scheme, whereby the supplier countries are credited with the sums actually disbursed in subsidies up to the following ceilings for each of the two years covered by the arrangement (1967 and 1968) :

Germany	20.1m. u.a.
Belgium	1.0m. u.a.
France	0.3m. u.a.
Netherlands	0.6m. u.a.
	22.0m. u.a.

Of the corresponding total debit two-fifths is entered to the Member State paying the subsidy (the supplier country) and the remainder spread among the Six in the proportions:

Germany 28%, Belgium 11%, France 28%, Italy 14%, Luxembourg 9%, Netherlands 10%.

172. Two supplementary Decisions were issued a little later concerning the practical implementation of Decision No. 1/67 :

- (a) Decision No. 7/67, of 17 May 1967,<sup>(1)</sup> requiring collieries to declare transactions relating to coking coal and coke, and detailing the procedure to be followed;
- (b) Decision No. 16/67, of 14 June 1967,<sup>(2)</sup> giving particulars as to the assessment of the subsidies, the allocation of the administrative work among the collieries, the Member States and the High Authority, and the arrangements for enabling the Commission to supervise the operation of the scheme.

<sup>(1)</sup> *Official Gazette* No. 97, 26 May 1967.

<sup>(2)</sup> *Official Gazette* No. 127, 26 June 1967.

The European Parliament has already been able to make known its views on the system. A resolution was passed describing the Decision as "an important addition to the coal armoury,"<sup>(1)</sup> and in the debate on the High Authority's Fifteenth General Report the House welcomed "the spirit of solidarity which had made it possible to adopt Decision No. 1/67 concerning coking coal," and expressed the opinion that "the extension of the measures in question beyond 1968 must be considered here and now."

### *House coal*

173. Until recently house coal was in steady demand, with actual shortages developing in the severe winters of 1961/62 and 1962/63. After more normal weather conditions had prevailed for a time, however, the market began to sag, the first real signs of impending trouble becoming observable in the spring of 1966.

Accordingly, the Council at its session on 22 November 1966 decided to follow the situation with care by arranging for the Governments of the Community coal-producing countries to compare notes at regular intervals. It soon became evident that the imbalance was turning out to be unexpectedly large, incidentally aggravated by the state of the weather.

174. Pithead stocks piled up. Some Community producers started quoting their summer prices before 1 April, and offering bigger stockbuilding discounts than usual. This fresh sign of weakness and disequilibrium obliged the High Authority to take steps to prevent future sudden price movements liable to throw the market into serious disarray. It therefore adopted Decision No. 19/67 concerning disclosure of prices and terms for house coal,<sup>(2)</sup> which required ten days' notice to be given of intended price changes, with the possibility of extending this period by a further fortnight should it be necessary to examine how the new prices affected the position with regard to Decision No. 3/65 concerning colliery subsidization. This enables the Commission to intervene to avert disturbances in the balance of the market and prevent a price slide rendered financially feasible by the Governments' subsidies.

175. The merged Council, as successor to the ECSC Special Council of Ministers, at its session on 2 and 3 October 1967 endorsed the

---

<sup>(1)</sup> *Official Gazette* No. 28, 3 April 1967.

<sup>(2)</sup> *Official Gazette* No. 124, 24 June 1967.

memorandum submitted to it to this effect by the Commission in accordance with the ECSC Council's instructions of 25 June.

176. Decision No. 3/65, instituting a Community system of State aid for the coalmining industry, was due to expire at the end of 1967. The High Authority sounded the Consultative Committee as to whether it considered the Decision should be extended to apply for a further period, and wrote on 13 April 1967 asking for the Council's opinion. The original draft Decision provided for a one-year extension, but when the ECSC Council met on 5 June, with the Rome Conference just over and the Merger Treaty apparently on the point of being brought into force, the High Authority instead proposed that the extension be for three years: since the timetable on which the 1964 Protocol and Decision No. 3/65 were based had been worked out on the assumption of the Merger Treaty's becoming operative in mid-1964, and this event had been deferred for three years, the amended High Authority proposal simply brought the dates into line with the new timetable.

This view was unanimously approved at the 5 June session. One delegation withheld its formal agreement until such time as arrangements acceptable to it should be worked out for house coal, but this reservation was withdrawn at the Council session on 2-3 October; the Council thereupon endorsed the draft and the Commission's Decision was duly published.<sup>(1)</sup>

#### *Adjustment of production*

177. The High Authority drew the Governments' attention to the supply/demand imbalance early in 1966. In its view, failing further action on a considerable scale, Community coal sales would fall to round about the lower end of the estimated production range for 1970, namely 170m. tons: to keep sales up to 190m., the upper end of the range, it would be necessary to act promptly and with vigour. The High Authority continued its representations to the Governments, notably at successive Council sessions and in particular at that on 5 June 1967.

178. On the latter occasion, a letter from the German Government was handed to the High Authority suggesting the invocation of Article 58 of the Treaty of Paris, concerning periods of "manifest crisis." In a statement

---

<sup>(1)</sup> *Official Gazette* No. 261, 28 October 1967.

to the European Parliament on 20 June calling for the adjustment of production, the High Authority pointed out that Article 58 did not make adequate provision for the selective approach that was indispensable in tackling structural contraction, and urged further that there be proper dovetailing with the Governments' own powers and responsibilities with respect to regional, financial and subsidization policy. On 21 June it submitted a memorandum on these lines to the Council, again stressing the need for co-ordinated adjustment and suggesting how this might be secured, possibly by taking steps under Article 95, paragraph 1, of the ECSC Treaty. The German Government on receiving this interim answer reserved the right to raise the matter again at a later date. The High Authority's official reply was dispatched on 5 July.

179. In September a series of draft German Government enactments were laid before the Council. Those on which consultation was required under Article 10(2) of the 1964 Protocol were a Bill for the reconstruction of the German coal industry and coalmining areas, directives concerning the payment of compensation to mineworkers losing their jobs in consequence of closures, and arrangements for spreading the burden of short-time working in 1967. The consultation took place at the Council session on 2 and 3 October.

These measures in combination form a medium-term programme of adjustment and reconstruction for the industry and the areas affected, with the focus on

- (a) Tailoring coal production to the state of the market and closing surplus capacity, in order to improve the performance of the most economic pits;
- (b) Exploiting to the full all remaining possibilities of increasing the industry's productivity by further rationalization and regrouping of enterprises to form maximum-efficiency production units.
- (c) Stabilizing sales where possible, i.e. those to the power stations and the iron and steel industry;
- (d) Indemnifying miners rendered redundant by the closures;
- (e) Conducting intensive planned promotion of investment for the purpose of establishing a better-balanced economic structure and creating new employment opportunities in the mining areas.

The Council and the Commission considered the measures to be good and constructive from the point of view of energy policy : the rationalization drive now going on to make the German coal industry more competitive is fully in accordance with the aims of the Community's coal and energy policy and with regional and social considerations.

The Council noted for the record that there would be further consultation at one of its later sessions on the action to be taken in implementation of the Bill just discussed.

The Commission wrote on 30 November listing for the German Government's attention a number of points it felt should be gone into from the legal angle.

### *Operation of the Community system of State aid for the coal industry*

180. On 29 June 1967 the High Authority submitted to the ECSC Council a detailed report on the Governments' plans for assisting the coal industry during 1967. The consultation with the Council required by Article 2(1) of Decision No. 3/65 was held on 2 October.

Having examined the proposed measures of direct support to see whether they were compatible with the terms of the Decision, the High Authority had concluded that they were : that is, they were "not liable to interfere with the proper functioning of the Common Market." The Commission accordingly authorized the assistance arrangements of all four Governments concerned for 1967.<sup>(1)</sup>

The major part of the aid given by the Member States to their respective coal industries was, as before, accounted for by the part-financing of disproportionately high social-security charges (Article 2(2) of the Decision), for which special authorization is not required; at the same time there was a substantial increase in the amounts paid out in direct support (Articles 3-5).

181. The stepping-up of assistance on the social security side was necessitated by the ever growing disparity between the mines insurance

---

<sup>(1)</sup> *Official Gazette* No. 284, 22 November 1967.



funds' revenues and expenditures, due to the steep and continuing decline in the number of actively employed mineworkers.

Table 8 — Assistance with disproportionately high social-security charges in accordance with Article 2 (2)

	Amounts furnished			Changes			
				absolute figures		%	
	1965	1966	1967	1966/65	1967/66	1966/65	1967/66
Germany (Fed. Rep.) '000,000 DM	2,117.5	2,272.4	2,570.0	+154.9	+297.6	+ 7.3	+ 13.1
'000,000 u.a.	529.4	568.1	642.5	+ 38.7	+ 74.4		
u.a./ton	3.76	4.33	5.22	+ 0.57	+ 0.89	+ 15.2	+ 20.6
Belgium '000,000 Bfr	5,508.1	5,871.6	6,412.9	+363.5	+541.3	+ 6.6	+ 9.2
'000,000 u.a.	110.2	117.4	128.3	+ 7.2	+ 10.9		
u.a./ton	5.57	6.71	7.97	+ 1.14	+ 1.26	+ 20.5	+ 18.8
France '000,000 Ffr	1,230.2	1,336.2	1,466.6	+106.6	+129.8	+ 8.7	+ 9.7
'000,000 u.a.	249.2	270.8	297.1	+ 21.6	+ 26.3		
u.a./ton	4.86	5.35	6.05	+ 0.52	+ 0.68	+ 10.7	+12.6
Netherlands '000,000 Fl.	36.0	76.0	76.0	+ 40.0	0	+ 111.1	0
'000,000 u.a.	9.9	21.0	21.0	+ 11.1	0		0
u.a./ton	0.85	2.04	2.33	+ 1.19	+ 0.29	+ 140.0	+ 14.2
Community '000,000 u.a.	902.9	977.3	1,088.9	+ 74.4	+111.6	+ 8.2	+ 11.4
u.a./ton	4.04	4.67	5.52	+ 0.63	+ 0.85	+ 15.6	+ 18.2
Production ('000,000 tons)							
Germany (Fed. Rep.)	140.6	131.3	123.0	- 9.3	- 8.3	- 6.6	- 6.3
Belgium	19.8	17.5	16.1	- 2.3	- 1.4	- 11.6	- 8.0
France	51.3	50.3	49.0	- 1.0	- 1.3	- 2.0	- 2.6
Netherlands	11.7	10.3	9.0	- 1.4	- 1.3	- 12.0	- 12.6
Community	223.4	209.4	197.1	- 14.0	- 12.3	- 6.3	- 5.9

Table 8 shows the trend in this so-called "social" assistance. The Community total for 1967 was 1,089,000m. units of account, an increase of 11.4% over 1966. The highest rate of subsidy per ton of coal produced is at present Belgium's (7.97 u.a. in 1967), while the Community average is 5.52 u.a. per ton, 18.2% above the 1966 level.

Table 9 — Direct State support (Articles 3-5)

	Amounts furnished			Changes			
				absolute figures		%	
	1965 (1)	1966 (1)	1967 (1)	1966/65	1967/66	1966/65	1967/66
Germany (Fed. Rep.) '000,000 DM '000,000 u.a. u.a./ton	81.8 20.4 0.15	142.0 35.5 0.27	546.9 136.7 1.11	+ 60.2 + 15.1 + 0.12	+404.9 +101.2	+ 73.6 + 80.0	+ 285.1 + 311.0
Belgium '000,000 Bfr '000,000 u.a. u.a./ton	886,0 17.7 0.90	2,725.1 54.5 3.11	4,413.1 88.3 5.48	+ + 36.8 + 2.21	+ + 101.2 + 2.37	+ 207.6 + 245.6	+ 61.9 + 76.2
France '000,000 Ffr '000,000 u.a. u.a./ton	214.8 43.5 0.85	329.8 66.8 1.33	659.5 133.6 2.73	+115.0 + 23.3 + 0.48	+329.7 + 66.8 + 1.40	+ 53.5 + 56.5	+ 100.0 + 105.3
Netherlands '000,000 Fl. '000,000 u.a. u.a./ton	— — —	25.0 6.9 0.67	45.0 12.4 1.38	+ 25.0 + 6.9 + 0.67	+ 20.0 + 5.5 + 0.71	— —	+ 80.0 + 106.0
Community '000,000 u.a. u.a./ton	81.6 0.37	163.7 0.78	371.0 1.88	+ 82.1 + 0.41	+207.3 + 1.10	+ 100.6 + 110.8	+ 126.6 + 141.0

(1) 1965 and 1966, actual disbursements; 1967, estimates.

182. As regards direct support for the industry under Articles 3, 4 and 5, some of the Government aid given in 1967 was for rationalization, both positive (Article 3) and negative (Article 4), but the bulk, as before, went on measures to help ensure that economic and social conditions in the areas affected by the contraction of the coal industry were not seriously disrupted.

Assistance under Articles 3-5 of Decision No. 3/65 for the whole Community totalled 371m. units of account, an increase of 126.6% on 1966. The average rate per ton of coal produced also more than doubled, from 0.78 to 1.88 u.a.

## OIL AND GAS

183. The Council carefully studied the Commission's memorandum of February 1966 concerning Community policy on oil and natural gas.<sup>(1)</sup>

At its fourth session on 10 July 1967 it took formal cognizance of the memorandum, and approved the report of the Permanent Representatives Committee as constituting the guidelines for future work in this connection.

184. The Council devoted particular attention to the following points in the memorandum.

The concept of security of supply, it held, should not be confined to the problem of ensuring that any shortfall could be made good in the event of an emergency, but should also take in a variety of economic considerations the implications of which with regard, in particular, to prices and to the balance of payments needed to be carefully gone into.

To achieve greater security of supply it was also necessary to consider what action should be taken to encourage a go-ahead approach in the Community to prospecting for crude oil. The Council felt, as did the Commission, that efforts must be made to devise the best means of enabling Community enterprises to continue competing on equal terms with the international companies.

185. The object in so doing, the Council specified, must not be to keep uneconomic oil enterprises in business artificially, but to see to it that there were a sufficient number of properly solvent enterprises operating in fair competition with one another.

Nor should the aim be to bar the Community market to third-country enterprises, which contributed to the Community's security of supply and should also continue operating on terms of competitive equality. In addition, the measures adopted must be in line with the general economic policies of the Member States and with their financial possibilities.

The Council disagreed, however, with the Commission's definition of "Community enterprises," as companies within the meaning of Article 58 of the Treaty of Rome possessing crude oil or natural gas resources of their own or undertaking exploration work on their own account. This, in the Council's view, did not accurately designate the enterprises deserving

---

(1) *Ninth (EEC) General Report*, sec. 140.

to be kept in being by appropriate action. The only enterprises qualifying in this respect were those whose fundamental interests automatically and at all times tallied with the Community's, and which were not entitled to claim the advantages allowed by their country of origin to subsidiaries established in the Community. This identity of interests existed more particularly where the enterprise was controlled by nationals or the Government of a Member State and its top decision-making was done in a Community country.

186. That the market must form a single whole was agreed by all, but opinion differed as to whether it was desirable to proceed with the implementation of certain provisions in the Treaty before a common oil policy had been established. Stress was, however, laid on the importance of seeing that there was no discrimination among the enterprises of Member States in the granting of exploration licences, operating concessions and licences to set up distributing stations. Harmonization of the Member States' tax regulations was also unanimously agreed to be desirable, though it should be borne in mind that oil taxation was not only a device in the armoury of energy policy but also a major item in State budgeting.

With regard to natural gas, the Council considered that, as the measures the Commission advocated were not confined simply to implementing the Treaty but amounted in effect to a first step towards the formulation of a common hydrocarbons policy under the 1964 Protocol, the danger of anticipating the final comprehensive energy policy was here a particularly serious one. It therefore took the view that the matter must be gone into further before any decision could be taken.

The Council approved the suggestion of continuing with the pooling of information already begun on such matters as investment in the oil and natural gas sectors, the present state of the law concerning these industries, and imports of oil from third countries.

The Council having thus made its views known and provided clarification as to the general line to be followed in framing a common policy for oil, the Commission was able to press ahead with its work in 1967. In the course of the year it

(a) laid before the Council, on 16 March, a draft directive on freedom of establishment in connection with prospecting and drilling for oil and natural gas.<sup>(1)</sup> The Council submitted the document for the opinions

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 29.

of the Parliament and the Economic and Social Committee, both of which expressed approval, the former in a resolution of 16 October, the latter on 28 November;

- (b) examined ways and means of preventing discrimination among nationals of the Member States in the granting of exploration licences and operating concessions;
- (c) saw to it that offshore operations on the parts of the Continental shelf adjacent to the Member States, more particularly to the Netherlands and Italy, were conducted in compliance with the Treaty of Rome;
- (d) continued studying with national energy and transport experts the problems arising with regard to the pipelining of hydrocarbons;
- (e) made a comparative examination, as in previous years, of the 1968 forecasts of imports from different sources, and of investment programmes concerned with the refining, transport and distribution of crude oil and of petroleum products.

## NUCLEAR ENERGY

187. The situation as described above has led the Commission to revise the estimates made in the first target programme published in April 1966, which listed an installed nuclear power of 40,000 MWe as the minimum objective for 1980. In view of the projects and aims of the Member States, it has now raised this figure to 60,000 MWe.

This advance in the field of nuclear energy is not likely to entail economic or social repercussions on the energy market in view of the steady rise in electricity demand. The installation of a nuclear capacity of about 60,000 MWe by 1980 should not prevent the quantity of fossil fuels intended for use in the production of electricity from doubling between now and then. Nuclear energy will continue to be an essentially complementary source of energy. As such it will be called upon to make an appreciable contribution towards solving the problem of ensuring dependable supplies for the Community. Apart from its favourable cost price, which is likely to drop even further as technology progresses, its main advantage lies in the high energy potential per unit weight of nuclear fuel. This is reflected notably in ease of transport, increased storage possibilities and the relatively small quantities of nuclear fuels which have to be imported. These quantities

will decrease even more when fast reactors are brought into operation. Finally, thanks to nuclear energy, a much greater diversification in imports is now possible.

It is these reasons which have prompted the Commission to follow the development of nuclear fuel supply prospects for the Community with special attention, with an eye to the formulation of a common nuclear energy policy, in which the supply of nuclear material will constitute an important factor.

### *Natural uranium supplies*

188. In the field of natural uranium, the increase in the Community's requirements will be the direct result of the recent increase in the estimates for the installation of nuclear power plants. On the basis of the latest estimates for the installed power within the Community in 1980, which is expected to rise to some 60,000 MWe, these requirements will be in the region of 90,000 tons of uranium metal for the decade 1970-80, throughout which period the needs of the Western world will be about 450,000 tons.

The world's uranium reserves which are at present known and can be mined at low cost run to about 580,000 tons, only a fraction of which could, according to the normal rules governing ore mining practice, be extracted in the period of time mentioned. The Community's portion of this total is small: its known resources are in the region of 35,000 tons, practically all of which are located on French territory.

189. In view of this new situation involving the lack of resources, a major effort has to be made.

Prospecting activities have admittedly been continued in France and resumed to a modest degree in West Germany and Italy, while public enterprises and organizations are at present devoting attention to the acquisition of resources from outside the Community. To this end a German consortium has concluded an agreement of limited scope with a Canadian company to carry out prospecting work in Canada on a joint basis. A French company is also prospecting there. An important result was gained from work in Niger: prospecting conducted by the French CEA over a long period recently resulted in the discovery of a deposit of about 30,000 tons. When mined, along with the French resources, it will be sufficient to meet that country's short-term requirements at least. France might also carry out ore explorations in Brazil or Spain.

However, viewed as a whole, the efforts made by Community enterprises to acquire independent resources are not sufficient to meet the future requirements of the Community's industry. Their activities in this field should therefore be stepped up without delay and dovetailed under a common supply policy.

### *Enriched uranium supplies*

190. On the enriched uranium front, the year under review saw the elaboration of further details concerning the conditions governing its procurement from the USAEC under a toll enrichment system, due to go into force on 1 January 1969. The USAEC has lowered the cost of the enrichment work compared with that forming the basis of the present scale of charges. Better utilization of the isotope separation installations will also help to reduce the quantities of natural uranium required for enrichment. These two factors will mean a roughly 5.5% cut to users in the cost price of enriched uranium (for a natural uranium price of \$ 8/lb of  $U_3O_8$ ), which corresponds to a drop in the cost per kWh of about 0.06 mill.

Only slightly less than half of the quantity of enriched uranium made available to the Community by the USAEC under the Euratom/US Agreement for Co-operation, namely, 70 tons of contained uranium-235, is at present covered by contracts. Nevertheless, in order to ensure medium-term supplies to users (until 1973) the Commission submitted a request to the USAEC at the end of 1966 asking for the ceiling to be raised to 215 tons of contained uranium-235. The US Congress granted this increase.

191. The latest estimates of the free world's installed nuclear capacity by 1980 indicate a considerable increase in the demand for enriched uranium. The current capacity of the American isotope separation installations will not be able to satisfy the total demand. New facilities will have to be brought into service before the end of the next decade.

Britain has decided to convert its enrichment facilities and to extend them gradually with a view to meeting the needs of its power reactor programme. Expansion on an even greater scale than that already decided upon, for which she is attempting to attract outside backing, would enable Britain to export enriched uranium and bring production costs into line with those of the United States.

192. The Commission proceeded with its preliminary survey to assess the feasibility of setting up an isotope separation plant for civil purposes within the Community.

Initial reactions from several interested quarters have been in favour of the Commission's initiative. The Community's lack of independence in an entire energy sector rightly arouses serious concern in connection with the reliability and stability of enriched uranium supplies, the structure of the nuclear industry and the Community's balance of payments.

On the basis of an estimate of the Community's needs which a European isotope separation plant would be required to meet, the studies carried out by the Commission envisage an installation with an output capacity of 7.5 million units of separative work (the capacity of the American plants is about 17 million units), to go into commission in 1980. However, if a plant were built with a capacity of about four million units—with provision for expansion—and brought into operation by 1975, this would do equally well. The maximum enrichment rate would be fixed at 3%.

In the first case the investments would, on the basis of a rough calculation, run to about 1,300 million u.a. for the plant and satellite installations.

A memorandum providing a concise list of the problems relating to the construction or possible conversion of an isotope separation plant within the Community has been forwarded by the Commission to the Consultative Committee on Nuclear Research. Its aim is essentially to define the problems and to initiate more detailed surveys.

During the session of 8 December 1967, the Council ordered a special working party of the Consultative Committee on Nuclear Research to examine the question of long-term enriched uranium supplies so that the Commission can submit suitable proposals to the Council.

### *Plutonium supplies*

193. As far as this fuel is concerned, civil requirements within the Community are likely to remain in excess of the Community's resources until the beginning of the next decade, in view of the construction of fast breeder prototypes already decided upon or still being studied within the Community.



These requirements will therefore have to be met largely by imports from non-member countries in which connection mention should be made of the negotiations embarked upon in 1955 with the USAEC with a view to upping the total ceiling provided for in the Euratom/US Agreement for Co-operation from 500 to 1,500 kg. As in the case of enriched uranium, the authorization procedure is now under way and it can be assumed that Congress will approve the requested amendment.

One important factor which has emerged from the talks relating to the increase is the fact that plutonium could be obtained partly from American private enterprise and not only from the USAEC. The operators of plutonium-producing power reactors seem to think that it is currently more attractive to sell this fuel than to recycle it in their thermal reactors or to stockpile it for fuelling their fast reactors.

194. The plutonium imported by the Community has so far come mainly from plutonium-producing reactors, the operational characteristics of which lead to a very high cost (\$ 43/g). The appearance on the market of plutonium from power reactors, along with the resultant increases in available supplies and diversification of sources, will make prices dip considerably.

This development deserves special attention, since plutonium is likely to lead to a long-term reduction in the Community's imports of nuclear fuels from non-member countries. A decision must consequently be taken within the context of a Community supply policy concerning the most rational method of employing the plutonium produced within the Community.

#### *Implementation of Article 76 of the Treaty*

195. The discussions in connection with the amendment of Chapter VI of the Treaty ("Supplies") are proceeding with the organizations which prepare the decisions taken by the Council of Ministers. The Commission regrets, however, that it has not yet been possible to adopt its proposals, concerning which the Parliament issued a statement during its session of 15 June 1965. The situation is all the more deplorable because it constitutes an obstacle to the formulation of concrete steps towards a common supply policy for nuclear fuels.

### *Safeguards and controls*

196. The trend towards an increase in the requirements of nuclear materials for the various industrial installations has inevitably had repercussions in the field of safeguards and controls.

Following the considerable expansion of the Community's nuclear installations and notably industrial fabrication facilities (reprocessing and fuel element fabrication plants), the quantity of special fissile materials controlled by the Commission has undergone a marked increase.

The system of safeguards and controls has continually been adapted to the new tasks facing it. In particular, it has been found necessary to alter control procedures according to the nature of the reprocessing and transformation of the special fissile materials.

By way of an experiment, the Commission has set up a system of continuous inspection which has been in operation since the beginning of the year at the Eurochemic plant at Mol. This type of inspection has proved to be justified.

New problems have come to light with regard to fuel element fabrication plants, relating notably to the processing of increasing quantities of special fissile materials and to the transition to the industrial stage of the fabrication of plutonium fuel elements. New methods are being used to reduce to a minimum the disturbance of plant operation by the control system; the aim being to use verification apparatus which is available on the spot whenever possible. Nevertheless in certain cases it has been necessary to step up the inspection procedures.

Finally, a short time ago the Commission carried out a number of spot checks.

197. As was the case last year, the bilateral agreements for co-operation concluded by the Member States have expired and have not been renewed. The agreements in question are those signed by Germany and the Netherlands with the United States. By transferring these bilateral agreements to the Euratom/US Agreement for Co-operation, the American government has renounced its right to conduct inspections on the territory of the States concerned. The Community itself assumes responsibility in respect of the peaceful use of these materials and itself carries out inspections.

The exchanges of views with the American representatives on the methods of control laid down in the international agreements have been furthered by the formation of a joint technical working group. Exchanges of views have also been arranged with Canadian representatives. In addition, the Commission was represented at a colloquium held by the International Atomic Energy Agency (IAEA) in Vienna in August 1967 with the aim of mapping out the scope and goals of a research programme concerning control methods to be carried out by the IAEA.

In order to discharge its ever-increasing duties in the field of inspection, the Commission has pursued its endeavours to obtain more staff for this work and to provide inspectors with the most efficient technical facilities available.

The number of inspections carried out in 1967 was 117.

## **Industrial policy**

### **INDUSTRIAL STRUCTURE POLICY**

198. One of the Community's fundamental tasks at the present time is to work out a coherent industrial policy. In its Tenth General Report<sup>(1)</sup> the EEC Commission indicated the general aims: further improvement of overall productivity, the maintenance of a high level of employment and the strengthening of the competitiveness of Community firms vis-à-vis those of non-member countries. These aims will entail suitable measures to facilitate adaptation to changing economic and technical conditions while avoiding the emergence of new distortions of competition within the Common Market.

The legal and fiscal aspects of an industrial policy concern the creation of a framework adapted to the requirements of a large market. The competition side covers policy on restrictive business agreements, industrial combination and State aids. An industrial policy must also link up with energy policy and regional policy. For the rest, the aims may be grouped around four themes: the size of enterprises, corporate financing, research, and management.

---

<sup>(1)</sup> Introduction, II, C.

A single market is a great asset to Community industry in that it enables the latter to operate on a large internal market. However, apart from the establishment of the customs union, the setting up of this single market presupposes the disappearance of obstacles to the free movement of goods, resulting in particular from differences in customs, technical and tax legislation which prevent Community enterprises from benefiting fully from the widening of the market.

Furthermore, the position of the Community enterprises in the face of internal and international competition will be made more difficult as from 1 July next with the abolition of intra-Community duties and the establishment of the common customs tariff, the rates of which will be lowered as a result of the first reductions agreed to at the Kennedy round.

In addition, keener competition may be expected on the markets as a result of the devaluation of sterling and other currencies as well as of the measures envisaged by the United States Administration to bring its balance of payments back into equilibrium. In particular, the restrictive measures taken by the United States with regard to capital movements may well aggravate the problem of corporate financing in the Community.

There are, then, a number of reasons why the Community should take action not only to promote the efficient working of the single market without discrimination or distortion of competition but also to enable enterprises to operate under better conditions with regard to scale, financial resources, research capacity and management.

The new requirements of the market entail the adaptation of corporate structures in the Community. The trend towards industrial combination which has developed rapidly in recent years has mainly concerned companies of the same nationality. Nevertheless, it quite often happens that Community firms can only reach the required scale by *international* mergers or amalgamations. It is therefore important that measures should be taken in the fields of company law, taxation and competition policy, so that, while competition is properly safeguarded, the obstacles to the combination of firms of different Member States may be removed.

Industrial combination is not, however, a cure in itself; it should be accompanied by reorganization measures designed to increase both the financial resources and vitality of the newly created units.

The strengthening of corporate financial resources in the Community is one of the key problems. For lack of financial resources well-run, energetic Community enterprises are often compelled to place the control

of their affairs in the hands of much more powerful groups; this is why it is necessary to create a genuine and efficient Community capital market and to make it easier for firms to finance operations from their own resources.

Greater financial resources should also enable companies to step up research. International competition is more and more concerned with the technical qualities and the novelty of the products and it is therefore of capital importance that industry in the Community should spend a good deal more on research and development.

It is not enough, however, to establish companies of the right size possessing considerable financial and research resources. It is also essential that modern and energetic management techniques should be used to ensure that the best use is made of available resources. There are of course many European firms which, as far as management is concerned, are in no way surpassed by American firms; others, however, are far behind and it is important that they should catch up.

199. With a view to establishing a policy on the structure of industry, the new unified Commission decided, once the merger Treaty had entered into force, to lay more emphasis than in the past, in the organization of its departments, on the objectives and methods defined in the Tenth (EEC) General Report. By setting up directorates-general to deal with industrial affairs, research and technology, competition, right of establishment, taxation, approximation of legislation, regional policy and energy policy, it has organized its departments to cope with these requirements while the guidance and co-ordination of their activities as a whole are carried out by a new Group for industrial questions set up within the Commission.<sup>(1)</sup>

The Commission will devote special attention to a number of industrial questions, in the first place that of *research and advanced technology industries* such as electronics, the importance of which is now fundamental in modern economic life. In these industries the key to competitiveness is capacity for innovation. This is a field in which, in view of the limited resources available in each country and the relative narrowness of the national markets, it can be particularly advantageous to pool efforts being made in the Community.

---

(1) The membership of this group is given in sec. 598.

It should also be noted that, with regard to these industries, the mere abolition of the customs barriers and protection against external forces has only a very limited effect and that the creation of a true domestic market therefore will not be enough to ensure the free movement of the products, sales of which are generally governed by political decisions. This is all the more important because the development of these industries will determine to a very great extent the future of Community industry as a whole.

Several other important branches of industry are to be studied. The Community's *aircraft and space industry* seems to be chiefly handicapped by the narrowness of the national markets as well as by the inadequacy of the financial resources available compared with those of American industry. In other fields in which research and development are of decisive importance, limitation of financial resources is hampering research work in industry in the Community. The Commission will have a special study made in this field.

200. It is moreover imperative to study the implications of—and work out ways of overcoming—certain problems peculiar to those industries which a few decades ago still formed the backbone of European industry<sup>(1)</sup> and which have now run into difficulties owing to structural changes brought about by the development of techniques and by modifications in demand.

The Commission has concentrated mainly on the textile, lead and zinc, machine-tool, paper and paper-board, and shipbuilding industries.

In the *textile industry*, the comprehensive study which was carried out in 1966 and discussed with the representatives of the Governments and of both sides of industry and in the Medium-term Economic Policy Committee was supplemented with analyses of the main branches of the industry; a new, more detailed paper will be submitted to the Member States within the near future.

With regard to the *paper and paper-board industry*, the Council decision adopted in 1966 during the Kennedy Round<sup>(2)</sup> led the Commission to study with the industrialists concerned the bases of a Community policy

---

<sup>(1)</sup> Policy for the steel industry is discussed below.

<sup>(2)</sup> Sec. 488.

in this field. The French Government applied to the Commission for an extension until 30 June 1968 of the aid system in force in France<sup>(1)</sup>; at the same time the French Government informed the Commission that it is studying a new aid system which is to be introduced on 1 July 1968.

The Community *lead and zinc industry* is beset by serious difficulties partly owing to the wide price fluctuations which are normal on the market in these metals and partly to the difficulty of obtaining ores at prices consonant with the competitiveness of the industry. As early as 1963 the Commission had made certain proposals to the Council designed to enable the conditions of competition in this industry to be improved. Owing to the better situation on the world market, the Council did not consider it advisable to take a decision at that time. The Commission has again been informed that there are certain signs of fresh difficulties which may affect the activity. In close co-operation with the Member States, the Commission will therefore keep developments in this industry under careful review. The Commission has embarked upon a new round of consultations with the Member States and the representatives of the industry.

Lastly, the Commission is carrying out studies on the problems arising in other industries. It has asked a research institute to make a survey of the Community's *cutlery industry*. This industry—mostly small and medium-sized firms—is finding it difficult to adapt to keener international competition.

The Commission has requested that studies be made covering two other industries (*machine tools and canning*). These industries have favourable growth prospects but appear to have run into serious difficulties owing to structural rigidities or the technological progress made by their chief competitors on the world market.

As part of the studies to determine the guidelines for a Community policy on the structure of individual industries, the Medium-term Economic Policy Committee has continued its work on the *shipbuilding* and *electronics industries* with a view to defining, in the second programme, policy guidelines for the two industries.

---

<sup>(1)</sup> Sec. 70, *in fine*.

## TECHNICAL HARMONIZATION

201. The final aspect of the Commission's policy in this field is the elimination of technical obstacles to trade by the harmonization of the relevant provisions. The main object of the work carried out in various sectors for several years is to facilitate mass production by harmonizing technical standards. The Commission continued its activity in these fields.

The Commission drafted a general report on the problems connected with the elimination of the obstacles due to technical regulations. It is to submit this report to the Council during the first quarter of 1968.

The Commission proposes an action programme concerning the measures to be adopted before the end of the transition period. With a view to the implementation of this programme, it will submit concrete proposals and, in particular, a draft decision concerning the "*status quo*" and draft resolutions for the mutual recognition of inspection procedures and the adaptation of directives to technical progress. Other problems, such as the settlement of disputes between Member States, the free movement of products originating in non-member countries and the simplification of the consultation procedures and procedures for the adoption of directives by the various institutions, are also discussed in the report.

It explains the various methods that can be adopted according to the nature of the obstacles encountered, having due regard to the characteristics of the industries in question.

The Commission's new approach to harmonization work consists in the submission to the Council of homogeneous sets of proposed directives which should enable the bulk of the obstacles to be eliminated through three or four decisions spaced out as far as the end of the transition period.

202. The programme embodying the new approach specifies for each scheduled expiry date the harmonization sectors proposed to the Council. In drawing up a time-schedule, the Commission took into account the scale of the obstacles and the value of their elimination for the sector in question.

The programme provides for four stages : the first set of proposed directives will be submitted to the Council early in 1968; three other sets must be submitted before the end of 1969.



The sectors for which the Commission is submitting proposed directives by the first expiry date are as follows: motor vehicles, farm tractors and machinery, pressure appliances, crystal glass and electrical machinery and appliances.

In the *pressure appliances* sector, the elimination of obstacles was begun by the submission of a proposed outline directive. The latter is accompanied by specific proposed directives concerning steel gas cylinders.

The problems arising in the *crystal glass* sector concern the designation and classification of this type of glass. The adoption of the proposed directive will eliminate the present obstacles through the standardization both of the composition of crystal glass and of the names used. In the interests of the consumer, harmonization will improve information available to the public on qualities and prices.

In the *electrical machinery and appliances* sector, the main object of the present provisions is to protect the user. The methods selected differ widely from one country to another and vary in scope. Most of the obstacles are those affecting low-voltage equipment. This is why the Commission is submitting for the first stage a proposed outline directive to provide for the free movement of products which meet the harmonized standards and are tested in accordance with Community procedures. The harmonization of standards has been entrusted to the European Commission for the co-ordination of electro-technical standards in the EEC Member States (Cenelcom).

The harmonization work which concerns these sectors will be completed during the subsequent stages.<sup>(1)</sup> Steps having the same object are also being taken in other fields. Harmonization work still to be effected in other sectors will be carried out gradually by directives to be submitted to the Council during the subsequent stages. This applies in particular to measuring instruments, precious metals, oil and gas pipe-lines, artificial fertilizers, textiles and non-electrical equipment for heating, cooking and the supply of hot water.

In all these sectors, except for that of crystal glass, the Council's decisions on the proposed directives will concern the abolition of only the most serious obstacles. The others will be abolished during the subsequent stages.

---

(1) Sec. 24.

The directives concerning the authorization<sup>(1)</sup> of *motor vehicles* represents a substantial step forward on the road to the abolition of obstacles to intra-Community trade in vehicles. Furthermore, it will be possible to use and market equipment dealt with in special proposed directives without repeating the tests.

The authorization directive will be accompanied by a number of special proposed directives concerning *inter alia* lighting and signalling equipment<sup>(2)</sup> and the permitted degree of noise. The arrangements for mutual recognition of vehicle authorizations will be practically complete after the second stage, since the harmonization programme provides that the remaining directives will be submitted to the Council before 1 July 1968.

Work on the abolition of existing obstacles will entail the solution of similar problems in respect of *farm tractors*. The proposed directive on the authorization of tractors is accompanied by a number of special directives concerning, in particular, lighting and signalling equipment, the technically permissible total loading weight, the towable weight, driving mirrors and other accessories, and projecting moving parts.<sup>(3)</sup> All the present obstacles in this sector will have been eliminated by the end of the second stage.

203. Having examined drafts communicated to it in advance by Member States in accordance with its recommendation of 20 September 1965,<sup>(2)</sup> the Commission endorsed, as to essentials, a Belgian draft royal decree amending Article 393 of the general regulation for the protection of workers and a German draft law on explosives.<sup>(3)</sup>

The Commission reminded the two Governments that these drafts must be entirely compatible with the directive on the approximation of laws and regulations relating to the classification, packaging and labelling of dangerous substances adopted by the Council on 27 June 1967.<sup>(4)</sup>

#### SMALL AND MEDIUM-SIZED ENTERPRISES : CRAFT INDUSTRIES

204. Further to conversations held with government experts on the basis of a document entitled "Survey of the situation of small and medium-

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 92.

<sup>(2)</sup> *Official Gazette*, No. 160, 29 September 1965.

<sup>(3)</sup> *Tenth (EEC) General Report*, sec. 90.

<sup>(4)</sup> *Official Gazette* No. 196, 16 August 1967.

sized industrial enterprises in the EEC countries,"<sup>(1)</sup> reports giving a complete account of specific measures applying to small and medium-sized enterprises were submitted by the Member States. On this basis, the Commission intends to consider the feasibility of harmonizing the different measures and to carry out preparatory work with a view to action at Community level by the Governments and the Commission on behalf of small and medium-sized enterprises.

With regard to craft industries, the Commission is studying the possibility of setting up a liaison committee, on which the Union of Handicraft Workers in the EEC and officials of the Commission would be represented on an equal footing, in order to facilitate contacts with craft associations and to improve the co-ordination of the work being carried out by the Commission's various departments.

## POLICY FOR STEEL INDUSTRIES

### *State of the iron and steel market in 1967*

205. Community steel consumption increased very slightly in 1967 (0.8% compared with 1966) whereas general industrial production rose by 2.5% and national income, at constant prices, by 2.8%. This difference is due, in particular, to the slackening in the rate of expansion of several important industrial sectors which are traditional consumers of steel and to the reduction in quantity and value of the relative proportion of steel in finished industrial products.

This tendency has not been uniform, however, in the various member countries: in Germany, steel consumption decreased by 7.4% compared with 1966 owing to the decline of business in the manufacturing industries; in Italy, on the other hand, it shot up by 17%. In France and the Benelux countries steel consumption rose by 2.8 and 1.4% respectively.

Intra-Community trade in steel increased in 1967 to 24.4% of the apparent consumption (compared with 19.8% in 1960 and 16.9% in 1955). Of every four tons of steel consumed in the Community one ton originates in another member country. Imports from non-member countries have declined during recent years. Whereas in 1963 they had attained the

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 61.

unprecedented level of 4.2 million ingot tons, in 1967 they amounted to no more than 2.9 million tons. Imports therefore now represent only 4% of apparent consumption. Owing to price alignments, they still have a considerable effect on the prices charged within the Community.

Exports to non-member countries reached 19 million ingot tons compared with 16.4 million tons in 1966, and amounted to 36% of total world trade in steel, compared with 34% in 1966. It should nevertheless be recalled that the corresponding market share in the 1950s was about 47%.

206. Owing to increased exports, the Community's crude-steel production rose from 85.1 million tons in 1966 to 89.8 million tons in 1967. As production potential increased less rapidly, the rate of utilization was not only maintained but showed a slight improvement (80% compared with 79% in 1966). Despite this, idle capacity in ECSC exceeded 20 million tons at the end of 1967. Idle capacity in the world at large in 1966 totalled 75 million tons, compared with 61 million tons in the previous year, a consequence partly of the extensive construction of new steelworks and the slower rate of increase in the steel consumption of certain countries.

In the summer of 1967 the High Authority published a report on the investment plans and production potential of every country in the world<sup>(1)</sup> —with the outlook up to 1970—in order to provide the iron and steel industry with fuller information for drawing up its investment plans and to help prevent further aggravation of the imbalance.

207. As before, internal Community prices tended to be depressed during the year under review by the substantial surplus on offer. The steel industries' reorganization and rationalization drive did admittedly make possible a certain hardening in the prices actually charged, but during the summer further cuts had to be made in the published schedules. The steady pressure on steel prices is also reflected in the increased volume of alignments on quotations from non-member countries, which rose from a monthly average of 98,000 tons in 1966 to an average of 155,000 tons in 1967. In spite of a fairly favourable business climate on the world market, export prices continued to fall. Towards the end of the year, the large surplus on offer caused export prices for various products to go down still further.

---

(<sup>1</sup>) Doc. No. 1500/67 of the Publications Department of the European Communities.

*Measures to stabilize the  
common market for steel*

208. In view of the trend in the common market for steel, the Community and the Governments once more renewed (with minor amendments) or maintained in force during 1967 the following measures adopted in 1963 and 1964 :<sup>(1)</sup>

- (i) Increase in the external duties of the Member States to the level of the Italian import duties, which average 9%;
- (ii) Imposition of quantitative restrictions on imports from State-trading countries;
- (iii) Prohibition of alignments of prices on quotations from such countries.

209. The High Authority did not confine itself to renewing these measures, but took additional steps to stabilize the Community steel market. The new arrangements, which relate both to tonnages and prices, are not in the nature of direct intervention, but place the main emphasis on self-discipline among producers.

With regard to tonnages, the High Authority made more and more use of its quarterly guidance programmes to help improve market equilibrium. Various refinements were introduced in the statistical and forecasting methods employed, to ensure that the programmes accurately and promptly reflected developments as they occurred. This work, which will be continued, enabled the High Authority, and later the Commission, to make the programmes fuller and more detailed, as a means of helping to restore market equilibrium.

With regard to prices, the High Authority by Decision No. 9/67 of 1 June 1967<sup>(2)</sup> made it compulsory for iron and steel firms to declare the invoice prices for their deliveries. This decision supplements and amends Decision No. 21/66, the implementation of which had been held over.<sup>(3)</sup> The new obligation was introduced owing to the steady erosion of prices, as a result of which many enterprises were no longer charging their schedule prices at all. The decisions taken should enable a clearer

---

<sup>(1)</sup> Previous (ECSC) General Reports, Ch. I "External Relations" and Ch. III "The Common Market for Steel."

<sup>(2)</sup> *Official Gazette* No. 111, 10 June 1967.

<sup>(3)</sup> *Fifteenth (ECSC) General Report*, sec. 199.

picture to be obtained of the prices actually charged. In addition, spot checks at enterprises were stepped up in an endeavour to preserve a certain price discipline.

210. The High Authority's efforts were supported by the *ad hoc* Committee on Steel Problems, consisting of representatives of the Governments and of the High Authority. The Committee, which was set up in 1966, went ahead with its work and in February 1967 submitted a report to the Council of Ministers on the situation of the Community iron and steel industry, together with a list of contingency measures. The Committee's conclusion was that if the price slide were to continue it would reach such proportions that the Community steel industry would quite possibly find itself unable to afford the necessary modernizations.

At its session on 16 February 1967, the ECSC Council requested the Committee to include in its report proposals for practical action which, though necessarily of a long-term nature, would nevertheless serve at least to lessen the immediate difficulties.

211. The Committee suggested various measures, and also urged that certain existing High Authority arrangements be reinforced. Some of its proposals were for the attention of the enterprises, and some for that of the High Authority and the Governments. Those for the enterprises mainly concerned possible ways of ensuring more efficient utilization of the capacity available, more particularly by means of specialization and rationalization agreements on production and distribution, though without prejudice to considerations of size and location in the event of entirely new plant being installed. The suggestions addressed to Governments and the High Authority were that they should help the enterprises to overcome their structural problems by providing detailed guidance as to capital spending and encouraging the steps being taken to reduce the number of independent decision-making centres and to scrap some of their present capacity. In addition, it was suggested that they continue promoting technical research of all kinds and preparing readaptation and redevelopment programmes; another direction in which they could be of assistance would be the encouragement of efforts to familiarize workers with the new techniques being developed. The Committee also proposed that the member countries' own programmes for the iron and steel sector be regularly examined as to their conformity with the General Objectives of ECSC.

In the shorter term, the Committee noted the steps taken by the High Authority to improve the guidance programmes and extend them to cover a wider range of iron and steel products, and suggested that in future they be drawn up in co-operation with representatives of the Governments. As regards prices, it proposed that enterprises be asked to line up the layout of their schedules for the sake of better market transparency. It urged the Community to keep up its spot checks as a deterrent to infringements of Article 60 of the ECSC Treaty. In conclusion, it was stressed that the Community steel producers should not engage in ruinous competition on the world market by excessive undercutting.

At its session of 5 June, the ECSC Council substantially endorsed the report, and instructed the Committee to examine just how the structural adjustment of the steel industry was proceeding. In particular, the Committee is to do the necessary groundwork to enable the various Government arrangements to be compared and structural problems to be discussed at regular intervals; in addition, it is to consider the cyclical aspects involved in seeking to restore more balanced conditions in the steel market.

### *Co-operation with steel consumers*

212. In accordance with its steel policy, the High Authority, and subsequently the Commission, encouraged the steel industry's efforts to offer its customers, and particularly the growth and potential growth sectors, products and services better tailored to their requirements.

The High Authority and the Commission, in co-operation with the steel producers and consumers, accordingly drew up a programme for conducting technical and economic research, disseminating information and doing away with various administrative difficulties impeding progress on a number of fronts in the industry. Action taken in this connection includes :

- (a) *Technical and economic research*: organization of a competition to promote new processes calculated to assist the industrialization of the building trade; examination of steel marketing arrangements and methods in the Community; formulation of a method of forecasting the effects of innovation on the raw materials industries;
- (b) *Dissemination of information*: organization of the Fourth Steel Utilization Congress, which will provide an opportunity for different sectors of industry to compare notes among themselves and with

the research centres, thus offering delegates a picture of the latest advances in metallurgical research;

- (c) *Elimination of administrative difficulties*: examination of ways and means of bringing up to date the regulations on wind- and snow-proofing and on road bridges.

Some of these ventures, for instance the housing design competition and the Steel Congress, extend well beyond the normal range of the Community's activities. However, this comprehensive approach is definitely essential if they are to enable the industries concerned to share in and benefit from the technological progress of today.

### *Progress in standardization*

213. Further considerable strides were made in 1967 in the establishment of quality requirements for steel. Two particularly important Euronorms were finalized and published, namely

Euronorm 25: Sections, merchant bars, plate and wide strip of 3 mm. and over, universals in the general-purposes constructional grades;

Euronorm 32: Sheet and wide strip of non-alloy mild steel for deep-drawing and cold-bending.

These two standards between them lay down the quality requirements for nearly half of the Community's finished rolled products. The work on a number of other standards has been completed or is well advanced. Several Euronorms concerning sizes and tolerances of merchant bars have been adopted practically as they stood by ISO (International Standardization Organization). This represents considerable progress towards a universal set of standards for the iron and steel industry.

### *Raw materials of the iron and steel industry*

214. Community pig-iron production during the year was 6.7% higher than the year before, in consequence of increases in Italy and the Netherlands, and to a lesser extent in Germany and Belgium. Pig-iron prices again declined owing to the larger number of alignments on quotations from non-member countries.



In pursuance of Recommendation No. 1/66, the specific duty on imports of foundry pig was reduced from 7 to 5 u.a. for the period 1 January 1967 to 31 December 1968. Following consultation with the Governments, the quotas for foundry pig were replaced for the year 1967 by quotas for special types of foundry pig. As part of its half-yearly tariff measures, the Community also authorized the importation, over and above the quota chargeable at the harmonized rate, of a given tonnage of this product at an even lower rate of duty (Decision No. 24/67). These changes have enabled the Community enterprises to contribute a larger proportion than previously of the common market's supply of foundry pig, especially in Italy.

215. During the last few years there have been surpluses of various kinds of scrap in some parts of the Community, while Italy, on the other hand, continues to suffer from a chronic shortage. At its session on 18 December 1967 the Council of Ministers agreed that in the present circumstances it would be advisable to rescind or suspend the ban on the export of scrap, but decided that the Member States should be able to request permission to export certain qualities of scrap not readily saleable within the Community. Accordingly, a number of applications by Member States to export a total of 27,000 tons were approved unanimously.

216. In the iron-ore market, the structural changes which have been in progress for some time continued during the year under review. The use of inexpensive high-grade ores imported from non-member countries led to a further decline in the consumption of indigenous ores. The proportion of ores of external origin in the total Community supply (in terms of Fe content) rose to 63.8%.<sup>(1)</sup> Sales of indigenous ores are becoming increasingly confined to the immediate neighbourhood of the orefield: intra-Community trade now consists solely of sales by the French mines to Belgium, Luxembourg and the Saar, and was down in 1967 by 8% as compared with 1966. Cutbacks and closures, combined with rationalization and higher productivity, caused the labour force to shrink by another 2,800 in 1967.<sup>(2)</sup> The surplus on offer on the international ore market brought down the average cif price per Fe unit from 17.7 to 16.3 US cents. In order to adjust themselves to this situation the Lorraine mines reduced their price ex mine, which in 1965 had stood at 9.707 cents per Fe unit, to an average of 8.093 cents per Fe unit for the first nine months of 1967.

---

(1) First nine months.

(2) Ten months.

### Investment policy : coal and steel

217. As is clear from the foregoing sections on energy policy and industrial policy, some structural problems cannot be overcome purely by the free play of market forces, and it is therefore necessary to work out the best ways of tackling them, in the context of the ultimate merger of the three Communities. The experience of ECSC offers food for thought in this connection, in view of the important place which the coal and steel industries occupy in the Community economy, the scale of the problems there, and the variety of the instruments employed during the last fifteen years.

The coal and steel industries account for nearly 10% of the total industrial production of the six countries. Their markets are highly sensitive to cyclical fluctuations and pressure of world competition. Their production processes are such as to allow little scope for adapting their rates of operation to current circumstances, and at the same time oblige them to be constantly installing more and more powerful plant. Consequently, their capital outlay is very large, and is devoted to projects which often take several years to complete. To lessen the risk of either over- or under-investment on the strength of short-term market movements, the Treaty of Paris established arrangements for co-ordinating capital spending and encouraging enterprises to adjust their plans as necessary. As part of the system of issuing "General Objectives" (Article 46 of the ECSC Treaty)<sup>(1)</sup> laying down the broad outlines of investment policy, the Treaty equips the Community Institutions with three sets of powers.

218. For intelligence purposes, under Article 47, the Commission each year conducts a *survey of investment* as effected and planned by the coal and steel enterprises at 1 January. Detailed particulars are recorded of the expenditure by companies on assets, its results for their production potential, and new projects envisaged for the years ahead. A report is then compiled and extensively circulated in the quarters concerned, comparing the production potential being planned by the enterprises with the requirements to be expected and noting such adjustments as appear to be called for.

219. The Community's function is not, however, confined to publishing studies designed to keep the enterprises abreast of developments and so help them to plan their capital spending to their own and the Community's

---

<sup>(1)</sup> Secs. 110 et seq.

advantage : Article 54(3) of the Treaty of Paris also requires it to bring influence directly to bear "in order to encourage the co-ordinated development of investment."

Like the High Authority before it, the Commission receives *prior declaration of investment projects* involving sums over a given amount, namely 500,000 u.a. in the case of new plant and 1,000,000 u.a. in the case of replacements and conversions. Article 54(4) provides that the Commission may issue *reasoned opinions* on the merits of such projects from the point of view of the General Objectives. The opinions are purely advisory, and their contents are not disclosed, but they are notified to the Governments and lists of opinions issued are published periodically in the Official Gazette of the Communities.

Closures in prospect have similarly to be declared to the Commission.<sup>(1)</sup> Also, in view of the alterations which frequently have to be made in the original schemes while these are actually in hand, enterprises are required to forward to the Commission detailed reports on the progress of projects declared earlier. Declarations of closures and progress reports were made compulsory by High Authority Decision No. 22/66 of 16 November 1966.

220. The Community's appraisals can and do on occasion cause enterprises to revise or even to scrap projects which appear unduly ambitious or risky in view of parallel schemes elsewhere. They do not, on the other hand, encourage them to go ahead with certain projects which would be of value from the Community's point of view but for which it is difficult to find the capital. In cases of this kind Article 54(1, and 2) empower the Commission to furnish *financial assistance* to the enterprises, either by lending to them direct, by guaranteeing loans raised by them from other sources, or by arranging for banks to grant them medium-term loans against Community funds deposited there.

### *The annual investment survey*

221. Each year since 1956 the report on the annual investment survey<sup>(2)</sup> has been sent to the ECSC enterprises, the Members of the European

---

(1) Decision No. 22/66, *Official Gazette* No. 219, 29 November 1966 (corrigendum to the French text, *Official Gazette* No. 227, 7 December 1966).

(2) *Investment in the Community Coalmining and Iron and Steel Industries : Annual Report*.

A recapitulation for the years 1956-66 gives a full picture of developments as recorded in the first eleven surveys.

Parliament, the appropriate Government departments, the employers' and workers' associations, and others immediately concerned.

The results of the 1967 survey may be summarized as follows.

Table 10 — Capital expenditure in the ECSC industries, 1954-68

('000,000 units of account)

Sector	Actual expenditure								Estimated expenditure as at 1 January 1967	
	1954-59 (annual)	1960	1961	1962	1963	1964	1965	1966	1967	1968
Coalmining industry	434	371	380	366	325	291	278	245	250	197
Plants producing B.K.B. and low-temperature brown-coal coke	5	6	4	6	9	8	8	4	5	4
Iron-ore mines	39	43	52	47	28	24	25	16	17	16
Iron and steel industry	581	775	1,123	1,230	1,480	1,315	932	837	838	586
Total	1,059	1,195	1,559	1,649	1,842	1,638	1,243	1,102	1,110	803

According to the collieries' figures, coal production potential will by 1970 have been reduced only to 198m. tons: this is still some way above the foreseeable demand, which in any event will come more and more exclusively from the steel industry and the power stations. Iron-ore production will continue to dwindle, at an average 2.2% a year. The steel industry looks forward to fairly sustained growth in the next few years, bringing its potential to 121m. ingot tons by 1970: this is, however, slower than the expansion averaged from 1952 to 1966.<sup>(1)</sup>

One of the investment report's general observations worth noting here is that, since plant modernization almost invariably involves increases in capacity that bear little relation to the expected trend in demand,

<sup>(1)</sup> See 1967 survey, Fig. 1.

efforts have been made with some success by the High Authority, and later the Commission, to get enterprises to consult together on their investment plans, in order to prevent the development of overcapacity as far as possible. The Treaty of Paris offers two possibilities for influencing industry in this way, which are dealt with in more detail below: the Executive can issue reasoned opinions on the larger investment projects, which have to be declared to it three months in advance of the start of operations, and it can provide loans or guarantees towards the projects considered to be the most valuable to the Community as a whole.

### *Declarations of investment projects*

222. The expenditure and tonnage figures emerging from the declarations received in the course of a given year do not tally with the particulars assembled in the annual survey. The survey covers all capital expenditure planned, whether embarked on, approved, or (in the case of the two mining industries) merely contemplated. The declarations, on the other hand, are required only in respect of projects representing complete schemes definitely scheduled to be carried out by the enterprises; the operations concerned frequently, especially in the coal industry, extend over a period going beyond that covered by the annual survey, and, moreover, projects involving an estimated expenditure below the levels mentioned are not declarable.

### *New projects*

223. The aggregate value of projects declared in 1967 (including changes notified in earlier ones) was approximately 752m. u.a., with Italy accounting for 312m., France for 202m., Germany for 193m. and Benelux for 45m. This is in the neighbourhood of the average over the years since prior declaration was introduced, 791m. u.a. (*see Table 11*).

The figure for the *coal industry*, 55m. u.a., is far below the average for 1956-66—141m. u.a.—and is indeed nearly 50% less than in either 1966 or 1965. Most of the expenditure concerned is to be on the pithead power-stations, several projects being for the joint construction of large-capacity stations; the rest, on the pits themselves, mine-owned coking-plants and so on, is principally for the rationalization of coal winning and coal preparation.

Table 11 — Aggregate value of projects declared

('000,000 units of account)

Year	Coal-Mining industry	Iron-ore mines	Steelworks-owned coking-plants/Burden preparation/Blast-furnaces	Steelworks proper	Rolling-Mills	Generating plant and miscellaneous (steel industry)	Total
1956	205	9	240	135	189	74	852
1957	177	25	110	26	85	31	454
1958	251	16	173	48	125	64	677
1959	167	8	115	17	302	61	670
1960	146	6	322	357	930	193	1,954
1961	173	10	214	166	799	182	1,544
1962	87	—	140	58	268	87	640
1963	72	—	24	26	87	— 6	203
1964	43	—	43	120	256	82	544
1965	121	—	116	86	293	94	710
1966	112	1	56	18	261	2	450
1967	55	—	216	131	252	98	752

The outlay declared for the *steel industry* in 1967 amounted to 697m. u.a., slightly above the 1956-66 average of 650m. Extensions to two integrated coastal plants in Italy and France, however, account respectively for 295m. and 97m. of this total, the object in these two cases being to bring capacity at all stages of the production cycle into line with that of the largest items of equipment installed when the plants were built.

Pig-iron production and general services were well to the fore, with 31% and 14% of the industry's capital spending. Expenditure on the steelworks proper (for crude-steel production) represents 19% of the total, allocated almost entirely to the expansion of oxygen steelmaking capacity. The share of the rolling-mills is down to 36%.

The majority of the projects are aimed only at stepping up productivity, but some of them involve a substantial increase in future production potential. According to the figures declared, the aggregate additions to annual potential work out at 7.3m. tons for sinter, 4.3m. for pig-iron and 3.8m. for crude steel. This last is the net increase, made up of 8m. tons for oxygen-blown and 300,000 for electric-furnace steel, minus some 3m. tons for basic Bessemer and 1.5m. of open-hearth capacity which is to be taken out of service. Actually, much of the open-hearth capacity scheduled to be scrapped could still quite well be used given the amounts of pig-iron

available, so that it would probably be more accurate to reckon on an extra million tons potential in this sector, bringing the increase for crude steel to 4.8m. tons in all.

The reason for this expansion in the various potentials is that a number of plants have been seeking to bring their overall practical capacity up to the level in theory already existing at particular stages in the production cycle. It must be emphasized once again that it is very difficult indeed to modernize a plant and eliminate bottlenecks without causing often quite excessive increases in potential, unless the additions are somehow offset by countervailing measures within the Community.

### *Scrapping of capacity*

224. By the terms of Decision No. 22/66, enterprises have since 1 January 1967 been required to declare disinvestment projects whereby capacity is to be taken out of service. It would appear that plans of this kind are not in fact being declared so conscientiously as those for new investment. However, it is true that the latter have been declarable for more than ten years, and that in the early days it was occasionally necessary to impose fines in order to secure compliance.

Declarations received to date for the coal industry indicate the coming closure or partial closure of twenty pits with an aggregate potential of 15.3m. tons and five mine-owned coking-plants with a potential of 4m. tons, in addition to various colliery surface installations. In the iron-ore industry three mines with a combined potential of about 2m. tons are to close altogether. On the steel side sizeable slices of obsolete and obsolescent capacity are to be scrapped, mainly basic Bessemer converters, open-hearth furnaces and hot section and sheet mills.

### *Reasoned opinions*

225. Under Article 54(4) of the ECSC Treaty, the Commission may, and if specifically requested by the enterprise in question must, issue reasoned opinions concerning investment projects of particular relevance for the purposes of the Community's General Objectives. The Commission views the projects in the context of any rival schemes on hand and indicates whether there has been a tendency to be too much or too little influenced by the movement of the market. In this way it is able to caution enterprises

against the risk of overcapacity or of installing equipment which will clash with other equipment elsewhere. In addition, if need be, financial aid can be provided for the most worth-while projects.

Most of the 70 projects declared in 1967 were for the renovation or extension of existing installations and did not call for opinions. Eighteen High Authority and Commission opinions were, however, issued on those which it was felt did require comment, and a further five were under examination at the end of the year, the Commission seeking to reconcile the general need to avoid increasing overcapacity in the Community steel industry as a whole with the natural desire of individual enterprises, for the sake of efficient utilization, to have their capacity fully proportionate throughout the production cycle.

Of the 18 opinions issued to ECSC enterprises, only one, for the extension of a power-station, concerned a colliery project.

The 17 which were sent to steel enterprises for the most part confirmed as desirable projects for achieving quality improvements or lower production costs by using the latest techniques (direct reduction of ore, continuous casting, oxygen steelmaking and so on). A number of these schemes included the scrapping of obsolete plant; in some of them there had been consultation between neighbouring managements to enable feasible arrangements to be worked out which would not inflate capacity unduly.

In a few cases, however, the High Authority was obliged to warn enterprises of the risks they would be running by installing new pelletizing, steelmaking or medium-section rolling capacity.

## FINANCING OF INVESTMENT

226. The Treaty of Paris empowers the Commission to "facilitate the carrying out of investment projects by granting loans to ECSC enterprises or guaranteeing loans otherwise raised by them."

In addition to thus directly aiding ECSC industrial investment, it can "by the same means assist the financing of operations and installations designed directly and mainly to help increase the production, lower the production costs or facilitate the marketing of the products coming under its jurisdiction." Activities under this head require the unanimous



consent of the Council; a field in which they have been conducted on a particularly large scale is the building of workers' houses.<sup>(1)</sup>

Although lending of both these kinds (under Article 54 of the ECSC Treaty) continued at a high level in 1967, relatively that under Article 56(2) rose faster. Here the object of the loans is to "facilitate the financing of programmes for the creation of new and economically sound activities or for the reconversion of enterprises, calculated to provide productive re-employment for workers rendered redundant" by "radical changes in the sales position for the coal or the steel industry."<sup>(2)</sup>

Under neither Article did any enterprises apply in 1967 for the High Authority's or the Commission's guarantee. At the end of the year ECSC guarantee commitments stood at 41,900,000 u.a., compared with an initial total of 47m.

### *Borrowing operations*

227. Articles 49-51 of the ECSC Treaty empower the Commission to "procure the funds necessary to the accomplishment of its mission," more especially by borrowing sums for relending to enterprises. With its good credit standing, ECSC has up to now raised 48 loans in all, to a total value of 720m. u.a.

During 1967 it contracted four fresh loans to a total of 58m. u.a.—two bond issues in the money market and two private loans from Dutch and German banks. The sums involved were as follows :

US \$	25,000,000 (public loan)	—	25 m. u.a.
Fl.	20,000,000 (private loan)	—	5.5m. u.a.
US \$	20,000,000 (public loan)	—	20 m. u.a.
DM	30,000,000 (private loan)	—	7.5m. u.a.

### *Lending operations*

228. Funds available for lending to enterprises in 1967, from the year's borrowings and sundry other sources (see below), totalled 94.79m. u.a.

<sup>(1)</sup> Secs. 314 et seq.

<sup>(2)</sup> Secs. 286 et seq.

('000,000 units of account)

1. Borrowings		
Availabilities at 1 January	24.09	
Proceeds of loans contracted in 1967	58.02	
		82.11
2. ECSC's own resources		
(a) Special Reserve		
Undisbursed balance from previous years	5.74	
Allocated to Special Reserve in 1967	4.84	
Redemption payments on earlier loans	2.00	
		12.58
(b) Miscellaneous		0.10
		94.79

Most of the money was re-lent as raised, at between 6.25% and 7%. Redevelopment loans, however, were usually granted at reduced interest, 4.5% for the first five years and 6.5% thereafter: this arrangement was made possible by the practice of combining funds of the Community's own (interest on liquidity holdings) with its various borrowings. The assistance given amounted to 78.63m. u.a. in all, 71.08m. from borrowing and 7.55m. from ECSC's own resources.

The Community also went ahead in 1967 with its part-financing of residential building for miners and steelworkers. Loans for this purpose are as a rule granted out of the Special Reserve at very low interest and on exceptionally easy redemption terms, and are furnished in the currency of the country concerned to obviate any exchange risk to the borrower. The amounts made available during the year under review were mainly for the current Scheme VI, running from 1966 to 1968; some payments were also made under the special instalment of Scheme V. Special Reserve disbursements for the two schemes in 1967 amounted to 5.83m. u.a.

The great bulk of ECSC's loans were, as before, to industry, for which it set aside a total of 46.34m. u.a., drawn entirely from borrowings. The projects aided may be broken down into the various categories given priority under the General Objectives as follows.

#### *Coal industry*

- (a) Installations principally intended to increase productivity and reduce production costs, and installations for coal valorization:

Ewald-Kohle AG., Recklinghausen;  
 Steinkohlenbergwerk Friedrich Heinrich AG, Kamp-Lintfort;  
 Märkische Steinkohlengewerkschaft, Heessen;  
 Gewerkschaft Alte Haase, Sprockhövel, Westphalia.

## (b) Construction of joint power-stations :

Hibernia Aktiengesellschaft, Herne.

*Iron and steel industry*

## (a) Installations for blast-furnace burden preparation and pig-iron production :

Neunkircher Eisenwerk AG, Neunkirchen, Saar;  
Klöckner-Werke AG, Duisburg.

## (b) Oxygen-steelmaking installations (in some cases for joint use by two or more neighbouring plants) :

Klöckner-Werke AG, Duisburg;  
Hoesch AG Hüttenwerke, Dortmund;  
Aktiengesellschaft der Dillinger Hüttenwerke, Dillingen, Saar;  
Mannesmann AG Hüttenwerke, Düsseldorf.

## (c) Continuous-casting installations :

Terni, Società per l'industria e l'elettricità S.p.A., Rome.

## (d) Rationalization and specialization of production :

Röchling'sche Eisen- und Stahlwerke GmbH, Völklingen, Saar;  
August Thyssen-Hütte AG, Duisburg-Hamborn.

Loans by ECSC from its inception to 31 December 1967 are shown, broken down by sectors and countries, in the following Table.

Table 12 — Breakdown of total amount loaned to 31 December 1967

('000,000 units of account and %)

Sector	Germany	France	Italy	Belgium, Luxem- bourg, Nether- lands	Community	
					'000,000 u.a.	%
Coal industry	178.99	31.91	4.77	14.00	229.67	27.93
Iron-ore mines	10.55	13.00	5.70	1.00	30.25	3.68
Iron and steel industry	163.90	59.77	120.12	12.57	356.36	43.34
Sub-total	353.44	104.68	130.59	27.57	616.28	74.95
Workers' housing	54.66	21.59	14.22	31.75	122.22	14.86
Redevelopment	10.58	10.71	25.35	27.51	74.15	9.02
Readaptation	5.33	0.60	—	—	5.93	0.72
Research	1.30	0.67	0.23	0.76	2.96	0.36
Miscellaneous	—	—	—	0.72	0.72	0.09
Total	425.31	138.25	170.39	88.31	822.26	100.00

To sum up, ECSC's role in guiding investment has been threefold: it has offered forward estimates of trends in sales potential and production capacity, issued reasoned opinions on projects declared to it, and provided financial assistance for those projects considered to be the most worth while or the most urgent.

### Transport policy

#### TRANSPORT POLICY UNDER THE TREATY OF ROME

229. The period covered by this report was marked by a decision of importance for the development of the common transport policy taken at the Council session of 13 and 14 December 1967.<sup>(1)</sup>

Study by the Council's departments of the Commission memorandum of 10 February 1967 on the common transport policy following the Council's resolution of 20 October 1966<sup>(2)</sup> brought out certain differences of opinion concerning the periods required for the adoption of the measures which the Commission recommended in its memorandum. The Commission, sharing the concern expressed by the European Parliament regarding the consequences of the delay in the application of the common transport policy,<sup>(3)</sup> therefore considered it advisable to support the Italian Government's memorandum of 21 September 1967 suggesting a fresh start to the common transport policy negotiations. The Commission made suggestions with a view to completing the programme of measures contained in the Italian memorandum so as to promote unanimous agreement on an effective start for the policy on 1 July 1968.

On the basis of the Commission's memorandum of 10 February 1967 and of the Italian delegation's memorandum of 21 September 1967, completed as just described, the Council, at its session of 13 and 14 December 1967, decided to adopt by 1 July 1968 a body of measures that may be considered as the starting point of the implementation of the common transport policy.

<sup>(1)</sup> *Official Gazette* No. 322, 30 December 1967.

<sup>(2)</sup> *Tenth (EEC) General Report*, sec. 210.

<sup>(3)</sup> Resolution of 22 June 1967 — *Official Gazette* No. 156, 15 July 1967.

In this way, after a long period of efforts which had produced few tangible results, the Council clearly manifested its political will to expedite the effective launching of the common transport policy.

Thus, the Council decided at this session of 14 December :

- (i) To draw up at its next session on transport, and at the latest within six months, the text of the regulation on the harmonization of certain social provisions in the road transport field;
- (ii) To adopt the following measures before 30 June 1968 :
  - (a) The application of rules of competition to transport;
  - (b) Rules on aids to transport;
  - (c) The execution of the provisions concerning the abolition of double taxation on commercial vehicles and the standardization of provisions relating to the duty-free import of fuel in the tanks of commercial vehicles;
  - (d) A regulation concerning the establishment of a Community quota of 1,200 licences for three years;
  - (e) A rate-bracket system for the transport of goods by road between the Member States;
  - (f) The setting up of the necessary specialized committees to carry out the duties, in particular market supervision, devolving upon them by virtue of the above-mentioned regulations;
- (iii) To adopt before 31 December 1968 :
  - (a) A regulation concerning action by Member States with regard to obligations inherent in the concept of public service;
  - (b) A regulation concerning the standardization of railway accounts.

The Commission will, in due course, submit proposals corresponding to the above-mentioned provisions. It will propose others concerning the initial measures to institute a system for fixing rates for the use of infrastructures and comprising in particular :

- (i) Harmonization of the structures of taxes on commercial vehicles, bearing in mind Article 2 of the decision of 13 May 1965, in such a way as to reflect the individual shares of the various categories of vehicles in the costs involved for the community by use of the infrastructures;

- (ii) The establishment of permanent, standard accounting of infrastructure expenses for each mode of transport in every Member State.

230. Owing to the delay in implementing the common policy, certain Member States have initiated various transport policy measures at national level. The Commission has given its full attention to these developments,<sup>(1)</sup> especially to the German Government's transport policy programme for the period 1968-1972. In accordance with the procedure of prior examination and consultation for laws and regulations contemplated by Member States in the transport field, the Commission will adopt a definite position regarding the bills to implement this programme.<sup>(2)</sup>

### ACCESS TO THE MARKET

231. On 15 June 1967 the Commission submitted a proposal to the Council for a regulation, in accordance with Article 75 of the EEC Treaty, on the introduction of common rules for access to the occupation of road haulier in domestic and international transport and control of capacity in domestic road haulage.<sup>(3)</sup>

On 23 November 1967 the Commission laid before the Council, in accordance with Article 75 of the EEC Treaty, a proposal for a regulation concerning access to the inland water transport market.

### DISCRIMINATION AND SUPPORT TARIFFS

232. The study of the compatibility of the tolls applied in German inland water traffic with Article 79 of the EEC Treaty is nearing completion.<sup>(4)</sup> A solution is in sight for the few headings which still concern importation and exportation.

On 8 May 1967 the Commission initiated against Belgium the procedure laid down in Article 169 of the EEC Treaty for failing to meet obligations

---

<sup>(1)</sup> Sec. 239.

<sup>(2)</sup> *Official Gazette* No. 23, 3 April 1962.

<sup>(3)</sup> *Official Gazette* No. 254, 20 October 1967.

<sup>(4)</sup> *Tenth (EEC) General Report*, sec. 215.

under Articles 5, 14 and 16 of Council Regulation No. 11 on the abolition of discrimination in transport rates and conditions,<sup>(1)</sup> as regards inland navigation.<sup>(2)</sup> The procedure has not yet been completed.

On 4 July 1967 the Commission instituted against Belgium the Article 169 procedure for failing to meet obligations under Article 79 and Council Regulation No. 11: the discriminatory character of certain provisions relating to the system of charges for grain in inland water traffic was impugned.<sup>(3)</sup> The Belgian Government abolished the measures challenged, with effect from 16 October 1967.

The Commission has examined 167 unpublished transport rates and conditions as to their compatibility with Article 80 of the EEC Treaty. Twenty-two of these headings have been rescinded or amended.

The Commission has also continued its study of published domestic tariffs and again verified the competitive nature of 183 tariffs, 24 of which have been amended and 30 rescinded.

The Article 169 procedure initiated against Germany for failing to meet obligations under Article 80 of the EEC Treaty in the case of support tariffs for the Saar<sup>(4)</sup> has not yet been completed.

In accordance with Article 80 of the EEC Treaty and by its decision of 26 July 1967,<sup>(5)</sup> the Commission has authorized the application, until 31 December 1969, of the new Section 7 of the appendix to the Italian State Railways' goods rates to assist the south of Italy.<sup>(6)</sup> Nevertheless, some of the reduced rates will only be applicable until the date on which the movement of each of the agricultural products concerned becomes free.

The Commission has also examined the Italian Ministry of Transport's draft decree No. 12811. This draft provides in particular for suspension of tariff No. 251 - Section A<sup>(6)</sup> and amendment of tariff No. 201, Series C of the Italian railways. These tariffs apply to the transport of agricultural products from the South.

---

<sup>(1)</sup> *Official Gazette* No. 52, 16 August 1960.

<sup>(2)</sup> *Tenth (EEC) General Report*, sec. 216.

<sup>(3)</sup> *Ibid.*, sec. 215.

<sup>(4)</sup> *Ibid.*, sec. 218.

<sup>(5)</sup> *Official Gazette* No. 192, 11 August 1967.

<sup>(6)</sup> *Tenth (EEC) General Report*, sec. 217.

## HARMONIZATION OF TERMS OF COMPETITION

233. The Commission has continued to prepare proposals pursuant to Council Decision No. 65/271/CEE of 13 May 1965 concerning the harmonization of certain measures which affect competition in rail, road and inland waterway transport.<sup>(1)</sup> In accordance with Article 15 of Decision No. 65/271/CEE, the Commission submitted its first biennial report to the Council on 5 July 1967.

On 26 May 1967 the Commission submitted to the Council, in accordance with Article 75 of the EEC Treaty and Articles 5 and 6 of Decision No. 65/271/CEE, a draft regulation concerning action by Member States with regard to obligations inherent in the concept of public service in road, rail and inland waterway transport. <sup>(2)</sup>

234. In connection with the efforts to implement a common policy for vocational training, work is proceeding on the establishment of Community lists of minimum knowledge and skills in the occupations of long-distance driver and road haulier.

## APPLICATION OF THE RULES OF COMPETITION TO TRANSPORT

235. The discussions on the proposal for a regulation applying rules of competition to transport by road, rail and inland waterway<sup>(3)</sup> have not yet been completed. In accordance with Article 3 of Council Regulation No. 141 of 26 November 1962<sup>(4)</sup> and of Regulation No. 165/65/CEE of 9 December 1965,<sup>(5)</sup> the period for the non-applicability of Council Regulation No. 17 of 6 February 1962<sup>(6)</sup> to roads, railways and inland waterways expired on 31 December 1967. Following a Commission proposal on which favourable opinions were given by the Economic and Social Committee and the European Parliament, the Council, at its session of 13 and 14 December 1967, adopted a regulation extending this period to 30 June 1968.

---

<sup>(1)</sup> *Official Gazette* No. 88, 24 May 1965.

<sup>(2)</sup> *Official Gazette* No. 243, 13 October 1967.

<sup>(3)</sup> *Eighth (EEC) General Report*, sec. 228.

<sup>(4)</sup> *Official Gazette* No. 124, 28 November 1962.

<sup>(5)</sup> *Official Gazette* No. 210, 11 December 1965.

<sup>(6)</sup> *Official Gazette* No. 13, 21 February 1962.



*Aids to enterprises*

236. The Commission's proposal of 14 July 1966 for a regulation on aids to road, rail and inland water transport undertakings<sup>(1)</sup> was dealt with in Opinions by the European Parliament on 10 May 1967<sup>(2)</sup> and the Economic and Social Committee on 30 May 1967.<sup>(3)</sup> On 26 May 1967, the Commission submitted to the Council, in accordance with Article 149 of the EEC Treaty, an amendment to its original proposal.

The aid granted by the German Government in part compensation of the tolls collected by the Soviet occupation zone authorities for the use of roads to and from Berlin, has been modified to comply with the provisions of the EEC Treaty.<sup>(4)</sup>

*Prior examination and consultation  
for laws and regulations contemplated  
by Member States*

237. The Member States have satisfactorily implemented the Council's Decision of 21 March 1962 introducing prior examination and consultation for laws and regulations contemplated by them in the transport field.<sup>(5)</sup>

The Commission has issued opinions or recommendations in the following cases :

- (i) Draft Grand Ducal regulation requiring licences for international road transport of passengers and freight for hire or reward<sup>(6)</sup>;
- (ii) Draft Belgian Royal decree relating to working conditions in certain passenger transport services by road and the Ministerial decree concerning checks on driving hours in coach service vehicles<sup>(7)</sup>;
- (iii) Draft Belgian Royal decree instituting a general regulation for motor vehicle goods transport for hire or reward<sup>(8)</sup>;
- (iv) German draft regulation concerning allocation of cargoes in inland water transport<sup>(9)</sup>;

---

<sup>(1)</sup> *Tenth (EEC) General Report*, secs. 220 and 224.

<sup>(2)</sup> *Official Gazette* No. 103, 2 June 1967.

<sup>(3)</sup> *Official Gazette* No. 178, 2 August 1967.

<sup>(4)</sup> *Tenth (EEC) General Report*, sec. 224.

<sup>(5)</sup> *Official Gazette* No. 23, 3 April 1962.

<sup>(6)</sup> *Official Gazette* No. 73, 15 April 1967.

<sup>(7)</sup> *Official Gazette* No. 74, 17 April 1967.

<sup>(8)</sup> *Official Gazette* No. 150, 12 July 1967.

- (v) German draft to modify the provisions relating to the duty-free import of fuel in the tanks of motor vehicles in international road haulage<sup>(1)</sup>;
- (vi) French bill relating to the introduction of a special tax for the use of road infrastructures<sup>(2)</sup>;
- (vii) Grand Ducal regulation amending traffic control on all public highways (road haulage of dangerous substances);
- (viii) Two Dutch bills concerning financial aid to N.V. Nederlandse Spoorwegen;

### *Application of the standstill clause*

238. In its opinion for the German Government concerning the allocation of cargoes in inland water transport, the Commission stated that the regulation envisaged would constitute an infringement of Article 76 of the EEC Treaty. The Government ignored this warning and adopted the regulation without taking the Commission's opinion into consideration. The Commission has therefore initiated the procedure referred to in Article 169 of the EEC Treaty.

### *Consultation procedure concerning infrastructure investments*

239. The Member States have correctly applied the consultation procedure concerning infrastructure investments established by Council Decision No. 66/161/CEE of 28 February 1966.<sup>(3)</sup>

The Commission has been notified of the following road investment projects.

- (i) Breda—Belgian frontier, towards Antwerp (Netherlands)
- (ii) Brussels—Malines—Antwerp—Dutch frontier, towards Breda (Belgium)
- (iii) Aachen—Dutch frontier (Germany)
- (iv) A 52 Metz—German frontier, towards Saarbrücken (France)

<sup>(1)</sup> *Official Gazette* No. 261, 28 October 1967.

<sup>(2)</sup> *Official Gazette* No. 293, 18 December 1967.

<sup>(3)</sup> *Official Gazette* No. 42, 8 March 1966.

- (v) Saarbrücken – French frontier (Germany)
- (vi) A 53 Roquebrune – Menton – Italian frontier, towards Savona (France)
- (vii) Savona – French frontier, towards Menton (Italy)

The Commission discussed these projects with the Member States on 14 April 1967.

### *Infrastructure costs*

240. The work in this field has been pursued.

The reports on expenditure for the year 1966 drawn up by the Member States will be available early in 1968 together with the results of the pilot study on communications between Paris and Le Havre<sup>(1)</sup> undertaken by the Commission with the assistance of the French Government.

Furthermore, with a view to the study of how the infrastructure costs are to be covered which it is required to draw up under Council Decision No. 64/389/CEE, the Commission has examined, in co-operation with the government experts, the problem of determining which receipts may be considered as the counterpart of this expenditure.

### *The Consultative Committee on Transport*

241. The Commission has communicated to the Consultative Committee on Transport (Article 83 of the EEC Treaty) the following initial points on which it desired to receive the opinion of the Committee during 1967-1968<sup>(2)</sup> :

- (i) Problems raised by the development of container transport;
- (ii) The need to harmonize the conditions governing access to and pursuit of the occupation of transport auxiliary, and possible ways of doing this, in connection both with the common transport policy and with freedom of establishment and freedom to supply services;
- (iii) Practical criteria for detecting situations of uneconomic competition in transport.

---

<sup>(1)</sup> See also Council Decision No. 65/270/CEE, 13 May 1965; *Official Gazette* No. 88, 24 May 1965; *Tenth (EEC) General Report*, sec. 230.

<sup>(2)</sup> *Tenth (EEC) General Report*, sec. 231.

The Opinion concerning the definition of transport for own account and vehicle hire, which was still on the working programme for 1965/66,<sup>(1)</sup> has been rendered in the meantime.

## UNDER THE TREATY OF PARIS

242. In the Treaty of Paris, transport questions are considered only from the point of view of the operational needs of the common market in coal and steel. On the one hand this requires non-discriminatory prices for transport of these products and, on the other, sufficient transparency in this transport market both to guarantee respect of the prohibition on discriminatory prices and conditions and to permit effective application of rules on prices and terms of sale.

The nature of these rules is related especially to the very considerable incidence of transport costs on the delivered prices of coal and steel and to the specific characteristics of the common market in these products as it was foreseen by the ECSC Treaty. Special conditions are, however, laid down to allow for the position of certain coal or steel producing enterprises; the High Authority has had to make use of these to an increasing extent owing to the way the market for the Paris Treaty products has developed.

The Commission is pursuing its work along these two lines.

### *Price formation and transport conditions in the coal and steel sector*

#### *General rates*

243. As a result of the increases during recent years, the minimum charges or minimum chargeable distances applied by certain railways in the Community have reached such a level that they practically re-introduce into transport prices the "breaks in rates" which the Agreement of 21 March 1955 establishing international through-rates<sup>(2)</sup> was in fact intended to abolish.

---

<sup>(1)</sup> *Ninth and Tenth (EEC) General Reports*, sec. 231.

<sup>(2)</sup> *Official Gazette of the ECSC* No. 9, 19 April 1955.

The negotiations begun with the Governments of the Member States to find a solution for this problem are still being continued.

### *Special tariff measures*

244. Approximately one third of the transport of ECSC products, of an overall annual total of about 300 million tons, is carried out at prices lower than those of the general tariffs. The special tariff measures on the basis of which these reduced prices are applied, the various types of which were defined by the High Authority in its 15th General Report,<sup>(1)</sup> are many in number (several hundred special tariffs and several thousand individual agreements) and are continually changing.

In most cases they are measures of alignment on existing competition. The Commission's services are constantly engaged on investigating whether such competition in fact exists and checking the level of transport prices.

245. As far as the other types of special tariff measures are concerned, the High Authority in 1967 expressed its opinion on several which were submitted to it by certain Governments for prior approval.

The High Authority has authorized two measures by the French Railways to combat potential competition in iron ore transport,<sup>(2)</sup> a measure relating to the transport of solid fuels<sup>(3)</sup> adopted by the same railways in their own interests, and a measure concerning transport of Lorraine iron ore to the Saar in the interest of the producers of this ore.<sup>(4)</sup>

Furthermore, by its Decision No. 36/67 of 22 December 1967, the Commission renewed the authorization which the High Authority had granted in 1963 and renewed on two subsequent occasions<sup>(5)</sup> in respect of a rate agreement governing the rail transport of iron ore to the "Union Sidérurgique du Nord de la France" (USINOR). The Commission noted that the reasons which had justified the authorization of this agreement by the High Authority still applied and therefore granted fresh authorization for an unlimited period; nevertheless, this authorization may be amended or withdrawn if the reasons for its being granted cease to apply.

---

<sup>(1)</sup> Secs. 255 to 258.

<sup>(2)</sup> Decisions Nos. 11 and 12, 7 June 1967 — *Official Gazette* No. 116, 17 June 1967.

<sup>(3)</sup> Decision No. 10, 7 June 1967 — *Official Gazette* No. 116, 17 June 1967.

<sup>(4)</sup> Decision No. 13, 17 June 1967 — *Official Gazette* No. 116, 17 June 1967.

<sup>(5)</sup> Decision No. 15/63, 6 November 1963 — *Official Gazette* No. 165/1963, Decision No. 23/64, 21 December 1964 — *Official Gazette* No. 219/1964 and Decision No. 12/65, 25 November 1965 — *Official Gazette* No. 202/1965.

With regard to two Italian interdepartmental decrees providing for the possibility of granting rate reductions to coal or steel firms in the south of Italy for certain forms of rail transport, the Commission retained the right to assess each case in which the Italian Government proposed to avail itself of this possibility.

With regard to the special tariffs of the Deutsche Bundesbahn for certain consignments of coal and steel from or to the Saar authorized by the High Authority's Decision No. 14/66 of 20 July 1966, <sup>(1)</sup> the tariff adjustments prescribed in the latter came into force on 1 May 1967 in respect of the carriage of coal and on 1 June 1967 for steel products.

Furthermore, the German Government withdrew the appeal against this Decision made to the Court of Justice of the European Communities. The Dutch Government's appeal of 19 September 1966 to have the Decision quashed is being examined by the Court.

### *Publication of rates and conditions of carriage*

246. Constant progress has been achieved through the application of the High Authority's Recommendation No. 1/61 concerning the publication of rates and conditions of carriage for coal and steel.

In its 15th General Report,<sup>(2)</sup> the High Authority showed, for each mode of transport, the improvement achieved in the transparency of the coal and steel transport market within the Community.

The various publication arrangements implemented are working properly and appear to enable operators in the common market to obtain adequate information in good time concerning the transport rates and conditions actually obtaining.

However, certain problems still call for solutions which the Commission is endeavouring to find. Progress in these matters is briefly as follows :

#### *Rail transport*

247. The High Authority again emphasized, at the meetings of the ECSC/Austrian and ECSC/Swiss Transport Committees, held in Vienna

---

<sup>(1)</sup> *Official Gazette*, No. 141, 2 August 1966.

<sup>(2)</sup> Secs. 247 to 254.

on 20 and 21 June 1967, that the rates resulting from the unpublished tariff measures in force for coal and steel carried by rail in transit via Austria or Switzerland should be given adequate publicity.

With regard to this matter, the Austrian and Swiss delegations are now carrying out a fresh study, which will be continued subsequently in the above-mentioned Transport Committees.

### *Road haulage*

248. The discussions with the German and French Governments on the question of publication in the field of medium-distance road haulage are being pursued.

Having long questioned the necessity of publishing the haulage rates for distances of between 50 km and 100-120 km, within the compulsory rate-making margin of 40%, or 50% in certain cases, the Federal Government is now preparing an amendment to the road haulage law to ensure *post facto* publication of the medium-haul rates actually charged.

In France, as from 1 October 1967, the margins of the compulsory schedule were reduced for all tonnages to about 10% for haulage of coal and about 14% for steel products. The discussions with the French Government are being pursued with a view to the publication of rates and conditions for haulage distances of 50 km to 150 km.

Regarding international haulage between Germany, France, and the Grand Duchy of Luxembourg, the negotiations since 1963 led, on 18 July 1967, to the establishment of a draft tariff and the signing of an inter-governmental agreement. Work is in hand to implement this agreement.

### *Inland water transport*

249. In 1967 the multilateral negotiations, which the High Authority had been conducting since June 1966 with the Governments of the Member States led to an arrangement for the *post facto* publication of rates for international inland water transport of coal and steel between Community ports.

Details of the contacts which certain Governments consider desirable or even necessary with Switzerland and the Central Commission for Navigation of the Rhine are now being studied.

## Regional Policy

### DEVELOPMENT OF THE DIFFERENT REGIONS OF THE MEMBER COUNTRIES

250. Owing to the inadequacy of regional economic statistics in most member countries, the Commission cannot provide figures showing the differences of development between the regions of the Community. It is nevertheless endeavouring to obtain data based on available economic indicators to illustrate the level of development of the regions, especially those which are backward or affected by structural difficulties.

Studies of these regions starting from an analysis of the original economic situation are being pursued in order to prepare their general development. As soon as the necessary data become available it will be possible to use the results for other regions too.

251. At its session of 8 to 11 May 1967, the European Parliament adopted a resolution requesting the Council to take the necessary steps to ensure more balanced economic development in the various regions of the Community. The Parliament stresses that the harmonious development of the Community might soon be jeopardized if the Council failed to ask the Commission to submit, at the earliest opportunity, proposals for a balanced European regional development plan and urges that the financing methods to be employed to modernize the economic infrastructure of peripheral or declining regions be defined.

### PROJECTS RELATING TO VARIOUS REGIONS<sup>(1)</sup>

#### *Promotion of an industrial development pole in southern Italy*

252. The promotional activities for the establishment of industrial units (Bari-Taranto) have continued and several operational projects have already been put in hand in the region both as regards infrastructures and

---

<sup>(1)</sup> For the regional aspects of the industrial conversion operations under the auspices of the ECSC, see secs. 286 *et seq.*



productive activities. Some difficulties have arisen through the deterioration of the economic climate and the diminished propensity of other countries to invest and through the construction in other Italian regions of industrial units for certain production lines planned for the development pole.

In spite of this, it seems certain that the study financed by the Commission has given a real impulse to the advancement of an underdeveloped region of the Community.

*Co-operation in the frontier areas of  
France, Belgium and Luxembourg*

253. Co-operation between the frontier areas of the Belgian province of Luxembourg and the north of Lorraine in the marketing of certain agricultural products is now progressing. The first concrete achievement in this field will be a slaughter house and a cold storage depot.

The situation of these regions needs to be watched with particular care, however. The steps undertaken by professional groups to associate this region with a scheme for the old-established industrial areas are now being studied by the Commission.

*Study of the frontier area  
Liège-Maastricht-Aachen*

254. The Commission was pleased to note that the various authorities concerned have given their definite agreement to this study of an area which forms part of three Member States to be made with financial and technical support of Community, national and regional origin.

*Regional study of Schleswig-Holstein*

255. The particularly important problems of determining the future growth centres for the *Land* have been dealt with on the basis of the analysis and the economic structure projections and after fixing primary and secondary priorities. Among the subjects which will also be systematically studied are the effect which large infrastructure works (especially motorways) may have on the development of the *Land* and the

possible repercussions of closer economic contact with the neighbouring Nordic countries. The results of these studies will be available towards the end of 1968.

*Study on the promotion of a focal  
point for tourism in Calabria*

256. The Italian Government has pointed out the advantage which might be gained from the Commission's participation in a study concerning the touristic development of Calabria. This region, one of those with the lowest level of incomes in the Community and an extremely high emigration rate, needs to make use of all the resources it possesses. Of these, natural potentialities for the development of the tourist industry certainly hold out the best prospects.

The study to be made jointly by the Italian Government and the Commission will be designed to ensure optimum co-ordination between the tourist schemes being carried out along the Calabrian coast as a means of promoting new activities of the same type in the areas for which they are best suited.

GENERAL SCHEMES

*Study of additional costs caused by  
excessive industrial combination*

257. In this field the Commission has continued the studies whose urgency had already been demonstrated, in particular by the three expert groups which drew up the reports on regional policy in the Community.

A certain number of government departments and experts were consulted during this initial phase of the study and information on the work already completed in the member countries collated. This data is now being sifted in order to pinpoint the problems to be examined subsequently with experts.

The work to be put in hand must lead to a definition of the economic policy criteria regarding the problems raised by economic concentration. The conclusions will also give a better idea of the optimum distribution of activities and resources throughout the Community territory.

### *Surveys of the finances of local authorities*

258. On several occasions it has become clear that regional policy in the Community must be implemented with substantial assistance from the local authorities. Moreover, more than 50% of public investments are made in the member countries by these authorities (communes, provinces, Länder, regions). However, an increasingly serious problem has arisen in certain regions through the indebtedness of local institutions, which may well preclude or at least seriously hamper any possibility of these organizations acting in the regional development field. Consequently, the Commission is keen to obtain a better idea of the financial situation of local authorities in the various member countries.

Problems relating to the comparability of the available data and, in certain cases, a distinct lack of information have greatly handicapped the work. However, information has already been obtained and it justifies further efforts in this field.

### *Investigation of the repercussions of the business trend on structures*

259. In many cases the short-term fluctuation of the economic cycle, which very considerably affects regions with development problems—and therefore a more fragile economic structure—tends to increase regional disparities.

Realizing this, the Commission has endeavoured to keep itself informed of the regional breakdown of overall medium-term economic development in the Community in order :

- (a) To form conclusions of a statistical nature or based on economic analysis which could provide the most precise picture possible of the repercussions of business trends on the different regions;
- (b) To obtain better knowledge of regional indicators of economic cycles.

### *Regional aspects of Community activity in the agricultural sphere*

260. The Commission has repeatedly stressed its belief that a healthy Community agricultural policy depends on the establishment of an effective regional policy. From this angle, it is endeavouring to estimate the effects

of the profound change which agricultural structures will undergo. Since economic backwardness is almost always concomitant with the predominance of the primary sector in the economy of regions, it is very keen to find the appropriate means of facilitating or even accelerating the changeover of such economies to more productive activities. Furthermore, the Commission is seeking ways of improving the production and distribution structures of regions where agricultural activities rightly predominate.

To this end it is endeavouring to expand the activities of the Guidance Section of the EAGGF by giving maximum consideration to the regional implications of the work of this section of the Fund. It should be emphasized in this connection that among the first ten Community agricultural programmes which the Commission communicated to the Council to lay down the precise guidelines for the EAGGF in this field, there was a special programme for certain regions meriting priority aid from the Fund.

The Commission has also established a priority for schemes which are incorporated in a coherent regional development programme and satisfy very precise criteria.

Finally, the areas of main effort provided for by Article 16 of Regulation No. 17/64 have been defined. The priority granted to the schemes concerning these areas will further accentuate the regional character of the Fund's work.

### *The role of transport policy at regional level*

261. The importance of the regional implications of transport policy and the development of infrastructures has been emphasized on many occasions. In this connection, observation of transport flows may be of valuable assistance in the study of regional economies and in providing better information on the present links between the activities of the different areas. For this reason, the Commission is endeavouring to orientate the statistical surveys of transport in such a way that the data collected may be of use in a Community regional policy. This source of information may become extremely useful owing both to the present inadequacy of statistical information on regional questions and to the fact that inter-regional exchanges are very often unknown. The Commission has moreover continued to examine—also from a regional angle—the problems raised by certain rates objected to from the transport policy point of view.

The regional implications of certain traffic axes which may be established between member countries or in one or other of them have also been studied by the Commission. In this connection, the Commission's argument that improvement of infrastructures, and particularly of communications, will essentially solve the problems of certain regions is accepted and acknowledged by an increasing number of those holding responsible regional office.

### *Aids and regional policy*

262. The aids granted by the States are dealt with from the point of view of competition in Chapter II.

When they are considered from the point of view of regional policy they must be studied in relation to their effectiveness as a means of coping with the conversion or development problems of the regions which could benefit from them.<sup>(1)</sup>

In this connection, developments so far suggest that inadequate co-ordination at Community level may be having a doubly unfavourable effect :

- (a) On the national budgets, which risk being involved in a kind of competitive supply of aid, especially to frontier regions;
- (b) On the regions themselves, either because enterprises may find themselves almost encouraged to take things easy for a time in the expectation that the public authorities will increase the amount of aid given, or because the different regions would be given greater or smaller aid not so much in accordance with the economic and social problems which they have to solve, but on the basis of an assessment of the competition<sup>(2)</sup> between regions on either side of a frontier.

It is therefore evident that it is in everyone's interest that there should be the greatest practicable co-ordination at Community level of the systems of aid, so that the money spent should contribute in reasonable degree and under the best conditions towards regional development in the Community from the economic and social points of view.

---

<sup>(1)</sup> *Fifteenth (ECSC) General Report*, secs. 440 to 444.

<sup>(2)</sup> Sec. 63.

## Social policy

### EMPLOYMENT AND TRAINING

#### *Activities in connection with employment*

263. As in previous years, the Commission studied *manpower problems* in the Community in 1967 with experts from the national Ministries of Labour, its own expert committee on market movements, and representatives of the trade unions and employers' federations. The resulting report was adopted and laid before the Council at the beginning of June: it describes general and specific trends in the Community labour market during 1966 and the outlook for 1967, and suggests various possible ways of helping to ensure optimum deployment of the labour force. A further report outlining the position at the end of 1967 was submitted to the Council at its session on 21 December, and was discussed in detail.

264. On 5 June 1967, the Council approved the first two sets of activities listed in the Commission's *plan for co-operation among the national employment services*. These include exchanges of information on employment problems, exchanges of experience, analysis and comparison of national training programmes for employment officials, and exchanges of trainees.

265. In accordance with its recommendation of 18 July 1966 to the Member States,<sup>(1)</sup> concerning closer Community co-operation on *vocational guidance*, the Commission drew up a preliminary conspectus of activities undertaken and progress and experience gained in this connection. This document was prepared from particulars supplied by the vocational guidance services of the six countries as part of the first set of activities under the inter-State co-operation scheme, whereby the Member States are to exchange information and experience on problems of vocational guidance with respect to various categories of workers, both juveniles and adults (including migrants), and on action taken or to be taken in the six countries.

---

(1) *Official Gazette* No. 154, 24 August 1966.

266. As in the past, employment trends in the *ECSC industries* were carefully studied by the Commission; more particularly, developments in the mining and steel sectors between 1 October 1966 and 30 September 1967 were analysed in detail, in continuation of the previous work in this field. <sup>(1)</sup> Manpower trends, numbers of foreign workers employed and shifts in the pattern of employment as between the different personnel categories are among the main aspects dealt with in this latest review of the situation, which will be found in the account of social developments issued as a separate publication. <sup>(2)</sup>

### COMMON POLICY ON TRAINING AND RETRAINING

267. The Commission on 13 November 1967 submitted to the Council an initial draft recommendation for the adoption in the member countries of the Community list of minimum knowledge and skills for the trade of turner. In addition, the Advisory Committee on Vocational Training on 13 July and 6 November endorsed two further lists for the trades of miller and grinder. Similar "*career briefs*" are being prepared for trades in metalworking, building, transport and agriculture.

268. The findings of the surveys on *personnel patterns and training with regard to work at mechanized coalfaces* were considered at a discussion arranged by the High Authority in Luxembourg at the end of June 1967, <sup>(3)</sup> which was the occasion of a very interesting and instructive exchange of information and experience between members of the Sub-Committee on Training (Coal) and representatives of the collieries where the surveys had been carried out, enabling a clearer picture to be formed of the implications of recent technological advances for the organization, skills and training of underground personnel. The conclusions reached will be embodied in the Commission's covering report on the surveys, which it plans to issue after consulting the Sub-Committee on Training (Coal) early in 1968.

269. *The impact of technical progress on personnel patterns and training in the steel industry* was the subject of a study session held in Luxembourg in March 1967 for the training experts of the employers' and workers'

---

<sup>(1)</sup> *Fifteenth (ECSC) General Report*, secs. 338 et seq.

<sup>(2)</sup> *Exposé sur la situation Sociale dans la Communauté en 1967*.

<sup>(3)</sup> *Fifteenth (ECSC) General Report*, sec. 378.

associations concerned.<sup>(1)</sup> The findings of the surveys conducted during the last few years in the different production departments<sup>(2)</sup> were discussed, and also the implications of technical progress in certain ancillary services, with reference more especially to quality control, energy metering and regulation, production programming and electronic data processing on the production side. The Sub-committee on Training (Steel) meantime submitted its comments on the Commission's draft covering report; the final text of this, outlining expected trends in the pattern of employment and the general basis for an up-to-date training policy in the steel industry, is to appear early in 1968.

270. The Commission went ahead with the work begun by the High Authority on a *Community manual of new technical processes in the steel industry*, for use in the training of skilled workers. This is to be published in the four Community languages, after checking from the technical and training standpoints by experts within the industry in the six countries.<sup>(3)</sup> It will be in four volumes, the first of which, on metering and automation, is now printing; the others will be brought out successively as they are completed.

271. As the structural changes in the two extractive industries, and latterly the steel industry also, have gathered pace, redevelopment and readaptation activities have had to be considerably expanded, the whole question of occupational mobility has come very much more to the fore, and consequently adult training and retraining have been assuming greater and greater importance.

In view of this state of affairs, the High Authority at the end of 1966 carried out a sample survey on *occupational retraining* schemes and arrangements in the member countries, the report on which offers a general basis for Community consideration of the aims, systems and methods called for in this connection. As a follow-up, a meeting was held in Luxembourg at the end of October 1967 between representatives of bodies concerned with the provision of training and representatives of the employers' and workers' associations of the Community mining and steel industries, who compared notes on past experience in the matter and the

---

<sup>(1)</sup> *Fifteenth (ECSC) General Report*, sec. 377.

<sup>(2)</sup> The surveys, three in number, commissioned by the High Authority (the separate reports on which have already appeared), relate to the impact of technical progress on personnel patterns and training in the blast-furnace, crude-steel and rolling sectors respectively.

<sup>(3)</sup> *Fifteenth (ECSC) General Report*, sec. 383.



various points of theory and practice emerging from that experience. The occasion furnished the Commission with the necessary practical data for a fuller study, which it plans to make in 1968.

272. The Commission continued issuing the quarterly bulletin of *training documentation*, now in its fourth year. The bulletins are in the form of bound sets of reference slips giving particulars of studies, syllabuses, teaching aids and literature in connection with training, and are a helpful means of keeping training officers and instructors abreast of developments.<sup>(1)</sup>

273. During 1967 the High Authority assembled and evaluated the results of the experiments in *programmed instruction* carried out at the ECSC industries' training centres. These showed the ECSC model courses issued for this purpose to have been very valuable: they had stimulated the industries' interest in the new technique, leading to the preparation of new programmes and to arrangements to train programmers, and had been warmly welcomed by instructors and others responsible in various other industries both inside and outside the Community. The experts consulted urged the High Authority to press ahead with its work in this direction to enable more Community courses to be prepared. In response to requests from a number of organizations, the High Authority agreed to forgo copyright in the four model courses which it had had compiled in 1965.

274. A convention was concluded in June 1966 between the High Authority and the International Labour Office's *Advanced Technical Training Centre* in Turin, whereby the two were to co-operate in matters of common interest, for the benefit more especially of African and Latin American nationals.<sup>(2)</sup> A first seminar of five weeks on training policy and organization at enterprise level was held at Turin from 16 October 1967 for some twenty training officers from African and Latin American mines and steel plants. The Commission is to consider in the light of the results what further action should be taken in this direction.

275. The Commission arranged *study tours* in the Netherlands and Italy for the specialized working party of the EEC Advisory Committee on Vocational Training, on the same lines as the earlier tour organized in

---

<sup>(1)</sup> *Fifteenth (ECSC) General Report*, sec. 387.

<sup>(2)</sup> *Fifteenth (ECSC) General Report*, sec. 59.

Germany.<sup>(1)</sup> By this means, the Commission is able to obtain first-hand information on what is being done, in order to suggest possible ways of improving and systematizing the methods of instructor training. With the same object the Commission is continuing with the preparation of an itemized schedule of the main teaching methods employed in the member countries.

*Co-operation with Britain  
(ECSC/UK Council of association)*

276. On completion of its studies, begun in 1966, the Coal Committee's Sub-committee on Training laid before the Committee a joint report on the recruitment of juveniles as affected by the requirements of mechanized operation. The Sub-committee is next to deal with :

- (a) Initial, advanced and refresher training of underground supervisory personnel;
- (b) Effects of mechanization on personnel patterns, skills and training;
- (c) Training of semi-skilled fitters and electricians.

The Steel Committee's Working Party on Training temporarily ceased to meet owing to a general reorganization in progress in the British steel industry.

*Co-operation with Sweden*

277. The ECSC/Sweden liaison committee met twice, and discussed the training situation and training problems in the steel industry. The Swedish delegation suggested an exchange of experience on :

- (a) Training of process workers;
- (b) Training of foremen and maintenance personnel in automated production departments;
- (c) Instructor training;
- (d) Programmed instruction.

The Swedish steel industry has also expressed a wish to be represented on the Committee on Training (Steel). The Commission will decide as to this when an official application is received from the Swedish Government.

---

(1) *Tenth (EEC) General Report*, sec. 239.

278. The Advisory Committee on Vocational Training, having gone into the training problems posed by the medium-term economic policy programme, put forward its opinion as to how to attain the objectives of the programme as quickly as possible.

The preparatory work was begun on an inventory of the main facilities for advanced and refresher training, continued adult education and social betterment, and of programmes and schemes prepared by Governments and other authorities in this connection.

279. Progress was made in 1967 with the compilation of the handbook on vocational training in the Community: three of the sections, on France, Italy and Luxembourg, were completed; two others, on Belgium and the Netherlands, are expected to be ready in 1968.

280. With regard to the first *common programme for the exchange of young workers*,<sup>(1)</sup> the Commission discussed with Government representatives the results obtained the previous year, and endeavoured to work out ways not only of increasing the number of exchanges but also of instituting the reception arrangements needed to ensure that the traineeships were organized to the best advantage.

Further activities<sup>(2)</sup> included the organization of Community-level and national-level meetings of officials representing bodies that give support to trainees and youth movements, in order that they too should share in the implementation of the programme.

With regard to the *grants to be made to workers in Italian sulphur mines*,<sup>(1)</sup> the Commission on 12 May 1967 finalized the procedural arrangements by agreement with the Italian Government.

## THE SOCIAL FUND : READAPTATION AND RECONVERSION

### *The European Social Fund*

281. Sums repaid in 1967 by the European Social Fund, with the approval of the Fund Committee, totalled 13,964,239.64 units of account, broken down as follows :

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 241.

<sup>(2)</sup> *Ibid.*, sec. 237.

Country	For retraining		For resettlement		Total	
	Amount (u.a.)	Workers	Amount (u.a.)	Workers	Amount (u.a.)	Workers
Germany (Fed. Rep.)	5,000,414.74	6,997	77,169.64	6,862	5,077,384.38	13,859
Belgium	663,111.00	917	634.70	3	663,745.70	920
France	1,748,055.36	1,625	9,341.00	1,560	1,757,396.36	3,185
Italy	5,346,180.90	28,252	27,435.75	259	5,373,616.65	28,511
Luxembourg	4,065.46	4	—	—	4,065.46	4
Netherlands	1,087,210.53	1,095	620.56	12	1,087,831.09	1,107
Community	13,849,037.99	38,890	115,201.65	8,636	13,964,239.64	47,586

The total amount of assistance given was 5.2m. u.a. more than in 1966 (+ 62%); the number of workers assisted, on the other hand, was 7,600 lower (— 15%).

This was due, over and above the general rise in retraining costs, to the fact, firstly, that the allowances and concessions provided for workers during retraining were increased appreciably, and in some countries indeed substantially, and secondly, that the national administrative arrangements were now better in line with the operation of the Fund.

On the retraining side, 42% of the moneys furnished during the period under review went on aid to physically handicapped workers, though these represented only 12% of the total number of men retrained. The disparity was due in the main to the type and duration of the training which has to be given in these particular cases.

All the resettlement operations aided, except in the case of France, were carried out inside the countries concerned.

The sums repaid by the European Social Fund (credits) and Member States' contributions (debits) in 1967 involved the transfer of 3,300,131 u.a. in all, approximately 609,028 going to Germany, 2,580,769 to Italy and 110,334 to the Netherlands, with 565,107 coming from Belgium, 2,714,160 from France and 23,863 from Luxembourg.

282. The total amount applied for in 1967 was considerably larger than in the preceding years: it worked out at 22.9m. u.a., compared with 13.9m. in 1966 and 8.2m. in 1965, the year-to-year increase from 1966 to 1967 being 65%.

Of this sharp jump—almost entirely in applications for retraining assistance—over two-thirds was accounted for by Italy, with more than 6.4m. u.a. Applications from Germany were up by over 1.8m. u.a. and from France by just under 0.5m.; the figure for the Benelux countries was about the same as before.

The number of workers for whom the Italian authorities sought assistance for retraining purposes also showed a substantial increase.

283. The *budget of the European Social Fund* for the financial year 1968, based on the Member States' estimates of the approximate amounts expected to be applied for during the year, is 24,550,989 u.a.

The Commission also asked the Council to carry forward to 1968 the sum of 18.4m. u.a. from the 1967 budget for the settlement of applications outstanding at the end of the 1967 financial year.

284. At the end of its seventh year of operation the Fund's activity was as shown in Table 12 below.

285. The Council in 1967 gave further consideration to the proposals submitted by the Commission in 1965 for making the Fund's assistance more effective, <sup>(1)</sup> but was unable to reach a decision. It did, however, embark with the Commission on a study of the problems involved in adjusting the working of the Fund to socio-economic developments in the Community with an eye to the time when the Community should be fully and finally in being.

The Commission meantime referred the matter for the attention of the Social Fund Committee.

### *Readaptation of workers (ECSC)*

#### *Readaptation operations<sup>(2)</sup>*

286. The Community was called upon to do more in 1967 for the readaptation (tiding-over and retraining) of redundant miners and steelworkers than ever before. Between 1 February and 31 December 1967

---

<sup>(1)</sup> *Eighth and Ninth (EEC) General Reports.*

<sup>(2)</sup> *Fifteenth (ECSC) General Report, secs. 395 et seq.*

Table 12 — Recapitulation of the activity of the European Social Fund  
20 September 1960-31 December 1967

(units of account)

Country	Type of operation	Total represented by applications submitted	Total represented by applications examined	Total represented by aid granted	Persons benefiting
Germany (F.R.)	Retraining	26,382,732.43	13,572,648.81	12,696,355.73	45,777
	Resettlement	5,863,244.24	3,987,063.41	693,340.45	71,239
	Total	32,245,976.67	17,559,712.22	13,389,696.18	117,016
Belgium	Retraining	4,045,186.70	3,243,402.26	3,153,466.18	6,781
	Resettlement	2,235.60	2,114.24	2,112.04	12
	Total	4,047,422.30	3,245,516.50	3,155,578.22	6,793
France	Retraining	19,236,346.12	12,523,953.72	12,376,178.88	22,213
	Resettlement	1,801,529.64	560,156.75	425,194.69	58,836
	Total	21,037,875.76	13,084,110.47	12,801,373.57	81,049
Italy	Retraining	29,568,712.81	19,209,287.26	17,999,300.73	171,082
	Resettlement	4,288,666.12	2,064,011.77	1,967,617.82	167,911
	Total	33,857,378.93	21,273,299.03	19,966,918.55	338,993
Luxembourg	Retraining	31,907.91	12,896.44	12,896.44	96
	Resettlement	—	—	—	—
	Total	31,907.91	12,896.44	12,896.44	96
Netherlands	Retraining	7,261,058.31	5,559,733.59	5,012,562.38	9,597
	Resettlement	16,512.14	15,572.14	15,523.20	217
	Total	7,277,570.45	5,575,305.73	5,028,085.58	9,814
Community	Retraining	86,525,944.28	54,121,922.08	51,250,760.34	255,546
	Resettlement	11,972,187.74	6,628,918.31	3,013,788.20	298,215
	Total	98,498,132.02	60,750,840.39	54,354,548.54	553,761

a total of 18,986,744.68 units of account was set aside for readaptation assistance to 55,307 workers.<sup>(1)</sup>

<sup>(1)</sup> Recapitulations of readaptation assistance to date under Article 56 (2) of the Treaty of Paris and Section 23 of the annexed Convention containing the Transitional Provisions will be found in the "Exposé sur la situation sociale dans la Communauté en 1967" (ECSC portion of the statistical annexes, Tables 9 and 10).

In the *coal industry*, particularly in Germany, the volume of Community aid continued to be very large, *pari passu* with the further progress of the reconstruction drive.

In Germany, reorganization went ahead on a still greater scale following the establishment of the industry-wide Aktionsgemeinschaft deutscher Steinkohlenreviere. Assistance under Article 56(2) of the ECSC Treaty was granted for the personnel of 32 collieries (including 10 which are discontinuing production in some of their workings, but not closing altogether, one brown-coal mine and five coking-plants). Some of the closures are phased and will not be completed until some time in 1968. In Belgium, assistance was given in respect of nine colliery closures and partial closures, and in the Netherlands, of closures and partial closures between 1967 and 1969 at four collieries, two coking-plants and one briquetting-plant.

In the *iron-ore industry*, numerous closures have already taken place in Germany and readaptation assistance was granted in 1967 for two more. In France, and more especially in Lorraine, reorganization is proceeding actively; the Community allocated funds for the readaptation of miners who are to be laid off over a period (lasting into 1968 and in some cases 1969) in consequence of four outright closures and eight production cutbacks.

A number of readaptation operations were also approved in the *steel industry*, where production within the meaning of the ECSC Treaty has ceased at three plants in Belgium and four in France.

#### *Readaptation arrangements*

287. Three of the agreements with individual Governments concerning the details of the *readaptation arrangements*<sup>(1)</sup> in the respective countries were amended and clarified on certain points.

With regard to *Germany (F.R.)*, the High Authority agreed to a proposal by the German Government that steelworkers should be entitled to the same assistance, generally speaking, as miners, with a few differences: the wage differential on re-employment was raised from 65% to 70% of

---

(1) *Fifteenth (ECSC) General Report*, secs. 389 *et seq.*

Table 13 — Readaptation assistance approved under article 56(2) of the ECSC Treaty  
1 February 1967 — 31 December 1967

Country	Coal industry		Iron and steel industry		Iron-ore mines		Total	
	Workers aided	Amount furnished	Workers aided	Amount furnished	Workers aided	Amount furnished	Workers aided	Amount furnished
Germany (F.R.)	30,865	10,263,750	715	173,750	1,420	236,250	33,000	10,673,750
Belgium	6,559	2,171,000	1,837	648,000	—	—	8,396	2,819,000
France	84	13,145	1,788	476,448	1,446	508,888	3,318	998,481
Italy	—	—	194	168,000	—	—	194	168,000
Luxembourg	—	—	—	—	70	80,000	70	80,000
Netherlands	10,329	4,247,514	—	—	—	—	10,329	4,247,514
	47,837	16,695,409	4,534	1,466,198	2,936	825,138	55,307	18,986,745



Table 14 — Recapitulation of readaption assistance approved under Article 56(2) of the ECSC Treaty  
29 March 1960-31 December 1967

Country Year	Enterprises concerned			Net amount committed	Men expected to be concerned		
	Coal	Steel	Iron ore	u.a.	Coal	Steel	Iron ore
Germany (F.R.)							
1961	2	—	—	437,500.—	2,426	—	—
1962	19	2	16	4,414,875.—	14,350	2,104	3,060
1963	19	3	13 <sup>(1)</sup>	3,853,250.—	18,480	928	2,730
1964	11	2	3	1,061,250.—	5,863	710	499
1965	20 <sup>(3)</sup>	1	2 <sup>(2)</sup>	2,049,875.—	13,676	294	1,515
1966	26 <sup>(4)</sup>	5	3 <sup>(5)</sup>	7,619,250.—	31,452	2,374	802
1967	25 <sup>(7)</sup>	2	4 <sup>(6)</sup>	10,673,750.—	30,565	715	1,420
1960-1967	122	15	41	30,109,750.—	117,112	7,125	10,026
Belgium							
1960	3	—	—	595,000.—	2,347	—	—
1961	10	—	—	1,298,000.—	6,514	—	—
1962	3	1	—	343,000.—	2,117	135	—
1963	2	—	—	80,000.—	933	—	—
1964	2 <sup>(2)</sup>	—	1	609,000.—	1,908	306	37
1965	6 <sup>(2)</sup>	1	—	2,005,000.—	4,556	1,250	—
1966	8 <sup>(2)</sup>	1	—	3,022,000.—	10,170	121	—
1967	10 <sup>(6)</sup>	3	—	2,819,000.—	6,559	1,837	—
1960-1967	44	6	1	10,771,000.—	35,104	3,649	37
France							
1961	9	—	2	1,403,568.12	2,277	—	703
1962	3 <sup>(2)</sup>	1	5	2,264,303.04	2,090	1,642	264
1963	3	—	8 <sup>(2)</sup>	399,250.77	160	—	906
1964	—	1	4 <sup>(3)</sup>	303,354.62	—	46	819
1965	—	—	7 <sup>(3)</sup>	571,660.06	—	—	1,374
1966	—	1 <sup>(2)</sup>	6 <sup>(3)</sup>	1,027,194.31	—	1,490	1,279
1967	2	7 <sup>(2)</sup>	11 <sup>(6)</sup>	998,480.88	84	1,788	1,446
1960-1967	17	10 <sup>(3)</sup>	43	6,967,811.80	4,611	4,966	6,791
Italy							
1965	1	9	8	3,817,711.87	650	2,660	1,295
1966	1	6	—	1,301,600.—	211	1,440	—
1967	—	1	—	168,000.—	—	194	—
1960-1967	2	16	8	5,287,311.87	861	4,294	1,295
Luxembourg							
1966	—	—	1	100,000.—	—	—	150
1967	—	—	1	80,000.—	—	—	70
1960-1967	—	—	2	180,000.—	—	—	220

Table 14 (continued)

Country Year	Enterprises concerned			Net amount committed	Men expected to be concerned		
	Coal	Steel	Iron ore	u.a.	Coal	Steel	Iron ore
Netherlands							
1965	1	—	—	690,607.73	2,700	—	—
1966	2	—	—	3,480,662.99	9,500	—	—
1967	6 <sup>(2)</sup>	—	—	4,247,513.80	10,329	—	—
1960-1967	9	—	—	8,418,784.52	22,529	—	—
Grand total	194	47	95	61,734,658.19	180,217	20,034	18,369
	336 enterprises in all			61,734,658.19	218,620 in all		

(1) Exclusive of 1 already in receipt of ECSC assistance.

(2) Exclusive of 4 already in receipt of ECSC assistance.

(3) Exclusive of 2 already in receipt of ECSC assistance.

(4) Exclusive of 8 already in receipt of ECSC assistance.

(5) Exclusive of 3 already in receipt of ECSC assistance.

(6) Exclusive of 5 already in receipt of ECSC assistance.

(7) Exclusive of 6 already in receipt of ECSC assistance.

the gross wage, but on the other hand steelworkers are not to be eligible for the allowance in lieu of concessionary coal, nor for the lump sum payable instead of the usual tide-over allowance to miners receiving a pension.

With regard to *Belgium*, it was decided, at the Belgian Government's request, to impose a ceiling of Bfr. 30,000 per month on the reference wage for tide-over allowances where the worker finds permanent re-employment at a lower wage, or has to undergo retraining in order to qualify for a new job.

In the case of *France*, where the great bulk of the readaptation effected was in areas with little or no other industrial activity, ECSC assistance was on a considerably larger scale than previously. The resettlement allowances for workers obliged to move house in order to take up new permanent employment were raised, the maximum and minimum levels being doubled. These allowances are multiples of the inter-industry minimum guaranteed hourly wage (SMIG), and are fixed between the maximum and minimum in accordance with the number of the payee's dependants, the distance from his former home and any help given by his employers over accommodation.

### *Redevelopment and reconversion (ECSC)*

288. The Community's redevelopment activities went forward in 1967 on the same lines and scale as in the previous year.

Most of the studies mentioned last year as being in preparation were duly completed and circulated in the countries concerned, notably the surveys on the development potential of the Saar and the Le Boucau operations,<sup>(1)</sup> and the latest covering reports on the work of the Expert Committee.<sup>(2)</sup> Others—the survey on the Val d'Aosta and the study on new production lines<sup>(3)</sup>—are still in hand.

New action taken includes the provision of Community assistance towards some twelve redevelopment and reconversion schemes in a number of the major mining and steelmaking areas, the Ruhr, the Saar, Lorraine and Belgian and Dutch Limburg (see below). The amounts set aside for these between mid-February and the end of December 1967 come to rather over 20m. units of account in all, bringing the total appropriation for redevelopment purposes since 1961 to approximately 104m. u.a.

A further dozen applications for assistance are being considered, decisions on some of which should be forthcoming very shortly.

#### *Ruhr*

289. In the Ruhr, the Community contributed a total of about DM 9.5m. for four redevelopment schemes, three of them in the Gelsenkirchen area, which is among those hardest hit by colliery closures. The new manufactures introduced are motor-car parts, fibreglass and ready-made clothing. They are to lead to the creation of over 1,600 jobs; 1,300 of these will be for men, the arrangement being that former miners and steelworkers are to have the first refusal, while the jobs for women can be taken by members of their families.

#### *Saar/Lorraine*

290. ECSC assistance was requested for a large-scale reconversion to be carried out in co-operation by the Houillères du Bassin de Lorraine and Saarbergwerke AG. Through joint subsidiaries, the two enterprises are

---

(1) *Fifteenth (ECSC) General Report*, secs. 414 and 429.

(2) *Fourteenth (ECSC) General Report*, secs. 385-487.

(3) *Fifteenth (ECSC) General Report*, secs. 436 and 446.

setting up a petrochemicals complex comprising more particularly an oil pipeline, a refinery at Klarenthal in the Saar, an ammonia plant at Carling on the French side, and a urea plant at Perl, Saar. Various other installations will be added later. The complex is initially to employ some 400 persons, the majority of them former miners.

Having regard not only to the direct reabsorption of personnel thus rendered possible, but also to the fact that the scheme will give a considerable fillip to the general economy of the whole area, that it is based on co-operation between two member countries and forms part of the diversification drive undertaken by the two groups of collieries, the High Authority decided to lend FF. 20m. for the ammonia plant and DM 16m. for the urea plant.

A steel cutting and finishing plant in the neighbourhood of Metz was granted a Community loan of FF. 1.2m. for a projected extension which will result in the creation of nearly 100 jobs, to go mainly to Lorraine iron-ore miners.

#### *French Ardennes*

291. ECSC is lending FF. 2.8m. towards the enlargement of a screw and armature works at Monthermé. Men formerly employed at a nearby steel plant which closed recently are to have first refusal of the 150 jobs thus created.

#### *Basse-Sambre*

292. Five collieries in the Basse-Sambre area of Belgium, in co-operation with two companies manufacturing building materials, are engaged in research on the production of light aggregates, bricks and tiles from coal shale, which if successful will be followed by the installation of a plant employing 150-200 miners. The High Authority decided to contribute BF. 3.5m. for the research programme.

#### *Belgian Limburg*

293. The Belgian Government submitted to ECSC a comprehensive reorganization programme for the province of Limburg, centering mainly on the modernization of the area's infrastructure and the establishment

of new industrial estates. The High Authority, which had earlier part-financed similar schemes in the Liège region,<sup>(1)</sup> the Centre and Borinage coalfields,<sup>(2)</sup> Lorraine and the Pas-de-Calais,<sup>(3)</sup> agreed to lend BF. 350m. for the preparation of four industrial sites totalling 800 hectares in the mining communes of Eisden, Beringen and Genk, on condition (as in the previous cases) that the enterprises which subsequently set up there should recruit a proportion of their personnel from among former coalminers.

Table 15 — Recapitulation of redevelopment assistance approved, 17 February-31 December 1967 <sup>(4)</sup>

Location	Amount furnished		Estimated number of new jobs
	national currency	u.a. (rounded figures)	
Ruhr	DM		
Dortmund	4,000,000	1,000,000	500
Gelsenkirchen	3,300,000	825,000	500
Gelsenkirchen	830,000	210,000	210
Herne	1,350,000	337,500	400
Saar	DM		
Perl	16,000,000	4,000,000	200
Lorraine/Ardennes	Ffr		
Carling	20,000,000	4,000,000	85
Metz	1,200,000	243,000	90
Monthermé	2,800,000	567,000	150
Belgian Limburg	Bfr		
Genk, Eisden, Beringen (industrial estates)	350,000,000	7,000,000	—
Dutch Limburg	Fl.		
Roermond	400,000	110,000	50
Roermond	2,500,000	690,000	190
Brunssum	500,000	138,000	120
Brunssum	4,000,000	1,110,000	700
		20,230,500	

<sup>(4)</sup> New operations only, exclusive of those shown for 1-16 February 1967 in *Fifteenth (ECSC) General Report, sec. 444, Table 74.*

<sup>(1)</sup> *Tenth (ECSC) General Report, sec. 532.*

<sup>(2)</sup> *Fourteenth (ECSC) General Report, sec. 376.*

<sup>(3)</sup> *Fifteenth (ECSC) General Report, secs. 425-427.*

*Dutch Limburg*

294. ECSC had already in 1966 made a substantial contribution to the Dutch Government's redevelopment programme for the Limburg coal-field,<sup>(1)</sup> and in 1967 further agreed to lend a total of Fl. 7.4m. to assist the installation of four enterprises in the communes of Roermond and Brunssum, for the manufacture of confectionery, mineral wool, electric cables and plastic goods. The number of jobs created will be over 1,000 in all, 900 of them suitable for former miners.

## FREE MOVEMENT OF WORKERS

*Proposals for a regulation and a directive on  
free movement of workers within the  
Community*

295. The two proposals<sup>(2)</sup> were laid before the Council by the Commission on 7 April 1967. The Council then consulted the European Parliament and the Economic and Social Committee.

The European Parliament on 17 October 1967 expressed itself in favour, adding that it attached great importance to the regular report on developments in the labour market; it further stressed that the Commission was responsible for taking the necessary steps and competent to do so, listed the matters it considered to merit priority, and suggested a number of amendments. The Economic and Social Committee also rendered a favourable opinion at its meeting in Brussels on 26 October 1967. On the basis of these reactions, the Commission plans to submit revised proposals to the Council early in 1968.

296. To ensure that free movement under the Treaty of Rome was established in full, the Commission, during the second half of 1967, embarked with the Member States on a study of the problems involved in implementing the Treaty with respect to the right to remain in a given member country

---

<sup>(1)</sup> *Fifteenth (ECSC) General Report*, secs. 440-444.

<sup>(2)</sup> *Official Gazette* No. 145, 8 July 1967, and *Tenth (EEC) General Report*, sec. 242.

after ceasing to hold paid employment there, the object being to enable the Commission to settle exactly what requirements nationals of Member States must fulfil in order to enjoy this right.

Once these legal arrangements are established—that is, when the Commission's proposals have been adopted and when it has specified the requirements workers must fulfil to be entitled to stay on—the Community will be able to bring Articles 48 and 49 fully and permanently into force, and in particular to see to it that the Treaty machinery operates smoothly and effectively, so as to help ensure balanced conditions in the labour market and obviate serious risks of deterioration in standards of living and levels of employment.

297. During the last nine months of 1967, the extent to which Member States arranged for their own nationals to have preferential treatment in the matter of employment varied more widely than in the past. Thus in the Netherlands priority for Dutch nationals was restored from 1 April in the province of Overijssel with respect to all occupations, and Belgium was obliged to take similar action with respect to mineworkers (underground and surface) in the provinces of Hainaut, Liège and Limburg from 1 July; in France, on the other hand, protective measures during the period under review were on a noticeably smaller scale than formerly, as regards both the occupations and the areas concerned, while Germany, Italy and Luxembourg did not invoke the safeguard clause (Article 2 of Regulation No. 38/64) at all, thus abiding by the position they have taken all along since 1 May 1964, when the Regulation came into force.

298. The Commission continued its co-operation with those Member States which do not operate recruiting centres in Italy, assembling and channelling information promptly on manpower requirements in those States and on the possibilities of meeting them from Italian sources.<sup>(1)</sup> It also conducted a number of more specific activities for the purpose of promoting vacancy clearance and more particularly promoting the placing of young workers who had undergone crash courses for jobs in the Community at centres specializing in high-speed training. This intelligence and job notification work yielded encouraging results.

299. The Technical Committee continued its work in connection, in particular, with the implementation of Regulation No. 38/64, concerning

---

(1) *Tenth (EEC) General Report, sec. 245.*

priority of access to employment for Community workers. It also went carefully into the problems arising with regard to the comparability of statistics on paid employment and numbers at work.

Commission teach-ins for the two sides of industry on free movement of workers were held on 11-12 April and 1-2 June.

300. Under the advanced-training programme for employment exchange officials specializing in vacancy clearance (Article 37 of Regulation No. 38/64), the Commission, in the second half of 1967, organized in-service training periods for fourteen individuals and three collective training periods in the Netherlands, Germany and Italy respectively, which were attended by officials from the different Member States.

301. A fifth programme of 15 grants for in-service training of welfare officers dealing specifically with migrant labour was carried out.

In addition, 35 welfare workers from the six countries met in Rome on 7-9 June to exchange views and experience concerning activities on behalf of workers and their families migrating within the Community. The subject was discussed from the point of view both of the migrants' freedom of movement and their social security and of what needed to be done to secure better conditions for them.

## HARMONIZATION OF SOCIAL SECURITY ARRANGEMENTS

### *General problems concerning social security*

302. New additions to the existing *documentation* on social security systems in force in the six countries include the latest issues of Volume 1 (general scheme) and Volume 3 (farmers' and growers' scheme) of the comparative tables, updated to 1 July 1966.

Further studies<sup>(1)</sup> are in preparation, one on the consumption of pharmaceutical products under social security arrangements, and the other, for reference more particularly in the framing of medium-term economic policy, on past and future trends in social security receipts and expenditures and the extent to which they balance.

---

(1) *Tenth (EEC) General Report*, sec. 260.



The Commission is at work on the definition of certain concepts, as for instance of the different types of unemployment (unemployment proper, loss of employment owing to circumstances, short time, work stoppages due to weather conditions).

A meeting of senior social security officials from the six countries was held to discuss the present state of the law in this field and the expected future course of legislation.

Some fifty information memoranda concerning occupational diseases on the European list are due to be issued shortly.

303. A revised edition of the comparative tables of the mineworkers' social security schemes in the different countries, giving the position at 1 April 1967, is now printing, as is a re-issue, updated to 1 January 1967, of the monographs on social security arrangements for miners and steelworkers in the Community and Britain. (1)

The latest report comparing Community and British social security schemes<sup>(1)</sup> at 1 January 1967 is in process of finalization. It now covers all six Community countries. It deals with the position of single workers and of married workers with two children with respect to the nine risks listed in ILO Convention No. 102,<sup>(2)</sup> and also includes a brief survey on supplementary benefits under the general and the mineworkers' schemes.

*Specific problems concerning the mineworkers' schemes*

304. As in 1965 and 1966,<sup>(3)</sup> the financial aid furnished by the Member States in 1967 to help meet the claims on the social security schemes in the coalmining industry was scrutinized for conformity with Article 2(2) of High Authority Decision No. 3/65.<sup>(4)</sup>

The steady shrinkage in the number of actively employed miners is resulting in a substantial rise in the ratio of pensioners to workers, and this is one reason why the Governments are having to pay out larger

---

(1) *Fifteenth (ECSC) General Report*, sec. 461.

(2) Sickness; maternity; disablement; old age; survivors; industrial accident or occupational disease; survivors of victims of industrial accidents or occupational diseases; family allowances; unemployment.

(3) *Fourteenth (ECSC) General Report*, secs. 320 and 399; *Fifteenth (ECSC) General Report*, sec. 462.

(4) Secs. 176 *et seq.* above.

and larger sums each year to reduce the burden of social security contributions. The increase for the Community as a whole was 8.2% in 1966 as against 1965, and 11.4% in 1967 as against 1966.

The Working Party on Social Security in the Coal Industry,<sup>(1)</sup> set up by the Joint Committee on Terms of Employment (Coal), continued its studies. It appointed three sub-committees to consider specific problems in connection with

- (a) financing;
- (b) industrial accidents and occupational diseases;
- (c) unemployment and short-time working.

Each sub-committee, consisting of one expert (worker or employer) from each of the coal-producing countries, drew up an outline report on the disparities in treatment resulting from the differences in national social security legislation. After discussion by the Working Party, the three reports will be submitted to the Joint Committee.

#### *Social security of migrant workers*

305. Work in this connection was, as before, mainly focused on the revision of the Community Regulations. It consisted principally in preparing the following proposed regulations for the Council :

- (a) Proposed regulation concerning the annexes to the revised Regulation No. 3, to be submitted by the Commission to the Council early in 1968;
- (b) Proposed regulation fixing the implementing procedures of the revised Regulation No. 3 and itself constituting a revision of the present Regulation No. 4, to be submitted to the Council at the earliest possible date, together with its annexes, which are still being considered by the Administrative Committee.

In addition, a proposed regulation amending certain of the annexes to Regulations Nos. 3 and 4, so as to take account of the new Dutch legislation on disablement insurance (which came into force on 1 July 1967) and of French legislation concerning voluntary old-age insurance, was drawn up by the Commission and submitted to the Council on 18 December 1967.

---

<sup>(1)</sup> *Fifteenth (ECSC) General Report*, sec. 463.

306. A comparative study was completed in 1967 on the social security position in the Community countries of migrant workers from certain non-Community countries.<sup>(1)</sup> It shows how the national social security arrangements apply to these men and their families while resident in a Community country, and after their return home; in addition, it outlines the provisions of the various bilateral and multilateral agreements on the subject, and how they affect the entitlements which workers acquire by affiliating to the statutory social security scheme of a Community country.

A glossary of the main social security terminology in the four Community languages, with translations and definitions of the more important terms in relation to the municipal laws of the member countries, is to be issued in 1968.

The Commission was represented by observers at the Council of Europe's work on a European Social Security Convention, which is based in some respects on the Community's regulations.

### *Wages and terms of employment*

307. The Commission, with the assistance of outside experts, undertook a number of studies on particular aspects of the wage system, such as the movement of wage drift according to the sliding wage scale and the criteria used for fixing wage rates. In the broader context of incomes and savings policy generally, it also engaged in a study of the statistical data available on incomes structures, and of the various existing or projected incentives to workers to holding property of their own.

The Statistical Office of the Communities made a start on analyzing the data assembled in the course of the survey on the pattern of industrial wages and salaries as at October 1966, and of the inquiry into industrial labour costs, based on the figures for 1966.<sup>(2)</sup>

308. Having duly published its study on working hours<sup>(3)</sup> in the Member States, the Commission consulted the Governments and the employers' and workers' organizations with reference to a detailed investigation

---

<sup>(1)</sup> *Fifteenth (ECSC) General Report*, sec. 459.

<sup>(2)</sup> *Tenth (EEC) General Report*, sec. 257.

<sup>(3)</sup> *Ibid.*, sec. 256.

which, at the suggestion of one of the Governments, it is planning to have carried out into certain technical aspects of the subject. The aim will be to survey existing situations and practices with regard to certain points in connection with working hours, such as equivalence arrangements, making-up of hours lost, and standing exemptions. This more detailed account of particular technical aspects will serve to round off the purely legal study already issued.

In accordance with the decision taken by the Council of Ministers of Labour and Social Affairs on 19 December 1966 to consider whether the Member States should ratify the agreements on minimum social standards concluded within the framework of other international organizations, the Commission forwarded to the Council a report discussing the pros and cons of ratifying a first list of agreements. These include the European Social Charter and the European Code of Social Security, as well as a number of ILO conventions.

309. 1967 saw the publication of the report on trends in wages, terms of employment and social security in the ECSC industries during 1966, <sup>(1)</sup> and the finalization of a more specialized study on job analysis and job evaluation, containing basic documentation on these techniques as used in the coal and steel industries.

From data supplied by the Statistical Office of the Communities, a brochure was compiled and published giving a comprehensive picture of the impact of technological progress on productivity, wages, working hours and terms of employment in the iron and steel industry, <sup>(2)</sup> and a corpus of material built up on trends in wages and wage costs in the coal industry.

The covering report for the steel sector on the research conducted into the effects of technical and social progress on methods of payment in the ECSC industries is in preparation. On the coal side, the studies on how methods of payment are being affected by advances in mining techniques were continued; a combined summary report for the Community as a whole is being drawn up in this connection with respect specifically to stone drifting.

310. During the period under review, there were frequent meetings of the various working parties set up by the two Joint Committees on Harmon-

---

<sup>(1)</sup> High Authority Doc. No. 1136/67.

<sup>(2)</sup> High Authority Doc. No. 4547/66.

ization of Terms of Employment in the coal and steel industries, to assemble preparatory documentation on different aspects of terms of employment in the two sectors. The Joint Committees themselves are to meet in January 1968 in order to approve a number of papers and studies prepared by the working parties, to hear progress reports on the work in hand, and to exchange information on matters of current interest.

The survey on the turnover of manpower in the ECSC industries<sup>(1)</sup> is now in the report stage, with covering reports recording and comparing the main findings in the different countries' coal and steel industries now on the point of completion. The comparative tables on the *de jure* (statutory and contractual) and *de facto* position regarding the employment of manual workers in each of these industries are to be submitted for the Joint Committees' endorsement at their forthcoming meetings in January, and will be published in 1968. <sup>(2)</sup>

A joint working programme was finalized in April 1967<sup>(3)</sup> for a comparative study (scheduled to be completed towards the end of 1968) on a wide variety of statutory and contractual provisions relating to the welfare of juveniles employed in the coal industry.<sup>(4)</sup> The Joint Committee (Coal) at its meeting in January 1968 will hear a progress report on the activities of the Working Party on Social Security in the Coal Industry,<sup>(5)</sup> and a report on trends in wages and wage costs at Community collieries between 1954 and 1965.

The Joint Committee (Steel) at its next meeting will consider a covering report, drawn up with the aid of its Working Party on the Implications of Technological Change, summarizing the main findings of the case studies carried out in selected Community steel enterprises on the impact of technological progress on the social side. When this has been adopted by the Committee, it will be published at an early date, together with six of the case studies regarded as specially relevant to the purposes of the investigation.<sup>(6)</sup>

---

<sup>(1)</sup> *Fourteenth (ECSC) General Report*, secs. 403-404; *Fifteenth (ECSC) General Report*, secs. 465-466.

<sup>(2)</sup> *Fifteenth (ECSC) General Report*, sec. 267.

<sup>(3)</sup> *Fifteenth (ECSC) General Report*, sec. 465.

<sup>(4)</sup> Provisions as to age of entry; working hours; types of work for which the employment of juveniles is prohibited or subject to restrictions; Sunday work; payment for public holidays and other off-days; leave arrangements; training of juveniles; representation of juveniles in the industry.

<sup>(5)</sup> Sec. 305 above.

<sup>(6)</sup> *Fourteenth (ECSC) General Report*, sec. 404; *Fifteenth (ECSC) General Report* sec. 466.

The Committee will also compare notes on the change-over from payment by the week to payment by the month in the steel industry, and the action taken in the different countries to cushion the social effects of the structural changes going on in the steel sector.

311. The two Salaried Employees Committees, dealing with the pay, terms of employment and social security of non-manual workers in the coal and steel industries respectively, met in September and October 1967 to consider the comparative tables on the terms of employment of salaried personnel compiled with the assistance of the employers' and workers' associations.<sup>(1)</sup> The tables for the steel industry were approved; those for the coal industry were held over for further discussion on a number of points.

The next study to be undertaken by the Salaried Employees Committee (Steel) is to be on the representation of non-manual workers at enterprise and industry level. As this is a very big subject, it will take some time to cover. The Committee has expressed the wish to devote part of each of its next few meetings to exchanging information on matters of immediate importance. The first topic on its working programme is "Methods of grading non-manual workers in the steel industry."

The Salaried Employees Committee (Coal) is to examine different questions in connection with working hours. Also, in December 1967 it held a briefing session on the readaptation of non-manual workers.

The liaison group set up in 1966 with the metal and mining industries federations belonging to the Confédération Internationale des Cadres, to establish a broader-based relationship between ECSC and the senior managerial grades in these industries, met twice during the period under review. Matters discussed included the economic position of the basic industries, readaptation and redevelopment operations under Article 56 (2) of the ECSC Treaty, and certain problems particularly concerning managerial-rank personnel, such as the question of supplementary retirement pensions and professional retraining for men in these grades.

### *Equal pay for men and women*

312. The Commission in August submitted to the Council its report on the position at 31 December 1966 with regard to implementation of

---

<sup>(1)</sup> *Fifteenth (ECSC) General Report, sec. 468.*

the equal pay principle, drawn up in co-operation with the Special Working Party on Article 119 from information supplied by the Governments and the two sides of industry in response to a questionnaire.<sup>(1)</sup>

### *Industrial relations*

313. The studies on conflicts of law in the labour field were continued and a number of possible ways of overcoming the complex problems involved were discussed with Government experts. The methods and procedure for assembling and evaluating the provisions of collective bargaining agreements on the basis of a single agreed schedule for all the member countries were examined in more detail.<sup>(2)</sup>

A new study was begun on the prevention and settlement of labour disputes, in the form of a survey of the statutory, contractual and *de facto* arrangements existing for this purpose in the ECSC countries. The findings will be published in the Labour Law series started in 1957 to provide the Community circles concerned with comparative documentation on the principal aspects of labour law.<sup>(3)</sup>

### *Subsidized housing*

314. The Community's housing policy, which combines economic and social aims,<sup>(4)</sup> went ahead during the period under review, a series of further appropriations being made, more particularly under Scheme VI.<sup>(5)</sup>

Fuller particulars of the financing arrangements decided on between 1 February and 31 December 1967 are to be published separately.<sup>(6)</sup>

### *Germany (F.R.)*

315. The number of new houses for miners to be built in the Ruhr in the next two years is put by the Unternehmensverband Ruhrbergbau, the Ruhr coalowners' association, at 8,000. That the figure is so large

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 255.

<sup>(2)</sup> *Ibid.*, sec. 256.

<sup>(3)</sup> *Fifteenth (ECSC) General Report*, sec. 469.

<sup>(4)</sup> *Ibid.*, sec. 471.

<sup>(5)</sup> *Ibid.*, sec. 474.

<sup>(6)</sup> *Exposé sur l'évolution de la situation sociale dans la Communauté en 1967.*

despite the number of pit closures and the contraction in the colliery labour force is due to the re-engagement of miners from pits now defunct to resume work at the centres of continuing production. In addition, some existing colliery-owned housing is no longer available for this purpose inasmuch as the present occupants, though they have left the industry's employ, are legally entitled to remain in possession.

Some of the 8,000 new dwellings are to be part-financed from the Special Reserve funds still available under Scheme VI.

Many of the men who are thus transferring to other collieries in consequence of the reconstruction of the industry have lived hitherto in houses for which the rents were well below those now normally payable for newly built accommodation. The low interest (1%) on the advances from the ECSC Special Reserve is intended to help keep the rent or other charges for these new dwellings at levels which they can reasonably afford.

316. An appropriation of DM 400,000 was approved for the iron-ore industry, to be divided half and half for building 30 houses in the Lower Saxony and 30 in the Bavarian orefield. Each of these sums of DM 200,000 is to be supplemented by a further DM 400,000 from other sources, that for Lower Saxony being furnished by the Hannoversche Knappschaft and that for Bavaria raised in the open capital market.

317. For the Saar, the Community set aside DM 1,800,000, to which Saarbergwerke AG is to add DM 3,600,000 as an interest-free loan from its own funds. By this means 250 dwellings will be built for leasing to young miners with a view to ultimate owner-occupation, Saarbergwerke seeking in this way to secure a steady labour force of suitable age at the main foci of production.

318. As regards housing for steelworkers, a first tranche of DM 11,590,000 made available for the building of some 2,000 houses in 1966-67,<sup>(1)</sup> had been fully drawn down by the beginning of 1967.

The employers' federation, the Wirtschaftsvereinigung Eisen- und Stahlindustrie, put in further proposals, and following consultations with the appropriate Ministries and the trade unions a second tranche of DM 8,410,000 was allocated from the Special Reserve for 1967-68, to be used in combination with DM 22,900,000 furnished in 1966 by various German social insurance organizations.

---

<sup>(1)</sup> *Fifteenth (ECSC) General Report*, sec. 476.



The DM 31,310,000 so provided is to part-finance the building of 1,700 houses. Some of these are intended primarily as a means of assisting the regrouping of steel plants—now a top priority of business and production policy—by helping to attract labour to the right places. The companies concerned have already undertaken to contribute substantial funds of their own for the operations.

### *Belgium*

319. Building continues in progress under Schemes III and IV, which are being carried out by the Société Nationale du Logement.<sup>(1)</sup>

At 31 December 1967, 1,406 dwellings had been completed and 753 were still under construction.

Work meantime also started on the 500 dwellings to be built in the neighbourhood of Ghent for the personnel of the nearby Sidmar steel plant, with the help of a High Authority appropriation of BF 150m.

The Commission is considering with the Belgian Government the possibility of providing funds for operations in Belgium under a further scheme, which will be the sixth.

### *France*

320. A first tranche of FF 3,660,000 allocated to the French coal industry having been used up, it was agreed to provide a second for 1967.<sup>(2)</sup>

In response to the Charbonnages de France's proposal, ECSC, after consulting the Ministries immediately concerned and the trade unions, set aside FF 3,000,000 to part-finance 300 houses in the Nord/Pas-de-Calais, Lorraine and Centre/Midi coalfields, and FF 600,000 for a hostel for unmarried miners in Aquitaine, where 60 such men, mostly foreign nationals, are still housed in tumbledown hutments.

---

<sup>(1)</sup> *Fifteenth (ECSC) General Report, sec. 477.*

<sup>(2)</sup> *Ibid., sec. 479.*

Of the total appropriation of FF 16,000,000<sup>(1)</sup> approved for steelworkers' housing in France, a further tranche of FF 5,300,000 was paid over in 1967, towards the building of 700 dwellings.

### *Italy; Luxembourg; Netherlands<sup>(2)</sup>*

321. Preparations were begun in 1967 in the three countries for the building of houses for steelworkers under Scheme VI. Discussions on the details will continue early in 1968. The Commission's final decisions will be taken in 1968.

Recapitulation of ECSC's work to date (1953-67)

322. From the time when it first began providing assistance for the building of houses for ECSC workers up to 31 December 1967, the Community contributed financially, under Experimental Schemes I and II and the six major loan-aided schemes, to the construction of 107,427 dwellings, of which 67,451 were to be rented and 39,976 to be ultimately owner-occupied. At the latter date, 95,497 had been completed.

*Table 16* gives the operational position and *Table 17* the financial position at 31 December 1967. The accompanying diagram shows at a glance the progress of ECSC's work in the housing field over the years (dwellings financed and completed only).

### *Special scheme<sup>(3)</sup>*

323. The promised report on the special building scheme was duly drawn up and is to be made public at a Press conference early in 1968.

Operations have started on all the sites except at Genk in Belgium, and are progressing satisfactorily. The dwellings will be ready for occupation in 1968-69.

The International Expert Committee of heads of national building research centres is keeping a careful eye on the work, to make sure that the general guidelines laid down for the scheme are observed and its aims effectively achieved.

<sup>(1)</sup> *Fifteenth (ECSC) General Report, sec. 480.*

<sup>(2)</sup> *Ibid.*, secs. 482-484.

<sup>(3)</sup> *Ibid.*, secs. 485-489.

Table 16 — Operational position of experimental schemes I and II and loan-aided schemes I-VI, at 31 December 1967

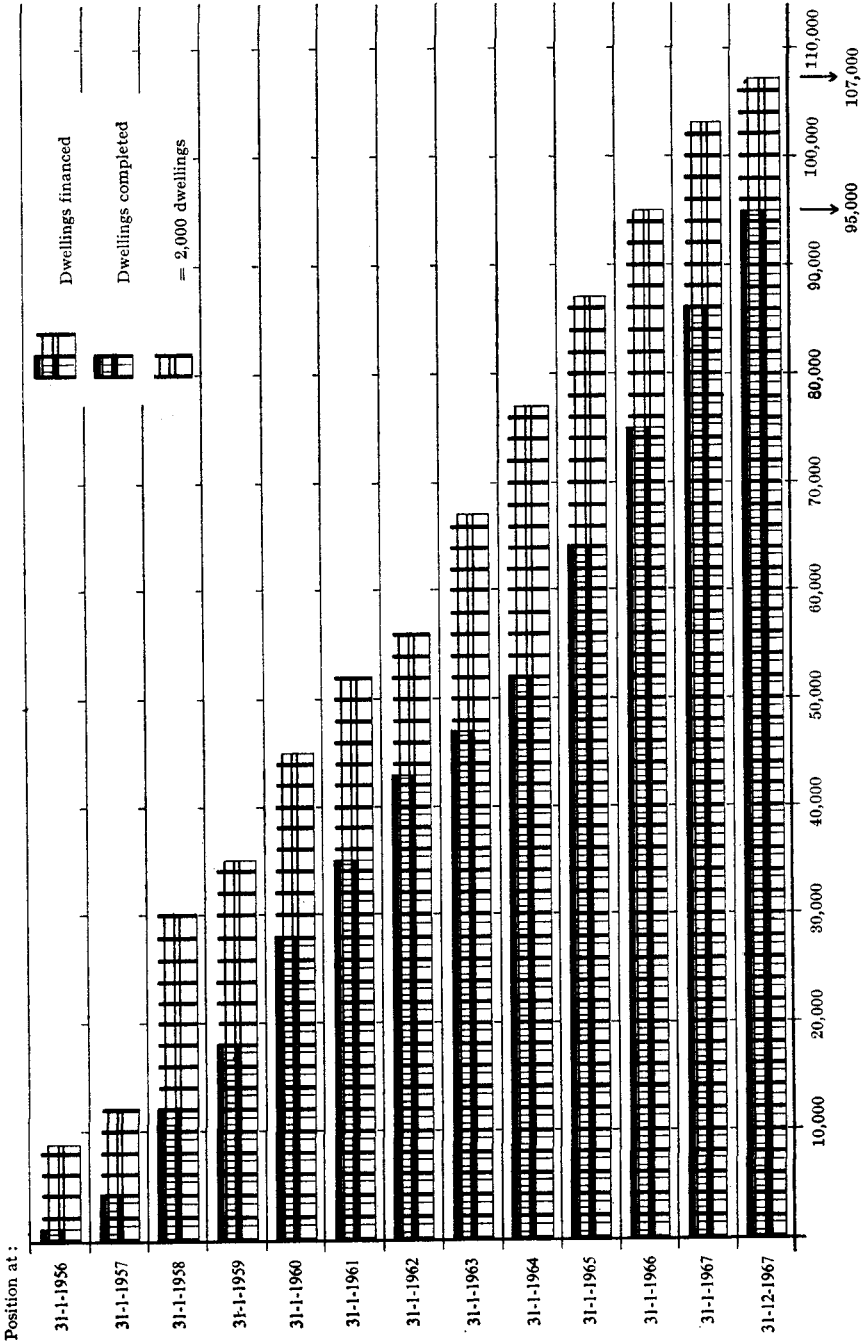
Country	Dwellings financed	of which :		
		in preparation	building	completed
Germany (F.R.)	74,716	2,179	4,657	67,880
Belgium	7,065	468	1,558	5,039
France	16,457	548	1,076	14,833
Italy	5,318	31	1,000	4,287
Luxembourg	683	8	5	670
Netherlands	3,188	—	400	2,788
Community	107,427	3,234	8,696	95,497

Table 17 — Financial position of experimental schemes I and II and loan-aided schemes I-VI, at 31 December 1967

('000,000 units of account)

Country	ECSC advances		Additional funds mobilized at ECSC instigation	Total amount advanced	Funds from other sources (housing associations, etc.)	Total cost of dwellings built
	from own resources	from borrowings				
Germany (F.R.)	45.35	13.24	103.51	162.10	622.34	784.44
Belgium	4.60	19.26	2.30	26.16	26.68	52.84
France	24.77	—	5.06	29.83	121.14	150.97
Italy	6.54	8.04	2.06	16.64	25.21	41.85
Luxembourg	1.75	1.70	—	3.45	5.19	8.64
Netherlands	4.40	2.14	5.97	12.51	8.43	20.94
Community	87.41	44.38	118.90	250.69	808.99	1,059.68

ECSC subsidized housing financed and completed



## COMMON HEALTH AND SAFETY POLICY

*General Activities*

324. Two meetings of senior civil servants in charge of industrial health and safety arrangements in the member countries were held in 1967 as part of the Commission/Government co-operation in this field.

The Commission proposed to the Council that its series of factory inspectorate traineeships organized in 1965 and 1966 should be continued. The Council, at its session on 5 June 1967, requested the Commission to submit a fresh programme of these, and this was done, a programme of 32 trainee periods of two to three weeks each being laid before the Council in October and approved for implementation in 1968.

Following the seminar on the psychological and educational aspects of industrial accident prevention,<sup>(1)</sup> the Council, at its session on 5 June, agreed that the Member States' industrial safety establishments should co-operate with one another and with the Commission on :

- (a) Standardization, checking and testing of individual safety equipment;
- (b) Standardization of safety signs and notices;
- (c) Problems in connection with films on accident prevention.

The Working Party on Individual Safety Equipment began preparations for its studies.

In May the Commission had a discussion with the two sides of industry on occupational safety.

325. The preparatory work on approximation of safety legislation with respect to workers and third parties continued.<sup>(2)</sup> After the adoption by the Council on 27 June 1967 of the directive concerning approximation of laws, orders and regulations relating to dangerous substances, the drafting of supplementary directives on dangerous substances, for submission to the Council by the end of 1967, proceeded rapidly. At the first meeting of national experts in September 1967, the broad outlines of the principles and methods to be followed in drawing up Community instruments were

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 268.

<sup>(2)</sup> *Ibid.*, sec. 263, and *Ninth (EEC) General Report*, sec. 253 and (for list of other subjects), sec. 87.

established on the basis of four preliminary studies. Three sub-groups, on solvents, pesticides and explosive substances, began work in the last quarter of 1967.

326. With regard to industrial health, the concluding stage was reached in the Commission's studies on pressure-chamber work, the heavy jobs generally performed by women in agriculture, noise abatement in enterprises, and inoculation of workers exposed to special risks.

### *Research on industrial health and safety (ECSC)*

327. The Commission took over without a break the Community activities in connection with the raising of occupational health and safety standards in the coal, iron-ore and steel industries, as outlined in the Fifteenth General Report of the High Authority.<sup>(1)</sup>

Under the second health research programme on dust control in *mines*,<sup>(2)</sup> grants to a total of 667,166 units of account were made for further work on 12 projects already in hand and for one new one, undertaken by the Institute of Physics of Vienna University, on a cascade impactor for dust measurement.

The Commission also arranged for the dissemination of research results, as in the past; in 1967 these concerned in particular :

- (a) Dust prevention and suppression in the use of face winning machinery and roadway tunnellers, by wet precipitation and by dry de-dusting appliances;
- (b) The employment of the water infusion method in seams hitherto considered difficult to mine;
- (c) De-dusting at loading points;
- (d) Replanning of ventilation circuits and improved methods of dust control in iron-ore mines.

A printed report on this whole sector of research was issued under the title *Dust Control in Mines : Research Position at 1 January 1967*.

<sup>(1)</sup> Table 18 below shows ECSC funds appropriated and committed up to 31 December 1967 under the different industrial health programmes.

<sup>(2)</sup> *Fifteenth (ECSC) General Report*, secs. 499-501.

The work of keeping those on the spot in industry abreast of developments was also continued as before, with parties of experts touring mines in various member countries and in Britain. Further jointly organized recordings of dust concentrations below ground were carried out.<sup>(1)</sup>

On the mines safety side, research continued on the uses of salt pastes as a means of preventing dust explosions.<sup>(2)</sup>

328. Health research in the *steel industry* was devoted in particular to control of converter "brown smoke," determination of the fluor content of fumes given off in steelmaking, and means of preventing the emission of fluor compounds.

The go-ahead for a second programme in the steel sector was given by the High Authority on 14 June 1967,<sup>(3)</sup> a grant of 4m. units of account being approved for research on methods of combating air pollution caused by steel plants. The new programme was announced in the Official Gazette of the Communities on 26 June 1967 (No. 126); the arrangement of the practical details is proceeding according to schedule.

The Steel Industry Safety Commission met on 12 December, and adopted the findings of three of its working parties, on

- (a) Access to the cabs of mobile cranes (Working Party on Safety : Mobile Cranes);
- (b) Requirements to be observed in design and construction to permit maintenance and repair work on gas mains, piping and appliances (Working Party on Safety : Gas Networks);
- (c) Individual protective equipment for blast-furnace ladlemen (Working Party on Safety : Blast-Furnace Tapping).

The arrangements for disseminating these reports and for issuing them in popularized form will be discussed at the next meeting. Concerning the publicity drive for the "basic principles of accident prevention" it had adopted earlier,<sup>(4)</sup> the Safety Commission recommended that teach-ins for the managerial staff of steel plants be organized in Germany, France and Italy, and in Brussels as a convenient centre for the Benelux countries.

---

<sup>(1)</sup> In order to compare the degrees of harmfulness attributed to these.

<sup>(2)</sup> *Fifteenth (ECSC) General Report*, sec. 499.

<sup>(3)</sup> *Ibid.*, sec. 493.

<sup>(4)</sup> *Ibid.*, sec. 505.

The seven working parties continued their studies; further findings are in preparation, and will be submitted to the Safety Commission in 1968.

The Safety Commission's accident prevention principles have been received with much interest both inside and outside the Community, and have been adopted as official practice in a number of Community enterprises.

As regards the channelling of information to users in industry, attention was devoted chiefly to publicizing these principles, and also the points made in the national reports which were presented at the information session on 29-30 November 1966.<sup>(1)</sup> Special reprints were made of 19 articles published in scientific periodicals on research work sponsored by ECSC, and were circulated in the appropriate quarters in the mining and steel industries. The Commission also issued a paper on accident prevention in Sweden, a document summarizing recent articles on safety problems encountered specifically in the steel industry, and a brochure on the progress of safety research to date.

*Research on industrial medicine, industrial health and industrial physiology and psychology (ECSC)<sup>(2)</sup>*

329. As in previous years, research promotion went ahead actively with the progressive implementation of the various programmes on industrial medicine, industrial health and industrial physiology and psychology.<sup>(3)</sup> The researchers' six-monthly progress reports confirm that the work is proceeding satisfactorily.<sup>(4)</sup> In addition the dissemination of information to industrial medical officers and others immediately concerned was systematically expanded.

330. The 90 projects making up the five-year programme of *physio-pathological and clinical studies* (respiratory complaints, occupational poisoning) are going forward on schedule.<sup>(5)</sup> Some of them are worth mentioning individually, notably the studies to develop a standardized technique for measuring respiratory capacity.

<sup>(1)</sup> *Fifteenth (ECSC) General Report*, sec. 505.

<sup>(2)</sup> See *Exposé sur l'évolution de la situation sociale en 1967 dans la Communauté* (ECSC portion of the statistical annexes, Tables 23 et seq.)

<sup>(3)</sup> *Fifteenth (ECSC) General Report*, sec. 493.

<sup>(4)</sup> Table 18 shows ECSC funds appropriated and committed up to 31 December 1967 under the different industrial medicine, health and physiology/psychology programmes.

<sup>(5)</sup> *Fifteenth (ECSC) General Report*, sec. 495.







The epidemiological survey on chronic bronchitis and emphysema, organized by means of a Community questionnaire, is under way.<sup>(1)</sup> It will be notably facilitated by the covering particulars provided in a publication on these two complaints which is now in process of distribution.<sup>(2)</sup>

Co-operation and liaison among researchers is becoming closer as the work progresses. In furtherance of this, a full list of the research centres and establishments taking part in the occupational physiology programmes has been compiled and the provisional edition is now in circulation. The interim findings from the researches in hand indicate that later it will also be necessary to go into the question of the re-employment and rehabilitation of workers suffering from chronic respiratory disease, the incidence of which is stated by official circles and by the two sides of industry to be a matter of considerable socio-economic importance.

331. The necessary appropriation having been approved by the High Authority on 21 February 1967, another six projects were added to those already in hand under the *traumatology and rehabilitation* programme.<sup>(3)</sup> The specialized working parties continued their work of co-ordination.

The organization of the programme on the treatment and rehabilitation of burns patients,<sup>(4)</sup> launched in 1966, is making good headway. 43 projects were submitted to the Commission by the research centres concerned and referred for the regulation scrutiny, and in December the Commission approved a first set of 13, work on which is to start early in 1968. They concern the clinical aspects of the treatment of burns and the use of skin-grafting techniques.

A list of the research centres taking part in the traumatology programmes was drawn up; the necessary additions are now being made to include the latest projects approved.

332. As regards *industrial physiology and psychology*, the assorted projects grouped under the general headings of "human factors and safety" and "ergonomics" will mostly be completed early in 1968. It now remains,

---

<sup>(1)</sup> *Fourteenth (ECSC) General Report*, sec. 429, and *Fifteenth (ECSC) General Report*, sec. 496.

<sup>(2)</sup> *Bronchite/Emphysème*, Industrial Health and Medicine series No. 5.

<sup>(3)</sup> *Fifteenth (ECSC) General Report*, sec. 497.

<sup>(4)</sup> *Ibid.*, sec. 498.

as planned, to start on the second stage of the second human factors programme, and to work out supplementary financing arrangements to enable the ergonomics programme to be carried to its scheduled conclusion, all the funds allocated having been drawn down in 1967.<sup>(1)</sup>

Following the first human factors programme, two studies were issued, a documentation survey and a summary record of the findings, entitled respectively "*Les facteurs humains et la sécurité (étude documentaire)*" and "*Les facteurs humains et la sécurité dans les mines et la sidérurgie (résultats des recherches sur la sécurité encouragées par la Haute Autorité de 1961 à 1964)*." The separate reports on the Community-sponsored safety research conducted in the individual countries are in process of distribution, and the covering combined summary report has also been completed.

Work under the second human factors programme is going ahead satisfactorily. Three new projects were adopted in 1967; the High Authority in June earmarked the necessary funds for the four research centres directly contacted to carry out studies on organization and safety.

In the field of ergonomics, six new projects were added in 1967 to the programme already in hand. The co-ordinated series of researches on mental stresses is under way, and the organization, by direct arrangement with the centres concerned, of research on continuous operation and on work at high temperatures is also proceeding. In addition, the High Authority in June made the necessary appropriation to enable a start to be made on the so-called "joint" ergonomic research planned, and the first four of the research teams embarked on their studies.

The Commission prepared a list of the centres engaged in the research on industrial physiology and psychology, and a monograph on the organization and functioning of industrial psychology departments at mines and steel plants.

333. On the publications side, 70 reprints of articles appearing in the specialized press on aspects of the various ECSC-sponsored research projects were sent to several hundred industrial medical officers and others likely to be interested.<sup>(2)</sup>

---

<sup>(1)</sup> *Fifteenth (ECSC) General Report*, secs. 502-504.

<sup>(2)</sup> *Ibid.*, sec. 507.

Seven further volumes were issued in the Industrial Medicine, Health and Safety series, on chronic bronchitis and emphysema, noise and noise abatement, welding and its effects, human factors and safety (vols. 1, 2 and 3), and practical notes for industrial medical officers (vol. 1).

Co-operation between ECSC and both sides of the industry is having an increasingly noticeable effect on the steps now sometimes instituted by the latter within enterprises.<sup>(1)</sup> Three teach-ins were organized by the Community, in Germany, France and Italy.

The first of the new annual sets of brochures recording progress in the different fields of research<sup>(2)</sup> duly appeared.

### *Mines Safety and Health Commission<sup>(3)</sup>*

334. In accordance with its terms of reference and rules of procedure, the Mines Safety and Health Commission remodelled its basis of activities so as to operate in the most effective manner possible having regard to the drastic reorganization of the coal industry. Its principal function is to serve as a forum for the exchange of information and experience; in addition, it suggests to the European Commission study and research work which could usefully be undertaken to enable safety arrangements properly in line with the latest technical advances to be introduced in due course.

The European Commission, at its session on 7 December 1967, appointed Vice-President Levi Sandri chairman of the MSHC, in succession to Mr. Coppé. The MSHC adopted its fourth report on 15 December.

335. The MSHC studied during 1967 the circumstances and causes of four group accidents which had occurred in the Community and Britain, involving the loss of 40 lives in all.<sup>(4)</sup>

---

<sup>(1)</sup> *Fifteenth (ECSC) General Report*, sec. 508.

<sup>(2)</sup> *Ibid.*, sec. 506.

<sup>(3)</sup> *Ibid.*, secs. 509 *et seq.*

<sup>(4)</sup> Succession of firedamp explosions at Mont-Cenis colliery, Germany (9 dead), 22 July 1965; rail collision below ground at Silverwood colliery, Yorkshire (10 dead), 3 February 1966; firedamp explosion at Rossenray colliery, Germany (16 dead), 16 February 1966; sudden outburst of CO<sub>2</sub> at Panisnières colliery, Central France (5 dead), 2 March 1967.

336. The Working Party on Electricity continued its studies on the cables and safety devices of mobile appliances, such as power cutters, and submitted an interim report on the effects of the salt pastes used on electrical installations to prevent explosions.

The Working Party on Rescue Arrangements and Mine Fires carried on with the activities previously conducted by two separate working parties (now combined) on rescue arrangements and on fires and underground combustion. Particular attention was devoted to the Mont-Cenis accident and to practical instances of the reopening of districts which had been sealed off after fires. The Working Party's sub-committees continued their study of specially important points in connection with firefighting and with the rescue of workers entombed by falls of coal and rock.

The Working Party on Winding Ropes and Shaft Guides discussed methods of checking the couplings of round and flat winding ropes, and the problems involved in the matter of the shaft guides by the need to step up the speeds and loads of the cages when workings are concentrated.

The Working Party on Flammable Dusts completed its study of the different kinds of barriers employed to contain dust explosions, and finalized for circulation its observations on dust explosions in the Community and Britain, an *aide-mémoire* for the use of accident investigators, a programme of tests with a suggested order of priorities for the Community experimental stations, and a standard layout for recording the results of these tests.

A new Working Party on Health in Coalmines was set up when the terms of reference of the MSHC (formerly the Mines Safety Commission) were extended to include this aspect.<sup>(1)</sup> It took as its first subject technical and general measures for reducing levels of dustiness in underground workings.

The Working Party on the Effects of Working Hours on Safety (especially hours worked under difficult and unhealthy conditions) went into the question of wet workings. The Working Party on Psychological and Sociological Factors in Safety arranged a first meeting of organizers of safety campaigns in the different Community coalfields.

The panel appointed to judge the competition for improved mine safety devices announced its awards for the last (deferred) class of entries, prizes going to three designers of portable oxygen-deficiency detectors.

---

(1) *Fourteenth (ECSC) General Report*, sec. 449.

## HEALTH AND SAFETY (EURATOM)

337. The execution of the tasks entrusted to the Commission under Articles 30-39 of the Euratom Treaty has on the whole yielded positive results.

The drawing up of legislation in a field as new as radiation protection, which is of interest to numerous ministerial departments, has necessitated the implementation of a genuine Community policy and special efforts on the part of both the national authorities and the Commission.

The legislative, regulatory and administrative provisions which have been adopted in all the Member States ensure the satisfactory observation of the Basic Standards, as has regularly been stated in the reports on the activities of the Euratom Commission. Even in the relatively short period of time since the publication of the last report, new provisions have been enacted to supplement or improve the existing legislation in the various Member States.

The Commission has delivered an opinion on the draft Royal Decree embodying general military regulations on protection against radiations, which was submitted by Belgium in line with the procedure laid down in Article 33 of the Euratom Treaty and was mentioned in the last report on the activities of the Community. The Commission also passed an opinion on a draft decree concerning certain amendments to be made to the general regulations governing the protection of the population and workers against radiation.

In *France* a decree came into force embodying general public administrative regulations for the protection of workers against radiation; the Commission delivered an opinion on the draft of this decree in 1965.

*Italy* requested the Commission's opinion on the new version of the draft decree concerned with defining the types of radiation-producing devices whose use may give rise to radiation hazards, as also on a draft circular embodying instructions governing the notification of possession of fissile materials.

An important *Grand-Ducal* regulation (which had formed the object of a Commission report) came into force in Luxembourg concerning the protection of the population against radiation hazards.

As far as the *Netherlands* are concerned, the Commission delivered an opinion regarding a draft decree for the implementation of Articles 27 and 58 of the "Nuclear Law" and a draft decree relating to the provisions

of Article 15 of the "Nuclear Law." The Netherlands also forwarded to the Commission a draft decree concerning the carriage of fissile and radioactive materials.

338. The Commission is paying special attention to the advance of scientific knowledge in the fields of radiation protection and radiobiology in an endeavour to bring safety standards up to date. By appointing a group of experts as provided for in Article 31, the Commission has continued its work aimed at a possible revision of the Basic Standards in accordance with certain new recommendations proposed by the International Commission on Radiological Protection (ICRP) and it is at present carrying out several supplementary studies ("controlled areas," "protected areas," "special groups" of the population, etc.).

It should be stressed that, as regards radiation protection regulations, the Community is ahead of other organizations interested in this field. A certain degree of caution is therefore necessary when the amendments to the existing standards are contemplated. Their possible effects on the maintenance of the present level of safety and protection must be carefully weighed up before a decision is taken to accept them and include them in the new directives.

339. A rundown on radioactive contamination in the Community countries during the period 1962-1966 has just been completed, a feature which emerges being the relatively high fluctuations in the background radioactivity levels. It has been possible to draw significant conclusions concerning the transport of radioactive substances and the process of the radioactive contamination of the atmosphere right up to the consumption of foodstuffs by man.

In addition, the Commission has also conducted studies on post-accident decontamination procedures as well as on the problems involved and the action to be taken in connection with the contamination of the water resources; the problem of surface water pollution occupies a place of particular importance in the Community, since it is planned to install a considerable number of power reactors over the next few years, the presence of which along river banks is likely to increase the risks of pollution and to raise the problem of their being superimposed on each other.

A comparative study of measurements obtained with whole-body counters was performed, it being found that, as a general rule, the measurements are being carried out with a high degree of accuracy by participant laboratories.



340. In the field of nuclear hygiene and medicine, the Commission is responsible for co-ordinating the study and research projects devoted particularly to the radioactive contamination of the environment and the effects of ionizing radiations on human beings. The research projects are concerned with the contamination of man and the different links in the food chain and also include studies on the improvements which, must be made to the physical measurement of radiation. Furthermore the Commission has continued to promote the study of the genetic effects of embryonic malformations and the carcinogenic effects attributable to low doses of radiation as well as the diagnosis and therapeutical treatment of irradiated individuals.

In 1967 the study on the metabolism and accumulation of certain radionuclides in human bones was continued, as well as the epidemiological study on leukemia induced by low doses of radiation.

In connection with the particularly complex problem of the evaluation of doses received in the course of internal contamination while at work, a colloquium held at Mondorf-lès-Bains (Grand Duchy of Luxembourg) from 31 May to 2 June 1967 pointed out the need for further studies and research in the field of radiotoxicology and at the same time stressed the significance of the associated risks, since the toxic effects of radioactivity could add to conventional industrial nuisances. A manual is being prepared for use by industrial physicians in nuclear installations.

341. In 1966 the relevant departments of the Commission continued the studies necessary for future Community action in the field of *mutual aid in the event of a nuclear accident* and also completed an inventory of the existing facilities for intervention in the Member States. Contacts have been established in this respect with the relevant authorities of the Member States and exchanges of views have taken place with people having practical experience in this field.

342. Since 1 April 1967, the Commission has delivered its opinion on three radioactive waste disposal projects, in accordance with Article 37 of the Treaty; these projects concern the KRB Grundremmingen nuclear plant, the Karlsruhe Nuclear Research Centre and the SENA plant at Chooz. The project for disposal of radioactive waste in the EDF-3 power plant at Chinon is at present being examined by the relevant departments of the Commission.

343. As regards relations with professional groups, the Commission has continued to co-operate with trade-union bodies and exchanges of views have been held on subjects of common interest relating to the protection of workers against ionizing radiations.

The questions raised by the application of the regulations concerning radiation protection (protection of minors, pregnant women and nursing mothers, keeping workers informed, etc.) were rediscussed during a meeting which took place in Luxembourg on 3 May 1967 and was attended by leaders of the ICFTU and the IFCTU.

Furthermore, the Commission has drawn up a survey of the work carried out by the conference held in Munich from 25 to 27 May 1966 on the social problems bound up with the aims of the first Euratom target programme.

344. Documentation and studies on health and safety problems have been continued and an "Information Bulletin" concerning the various aspects of radiation protection is published monthly.

The study on the notification of the radioactive hazards and, in particular, on the symbols used to indicate it, has been communicated to the Council of Ministers along with the proposal that a group of government experts be appointed; it was also forwarded to the European Parliament for information purposes.

Following the second revision of the Basic Standards, it was decided that it would be useful to publish a co-ordinated edition in the four official languages, of the standards drawn up on the basis of the first Council directive of 1959, plus the two amendments of 1962 and 1966.

345. Under the Euratom/CEA Contract of Association on levels of radioactive contamination of the food chain and the environment, studies and research have been pursued in order to determine more exactly the various parameters involved in the mechanisms governing the transport of the contamination from the environment to man by way of the food chain.

In the field of human biology, the anatomical characteristics of an adult man and an adolescent formed the subject of a detailed study and will soon be published in the more general context of a working group of the ICRP. This work has now been completed. Studies on the incorporation of iodine into the organism during adolescence have also been terminated and the results will be published shortly.

In connection with nutrition, the evaluation of the data obtained from dietary surveys carried out in eleven regions of the Community has been completed.

Studies relating to the factors governing the transport of radioactive contamination in foodstuffs in the various production conditions of the European Community have been pursued. Studies aimed at determining the contamination of various foodstuffs as a function of the contamination of the soil has been conducted in eleven centres displaying different ecological conditions. Results for strontium-90 and caesium-137 are now available. A study of the mechanisms of direct contamination of plants has been carried out in co-operation with the Biology Department at Ispra. The results now available permit a better evaluation of the measurements performed on fall-out. Other studies have been completed, the results of which are now being evaluated, concerning contamination via the plant base and the influence which the method of rearing cattle has on the contamination of milk by strontium and caesium.

346. Dosimetric calibration and comparative studies completed during the past two years have been analyzed on the basis of all the data obtained on calibrated irradiations.

As a result of experiments carried out in three important laboratories of the Community in close co-operation with the dosimetric authorities of the six Member States, general practical comparison has been made of the principal types of film badges used in the countries of the Community.

### *Social aspects of the common agricultural policy*

347. The examination of points concerning wages and working hours was continued and extended to the additional aspects of "labour costs" and "comparison with other sectors". This study was very useful in the negotiations held, at the Commission's request, between employers and agricultural workers in order to harmonize working hours in agriculture. The general study on "Comparison of the incomes of persons working in agriculture with those of persons in other comparable occupations—concepts and methods" was completed, and the study on the financing of social security has reached the final stage.

The study on the outlook for the agricultural labour force in the various regions, which was undertaken two years ago and covered a number of typical regions in Germany, France and Italy, has been extended to the Benelux countries.

An *ad hoc* working party has been set up to prepare the first "career briefs" in the agricultural sphere.

348. The Commission is also preparing a paper on the social situation in sea-fishing in the Community countries, a task which is indispensable if a list of social problems is to be established.

### *Social aspects of the common transport policy*

349. The Commission took further steps to implement the Council decision of 13 May 1965 on the harmonization of certain provisions affecting competition in rail, road and inland waterway transport.

For the purpose of preparing the proposal it intends to put forward for a second regulation on the harmonization of certain social provisions in the sphere of road transport,<sup>(1)</sup> the Commission has requested an opinion from the Joint Advisory Committee on social matters in road transport.<sup>(2)</sup>

The Commission is continuing its comparative studies on working conditions in the Member States' rail and inland waterway transport. These studies will provide a basis for the Commission's consultations with the Governments of the Member States and also with the two sides of industry with a view to implementation of Articles 10-13 of Decision 65/271/CEE. On 28 November 1967 the Community set up the Advisory Committee on social matters in inland waterway transport. In the sphere of vocational training, Community lists are being drawn up of the minimum qualifications and skills needed to be a professional lorry driver or a road haulier.

## Research and technology

### GENERAL POLICY

350. The initial political results of the study by various Community authorities of the problems posed for Europe by technological progress confirm the leading position which questions of research and technology

---

<sup>(1)</sup> Tenth (EEC) General Report, secs. 220 and 223.

<sup>(2)</sup> Official Gazette No. 130, 16 July 1965.

already occupy in the thoughts of the Community institutions. These results now pave the way towards Community solutions, the elaboration of which will be actively pursued during the next few months.

351. In July the Working Party on scientific and technical research policy set up by the Medium-term Economic Policy Committee submitted its report, entitled "Towards a research and innovation policy in the Community."<sup>(1)</sup> The report first examines the factors governing the general promotion of research and innovation and points out the objectives to be attained, which are the creation of a favourable economic climate for research and innovation, the encouragement of the universities to greater activity, the development of human resources and the optimum diffusion of scientific and technological know-how. The public authorities, the universities and the enterprises concerned each have an important role to play here, a role which the report examines in detail. Part II of the report analyses the basic elements of an orientation policy, that is, the selective measures favouring research, together with the elements of a policy of scientific and technical co-operation.

The study of these problems led the Working Party to conclude its report with recommendations for future action in the Community. Work on research and innovation should be stepped up both in the Member States and at Community level in the years to come, particular attention being paid to the economic imperatives to be faced. Some special measures are called for, such as :

- 1) Examination of the possibilities and terms of co-operation in the following sectors: data processing, telecommunications, transport, oceanography, the metallurgical industries, nuisances, meteorology;
- 2) Study at Community level of national and international research work and programmes in the nuclear, space and aeronautics fields;
- 3) Concerting of public procurement policies for equipment involving a high percentage of research and development;
- 4) Regular comparison of national plans, programmes and budgets with a view to harmonizing policies; establishment of a permanent inventory of national scientific and technical potential; long-term technological forecasts;

---

(1) *Tenth (EEC) General Report, sec. 272.*

- 5) Creation of a European system for the dissemination of information and of a centre for the utilization of sophisticated techniques;
- 6) Formulation of a coherent policy and doctrine of selective action at national and Community level;
- 7) Establishment of the legal and fiscal framework of research and innovation (tax harmonization; value-added tax; framing of specific measures to benefit research; European patents; the European company; definition of Community policy on research agreements between enterprises; access to patents and licences, etc.).

352. This report was submitted to the Council by the Medium-term Economic Policy Committee as a contribution—together with the memorandum of the Inter-Executive Working Party on Scientific and Technical Research—to the preparations for the session which the Council had decided to devote to problems of technological progress. It proved impossible to hold this session before 31 October 1967. Taking as its basis the two aforementioned documents, the French Government's memorandum of March 1965 and the statement made by Mr. Fanfani to the EEC Council in December 1966,<sup>(1)</sup> the October 1967 session adopted an important resolution. In this the Council, the Governments of the Member States and the Commission express their common will to reinforce and promote scientific research and industrial innovation.

353. The resolution emphasizes the fundamental role which scientific and technical research plays in the economic growth of the Member States, and the leeway which Europe has to make up, compared with certain highly industrialized countries, in some sectors essential to the development of a modern industrial economy. In order to meet the demands resulting from this situation, the Council affirms its political readiness to initiate energetic action on two complementary planes connected with the Community's medium-term development programme. First of all, this action aims at improving and harmonizing the general legal and fiscal conditions likely to encourage research and innovation in the Community. The Council is to continue the work begun on creating an economic union, in order to foster the establishment of more effective industrial structures (European company, European patent, harmonization of taxation systems).

---

(1) *Tenth (EEC) General Report*, end of sec. 272.

The action to be taken also aims at investigating possibilities for Community co-operation in certain fields deemed particularly important for research and development. The Working Party on scientific and technical research policy has been asked to report to the Council, through the Medium-term Economic Policy Committee, before 1 March 1968 on the possibilities for co-operation, beginning with the six sectors proposed by the Working Party itself, and on the possible extension of this co-operation to include other sectors. This report will enable the Permanent Representatives to submit their conclusions to the Council by 1 June 1968 at the latest. The Commission, which plays an active part in the studies of the Working Party on scientific and technical research policy of the Medium-term Economic Policy Committee, will be closely associated with all stages of the work and has been invited to put forward any useful and relevant suggestions it may have. Thus, the Council's decision has opened the way to a considerable extension of Community activities in a field which is specially crucial for the future.

Because of the scale of the work to be completed by 1 March 1968, and pending the creation of the new structures to be set up as a result of the merger of the three Executives, the Commission has established a group of officials to tackle the project in question.

At its meeting on 30 November 1967, the Council's Working Party on scientific and technical research policy decided to set up specialized groups for each of the sectors mentioned in the Council resolution (data processing, telecommunications, new means of transport, oceanography, the metallurgical industries, nuisances, meteorology). These groups, made up of specialists from the six countries, have been asked to make a concrete and detailed survey of these sectors in order to pinpoint the possibilities for co-operation in the research and development field.

The groups began work in December 1967.

354. Apart from the two lines of approach mentioned above, the Council also decided to instruct the Working Party :

- 1) To compare national methods and general plans, programmes and budgets affecting research;
- 2) To examine means of creating a Community system for processing and disseminating technical information or for co-ordinating national information systems;
- 3) To examine means of ensuring co-ordinated training and a more extensive exchange of scientists.

The Council stated that, with regard to the various activities to be undertaken, it will be necessary :

- 1) To take into account existing projects, especially in other international organizations;
- 2) To investigate means by which other European states can take part in the proposed projects;
- 3) To make it possible for industrial enterprises in the Member States to have a say as far as feasible in the formulation of a common policy and to benefit from the resulting advantages.

355. The Commission helped with the preparations for the special Council session on 31 October 1967 by submitting a proposal for a resolution based on the one accompanying the inter-Executives memorandum<sup>(1)</sup> and taking into account the recommendations in the report of the Working Party on scientific and technical research policy. The Commission has also continued its work on surveys relating to other sectors, in particular industrial and agricultural research. <sup>(2)</sup>

When the initial decisions concerning the organization of its departments were taken on 28 July 1967, the Commission set up a Directorate General for general research and technology in order to promote and expedite work on the formulation of an overall scientific and technical research policy for the Community.

356. The European Parliament has stressed on many occasions the importance it attaches to problems of technological progress.

On 23 and 24 October 1967 its Committee on Energy, Research and Nuclear Problems, following up a suggestion by Mr. Pleven, met in Brussels to discuss European collaboration in the field of technology with a group representing the political parties in Great Britain. The main aim of this meeting was to give the Committee an idea of the views of British political circles regarding the possibilities of co-operation between the Community and Great Britain in this field.

At its session of 27 November to 1 December, the European Parliament held a debate on problems of research, during which the spokesman of all the political groups stressed that a genuine Community policy must

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 273.

<sup>(2)</sup> Secs. 368 and 369.



include a research policy. The Commission representative, Mr. Hellwig, while agreeing that Europe was a long way behind, emphasized that in certain sectors the calibre of European research was comparable with that in the United States.

In the resolution adopted, the Parliament reiterated its view that policy on research and technology must be regarded as a fundamental element in the development of the European economy and as the kingpin of an industrial strategy for our times, and that it called for an appropriate common energy policy.

The Parliament considers essential that a systematic policy be adopted forthwith, its aims, form and methods defined without delay and a schedule of work drawn up. It recommends that action, in part complementary to that set out in the Council resolution of 31 October 1967, be taken in the fields of high energy physics, isotope separation, molecular biology and non-nuclear power sources in particular.

The resolution expresses the Parliament's confidence that co-operation will sooner or later be established with Great Britain and also refers to the still unsolved problems of Euratom and the European patents system, and suggests the setting up of a European Scientific Development Fund and European centres for research in the basic sectors.

#### PROGRESS OF RESEARCH CONCERNING THE ECSC INDUSTRIES

357. For about ten years, the main aim of ECSC in the technical research field has been to encourage and improve co-operation between researchers in the Community industries, and this objective has now been reached. The flow of applications for research grants is growing all the time, just when the Community is being called upon to do more and more in connection with "readaptation" (tiding-over and retraining) of redundant workers, industrial conversion, and redevelopment. The time has thus come to define the direction the work should take, and to ensure maximum efficiency with more limited funds. The stress is shifting away from the provision of incentives to the need for selection. In the last ECSC General Report a certain number of measures were contemplated which, in 1967, led to decisions being taken by the High Authority.<sup>(1)</sup> These decisions

---

<sup>(1)</sup> *Fifteenth (ECSC) General Report*, sec. 288.

tend towards a more complete harmonization between the procedure for the implementation of the policy with regard to aid for technical research and that which has long been followed in the field of social and medical research. The decisions concern :

- 1) Elaboration in each research sector (steel, coal, social aspects) of medium-term programmes, emphasis being given to the "hot spots" where special efforts should be made during the next three years and the sectors where preferential action is required;
- 2) Evaluation of the funds which should be earmarked for each sector during the next three financial years so that these programmes can be carried out;
- 3) Adjustment of the selection procedure so that the various projects proposed can be classified according to the agreed priorities and the financial limits decided on. Here, the High Authority had in mind comments by the Consultative Committee and certain members of the Parliament relating to the improvement of selection procedures for the projects promoted.

Implementation of these decisions should lead to a more extensive integration of research work between the various sectors of the Community under the medium-term economic policy. It should also facilitate better adaptation of research to the structural evolution of the coal and steel industries. These considerations account for the aspect and tempo of financial operations with regard to research during 1967.

### *Financial assistance in 1967*

358. The year 1967 constitutes the link between the launching of ECSC's research policy and the implementation of the aforementioned measures, from the point of view both of the methods used and of the funds involved. *During the first half of 1967* (that is, still in the financial year 1966/1967), grants were made of credits which had until then been under examination and which, as a result of the impetus of the three previous financial years, in the case of coal and social research, reached amounts higher than those of 1966. But in *the second half of 1967* (the first half of 1967/68), the policy intimated in the High Authority's last report was already making its effects felt.

In the face of the considerable increase in readaptation expenditure, the Community was forced to cut back on its research grants for the financial year 1967/1968. Depending on how much in fact does have to be allocated to readaptation—this being the main factor governing the 1967/1968 financial year—the amount which seems reasonable for the research programme could be between 6 and 8 million u.a.

359. The 1967 appropriation for steel research totalled 3 million and for iron-ore research 0.9 million, as against a combined 6.6 million in 1966, as the initial effects of the new measures made themselves felt in this sector. However, in the coal and social sectors, as already mentioned, a number of decisions long under study were at last taken, this marking considerable progress over the previous year: in coal research, the appropriation amounted to 4.2 million, as against 0.4, and in the social sector 4 million, compared with 1.7. Thus the total amount appropriated since 1952, after allowance for certain sums not used, comes up to 27.9 million for steel, 8.1 million for ore, 27.6 for coal, and 31.6 for the social sector, a total of 95.2 million u.a., the decisions taken in 1967 accounting for 12.1 million.

The amount actually contracted for during this period was 11.1 million.

Research contracts signed by ECSC in 1967

Steel	6.1 million u.a.
Ore	0.9 million u.a.
Coal	3.1 million u.a.
Social	1.0 million u.a.

Total 11.1 million u.a.

Compared with 14.7 million u.a. in 1966

Disbursements continued to rise : 8.5 million compared with 6.5 the previous year for technical research, bringing total disbursements to 42 million and the proportion of disbursements to appropriations budgeted since 1952 to 67%, as against 57%. If social research is taken into account, disbursements in 1967 work out at 10 million, bringing the total over the years to 55 million and the proportion of disbursements to appropriations in the three sectors to 58%, as against 54%. It should be recalled that in the case of social research the appropriation/disbursement ratio is relatively low, the appropriations being open-ended, that is, available for drawing down over a fairly long period.

Because of the time-lag between commitment and disbursement, the introduction of the new procedure will not, during the next few years, have any effect on disbursements, which, on the contrary, should continue to rise until they are higher than the amount committed for the year. This increase will not, however, affect the budgetary position thanks to the policy, which the High Authority has pursued from the outset, of placing in a special reserve the amount of the commitments undertaken.

With regard to the increase in commitments, this new departure in ECSC's research policy, which had little effect on the figures for 1967, will more directly influence the 1968 figures; these will be slightly lower than for the previous years, without jeopardizing the continuity of research work in the ECSC.

360. In addition to the granting of funds for the common research programmes, the work of promotion includes co-ordinating the activities of the research centres and ensuring collaboration between them and the industries concerned.

The technical and executive committees for the different sectors meet at regular intervals to exchange views and information. In its work of co-ordinating the activities of the research centres, assessing applications for grants and planning and preparing research programmes, the Commission is advised by the Coal and Steel Research Committees, the "umbrella" bodies placed over the technical and executive committees.

Outside the Community itself, collaboration in the field of technical research and the exchange of information on results obtained already exists to some extent with the British coal and steel industries, as well as with the Swedish steel industry. Similar collaboration with the coal industry of North America is in the planning stage.

361. Dissemination of the knowledge acquired is assured primarily by the direct and regular supply of information via the technical and executive committees which superintend the different research projects promoted in their respective sectors. Apart from the scientific papers and announcements appearing in the specialist Press in the ordinary course of events, there are also, for a wider public, a special series on coal research and final reports on steel research. This flow of printed matter is backed up by the organization of scientific congresses and conferences which serve to promote direct contact among scientists and researchers.

### *Technical research : Coal*

362. Last year, research was, as before, mainly centred on increasing coal's competitive capacity and in particular on cutting production costs. The work sponsored by the Community in this field concerns development of new operating methods and processes and ways of making the existing ones more efficient (mining techniques sector), possibilities for quality improvement and for the conversion of coal into other products of commercial value (coal valorization sector), seeing how coal can be presented more in the form the consumer wants and studying new ways of using it (coal utilization sector). Much attention has also been paid to raising the standard of safety in mines and improving miners' working conditions.

363. In the mining techniques sector, basic research was continued on the calculation and control of strata pressure and outbursts of firedamp, mastery of which is essential if full mechanization and automation of workings and really efficient exploitation of the deposits are to be achieved. Some recent research findings were confirmed by industrial-scale tests, leading to the development of new operating methods and processes.

Improvements in the technique used until now for roadway drivage through hard rock were made possible by studies on a new way of using the tunneller. This research is itself necessary for the development of a new type of tunneller.

There have been several research projects for the improvement of coal-winning techniques. These covered, in particular, the development of better winning machinery, the use of hydrostatic drives for the winning and haulage installations, improvements in hydromechanical winning, and the development of explosiveless "shotfiring" using a high-pressure water/air mixture.

A whole series of research and development projects was devoted to preparing the changeover, particularly difficult in coalmines, from fully-mechanized to automated winning. They related, firstly, to telemonitoring and remote control of operations at the face, i.e. cutting, loading and haulage, and secondly, to the development and testing of remote-controlled, or alternatively self-advancing, face supports suited to the tectonic conditions in continental Europe.

All the research and development work mentioned above was carried out with the aim of improving both output and safety in mines. In

addition a number of projects were specifically devoted to mine safety, for example, the improvement of stone-dust and other barriers and stoppings.

364. In the coal valorization sector, basic research was carried out into the importance of the main parameters in coking, as conditioned by the raw materials and working methods used, with special reference to the influence of the different ranks and grades of coal. Similar research was carried out into preparation techniques designed to prevent degradation of the coal during transport, which reduces its market value.

A very important part of the work in this sector consisted in basic research into the physical and chemical structure of coal and coke. All the big coal research establishments in the Community, and also the university institutes and technical colleges dealing with such matters, are taking part. This work, which is being carried out in an admirable spirit of collaboration, has provided a great deal of new information which could open up as yet unexplored avenues in the field of coal technology.

365. In the coal utilization sector, work has been particularly concentrated on devising more efficient techniques for the combustion of solid fuels. Basic research has thrown light on the manner in which combustion takes place, the laws of physics and thermodynamics governing it, and the extent to which these have to be taken into account in plant design. The research was backed up by development work which led to the improvement of burner units, fireboxes and boilers of various capacities and for different uses.

Two projects were devoted to the economic utilization of combustion residues, slag, clinker and fly ash.

Finally, studies were carried out to determine ways of preventing air pollution by fumes and gases, either by catalytic combustion or by developing and testing methods of separating the especially harmful sulphur dioxide and sulphur trioxide; this problem is particularly pressing in cities and in major industrial centres.

### *Technical research : iron ore and steel*

366. In 1967, ECSC continued its research, aimed in part at developing more efficient methods for use in actual steel production, but above all at promoting steel utilization.

Since it was set up, ECSC has part-financed the operation of two pilot plants, to which certain non-member countries have also contributed. In 1966 it made a further three-year grant for the research on improvements in pig-iron production which is being conducted at the Liège experimental blast-furnace,<sup>(1)</sup> in collaboration with Swedish industry and with a Canadian company.

This year ECSC sponsored a second three-year programme of research on the flame structure of various fuels and on heat transfer. Sweden, Great Britain and the United States are assisting in this work, which is being conducted at the pilot plant at IJmuiden. This research is scientific rather than technical in nature, serving to extend basic knowledge, and not involving any problems with regard to patents or to competition.

In the iron ore sector, research is in progress on the mechanization of ore extraction and on methods of ore beneficiation and burden preparation with the aim of making it possible for Community blast-furnace inputs to contain as much indigenous ore (particularly of the calcareous varieties) as is economically reasonable, more particularly in sintered or blended pelletized form.

International competition and the pressure exerted by substitute products (plastics and non-ferrous metals) are forcing the iron and steel industry to introduce changes, and this process must be helped by continuous production and by automation.

Having already, on the strength of the considerable results obtained,<sup>(2)</sup> made further grants towards the development of plant for continuous oxygen steelmaking, ECSC now plans similar aid for continuous electric steelmaking.

In the course of the gradual automation of the successive stages in the iron and steel production cycle, ECSC has now begun the third stage of its programme (the blast-furnace sector) following a first set of studies, now completed, on the sinter strand, and a second currently in hand, on reversing mills.

ECSC is also contemplating extending its present work<sup>(3)</sup> on the development of methods and instruments for continuous measurement, which

---

<sup>(1)</sup> *Fifteenth (ECSC) General Report*, sec. 316.

<sup>(2)</sup> *Ibid.*, sec. 317.

<sup>(3)</sup> *Ibid.*, sec. 319.

is an essential prerequisite of automation. These incorporate the latest advances in physics, such as lasers, gamma rays and ultrasonics.

367. Two fresh steps have been taken in the ECSC's action to promote steel utilization.<sup>(1)</sup>

In the field of metal physics, ECSC is promoting basic research to enable the steel industry to develop new steel qualities, in particular high-strength low-alloy steels, involving only simple heat treatments. Other projects are under consideration.

Alongside this work on the production side, an initial joint programme on the service properties of steel (weldability, corrosion, brittle fracture, fatigue behaviour, heat treatment, machinability), covering the phenomena in considerable detail, aims at making the metal usable for a wider range of purposes, and also easier for the consumer industries to process and use.

Separate projects have also been begun on the uses of cold-reduced sections obtained from flats.

The results obtained from the first programme have prompted ECSC to launch a second programme complementary to the first. This concentrates on utilization of high-strength steels and corrosion proofing.

### *Scientific and technical research in other sectors*

368. Towards the end of 1966, the Commission began a series of sector-by-sector studies on scientific and technical research. The first study deals with electronics. The Commission is now evaluating the information obtained.

Meanwhile, two new studies have been undertaken, once concerning research in the canning and bottling of foodstuffs and the other research in the aircraft and space industries.

### *Agricultural research*

369. The draft regulation<sup>(2)</sup> concerning the organization of agricultural research in the Community as a whole (based on Article 42 of the EEC

---

<sup>(1)</sup> *Fifteenth (ECSC) General Report*, sec. 320.

<sup>(2)</sup> *Tenth (EEC) General Report*, sec. 275.



Treaty) has already been drawn up, and will soon be submitted to the Council by the Commission.

Eleven contracts have been concluded with national research establishments for the planned joint research on control of swine fever.<sup>(1)</sup> In October 1967, following the spread of the disease in Italy, the Council took steps to deal with the situation. Sums were set aside which will enable the Italian research centres to press ahead with the work under the joint programme.

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 275.

## CHAPTER V

## NUCLEAR RESEARCH AND DEVELOPMENT

**Completion of Second Five-Year Programme  
and preparation for future activity**

370. The year 1967 was the last of the Second Five-Year Research and Training Programme. For the entire period covered by the programme, a total of 458.7 million u.a. was made available to the Commission, including unexpended appropriations carried over from the first programme. Of this total, 224.8 million, or 49% was employed for the Commission's own activities, comprising the work of the four Joint Research Centre establishments, the Orgel Project and activities in the fields of training and dissemination of information and the Commission's own projects in the field of biology. An amount of 199.4 million u.a., or 43%, was allocated to the major associations and 34.5 million, or 8%, was earmarked for research contracts.

Adopted by the Council in June 1962, the Second Programme incorporated 18 groups of operations, the decision on which involved ceiling appropriations. After discussion, it was agreed that no reservations were to be recorded with regard to either new activities which might prove advantageous in the course of the programme or price revisions resulting in the case of certain projects from increases in manpower and materials costs. On the other hand, the itemized text of the programme was deliberately worded in such a way as to allow for a certain flexibility in the execution of the research. Any change in the amounts or the texts would, however, require the unanimous agreement of the Member States.

From the Commission's proposals only one aim was deleted, namely, participation in a very-high-flux reactor (an operation which was later to form the subject of a bilateral Franco-German agreement), for which an amount of 8,000,000 u.a. had been earmarked. However, the overall amount was reduced from 480 to 425 million u.a. without any curtailment of the activities described above.

Thus as early as 1963 the first difficulties arose. The appreciable rise in the cost of living between the end of 1961 (when the second five-year programme was drawn up) and the end of 1963 led to a proposal for an increase of nearly 48.2 million u.a. At the same time, the Commission suggested the launching of three new activities, namely :

- (i) the creation of a Joint Research Centre establishment in France, involving the transfer to the Community of the Institute for Nuclear Science and Technology at Saclay;
- (ii) the setting-up of a solid state physics group at Ispra, this task to be entrusted to a group of physicists headed by Mr. Mössbauer, a Nobel Prizewinner;
- (iii) the construction of a pulsed reactor (Sora)<sup>(1)</sup> for neutron physics studies.

The total appropriation for these activities was to be 33 million u.a.

After discussions lasting nearly a year and a half, the Council granted an amount of nearly 5.6 million u.a. in respect of the rise in the cost of living, i.e., about 12% of what had been proposed by the Commission, and decided on several inter-project adjustments. Thus the appropriations for eleven projects were reduced to the benefit of the other seven.

By contrast, the texts of the programmes (with the exception of that for Petten) remained completely unchanged. This—coupled with a large-scale expansion of the Associations' programmes in the fast reactor field—ultimately gave rise to further difficulties.

This was reflected in the position at the end of 1966, when the fast reactor appropriation proved insufficient for the continuance of the French and German associations. A solution had to be sought for the further amendment which became necessary, and the Member States wanted this solution to be found within the overall scheme. As a result of new discussions, a decision was taken to reduce the appropriations for eleven projects in favour of four others. The 1967 draft budget, which hinged on this amendment, was not adopted until 24 September 1967—nine months behind schedule.

The upshot of these amendments taking into account the reallocations of the outstanding amounts carried over from the first programme, was a

---

<sup>(1)</sup> Fast source reactor.

2% increase, in real terms, in the overall resources and a maximum increase of 20% in the funds for one project (fast reactors). This had entailed more than two years of discussions and was accompanied by appreciable reductions of certain worth-while activities. Cases in point were biology and training, which the Commission deemed important on account of their repercussions in the social field and their scientific value. Similarly, certain useful research activities concerned with the development of proven-reactor technology (prestressed concrete, thermal insulation of concrete, twisted tapes, etc.) could not be pursued on the scale desired by the Commission.

As regards personnel, a cut of 22% was decided on. These restrictions were not consistent with the investments which had been made, for, owing to the shortage of staff, it has proved impossible to derive the maximum benefit from either the scientific equipment of the Joint Research Centre establishments or the participation of the Commission in the implementation of the major associations' programmes.

The successive discussions on the research programme and the elapsing of nine months without the adoption of a research budget have created an atmosphere which is unpropitious to the normal pursuit of the work and which must not be allowed to persist if the morale of the researchers is to remain unimpaired.

371. In this context, the repercussions which the belated adoption of the second amendment to the second five-year programme have had on the preparations for Euratom's future activity are assuming a very special importance. In February 1967, the Commission submitted to the Council of Ministers a document entitled "Euratom's Future Activities," which was designed to bring about the opening of discussions on a third programme to start on 1 January 1968. This document did not have the desired effect.

The single Commission of the European Communities was therefore unable to prepare in good time a preliminary draft research and investment budget for 1968 which can be incorporated in an approved programme, as laid down by the Treaty; it was also impossible for the Commission to carry out a thorough study of the modifications necessary for the drafting of a future programme, which must take account, on the one hand, of the trend of nuclear science and technology and, on the other hand, of developments in the Member States' own programmes.

372. Under these circumstances, the Commission was obliged to submit to the Council of Ministers an interim programme, covering a period of one year, with a corresponding budget of 82 million u.a. This proposal was made in November 1967 after consultation with the Scientific and Technical Committee and the Consultative Committee on Nuclear Research. The interim programme was designed to ensure continuity of the Commission's research activities after the completion of the second five-year programme and thus open up the way to preparation of a further programme extending over several years.

At its session of 8 December 1967, the Council of the Communities concurred in this standpoint. It drew up an interim programme for Euratom, of only one year's duration and approved a corresponding draft research budget for 1968. The Council limited the expenditure ceiling, however, to 44 million u.a. as a result of a distinction it had established between direct action by Euratom—its activities carried out for the most part within the Joint Research Centre—and indirect action, meaning activities conducted through contracts of association and research contracts.

For direct action, the Council reduced the relevant credits from 47 to 41 million u.a. in view of the probability that there would be credits outstanding at 31 December 1967.

In the field of indirect action, the Council felt unable to back the Commission's proposals that association arrangements should continue to be financed by the Community during 1968 so as not to prejudice in any way their possible inclusion in a future programme covering several years. However, in order to avoid any gap which might be detrimental to the Community's further activity and past achievements, the Council agreed to ask the Commission to endeavour to work out a transitional arrangement, by agreement with its contract holders, safeguarding the future and ensuring the normal operation of associations under the terms laid down in the contracts, on the understanding that the Commission staff participating in these activities would continue to be paid by the Community.

The Council also agreed that for current association arrangements, upon the extension of which a decision is to be taken before 30 June 1968, the sums advanced by agreement with the parties to the contract to compensate for the suspension of the Community's financial contribution will later be reimbursed by the Community, as from 1 January 1968.

The Committee of Permanent Representatives was instructed to submit to the Council, by 1 March 1968, a report on the desirability of maintaining current association agreements.

373. The Council also held a preliminary discussion of Euratom's future activities. The Commission had submitted a document which was adopted as a good basis for discussion and which suggested, in view of the fact that nuclear energy had now entered the economic and industrial phase of its development, the following guidelines for Euratom's future activities :

- (i) formulation of a concerted prototype policy supplemented by large-scale joint supporting programmes. This problem exists in the case of both fast reactors and heavy-water and high-temperature advanced converters;
- (ii) action to ensure the dependability of supply of nuclear fuels, particularly enriched uranium, for Community users, possibly by setting up a European isotope separation plant.

The problem of choosing the most appropriate forms of co-operation arises for each project. In addition to the research programmes drawn up under Article 7 of the Treaty, the possibility of action by various means in favour of projects deemed to be in the public interest is offered by Article 6 and the Chapter dealing with Joint Enterprises.

The Commission intends, in any future programme covering several years and hingeing on these two essential aims, to treat as matters of importance those activities which have been assigned to it as in the public interest, i.e., nuclear measurements, health and safety, radiation hygiene, training and dissemination of information. In addition, a certain number of areas of possible joint action were listed in the above-mentioned document concerning future reactors, proven-type reactors, and fields associated with reactors and long-term research, e.g. research on biology and controlled thermonuclear fusion.

The Commission will also be open to any suggestions arising from discussions with Member States, individuals and enterprises in the Community.

To sum up, the Commission came out in favour of co-ordinated action based mainly on concentrating structures to avoid unnecessary dispersion of effort, defining aims intimately linked with industrial development and determining fields of activity, which are of continuing or increasing importance.

In this context, the Commission emphasizes that the merging of the Institutions as a prelude to the amalgamation of the three Treaties affords the opportunity for joint action to go beyond the field of atomic energy and, by incorporating all pioneering techniques, to make the fullest use of the infrastructures created with the advent of nuclear energy.

374. The Council did not reach a decision on all the details of the Commission's document at the discussion on 8 December 1967; it nevertheless adopted a resolution containing a number of general guidelines for Euratom's future activities.

This resolution states that these activities will consist in part of a joint programme with as wide a scope as possible and financed by all Member States by means of a budget drawn up with a fixed scale of contributions. The joint programme comprises the following activities, which cover a number of years, although not necessarily the same in each case :

- (i) the activities of the Joint Nuclear Research Centre, whose present programmes are being revised in the light of the need to use existing plant and available personnel to best advantage. Wherever legally possible, research may also encompass non-nuclear activities;
- (ii) certain present and possible future activities under association agreements, to the extent that they are of Community interest or could be the subject of scientific co-operation between the various national programmes and do not constitute wasteful overlapping. Special importance will be attached to Community research work and basic programmes concerning reactor development;
- (iii) training of scientists and documentation.

The Council resolution further states that this joint programme will be reinforced by supplementary programmes in which, where it is impossible to achieve unanimity, only those Member States will participate which have made individual agreements with the Commission. Co-operation under these supplementary programmes can be carried out in different forms, and it was agreed that these forms be examined jointly by the Council and the Commission in order to decide such matters as the method of financing, the role of the Commission and what information is to be given to non-participating countries. Joint enterprises within the meaning of Chapter 5 of the Euratom Treaty have been found to be particularly appropriate for this purpose.

The Council adopted the principle of distinguishing, when drawing up a future programme, between activities presenting no industrial problems and those, the continuation or initiation of which presupposes a joint industrial policy. It was agreed that a study should be made of the possibility, under the terms of the Treaty, of inviting non-member countries in Europe to participate in these programmes.

Noteworthy among the other points in the resolution is the fact that the Council, following one of the suggestions put forward in the Commission's document, instructed a special study group of the Consultative Committee on Nuclear Research to examine the question of the long-term supplies of enriched uranium so as to enable the Commission to submit appropriate proposals to the Council.

The Council will make every effort to adopt a definitive resolution on the future activities of Euratom before 30 June 1968.

## **Implementation of research and development programme**

### RESEARCH ACTIVITIES

#### *Joint Research Centre Establishments*

##### *Ispra Establishment*

375. The Ispra-1 reactor was operated at full power; the ECO critical experiment and the EXPO exponential assembly were used according to the exigencies of the programme. As in the case of Essor, nuclear safety questions are now being dealt with by "Committees of Safety Representatives," in compliance with Italian Law DPR 185, which include experts on health physics. A considerable amount of spadework went towards obtaining the operating licence for Essor, Ispra-1 and the medium-activity laboratory; installation of the main cells in the last-named unit was completed.

As a consequence of the start-up of large-scale installations, relatively high investments were devoted to solid radioactive waste processing.



Delivery was taken of the new computers (IBM 360/65 and 360/30, on lease), which then went into operation. Compared with the performance in 1966 of the IBM 7090, provisionally retained in service, the workload which could be handled doubled.

No alterations were made to the buildings and infrastructure, maintenance of which could not be carried out at the necessary pace.

Plant maintenance and renewal of equipment also suffered from a lack of funds. The system of operating budgets on a quarter-to-quarter and month-to-month basis which was employed for more than half of 1967 hampered efficient management. Although, all in all, a considerable amount of work was accomplished, the uncertainty surrounding the long-range outlook had an adverse influence on output.

376. The Ispra establishment participated in the continuation of the Orgel Programme, the top priorities in which were completion of the Essor reactor and preparation of the irradiation programme. The technical departments provided substantial aid in the many final adjustments required in the overall Essor project. After the reactor went critical on 19 March 1967, a start was made on the preparations for the irradiations and also on the construction of the organic coolant purification system.

In connection with the invitation to tender for the 250 MWe Orgel prototype, synthesis reports on previous activities were drawn up and the establishment lent its technical assistance to the industrial consortium which is drawing up the draft design.

Among the other noteworthy scientific activities are those relating to the possible construction of the Sora pulsed reactor, namely, the supplementary studies on shielding and safety problems, the successful completion of experiments on a scram rod system and the continuance of experiments aimed at optimizing cold sources for the reactor.

As regards shielding, the installation of the neutron converter (Euracos) has been completed and work has started on the measurements for comparison with the shielding codes developed previously.

The research on condensed matter, using neutron spectrometers set up around the Ispra-1 reactor and more conventional measuring methods, has yielded profitable results. A study aimed at narrowing down the targets in this field to what is permitted by the experimental facilities available has been put in hand.

In the field of materials, basic studies concerning uranium carbide, dispersed-phase aluminium alloys and zirconium alloys were continued. The first irradiations on light-metal-impregnated graphite were carried out in the HFR reactor at Petten.

A new process for high-frequency discharge metallization was developed and patented; it has given rise to a wide variety of industrial applications.

A furnace for dissolving MTR-type fuel elements in a liquid alloy was set up and the first uranium precipitation tests carried out. A chemical process for stripping  $\text{UO}_2\text{-PuO}_2$ /stainless steel fuel pins was invented.

With regard to studies of a technological nature, forced-convection sodium boiling in superheat conditions was investigated for the first time in a new plant. In particular, burn-out with twisted-tape element mock-ups, a system developed by SNECMA and AEG, was measured in the pressurized-water loop.

Further progress was made with the analysis of the generation and propagation of pressure waves in heterogeneous structures.

Owing to the limited funds available, it was not possible to achieve any appreciable advances in the field of direct energy conversion by thermionic emission. Hitherto it has proved difficult to find a liquid/solid metal system which enables heat pipes to function for any length of time at a temperature of  $1,600^\circ\text{C}$ .

In the field of automatic processing of scientific information, CETIS laid the accent on developing most of the calculation techniques and methods for the new computer and the appropriate programming languages. Some thirty nuclear codes converted for IBM 360/65 were supplied to the ENEA (European Nuclear Energy Agency) programme library, which has been set up at Ispra and with which highly satisfactory co-operation has been maintained.

#### *Petten Establishment*

377. The HFR reactor operated throughout the year at 30 MW and the irradiation programmes carried out for the CEA (Commissariat à l'Énergie Atomique), RCN (Reactor Centrum Nederland), certain firms (Nukem, Interatom, etc.) the Dragon and THTR Projects and also the Centre's own internal programmes were completed. In view of the increased

demand for 1968, a special effort was made, on the one hand, in the development of irradiation devices for fissile and non-fissile materials and, on the other hand, to obtain a higher utilization factor.

Among the specific activities undertaken in this context was the construction of devices for high-temperature irradiations of cermet-type fuels for thermionic converters and of fuels based on uranium carbide.

Several studies were set on foot with a view to more efficient use of the reactor. Thus it proved possible, with some minor modifications, to obtain a greater number of high-flux positions by means of additional positions inside the core.

The development of capsules for the irradiation of non-fissile materials in connection with the studies on graphite materials for high-temperature reactors was continued. This forms part of the activities under the associations with the THTR and Dragon Projects, in which the research carried out by the establishment is a major factor.

The main focus was still on the study of graphite materials to be used for structural or moderating purposes at high temperatures; here encouraging progress was accomplished.

In addition to the activities outlined above, the Petten establishment went further ahead with its basic studies on the relation between structural defects and elastoplastic behaviour and on the crystallography of pyrolytic deposits. Other research embraced the fields of solid solution physics and chemistry and of damage caused by irradiations to the structure of face-centred cubic systems, in particular refractory metals (such as vanadium and titanium) which are important structural materials for fast reactors.

#### *Central Nuclear Measurements Bureau*

378. The commissioning of the linear accelerator installed in 1965 has enabled the Central Nuclear Measurements Bureau to acquit itself to the full of its tasks under the second five-year programme during the past two years. In accordance with the terms of this programme, the neutron physics group has performed numerous parameter measurements, thanks to the excellent behaviour of the linear and Van de Graaff accelerators. In every case, these were values requested by the EANDC (European American Nuclear Data Committee) and the Community's committee of experts.

Among the measurements carried out with the linac<sup>(1)</sup> the most important are those of the total cross-section and capture cross-section of plutonium-240 and the fission cross-section of uranium-235. The activation and scattering cross-section measurements with the Van de Graaff have been continued.

The other activities under the programme, and in particular the radio-nuclide measurements and the high-precision isotopic composition determinations, have proceeded according to schedule. Some points worthy of note are the redetermination of certain decay schemes and the preparation of a stock of 100 kg of natural boron, the isotopic composition of which has been determined with a high degree of precision. As regards the preparation and accurate analysis of samples, orders have accumulated to such an extent that the laboratory concerned has been unable to cope with them.

The ancillary services, i.e., calculation, chemistry, electronics and metrology, have made an appreciable contribution to the measurements carried out by the other groups.

During the past year, the relations between the Central Nuclear Measurements Bureau and similar laboratories in the Community have led to close co-operation with the teams of physicists seconded by these laboratories to work on the linac. As part of this co-operation process, a series of measurements have been performed in order to ascertain resonance parameters for numerous isotopes.

#### *Transuranium Institute*

379. The Commission's activities at the Transuranium Institute, Karlsruhe, were directed mainly to the study and development of plutonium fuel.

The basic research conducted, in particular, on certain physico-chemical and physical properties of oxides at high temperatures, yielded substantial results.

Favourable progress was achieved in the development of methods for fabricating oxides by sintering or vibratory compacting.

Sintered mixed  $\text{UO}_2\text{-PuO}_2$  oxides were irradiated in the BR-2 thermal reactor up to burn-ups of 12% in an instrumented capsule (mixed-oxide pellet type), as a result of which high performances were obtained.

---

(1) Linear accelerator.

Fuel pins were subjected to irradiation in the Dounreay fast reactor for the purpose of studying the influence of the mixed  $\text{UO}_2\text{-PuO}_2$  oxides' stoichiometry and of the density distribution. Some of the irradiations have been completed, but the rest of the programme is in abeyance owing to the fact that, as a result of an incident, the Dounreay reactor has been shut down for several months. The irradiations should be resumed early in the second half of 1968.

A mixed uranium/plutonium nitride pin was loaded in the HFR reactor at Petten.

It should be noted that the Enrico Fermi reactor is still unserviceable, although there appears to be a possibility of its starting up again in October 1968, in which case the irradiations of pins fabricated by the Institute can be resumed.

In the alpha-gamma laboratory, fuel elements from the Kahl reactor are being subjected to metallographic and chemical examination, as also are the mixed oxides irradiated at a high burn-up in BR-2.

An americium capsule irradiated in BR-2 was reprocessed and the trans-plutonium elements which it contained were isolated and purified.

### *Major activities*

#### *Orgel and heavy-water reactors*

380. The Essor reactor went critical on 19 March 1967, this being followed by three months' testing at quasi-zero power. Meanwhile, work continued and construction of the plant was completed at the end of August 1967. The acceptance and commissioning tests are now under way, as also are the preparations for the power run-up, which should take place towards the end of 1968.

In Canada, the WR-1 reactor completed over a year of extremely satisfactory operation. This fact, in conjunction with the very favourable results forwarded by AECL (Atomic Energy of Canada Ltd.) under the Agreement for Co-operation, in particular with regard to the fuel element and the coolant, confirms that there are no longer any major difficulties facing the construction of heavy-water organic reactors.

In view of the advanced stage reached by the Orgel Programme, an invitation to tender aimed at obtaining detailed draft designs, together with firm bids for the construction of a 250 MWe nuclear power plant prototype equipped with an Orgel reactor, was issued in February 1967 by means of a notice in the Official Gazette.

This invitation was taken up by the GAAA (France), Interatom (Germany) and Montecatini (Italy), acting jointly, as notified on 1 June 1967. These companies have since, in accordance with the terms of the invitation, received scientific and technical assistance in various fields from the appropriate departments of the Commission. The replies, due to be sent in by the end of July 1968, will be analyzed and will form the basis of any decision concerning the construction of a prototype.

The reactor in question will use a SAP-clad uranium carbide fuel, slightly enriched in uranium-235. The 250 MWe plant will thus be endowed with the best technical and economic characteristics. It will nevertheless be designed so as to permit extrapolation to high-power series-built plants capable of using natural uranium.

381. As part of the heavy-water reactor studies, work was continued on the Cirene Programme for the development of a light-water-cooled heavy-water-moderated power reactor.

The bulk of this programme, which is sponsored by the CNEN (Comitato nazionale per l'energia nucleare) and Euratom, is being carried out by the CISE (Centro informazioni studi esperienze). Through the stepping-up of Euratom's contribution to the financing of this programme as a result of a decision taken in the summer of 1967, it has been possible to go ahead with the priority operations.

Noteworthy among the development activities was the completion of the construction of the CART (Cirene Assembly Reactor Test) loop in Essor, the purpose of which is to irradiate entire channels of the Cirene type.

### *High-temperature gas reactors*

#### Dragon Programme

382. The most significant operations in 1967 were the irradiation of the second fuel charge in the test reactor and completion of the power plant evaluation studies.

Incidents involving the primary heat exchangers cut down the availability of the Dragon reactor. The corrosion observed is attributable to the operating conditions adopted for the secondary circuit of the experimental reactor and should not occur in the exchangers of power plants. The reliability of the rest of the installation and the flexibility of operation which marked the preceding years were confirmed.

The highest burn-ups were obtained in the feeding zone of the second charge. In September 1967, these rates were about 150,000 MWd/t heavy metal, which is remarkable in view of the high operating temperatures and the very low fission product release rates.

The balance sheet for operations in 1967, and more generally for those performed during the second programme, must be said to have been very favourable. The evaluation studies on a 528 MWe power plant, which were completed in May, bore out not only the technical reliability but also the fact that there are highly attractive economic prospects. The status of the work on the prismatic-core high-temperature gas reactor series being developed under the Dragon Project is such that industrial operation of such reactors may be seriously considered, using either the thorium uranium-233 fuel cycle or slightly enriched uranium.

### THTR Programme

*383.* The development of a pebble-bed reactor running on thorium was pursued under the contract of association signed by the Community in 1964 with the Kernforschungsanlage Jülich and the Brown-Boveri/Krupp company, indirect financial backing being provided by the West German Ministry for Scientific Research.

The results of the studies and operations carried out under the research and development programme will make it possible to obtain an initial design for a 300 MWe power reactor prototype. The technical details of the prototype will be pinpointed so as to permit extrapolation, without any fundamental modifications, to economically viable high-power plants.

The programme also provides for the use of the AVR reactor, under the contract signed by the THTR Association and the AVR company. A number of important stages have been accomplished. Having gone critical on 26 August 1966, the reactor commenced its power run-up early in September 1967. It is hoped to reach full power at the beginning of 1968. A further achievement of the THTR Association has been the creation of

industrial skill in the production of fuel elements for high-temperature gas reactors, thus enabling the order for the make-up fuel for the AVR reactor to be placed in the Community.

### Dragon-THTR symposium

384. The results of the evaluation studies on the first of a 528 MWe prismatic-element reactor series and a 300 MWe spherical-element prototype were presented by the Dragon Project and the THTR Association respectively at a symposium held in Brussels in May 1967.

### *Fast reactors*

385. Most of the technical aims in this field will have been successfully achieved in 1967, despite the difficulties, particularly those of a financial nature, encountered since 1965. The last of the large-scale installations to be constructed by the Euratom/CEA and the Euratom/GfK (Gesellschaft für Kernforschung) Associations, namely, Rapsodie (a 20 MWth experimental reactor which went critical on 28 January 1967) and Sneak and Masurca (critical assemblies using plutonium which both went critical on 15 December 1966), have reached the stage of continuous operation. Furthermore, as a result of the major work accomplished on this series the Euratom-CEA Association has been able to finalize the detailed draft design for a 250 MWe sodium-cooled fast reactor prototype (Phenix), while the Euratom/GfK Association has drawn up two preliminary draft designs, for a 200-300 MWe sodium-cooled (Na-2) and steam-cooled (Dampf-1) power reactor prototype respectively.

In addition, the conceptual study on a fast materials-testing reactor (PEC - Prova di Elementi di Combustibile) undertaken by the Euratom/CNEN Association after its abandonment of the Raptus project scheduled in the second programme has been submitted for appraisal to industrial firms with a view to possible construction on a national basis.

In their programmes, the Euratom/Belgian Government and Euratom/RCN-TNO (Technische Nijverheids Organisatie) Associations, which were set up following the first revision of the second programme, have likewise achieved all the aims of the theoretical and experimental studies laid down in the contract; it will be remembered that these Associations' programmes are closely bound up with that of the Euratom/GfK Association. Furthermore, the work relating to the research contract concluded in July 1967



with a group of three Luxembourg companies on the handling and dismantling of fuel assemblies was carried out according to plan.

To sum up, even if the desired concentration of effort has not yet been brought about, the activities described above have served to provide the Community with all the necessary equipment and with specialized and trained teams for future programmes; they have enabled the Community to maintain its place among the leading nuclear powers engaged in the fast reactor field, which includes the USSR, the United Kingdom and the United States.

This list of technical achievements must, however, be accompanied by a reminder of the serious organizational and financing problems which arose during the implementation of the second programme, when the scheduled appropriations were found to be inadequate to the purpose of speeding up the work being carried out with the co-contractors in the German and French Associations. After extremely difficult discussions, a compromise was finally arrived at in July 1967 which enabled the financial problems to be solved for the rest of the period covered by the second programme. By the terms of the decision in question, an upward adjustment of the funds available for this activity makes it possible for the Commission to contribute to meeting the increased requirements of the associations with the French and German bodies; Italy for its part receives the funds appropriated for it under the second programme by shared-expense research contracts relating to the work of the CNEN in the fast reactor field, with the exception of the PEC reactor project. With the Community about to enter the age of the prototype fast reactors, the construction of which is slated to start in 1969, the Commission will be obliged, in order to proceed further with its activity in this vital field, to devise, in conjunction with the Member States, formulas which take account of the widely differing industrial policies hitherto pursued by the latter. In this connection, it may be pointed out that Belgium, Germany and the Netherlands have concluded agreements providing for the joint financing of a prototype sodium fast power reactor, based on the draft design drawn up by the Euratom/GfK Association, the detailed design and construction of which would be assigned to industry; the industrial agreements between firms of the countries concerned have already been finalized. In addition, Germany is to commission German industry to undertake the detailed design and construction of a prototype steam fast reactor, likewise based on the results of the work carried out under the Euratom/GfK Association. Furthermore, France has decided to set up a combined group, including the CEA, Electricité de France and industry, to perform the same tasks with regard to Phenix.

### *Proven-type reactors*

#### Light-Water Reactor Development

386. Since the decisions taken as part of the second revision of the second programme have entailed the cancellation of the amounts still available under the scheduled appropriation, the Commission has been obliged to discontinue several important projects, such as the development of a European variant of the boiling-water reactor based on the prestressed concrete vessel concept. For the same reason, the Commission is being constrained to phase out the activities in which it has engaged for several years in various sectors, the value of which from a scientific standpoint transcends that of light-water reactors alone.

The Commission's work has thus been limited to management of current study contracts. A number of these come within the scope of the Euratom/United States Joint Programme.

Particularly noteworthy is the highly satisfactory development of Vortex-type twisted-tape fuel, as borne out by an initial mechanical behaviour test in the Kahl reactor.

An active contribution to these operations, which are being carried out jointly by the firms of AEG and SNECMA, is being made by the Heat Transfer Department of the Ispra establishment of the Joint Research Centre.

The rapid increase in the number of nuclear power plants in the United States has lent added importance to plutonium recycling studies. Thanks to the activities sponsored by the Commission for several years (contracts with Belgonucléaire, CEN (Centre d'études nucléaire belge)/CEA, ENEL (Ente Nazionale per l'Energia Elettrica), SNAM Progetti), the Community is well able to cope with a similar situation should it arise within its frontiers. In addition, the experimental programmes on the boiling-water (Garigliano) pressurized-water (Enrico Fermi) power plants are proceeding normally and, by means of direct participation, are providing Community industry with a wealth of technical data.

#### Gas/graphite reactors

387. In the field of gas-cooled proven-type reactors, the Commission has continued to focus its efforts on a limited number of problems which it had already begun to tackle. With the exception of one or two projects

which will run their full course, and thus beyond 1 January 1968, the majority of the contracts in this sector will have been completed when the second programme expires.

Thus the reactivity measurements in the Latina reactor have corroborated to the full the validity of the calculation codes employed and have yielded valuable data for ensuring optimum operation of power plants of this type.

The problems inherent in the design and construction of prestressed concrete reactor vessels and in their thermal shielding formed the subject of an information meeting in November, which was attended by more than 200 experts from the Community countries.

The results of the research programmes on which the Commission has been engaged for several years, as well as original work by industrial firms, were submitted and discussed in the presence of all the experts concerned.

#### *Materials testing*

388. The BR-2 reactor and its associated installations were operated jointly with the CEN throughout the second programme.

After the appropriate physical tests, the specific power of the reactor fuel elements was raised to its rated value. A permutation study on the fuel elements enabled the uranium burn-up to be increased from 20 to 40%. In order to meet the need for high-neutron-flux positions, the core was enlarged and the reactor thermal power increased from 50 to 60 MW.

Two significant operating incidents occurred, namely, leakages between the primary and secondary circuits in the heat exchangers, and contamination of the primary cooling circuit by curium-242 as a result of a loss of leaktightness in a capsule containing americium-241 during irradiation.

The heat exchanger leakage problem was solved by regulating the flow, and the curium-242 contamination was overcome within two months by an international team of engineers working at Mol; systematic monitoring showed that nobody had received an irradiation dose equal to or higher than the maximum permissible level.

About half the available reactor sites are occupied by experiments. Many of the irradiation devices were designed and built in the technology laboratory for customers in the Community countries. Four major loops were constructed and inserted in the reactor for the CEA, the Dragon Project and the firms of Siemens and Babcock-Werke.

For the purpose of post-irradiation examinations on samples, a large dismantling cell and a medium-activity hot laboratory were equipped and taken into service.

Work continued on the construction of the irradiation devices, high-flux irradiation of samples of structural and fissile materials, the production of radioisotopes and the examination of the samples in hot cells. The development of new radiation techniques was geared to requirements of the fast reactor projects.

### *Thermonuclear reactions*

389. The second programme was marked by the mounting and development of a Community project in a field which had hitherto been in its infancy. This was made possible by the united efforts of the Commission and the member countries. The laboratories' manpower and equipment position was improved, and in particular the Garching laboratory was completed. As well as contributing personnel and funds, the Commission undertook the work of co-ordinating programmes and securing inter-laboratory cooperation.

The chief aim of the programme is to confine a plasma long enough to enable a fusion reaction to be sustained with a positive energy balance. There are various ways of going about this, and in each case a theoretical and experimental study has to be made of the phenomena detrimental to confinement (instabilities, impurities, etc.) and the methods by which they can be eliminated.

The Commission's activity for the year 1967 proper continued to be carried out under contracts of association with the CEA, CNEN, the IPP (Institut für Plasmaphysik), the FOM (Stichting voor fundamenteel onderzoek der materie) and the KfA (Kernforschungsanlage Jülich) along the following broad lines :

- (i) theta pinch and studies on hot, dense plasmas, more particularly at Garching and Jülich (IPP and KfA respectively);
- (ii) production of very dense, hot plasmas by means of extremely high magnetic fields, at Frascati (CNEN);
- (iii) production, confinement and acceleration of plasmas by means of very high frequency electromagnetic fields superimposed on constant magnetic fields, at Saclay (CEA);
- (iv) plasma production by lasers, at Frascati (CNEN), Fontenay-aux-Roses (CEA) and Garching (IPP).

With regard to the problem of the stable confinement of a plasma, the interest shown in closed configurations since the Culham conference (September 1965) has given rise to detailed studies in various laboratories. At Fontenay-aux-Roses, there is the proposed "superstator" project for the study of confinement, and in particular the influence exercised by the shearing of lines of magnetic force on the stability of a toroidal configuration with a central conductor; at Jutphaas (FOM), preliminary studies are being conducted on a project for the confinement of a hot plasma by cold gas in toroidal geometry; at Garching (IPP) a project for toroidal confinement with two levitated superconductor internal rings is under study.

There was further profitable collaboration between laboratories. In the first place, the liaison group on fusion met for the sixth time at Utrecht in September 1967, when the "superstator" project was officially submitted to it for discussion, the cost and construction and operating time being such as to warrant examination and detailed evaluation. The groundwork for the discussion had been prepared by a working group made up of experts from five associations, which had drawn up a basic report on the occasion of a meeting held at Fontenay-aux-Roses.

Again, the working party on cooperation in the field of plasma physics, technology and instrumentation, the creation of which was recorded in the previous report, held its first meeting at Garching in March 1967 and set itself as its first task the compilation of a catalogue, now being distributed, on the equipment manufactured in the various laboratories, the underlying purpose being to examine the possibilities as regards standardization, inter-laboratory exchanges of equipment or construction processes, etc., and thus to endeavour to reduce the cost of such equipment for all concerned.

The laboratories submitted several papers at the Second European Conference on Controlled Fusion and Plasma Physics (Stockholm, August 1967), the Eighth International Conference on Phenomena in Ionized Gases (Vienna, August-September 1967) and the Conference on Pulsed High-Density Plasmas, sponsored by the American Physical Society (Los Alamos, September 1967), including two "invited" reports from Fontenay and Garching.

#### *Homogeneous aqueous slurry reactors*

390. Under the Euratom/Kema Association on homogeneous aqueous slurry reactors, further work was carried out on the irradiation behaviour of suspensions of uranium and thorium oxide particles and on the technolo-

gical properties of fine dispersions. A working hypothesis on the degradation mechanism of particles under irradiation is under study and the results should make it possible to determine the conditions under which this phenomenon could be cut down. The Kema laboratory has succeeded in increasing the diameter of particles fabricated by the sol-gel method to several millimetres.

### *Irradiated fuel reprocessing*

391. The Commission's activity was confined to managing a research contract with the CEN on the development of fluorination processes and the agreement with the CNEN concerning the Eurex project.

The work performed by the CEN was geared to the development of the technique for volatilizing uranium and plutonium fluoride for the reprocessing of fuels irradiated in fast reactors. The commissioning of various specialized facilities will enable a systematic evaluation to be made of the possibilities offered by this process, the characteristics of which are such that irradiated fuels with very high burn-ups can be reprocessed after a short cooling period.

As regards the Eurex project, the cold tests and installation are scheduled to start in January 1968; the plant will be taken into service around the middle of the same year.

In the particularly interesting period of testing and start-up of the plant, engineers and technicians will probably be seconded to the project from the Commission as well as from firms or bodies in the various Member States.

A considerable amount of documentary material, reports and technical specifications were forwarded to the Commission and particulars of them communicated to the Member States, persons and enterprises in accordance with Article 13 of the Treaty.

The research programme relating to the various aspects of the reprocessing of MTR-type fuels by an extraction process based on the use of tertiary amines is being systematically carried out by the CNEN.

### *Waste processing and disposal*

392. The Commission continued its work on the development of several methods for processing medium- and high-activity wastes, by fixing radio-

active elements on to inorganic carriers, by lyophilization or by the selective separation of certain isotopes.

The experimental study on methods for the permanent storage of radioactive waste in either a "graveyard" or an underground cavity (cavern or derelict salt mine) is being conducted under two large-scale contracts, with the CNEN and the Gesellschaft für Strahlenforschung, Munich, respectively.

An assessment is now being made of various storage sites in barren regions and the first drilling tests with a view to digging a pit of approximately 10,000 m<sup>3</sup> in a salt dome are to be carried out in the near future.

These operations are aimed at providing the Community with satisfactory solutions, from the triple standpoint of safety, radiation protection and economic efficiency, for the storage of radioactive waste, the volume of which will accumulate considerably with the development of nuclear applications in the member countries.

#### *Low-energy nuclear phenomena*

393. Activity under the contract of association with the CNEN and the INFN (Istituto nazionale di fisica nucleare) was continued along the lines already described in previous reports.

Several laboratories proceeded with their study of elastic and inelastic neutron diffraction and of nuclear reactions triggered off by photons, neutrons, protons and deuterons of different energies.

Further investigations were conducted into the fissioning of heavy nuclei by slow and fast neutrons and into photofission and fission due to very-high-energy protons.

A considerable portion of the 45 MeV beam of the Milan cyclotron was extracted and work started on converting the Van de Graaff accelerator into a tandem unit.

A number of activities were concerned with the improvement and automation of methods of detection and data analysis.

#### *Biology*

394. The biology programme was devoted, as before, to studying the immediate and late-developing effects of radiations (including hereditary hazards) and the application of nuclear technology to biology, medicine and agriculture.

Following the "running-in" period, the results of the activities undertaken since the launching of the programme are now emerging, as is evidenced in particular by the 217 published scientific works arising out of the research carried out under the programme in 1967. During this year outstanding progress was achieved, especially in the improvement of cultures, the transplantation of tissues and organs, protection against radiations and the study of plutonium contamination.

A number of new techniques were developed, examples being the labelling of all embryonic cells in the rat with tritiated thymidine and the measurement of very slow movements of contaminating ions in natural soil columns.

Certain of the Commission's research groups lent their co-operation to the European Development Fund and to some of the EEC associated countries for the drawing-up of projects affecting the latter.

While no appreciable modifications were made to a programme which, after all, is on a small scale, the accent in 1967 was laid on achieving a genuine integration of activities, through a flow of exchanges between the various countries, between different disciplines and between basic and applied research. In this way savings have been effected and greater efficiency achieved, particularly in the studies on contamination of the soil and the sea, the grafting of tissues and organs, radiogenetics in plants and mammals, radiopathology and morphogenesis.

The integration of Community operations with those of the Member States is further reflected in the return of certain of the Commission's scientists to important posts in their own countries and the participation of others in training activities in their places of employment.

At the end of 1966, a wide-ranging enquiry was initiated, pursuant to the provisions of Article 5 of the Treaty, into current biological research projects in the Community. Its results, which were subjected to a searching analysis in 1967, will be published in a separate report.

#### *Labelled molecules and radioisotopes*

395. No new research contracts were concluded in 1967 and the Commission's activity was therefore confined to administering the existing ones.

The subject matter of these contracts may be divided into two main categories. The first of these covers the production of labelled molecules for



use in biological and medical research and the study of general tritium methods.

The second concerns the production of short-lived radioisotopes and the fabrication of targets for obtaining the high neutron dose rates employed in biological research. The work carried out in the Community countries on the fabrication of targets for very intense beams has been acclaimed at international level, more particularly during a conference held at Liège.

Three international conferences were organized by the Commission, either alone or in co-operation with other bodies.

### *Training and instruction*

396. Activities in the field of training and instruction were pursued in 1967. The budgetary appropriations being on the same scale as those for 1966, the continuity of the various projects was assured, and in particular those relating to training grants, awards and practical instruction.

In consequence, a great many applications for grants and awards could not be entertained, and in cases in which the decision was favourable the duration had to be strictly limited. These restrictions affect in particular the "qualified trainees" programme, and as a result the Commission cannot take into its laboratories the desired number of experienced engineers and scientists for the purpose of improving their knowledge. Training courses of this kind constitute an excellent medium both for disseminating the information acquired during the implementation of the Community research programme and for forging links between Community research and the activities of the research centres and industry in the Member States. In 1967, a total of 15 grants were extended and eight new ones awarded. In addition, the Commission was host to seven qualified trainees.

In implementation of the agreement between the Commission and a number of laboratories in the Community, 16 research workers were able to attend a six-week course of practical training in the fields of molecular biology and radiobiology. Eight young research workers availed themselves of study grants awarded by the Steering Committee for the agreement.

The Commission continued to promote the training of its own scientific and technical personnel by organizing courses and encouraging its researchers to take part in scientific gatherings.

A further session in the training of reactor operators was held in 1967. These courses, which were started in 1966 in view of the forthcoming

start-up of the Essor reactor, were attended by both Euratom employees and student trainees.

Additional steps were taken towards standardizing training at the technical level, more particularly by the preparation of a reactor technology programme. This project, initiated in 1961, had already given rise to the drafting, with the aid of experts appointed by the Member States, and subsequent publication of a basic programme applicable to all the various disciplines at the higher technical level and of five specialization programmes (radiation hygiene, isotope technology, radiochemistry, nuclear instrumentation and regulation, reactor operation). The Commission has submitted to the Council a proposal aimed at drawing up, by agreement with the national authorities and the Commission, a procedure for ensuring that instruction given in establishments which have adopted the standard curricula does in fact conform to them.

### *Results*

397. To a limited but by no means negligible extent, the documents published, the patents secured and the revenue obtained by a research body are a measure of its activity. It is accordingly worth noting that in 1967 the Commission and its partners in contracts or associations produced and published between them 355 scientific and technical reports and a total of 782 articles and papers issued or read at conferences. They filed 171 first applications for patents in one country (including 71 in the name of Euratom) and 607 corresponding applications in other countries (including 324 in the name of Euratom). The slight decrease in the number of filings is due to the fact that the Orgel and Dragon Projects, which have given rise to a number of inventions, are now reaching a stage in which only the construction of prototypes could bring patentable improvements to these two reactor types. On the other hand, the THTR Project was responsible for the filing of more patents than in 1966. Furthermore, inventions at Ispra which are unrelated to the Orgel Project are on the increase.

Revenue totalled 1,510,018 u.a. Its principal sources were services rendered for account of others, including in particular high-flux irradiations at Petten, the fabrication of fuel for Masurca at the Karlsruhe Transuranium Institute, computer work at Ispra and the services provided by the Central Nuclear Measurements Bureau.

## NUCLEAR POWER PLANTS, MARINE PROPULSION AND RADIOISOTOPE APPLICATIONS

### *Nuclear power plants*

398. The atmosphere of wait-and-see which marked the year 1966 seems to be at an end and several high-power plants have been or are about to be ordered. Cases in point in West Germany are the Stade (630 MWe) and Würgassen (640 MWe) plants, which will use light-water reactors of the pressurized and boiling types, supplied by Siemens and AEG respectively. In Italy, ENEL is launching its call for bids for a 650 MWe light-water plant to be set up in Lombardy. In Belgium, processing of the replies concerning the Doel and Tihange plants is nearing completion; the latter, according to the latest information, will have a power of 730 MWe. France has proceeded with the construction of gas-graphite reactors, decided upon as part of the Fifth Plan, on the Saint-Laurent-des-Eaux and Bugey sites. Work on the 650 MWe Fessenheim-1 power plant will start in 1968 and on Fessenheim-2 in 1970. A decision to this effect by an interdepartmental committee has thus confirmed that, for the duration of the Fifth Plan, the nuclear equipment programme will continue to be geared to natural uranium plants. However, on the same occasion, a favourable opinion was expressed as regards participation in the Tihange plant in Belgium, using enriched uranium. Such participation will be in the 1,500 MWe operational stage, also provided for in the Fifth Plan. In the Netherlands, the GKN (Gemeenschappelijke Kernenergiecentrale Nederland NV) issued a call for tenders at the end of 1967 concerning a 300-400 MWe nuclear power plant to be commissioned around 1973.

A consequence of this trend has been the strengthening of the position of European constructors, who in 1967 signed a number of agreements for co-operation, either among themselves or with constructors outside the Community, with a view to starting on the active phase of a particular project or to securing efficient backing in the event of execution. It must however, be pointed out that some of the aforementioned agreements for cooperation do not make for either a desirable re-alignment of constructors or sufficient co-ordination of effort.

The Commission's activity in this field has consisted in stimulating the construction of power reactors by lending its aid in the initial projects at a time when nuclear energy was not yet competitive and by organizing the dissemination of the experience and results acquired at the design stage

in the construction and operation of these power plants. Its assistance has been rendered under three main heads, namely :

- (i) the power reactor participation programme,
- (ii) joint enterprise status,
- (iii) the Euratom/United States joint power reactor programme.

Under the first of the above-mentioned programmes, the Commission assumes for a limited period part of the charges incurred by the contractor as a result of a discrepancy between the energy produced by the plant and the output from a comparable conventional power plant; it may also share in the fabrication costs of certain reactor components (in particular, fuel elements) in so far as these are made in the Community. The ceiling for the Commission's participation is 32 million u.a.

Joint enterprise status as provided for in Chapter V of the Euratom Treaty confers upon an enterprise to which it is accorded legal personality under Community law, as well as the advantages listed in Annex III to the Treaty, notably facilities in the fields of taxation and customs duties. This status, which is likely to be applicable on a wider scale in the future, for the purposes of joint industrial projects, has so far been granted to four companies specializing in the construction and operation of nuclear power plants (see Table below).

The Euratom/United States joint power reactor programme offers for its part the following benefits : fuel supply on favourable financial terms; buy-back guarantee in respect of plutonium produced in the reactor; reprocessing facilities in USAEC installations; and loans against the line of credit made available by the Eximbank to Euratom.

In return for these various forms of assistance, Euratom obtains and places at the disposal of all parties furnishing evidence of legitimate interest a considerable volume of information relating to the construction, start-up and operation of power plants in receipt of aid under its programme for the promotion of industrial activity.

Access to the information in question is provided through various channels : documentation supplied by the contractors; secondment of staff of Euratom or of certain Community bodies to work on the project; and student training courses.

The information is disseminated by means of technical seminars, reports, printed publications and microfilms. There are also facilities for consulting the documentation available at Euratom headquarters.

At the present time, seven power plants are enjoying assistance under one head or another, as shown in the following Table.

Table 19

Contractor and Plant	Type	Net electric output (MWe)	First connected to grid	Participation Programme <sup>(1)</sup>	Joint Enterprise status	US/Euratom Programme
Ente nazionale per l'energia elettrica (ENEL), Garigliano	BWR	150	Jan. 1964	×		×
ENEL/Latina	GGR	200	May 1963	×		
Société d'électricité nucléaire franco-belge des Ardennes (SENA), Chooz	PWR	266	April 1967	×	×	×
Kernkraftwerk RWE-Bayernwerk GmbH (KRB), Gundremmingen	BWR	237	Nov. 1966	×	×	×
Gemeenschappelijke Kernenergiecentrale Nederland NV (GKN), Dodewaard	BWR	50	1968	×		
Kernkraftwerk Lingen GmbH (KWL), Lingen	BWR	240 <sup>(2)</sup>	1968		×	
Kernkraftwerk Obrigheim (KWO), Obrigheim	PWR	283	1968		×	

<sup>(1)</sup> The participation breakdown (financial) is given in the *Euratom Tenth General Report*.

<sup>(2)</sup> Including 80 MWe obtained by fossil-fuel superheating.

By offering operators the benefits to be derived from the various forms of assistance, the Commission has played a large part in the decision to construct nuclear power plants on an industrial scale in a number of Community

countries. Furthermore, by making certain of the benefits in question conditional upon the fuel elements and nuclear and paranuclear components being fabricated by Community enterprises, the Commission has helped towards ensuring that not only utilities but also the manufacturing industry in the Community can acquire practical experience in the construction of industrial nuclear equipment. This experience embraces, in all the Community countries, the three families of what are now called proven-type reactors and has been made available, through the diffusion media described above, to a large number of persons and firms concerned.

399. In view of the success of these activities, especially as regards the acquisition of technical information, the Commission decided to enlarge their scope and to arrange, independently of any contractual or other type of commitment, a pooling of experience with the structural components of nuclear power plants. This covers the entire range of power reactors in the Community, it having transpired during the construction and operation of the various power reactor installations that some items of equipment are still liable to engender considerable difficulties, notably certain conventional and paranuclear components. It was consequently thought advisable to bring these difficulties to light and have them discussed in various special working groups, consisting of representatives of electricity producers with experience in reactor construction and operation on the one hand and Euratom on the other.

This pooling of experience had already started in the course of the previous year and was initially confined to leaktight containments, ventilation and gaseous waste treatment systems, steam turbines, heat exchangers, blowers, pumps and valves. During 1967, it was extended to the following fields :

- (a) reactor vessels and internals,
- (b) control rods and drive systems,
- (c) instrumentation and control,
- (d) cladding burst detection systems,
- (e) water treatment,
- (f) corrosion and mass transfer by working and cooling liquids,
- (g) handling, storage and transportation of fuel elements.

The results of the activities were presented at a symposium held in Paris in November 1967.

The adoption of this course of action has made it possible to obviate certain difficulties when starting on new projects and to guide the pattern of development. Additional benefit may be derived by extending this policy to studies on equipment reliability, a major factor in nuclear installations.

### *Nuclear ship propulsion*

400. Nuclear and shipbuilding enterprises, together with research bodies in the Community, have continued their efforts towards acquiring the knowledge necessary to enable nuclear ships to be put on a commercial footing.

The Commission has played its part here by undertaking both co-ordination of the work of its contractors and dissemination of the information resulting from these activities.

Completion of this programme will improve the competitive position of the industries concerned, which at the present time is less favourable in the Community than that of their counterparts in certain non-member countries.

In 1961, when Euratom started participating in research and development, it did so on the basis of estimates and forecasts. Today, its activity in this field is warranted by the fact that the tendency in shipping is towards higher cruising speeds and propulsion powers—a sphere in which marine reactors pay their way and in the near future will be able to be used in merchant vessels.

This tendency to step up speeds is particularly marked in transoceanic container shipping. The extent of the adaptations carried out for these purposes in the major European ports is evidence of the exceptional scale assumed by the construction and commissioning of container ships.

According to the detailed studies published by the GKSS (Gesellschaft für Kernenergieverwertung in Schiffbau und Schifffahrt mbH) in August 1967, nuclear propulsion will in some cases be competitive as early as 1970 for ships of 30,000 SHP. This finding, which is even more favourable than the results of previous Euratom studies, was arrived at in consultation with experts in the nuclear industry, shipyards, shipowners and insurance companies.

In view of these prospects the completion of the nuclear research ship "Otto Hahn" by the GKSS at the end of 1967 gives every cause for satisfaction. The information acquired, constituting as it does a sound basis for the future development of marine reactors, has been embodied in several published works and, in accordance with the terms of the contract of participation, has been disseminated in detail in the Community in the form of 80 confidential documents.

No special problems arose during the last phase in the installation of the nuclear plant. The difficulties encountered in the early days of collaboration between the German enterprises and the French, Italian and Dutch suppliers were overcome by special efforts on both sides, and new and valuable industrial relations were established.

However, the difficulties of a general nature, due in particular to the differences in the administrative regulations on safety and standards in the Community countries, have persisted.

Under its contracts of association, the GKSS worked further on optimization of the efficacy of the shieldings and the mechanical strength of nuclear marine installations. RCN on the one hand, and the Italian companies of Fiat and Ansaldo on the other, have drawn up construction plans for advanced-type naval reactors. Further research on certain aspects is planned in order to improve these projects as development proceeds, thus enabling them to be completed in good time.

### *Industrial applications of radioisotopes*

401. A searching enquiry into the state of development of applications of radiations and radioisotopes in the Community has shown that this varies widely from country to country.

In the field of measuring techniques and apparatus, a great deal has been done as regards marketing by the Member-State industries, while research is concerned mainly with diversification of and specialization in equipment in order to adapt it to the requirements of specific industrial controls.

With regard to radiochemistry and tracers, the promotion of these techniques in Community industry has come to a standstill. Except in activation analysis and hydrology, where the development of a methodology is



bringing about an expansion in industrial use, it is a fact that tracers, despite their very considerable flexibility from a technical standpoint, are not being turned to the full advantage afforded by their profitability.

The position is exactly the same with radiation chemistry, although it does now hold out prospects of a revolution in several industrial processes, yielding new substances or substances with improved physico-chemical properties.

The economic impact which irradiation techniques may have in numerous fields warrants the efforts being made at Community level to bridge the indisputable technological gap between the Community and certain non-member countries, such as the United States, the United Kingdom and Japan. These efforts have assumed the form of development programmes undertaken during 1966, as well as of specific projects in the textile industry and in the field of radiation techniques.

Among the most significant development programmes must be rated the industrial use of activation analysis for assaying oxygen in steel, which is being carried out in collaboration with the ECSC and metallurgical research organizations in the Member States. A prototype unit, installed directly on the floors of converters in a Community steelworks, has been in continuous use for automatic oxygen assaying since October 1966.

Another development programme concerns the use of the gammascopic method for the non-destructive testing of reinforced concrete, and in particular prestressed concrete. The results obtained with the first applications of this technique in civil engineering show that in this field gamma-graphy may develop into an efficient supplementary testing system and, in the case of prestressed concrete, the only reliable testing method.

The actual Community programme for promoting applications of radiations and isotopes in industry has entered upon its final phase. The technical and economic documents compiled during this programme were presented at two closing conferences, which took place at Evian-les-Bains and Baden-Baden in May and July 1967 respectively. They were attended by more than 300 representatives of industry and textile associations, as well as by many nuclear experts from the member countries. The discussions testified to the textile circles' awareness of the possibilities opened up by nuclear techniques.

The information acquired during this programme will be employed as a basis for a target research and development programme currently being

prepared by the Eurisotop Office, the results of which are to be made available to research establishments of the European Community textile industry.

In June 1967, another programme of more general scope, designated "Trad," was launched with the object of disseminating irradiation techniques in a wide range of industrial sectors.

Under this programme, a 175,000 curie caesium-137 mobile irradiation unit visited Wageningen (Netherlands), Bremerhaven, Kiel and Düsseldorf (Germany), and Courtrai and Charleroi (Belgium), performing in each town numerous tests on all kinds of products used in industry. A travelling exhibition accompanies the irradiation unit on its rounds, illustrating for the benefit of the public, by a series of explanatory pictures, mock-ups and irradiated substances, the most recent developments in industrial irradiation applications. The tour will be resumed in the spring of 1968, with scheduled stops in France, Italy and Germany.

### **Dissemination of information and other infrastructure activities**

## **DISSEMINATION OF INFORMATION AND INDUSTRIAL PROPERTY**

402. In 1967 the Commission set about the task of facilitating the industrial exploitation of the results of its research. The invitation to tender for an Orgel reactor prototype is the most striking and the most important example of the transfer of a substantial body of information from the Joint Research Centre to industry.

The diffusion of information which has not been patented but which is of benefit to industry proceeded in accordance with the principles set forth by the Commission in its statement to the Council in 1963. Such information is circulated confidentially, in the form of "communications," and only to persons and firms with a legitimate interest in it, where publication would be liable to deprive European industry of priority in turning to account the results of jointly financed research. In 1967, a total of

402 "communications" were mailed through national correspondents appointed in each of the Member States. The number of applicants entitled to receive "communications" rose from 294 at 31 December 1966 to 335 at 31 December 1967.

New licences were granted on patents arising out of the Community research programme, bringing the number of such licences from 24 on 1 January 1967 to 30 on 31 December 1967. In addition, contracts for making available non-patented information are being negotiated. More than half the patented inventions relate to characteristics of Orgel, Dragon, THTR and fast reactors; no licence can be granted as long as the prototype stage of such reactors has not been completed.

An innovation this year was the dissemination by the Commission of "Technical Notes" containing a brief description of the characteristics of patented inventions, accompanied where possible by diagrams, drawings or photographs. The object of these is to enable industrialists in the Community to arrive at a better assessment of the advantages of inventions deriving from the Community programme, as well as of the feasibility of exploiting them commercially. The first reactions are highly encouraging and hold out prospects of an increase in the number of licences in the near future.

"Technical Notes" concerning non-patentable products, equipment and which have been developed in the Joint Research Centre establishments are in the course of preparation. Such notices will have to be worded in such a way as to preclude immediate exploitation by industrialists outside the Community. The detailed information needed for utilizing this know-how is made available to Community firms only.

The number of applications for patents relating to a nuclear subject which were communicated to the Commission by the Member States has remained more or less constant since 1964. Thus between 1 January and 31 December 1967 the Commission received data concerning some 1,000 inventions in respect of which one or more patent applications had been filed in the Community countries. These communications have furnished the Commission with prompt and useful information on the state of the art.

403. The semi-automatic documentation system developed by the CID (Centre for Information and Documentation) has reached maturity and is now acquitting itself satisfactorily in its experimental period. The "Thesaurus" of key-words on which it is based has been adopted by the

IAEA for the formulation of an international nuclear documentation project; it is now being used by several non-Community countries, including some in Eastern Europe. Work has continued on the selection and codified analysis of all documents of nuclear interest recently published throughout the world prior to their being fed into the automatic nuclear documentation system.

At 31 December 1967, the collection of scientific and technical documents relating to the nuclear sector which had been stored by the CID had topped the 600,000 mark. It is from this stored collection that the documents likely to meet the requirements of users of the system are automatically retrieved. At 31 December 1967, a total of 1,223 document searches by computer had been carried out at the request of the Commission's departments and of nuclear centres or industrial enterprises both in and outside the Community.

The automatic documentation system set up by the CID, being the only one actually in operation, serves as the basis for the efforts being made in various parts of the world to automate conventional scientific documentation and broaden international co-operation in this field. For this purpose there have been frequent working contacts, in particular with the USAEC (United States Atomic Energy Commission), the UKAEA (United Kingdom Atomic Energy Authority), the IAEA (International Atomic Energy Agency), the OECD (Organization for Economic Co-operation and Development) and the IFD (International Federation for Documentation).

Side by side with this, the CID continued to carry out by conventional methods, for the benefit of researchers in the Community and its partners in associations and under contracts, documentary research in peripheral fields where the automatic documentation system is as yet unable to meet requirements. This has involved close collaboration with about 300 documentation centres both in and outside the Community.

With the same object of improving the conventional instruments of nuclear documentation, the CID continued to publish, jointly with the Kernforschungsanlage Jülich, the "Transatom Bulletin", which appears monthly and lists the nuclear documents of Slavonic or Oriental origin which have been acquired by the Eastatom Centre, together with the translations which are available. It also maintained its association with the French company "Brevatome" for the publication of the review "La propriété industrielle nucléaire" (which contains particulars of patents of nuclear interest), and with the Dutch foundation "Excerpta Medica" for the publication of the bibliographical journal "Nuclear Medicine".

Two other periodicals continued to come out regularly, namely, "Euratom Information", which sets out, in the form of abstracts, the main lines of the research programme, the subject matter of the contracts concluded and the publications and patents stemming from them; and the "Euratom Bulletin," which deals, in a form suitable for a wide public, with matters relating to the peaceful uses of nuclear energy in Europe.

The five scientific and technical libraries, located in Brussels and the four Joint Research Centre establishments (Ispra, Karlsruhe, Geel and Petten) respectively, followed a normal pattern of development in 1967. Further progress was made with the mechanization of control operations, indexing, accounting, etc., and specialized libraries in the Community were kept abreast of the possibilities thus offered.

The CID's activity is pursued in close cooperation with the Member States. The Consultative Committee on Information and Documentation, consisting of experts from the six countries concerned, met in April 1967, while the working group made up of the heads of the documentation services of the national nuclear research centres held a meeting in November 1967.

## OTHER INFRASTRUCTURE ACTIVITIES

### *Implementation of Articles 41-44 of the Euratom Treaty*

404. Notification of the Commission concerning the investment projects of individuals and firms in the Community enables an overall picture to be obtained of what is being done in the Community, from the technical, economic and social standpoints, as regards both research and production.

Such information provides one of the bases on which the Commission can fix certain guidelines for its activities, draw up its target programme, stimulate desirable trends—briefly, help to ensure that the peaceful use of nuclear energy develops smoothly.

Between January and the end of September 1967, six nuclear investment projects were notified to the Commission by Community enterprises. Their total cost is over 161 million u.a., and they will create more than 335 new jobs for operation of the installations concerned. Two of these six projects relate to power reactors representing a total value of the order of 157 million

u.a. and a net current-generating capacity of about 1,200 MWe. Two others are below the cost "threshold" laid down in Council Regulation 4 and therefore the Commission is not required to express its views on them.

During the period January-September 1967, the Commission delivered its opinion on a project which had been communicated in 1966 and which called for investments in excess of the limits set by Council Regulation 4. Seven projects, including three communicated in 1966 but on which additional data were required, are of the same status and have been under study since 30 September 1967.

### *Third-party liability and insurance*

405. The European conventions on third-party liability (Paris Convention on Third-Party Liability in the Field of Nuclear Energy, dated 29 July 1960, and the Brussels Supplementary Convention to the Paris Convention, dated 31 January 1963) have not yet come into operation, as they have still not been signed by a sufficient number of States. Among the Community Member States which have so far not ratified them are Germany, Luxembourg and the Netherlands. It is the Commission's hope that the ratification procedures will soon be completed in these countries.

During 1967, the Commission co-operated in the work of the ENEA Steering Committee with regard to application of the Paris Convention. It noted with satisfaction that all the signatory States to the Paris Convention were prepared to recognize in the case of international transport of radioactive substances third-party liability insurance covered by companies in other signatory States. The Commission further noted that the signatory States had reached agreement on a standard certificate for third-party liability insurance. In addition, the signatory States which are not members of the Community approved the bulk of the recommendations made by the Commission to the Member States on 28 October 1965 and 6 July 1966 concerning the co-ordination of legislation implementing the conventions.<sup>(1)</sup> They may accordingly be expected also to apply similar rules.

---

<sup>(1)</sup> In 1965, a recommendation on the co-ordination of implementing legislation was addressed to the Member States by the Commission (*Official Gazette* No. 196 of 28 November 1965). A second recommendation, dated 6 July 1966 (*Official Gazette* No. 136 of 25 July 1966), called on all Member States to extend the third-party liability as defined in the European Conventions to carriers of nuclear substances, thus availing themselves of a permissive provision in the Paris Convention.

The Vienna Convention on third-party liability for nuclear damage, dated 21 May 1963, which provides for a world system, has not yet come into force. At the time of writing, no Community Member State has yet signed or ratified it. The Commission believes it to be in the interests of both Community exporters of nuclear installations and the Community as a whole that the Vienna Convention should receive world-wide application and for this reason should also be signed and ratified by the six Member States.

In view of the fact that the state of the nuclear-risk insurance market is still disadvantageous to the nuclear industry, the Commission continued with its activity in the field of nuclear insurance. Work on co-ordination of the "Main Provisions of Third-Party Liability Insurance on the Transport of Nuclear Substances (skeleton third-party liability policy in respect of transport)" is nearing completion. It is being carried out by the Commission in co-operation with industrial associations, electricity producers and experts from the Member States. The skeleton policy, which is an element of capital importance in international transport of nuclear substances, is complementary to that concerning third-party liability in respect of fixed nuclear installations, which was similarly drawn up on a joint basis. It must be stressed that these skeleton policies constitute the first general insurance terms and conditions to have been negotiated by insurers and insured in full agreement with each other within the Community.

The Commission also endeavoured to influence the nuclear insurance market in other fields, such as breakdown insurance, evaluation of nuclear installation risks and radioisotope insurance.

### *Nuclear plant safety*

406. In 1967, studies on the safety aspects of nuclear installations were carried out on the Garigliano, Chooz, Gundremmingen, Dodewaard and Lingen reactors, the nuclear ship "Otto Hahn" reactor and the "Eurochemic" chemical reprocessing plant.

Action by the Commission in this field is compulsory in the case of plants operated under the Euratom/United States Agreement for Co-operation; in other cases, the Commission acts on requests from governments or pursuant to agreements concluded with certain Member States.

Such studies are conducted in close collaboration with the competent bodies in the Member States and, as far as possible, with experts from other Member or non-Member States.

Discussions and pooling of information with the technical agencies specializing in the monitoring and surveillance of nuclear installations and also with operators and constructors likewise proceeded systematically. Such discussions relate to the comparative study of the various working methods applied in both the Community and non-Community countries, and also to the co-ordination of back-up experimental and theoretical programmes in the field of safety.

The Commission also took an active part in projects within the ambit of the ENEA and the IAEA. Particular mention should be made of a critical study on the technical safety aspects of light-water reactors, conducted by a special ENEA committee in which the Commission's representative was the driving force.

### *Transport of radioactive materials*

407. The aim in this field of activity is to achieve an adequate standard of safety in the carriage of radioactive materials at a reasonable cost, with due regard to the Basic Standards for protection against radiation hazards underlying national and international regulations for ensuring the safety of workers and the general public.

At international level, the work performed by the IAEA culminated last year in a revision of its regulations on the transport of radioactive materials. This revised text was used as a basis for drawing up the international regulations concerning the carriage of dangerous goods by rail (RID), which came into force on 1 April 1967. Taking these new RID regulations as its pattern, the Economic Commission for Europe continued its revision of the regulations in annex to the European agreements on the international carriage of dangerous goods by road (ADR) and inland waterways (ADN). The ADR and ADN annexes in question were drawn up in 1967.

The Commission lent its active assistance in the work of the Economic Commission for Europe, as well as to that carried out under the auspices of the IAEA.



As regards national regulations, the Commission updated the comparative analysis of legislation in force in the Euratom member countries and the IAEA regulations. The aim of this analysis, which constitutes a contribution by the Commission to the work of the Co-ordinating Group on the Carriage of Radioactive Substances, set up in 1962 on the authority of the Council of Ministers, is to pinpoint the divergences which need to be ironed out in order to achieve co-ordination in this field.

Furthermore, to facilitate implementation in practice of all the rules and regulations in the industrial and financial sectors, the Commission has initiated, by means of contracts, specific studies designed to translate those rules into well-defined mathematical and experimental methods relatively simple to apply. These studies, which were completed in 1967, have provided the answers to certain problems experienced by railway authorities and constructors through the fact that the use of shipping containers must take due account of the requirements laid down in the regulations.

### *Industrial documentation and card-index systems*

408. During the period under review, the Commission carried out preparatory work with a view to the possible publication of a second edition of the "European Nuclear Buyers' Guide," the first edition of which, compiled in January 1966, was well received by the industrial quarters concerned. The Commission also continued its studies on the structure of the nuclear industry in the Community and on the nuclear work of European firms. Like the "Buyers' Guide," these studies are aimed at providing precise information as to the size and structure of the nuclear market. They paved the way for the publication in November 1967 of the fifth edition of the "List of Nuclear Installations in the Community." This is a complete recast and contains full and accurate particulars of both nuclear industries and operators of installations.

### *Technical and economic studies*

409. In order to determine the role of nuclear energy in the overall economic context, and more particularly in the context of power supply, the Commission has been conducting systematic *ad hoc* studies ever since

it was established. In 1967, these studies were more specifically directed to the influence of taxation on the cost of electricity of nuclear origin, the possibilities as regards employing nuclear energy for desalination of sea water, the place of plutonium in the Community's energy policy and the technical and economic parameters for its use, and the ratio of nuclear electricity to electricity produced from other energy sources around the year 2000.

The results and findings of the first two of the studies enumerated above were published in late 1967. In the other two cases, the results will be available in the course of 1968.

In addition, contacts have been established with various bodies and industries in Germany, Italy and France with a view to examining the possibilities of using heat of nuclear origin for ore reduction. It is planned, funds permitting, to commission this group to carry out a technical and economic study aimed at determining the optimum characteristics of such a plant and evaluating the production cost of the steel obtained.

Finally, in order to obtain a better idea of the impact of nuclear techniques on industry, a series of studies has been put in hand, the first of them having been carried out under a contract which was completed in 1967. This was concerned with the technical repercussions of nuclear development and some of their economic and social aspects in West Germany.

## CHAPTER VI

## EXTERNAL RELATIONS

## The enlargement of the Community

## APPLICATIONS FOR MEMBERSHIP

*United Kingdom*

410. The Tenth EEC General Report<sup>(1)</sup> mentioned the United Kingdom's official application, on 10 May 1967, to become a member of the European Communities, and the steps which preceded it during the first quarter of 1967.

Mr. Wilson announced his Government's decision to the House of Commons on 2 May. On the same day Mr. George Brown, Secretary of State for Foreign Affairs, sent a message to the Presidents of the EEC and Euratom Commissions and the High Authority informing them of the contents of the declaration which Mr. Wilson was about to make.

A further statement by Mr. Wilson to the Commons was followed by debates on 8, 9 and 10 May. On 11 May the Head of the United Kingdom Mission to the European Communities, Sir James Marjoribanks, handed the President in office of the EEC Council, Mr. Renaat van Elsandé, a letter from Mr. Harold Wilson, Prime Minister of the United Kingdom of Great Britain and Northern Ireland, dated 10 May, which ran as follows:

"Mr. President,

I have the honour, on behalf of Her Majesty's Government in the United Kingdom of Great Britain and Northern Ireland, to inform Your Excellency that the United Kingdom hereby applies to become a member of the European Economic Community under the terms of Article 237 of the Treaty establishing the European Economic Community..."

---

(1) Sec. 321 and footnote (2).

On the same day Sir James Marjoribanks handed Mr. Renaat van Elslande, as President in office of the Council of the European Atomic Energy Community, and Mr. Antoine Wehenkel, President in office of the Special Council of Ministers of the European Coal and Steel Community, the United Kingdom's applications for membership of these Communities. An acknowledgment was addressed to the British Prime Minister on 6 June.

Copies of the respective applications were handed to the Presidents of the EEC Commission and the other two Executives.

On receiving the letter from the British Prime Minister, the President of the Councils declared that the United Kingdom's application was of historic significance for the future of Europe. He added that an application for membership from one of the most important States of Europe was obvious proof of the power of attraction exerted by the European Communities and of the success which the Community venture has already had and may be expected to have in the future. The President of the Councils also said that the time seemed ripe to give practical effect to the principle laid down by the Six in the Preamble to the Treaty by "calling upon the other peoples of Europe who share their ideal to join in their efforts."

#### *Resolution of the European Parliament*

411. At its session of 8 to 12 May the European Parliament declared itself in favour of the adhesion of the United Kingdom to the three Communities, and adopted the following resolution :

"The European Parliament,

having noted with satisfaction the intention expressed by the Government of the United Kingdom to apply for membership of the three Communities,

hopes that negotiations will proceed in an atmosphere of mutual frankness and understanding, enabling the problems concerned to be quickly resolved;

is convinced that the United Kingdom's membership of the European Communities, respecting the spirit of the Treaties of Paris and Rome, will help to strengthen these Communities and make for subsequent progress towards the political union of the peoples of Europe."

### *Denmark*

412. On 3 May 1967, Mr. Tyge Dahlgaard, Minister of Commerce and European Integration of the Kingdom of Denmark, informed the Danish Parliament that the Government would endeavour to open negotiations as soon as possible for membership of the European Communities. The day after the British application, the acting Chargé d'Affaires of the Danish Mission to the European Communities, Mr. Barlebo Larsen, handed the President in office of the EEC Council, Mr. Renaat van Elslande, a letter dated 11 May 1967 from Mr. Tyge Dahlgaard, Minister of Commerce and European Integration. This referred to the Danish Government's note of 10 August 1961 and Article 237 of the Treaty of Rome, and asked that Denmark be admitted to the EEC as a member. It added that "the Danish Government attaches the greatest importance to the negotiations to this end being resumed as soon as possible."

Mr. Barlebo Larsen handed Denmark's application for membership of Euratom to the President in office of the Euratom Council, Mr. Renaat van Elslande, on the same day, and its application for membership of the ECSC to the President in office of the Special ECSC Council of Ministers, Mr. Antoine Wehenkel, on the following day. An acknowledgment of these letters was sent.

Mr. Norgaard, Minister of Economic Affairs, who had recently been made responsible for European markets, visited the Commission on 16 and 17 November 1967. Views were exchanged on general problems of European integration, with special reference to some of those mentioned in the Commission's Opinion to the Council regarding the applications for membership of the Communities.

### *Ireland*

413. On 3 May 1967 Mr. John Lynch, Prime Minister of the Republic of Ireland, informed the Irish Parliament of his intention to request accession for his country immediately after the United Kingdom. He notified the President of the EEC Commission of this intention, via the Head of the Irish Mission H.E. Mr. Sean Morrissey, the same day. On 11 May, the latter handed the President in office of the EEC Council, Mr. Renaat van Elslande, a letter from Mr. Lynch, dated 10 May, applying for Ireland's accession to the EEC by virtue of Article 237 of the Treaty

of Rome. The letter recalled the Irish application of 31 July 1961 and reaffirmed Ireland's acceptance of the ideals and objectives of the Community. The Prime Minister added that :

“The Irish Government hoped (i.e. in 1961) that the discussions for the admission of Ireland to the Community would be brought to completion at the same time as those for the United Kingdom. On the same occasion it was indicated that the Irish Government would greatly appreciate being granted the opportunity of following closely the course of discussions with the United Kingdom and other countries on matters of concern to Ireland and of having their views taken into account before decisions are reached. The conclusion in December 1965 of the Anglo-Irish Free Trade Area Agreement is an added reason for urging concurrent negotiations.”

On the same day Mr. Morrissey submitted to the President in office of the Council of the European Atomic Energy Community, Mr. Renaat van Elslande, and the President of the Special Council of Ministers of the European Coal and Steel Community, Mr. Wehenkel, Ireland's applications for membership of these two Communities. An acknowledgment was sent to Mr. Lynch on 6 June.

After making a statement to the Irish Parliament on 25 July, Mr. Lynch, accompanied by Mr. Haughey, Minister of Finance, visited the Commission on 27 July 1967. The talks consisted essentially of a general exchange of views on Ireland's application for membership of the European Communities.

### *Norway*

414. On 21 July 1967 Mr. John Lyng, Norwegian Minister for Foreign Affairs, addressed to the President in office of the Council of the European Communities, Mr. Karl Schiller, a letter in which his Government asked for the opening of negotiations with a view to Norway's adhesion to the European Communities. This step followed a decision of the Norwegian Parliament on 13 July, approving submission of the application for membership. Mr. Lyng's letter was handed over on 24 July 1967 by the Norwegian Ambassador, Mr. Jahn Halvorsen, Head of the Norwegian Mission to the European Communities. This letter, which stated that Norway also wished to join the ECSC and Euratom, referred to Norway's letter of 30 April 1962 and added that

“Norway’s accession to the European Economic Community would pose special problems because of the country’s geographic situation and economic structure. Nevertheless, the Norwegian Government trusts that with understanding on both sides it will be possible to find satisfactory solutions to these problems in the course of the negotiations.”

An acknowledgment was sent to Mr. Lyng on 25 July 1967.

Copies of the membership applications from Denmark, Ireland and Norway were sent to the Presidents of the High Authority and of the EEC and Euratom Commissions.

### *Sweden*

415. On 26 July 1967 the Swedish Foreign Minister, Mr. Gunnar Lange, acting on the instructions of his Government, addressed a letter to the President of the Council asking for the opening of negotiations with the European Communities and accompanied by an *aide-mémoire* which expressed willingness to consider Swedish participation in the Community in any form, including membership.

When handing this letter over, the Head of the Swedish Mission, Mr. Sten Lindh, made an oral statement reiterating the terms of the *aide-mémoire*.

The letter referred to the one sent to the EEC by the Swedish Government on 12 September 1961 with a view to negotiations for an economic association between Sweden and the EEC. It also recalled that in July 1967 the Swedish Minister of Commerce had an opportunity of putting his Government’s views before the Council, and continued :

“The constructive idea of expanded European economic integration has made headway during the last few years... The Swedish Government would like to remind the Community of its great interest in helping to find a uniform economic solution in Europe. In this connection, it considers it essential to safeguard the progress made within the European Free Trade Association and the resulting tariff-free Nordic market. I have therefore been instructed by the Swedish Government to forward to you a request for the initiation of negotiations with a view to opening the way to Sweden’s participation, in a form compatible with continuation of its policy of neutrality, in the enlargement of the European Economic Community...”

*Aide-mémoire*

"As the Swedish Minister of Commerce stated on 28 July 1962, Sweden desires to establish extensive, far-reaching and lasting economic relations with the European Economic Community. For its part, the Swedish Government does not wish to exclude from consideration any of the forms of participation in an enlarged Community which are provided for by the Treaty of Rome. Membership is a form which the Swedish Government already considered to have certain advantages in 1961-62.

The decisive factor for the Swedish Government is that our policy of neutrality should remain unchanged and that the reservations resulting from this should be admitted. The Swedish Government hopes that the possibilities and the problems to be envisaged in this connection may be examined in detail during the negotiations which we request.

The Government understands perfectly that the opening of negotiations must be fixed at a date convenient to the Community. On the other hand, it considers it essential that Sweden should be able to undertake negotiations as nearly as possible in step with those of the other countries of the European Free Trade Association."

Copies of the letter and the *aide-mémoire* were addressed to the President of the Commission. The Council took official note of the Swedish Government's communication at its meeting of 24-25 July 1967.

An acknowledgment was sent to Mr. Lange on 3 August 1967.

#### REQUEST FROM MALTA FOR THE OPENING OF NEGOTIATIONS

416. On 4 September 1967, Mr. Borg Olivier, Malta's Commonwealth and Foreign Affairs Minister, addressed a letter to Mr. Willy Brandt, President in office of the Council of the European Communities. In this letter the Maltese Government requested that negotiations should be opened at the earliest convenient time with a view to establishing relations between Malta and the Community in the most suitable form and terms.

A Maltese delegation handed a copy of this letter to Mr. Edoardo Martino, the member of the Commission of the European Communities responsible for external relations.



At its session of 2 and 3 October 1967, the Council agreed the terms of the reply to the Maltese Government, and asked the Commission to study and report on the problems posed by the Maltese request.

### THE COMMISSION'S OPINION ON THE APPLICATIONS FOR MEMBERSHIP

417. At its meeting of 26 and 27 June 1967, the Council had an initial exchange of views on the applications for membership and decided to ask the EEC Commission for the Opinion provided for under Article 237 of the Treaty. The Opinion of the High Authority was asked for on 29 June, and that of the Euratom Commission on 27 June, under Articles 98 and 205 of their respective Treaties. The single Council confirmed these requests to the new Commission of the Communities on 11 July, after the merger.

The Commission's President, Mr. Rey, submitted its Opinion to the Council on 29 September. The document deals mainly with the problems involved in the British application, but also mentions those arising from the Irish, Danish and Norwegian applications and, accessorially, from the requests for negotiations submitted or reaffirmed by other European States.

418. The Commission's Opinion is given in twelve chapters grouped under four Titles.

Title I deals with general problems raised by extension of the Community; the scope of obligations of new members; problems raised by applications to negotiate, made or likely to be made by other European countries; problems involved in the actual entry of new members; the pursuit of the Community's normal activities during any negotiations; and problems arising from the merger of the Treaties.

Title II is "Customs union and economic union." Its first chapter deals with the customs union. After an examination of the new dimensions of the customs union, the problems of eliminating obstacles to trade, the application of the common customs tariff, and commercial policy are set out. The main sectors of the economy affected by the applications for membership are then reviewed. Chapter 2 deals with the common agricultural policy and the specific problems of the countries applying for membership, as well as the quantitative and qualitative changes in the basic situation which these adhesions would mean for agriculture in

an enlarged Community. Chapter 3 contains an analysis of the economic, financial and monetary situation of the United Kingdom and sketches the problems which UK membership raises in these fields. Other problems relating to economic union are dealt with in Chapter 4: free movement of capital; fiscal harmonization; restrictive agreements and dominant positions; patents; technical obstacles to trade (industrial standards); companies; investment by non-member countries; regional policy; financing of social security; Nordic labour market; Commonwealth Immigrants Act; transport; energy.

The specific problems of the ECSC are dealt with in Chapter 5, which describes the characteristics of the coal and steel industries in the countries applying for membership and special problems of adaptation.

Chapter 6 concerns the specific problems of the European Atomic Energy Community (British nuclear potential and questions arising from it: the British contribution to research, industrial structure, external relations, supply, safeguards and controls).

The prospects opened in the technological and scientific fields by the extension of the Community, bearing in mind the scientific and technical potential of the United Kingdom, are analysed in Chapter 7. This chapter also discusses the implications of British membership and the problems that it would entail in this field.

Title III, "Enlarged Community and non-member countries," covers relations with the Associated European, African and Malagasy States, with the developing countries as a whole, and with the highly industrialized Western countries, Japan, the USSR and the countries of Eastern Europe.

The adaptations which the adhesion of other States would necessarily involve are set out in Title IV, where the Parliament, the Council, the Commission and the Court of Justice are successively discussed from this angle. The legal and constitutional implications of United Kingdom accession round off this section.

The conclusions of the Commission document (Title V) are given below.

419. "Analysis of the chief problems involved in extension of the Community reveals that the accession of new members such as Great Britain, Ireland, Denmark and Norway,<sup>(1)</sup> whose political and economic

---

(1) The adhesion of Sweden should be considered only if it accepted the Community's political aims without reserve.

structures and level of development are very close to those of the present Member States, could both strengthen the Community and afford it an opportunity for further progress, provided the new members accept the provisions of the Treaties and the decisions taken subsequently—and this they have said they are disposed to do. Their accession, although it would bring great changes with it, would not then be likely to modify the fundamental objectives and individual features of the European Communities or the methods they use.

420. The Commission wishes to restate the conditions which would have to be fulfilled if extension is to take place in a satisfactory manner.

First, the new members would, as a general rule, have to agree to the arrangements adopted by the founder members before extension, subject to any exceptional adjustments that may be made. In particular, they would have to accept :

- (i) The Community customs tariffs as they emerge from the recent multilateral negotiations in GATT, and their gradual application to all non-member countries, along with all the rules necessary for the proper functioning of the customs union;
- (ii) The basic principles of the common policies with the provisions for their implementation, particularly in the economic, financial, social and agricultural fields, and their gradual application;
- (iii) The contractual obligations of the Communities towards non-member countries (association agreements, trade agreements, etc.);
- (iv) The institutional machinery of the Communities as established by the Treaties and the decisions taken in application of the Treaties, subject only to those adjustments rendered necessary by the accession of new States; these adjustments will have to be designed so that the institutions shall continue to be sufficiently effective and so that a suitable balance is maintained in the representation of the various Member States.

421. In addition, the new members, especially the main one, the United Kingdom, would have to agree with the founder members on the solution of a number of problems which would be of vital importance for the harmonious development of an enlarged Community :

- (i) Restoration of lasting equilibrium in the British economy and its balance of payments, entailing concerted action between Great Britain and the member countries of the Community, and

examination of ways and means of adjusting the present international role of sterling so that the pound could be fitted, together with the currencies of the other member countries, into a Community monetary system;

- (ii) The principle of a common policy in the field of research and technology, including atomic energy, and the general lines such a policy should follow;
- (iii) Financing of the Community's overall activities, including the agricultural policy;
- (iv) The relations to be established with those European countries— notably any EFTA countries which do not join the Community— and with the less developed countries, particularly the Commonwealth countries (these are urgent problems which would assume new forms through the very fact of extension of the Community).

422. To sum up, the new membership applications are impelling the Community to tackle at one and the same time the problems involved in its development and those involved in its extension. Opinions differ as to the priority to be given to the one or the other of these objectives. The best way of overcoming the difficulty would be to try to attain them both simultaneously. But, if this difficult operation is to be successfully concluded, it is essential that extension should not hamper the pursuit of the normal activities of the Communities and should not subsequently entail weakening of their cohesion or their dynamism, especially where the establishment of economic union, the requisite measures of harmonization, and the functioning of the institutional machinery are concerned.

The Commission is well aware that the cohesion and dynamism of the Communities depend to a great extent on the convergence of national policies in the essential fields. If full advantage is to be taken of the opportunities which extension opens up for the Community, it is apparent that Member States should within a reasonable period be in a position to make progress along the road to political union.

423. It follows from all the considerations set forth in this document that the Commission is not at present in possession of all the information needed to give in final form the Opinion requested by the Council under Article 98 of the Treaty of Paris and under Articles 237 and 205 of the

Treaties of Rome. Choices of considerable importance for any appraisal of the impact which the new members would have on the Community are still to be made. The general conclusions which would enable the Commission to give a final opinion cannot be drawn until it knows the position of the candidate States on a number of essential problems, the attitudes which will be in consequence adopted by the present Member States, and the solutions which may be adopted to the main problems discussed in this document.

It is the Commission's opinion that, in order to dispel the uncertainty which still attaches in particular to certain fundamental points, negotiations should be opened in the most appropriate forms with the States which have applied for membership, in order to examine in more detail, as is indeed necessary, the problems brought out in this document and to see whether arrangements can be made under which the indispensable cohesion and dynamism will be maintained in an enlarged Community."

## THE WORK OF THE COUNCIL

424. At its 7th meeting on 2 and 3 October, the Council heard a statement by the Commission presenting the Opinion of 29 September, after which it had a preliminary discussion on the subject. This was taken a stage further at the Council's 9th meeting on 23 and 24 October, when the debate centred on whether the accession of new members was likely to modify the Communities' basic objectives, characteristics and methods; particular attention was paid to defining the general commitments which any new Member State must undertake with regard to the Treaties, their political objectives, and the decisions already taken when the new country accedes. The Council also examined various special problems which it will be essential to solve before accession (Great Britain's economic, monetary and financial situation, agricultural policy, Commonwealth).

On 18 November 1967, the British Government decided to devalue sterling, reducing the official exchange rate from \$ 2.80 to \$ 2.40 to the pound, a reduction of 14.3%, in order "to enable the country to secure lasting and substantial improvement in its balance of payments" with beneficial effects on economic growth and full employment. Bank rate was raised to 8%. The United Kingdom Government also decided to take measures to cut defence expenditure, to curtail other public expenditure, particularly by withdrawal of the selective employment

premium, to abolish the export rebate, to reduce capital expenditure by the nationalized industries and to tighten hire purchase restrictions; it was also decided to keep a strict watch on prices, wages and dividends.

On 19 November the Vice-President of the Commission, Mr. Barre, together with the Ministers of Finance of the six Community countries and the Governors of the Central Banks, met in Paris to examine the problems arising from these decisions, in particular their consequences on the economy of the Community and on the equilibrium of the international monetary system. They made a joint statement confirming that the present parity of their currencies would be maintained unchanged. This decision clearly shows their desire to make a positive contribution to international monetary co-operation. The Ministers and Governors were unanimous in appreciating the courageous decisions taken by the British Government and intend to co-operate in their success; at the same time they pointed out that the British authorities' decisions were bound to necessitate added vigilance in conducting the economic policy of the EEC countries.

The Ministers and Governors also reached agreement on the means by which the Community countries would help the International Monetary Fund to finance the sums the United Kingdom wished to draw on the Fund.

425. At its meeting of 20 November, the Council of the European Communities continued its examination of the requests for accession. It noted that Mr. Rey, President of the Commission, was to visit the Prime Minister of the United Kingdom on 4 December 1967. The Council requested the Commission to submit, during the session of 11 and 12 December 1967, an oral report on the consequences of the measures taken by the British Government in the monetary and economic policy fields.

At the end of this meeting the President of the Council made the following statement on behalf of the Council: "Devaluation of the pound and the other measures already introduced or announced by the British Government are a courageous step towards solving the British balance of payments problem and restoring the equilibrium of the British economy. The decision by the Governments of the Member States of the EEC to maintain the parity of their currencies and to participate in international support of the pound constitutes at one and the same time an indication of the solidarity of the Six among themselves, of their solidarity with Great Britain and of their readiness to work together on monetary matters at international level.

All the Member States hope that the British measures and the joint international efforts will produce rapid and lasting results."

426. In his statement on 12 December, Mr. Rey, President of the Commission, gave the Council an account of the British Government's position as put to him when he visited London on 4 December, a position which in particular excluded any solution other than membership of the Community.

Mr. Barre, Vice-President, then presented the Commission's views on the consequences of the British measures. While stressing the difficulty of drawing definitive conclusions from events which are so recent and so important, the Commission drew attention to the series of fortuitous events, such as the closure of the Suez canal and the dock strike, which had aggravated the British payments deficit. The deficit was in addition affected by movements which did not stem from domestic factors but which made it more difficult to achieve a balance. The Commission felt that under certain conditions, devaluation of the pound should help to restore the balance of the British economy for a long while to come, and that ultimately it would change the external situation of the United Kingdom, which would be able to gain greater competitive advantages than in 1949, as only a few countries had on this occasion joined Great Britain in devaluing. Results would be obtained only if devaluation were accompanied by a coherent policy, pursued for a sufficiently long period, that would guard against the temptation to resort to facile solutions. The Commission found that the programme for economic recovery announced by the British Government was a first step in such a policy, noted the support given by all the Member States to the devaluation operation and saw therein a good augury for the success of the British action. Consequently, there did not appear to be any need to change the views expressed on the problem of the sterling balances in the Opinion of 29 September 1967.

The Commission pointed out that since its Opinion was published the British Government had declared that the problems connected with the international role of sterling could be examined in the framework of negotiations on the United Kingdom's application for membership; it noted with satisfaction that the British authorities had come to consider these problems in a spirit which could open the way to reforms that were from many angles desirable both for Great Britain and for the Community.

Mr. Rey spoke once more to draw the Council's attention to the need for conciliation if a crisis was to be avoided, for such a crisis would be a grave political error at a time when the unification of Europe is particularly necessary.

427. The Council resumed its discussion of the United Kingdom's application at its session of 18 and 19 December 1967, at the end of which it published the following statement :

"1. Considering the objectives laid down in the Preamble to the Treaty of Rome, and considering the tasks falling to the Member States pursuant to Article 5, which provides that they shall abstain from any measures which could jeopardize the attainment of the objectives of the Treaty, the Council of the European Communities, meeting at Brussels on 19 December, noted that no Member State has raised any fundamental objection to the enlargement of the Communities. When noting this fact, the Council assumed that the new member states would fully accept the Treaties and decisions adopted by the Community.

One Member State, however, expressed the opinion that this enlargement would profoundly alter the nature of the Communities, and the methods of administering them.

2. All the Member States were of the opinion that the restoration of Great Britain's economic and monetary situation is of fundamental importance to the question of its accession. Several Member States, while fully in favour of re-establishing Great Britain's economic equilibrium, do not think that the British economy must necessarily be completely re-established at the moment of Great Britain's accession.

3. All the Member States recognized that, particularly since 18 November 1967, Great Britain has put into operation measures intended to consolidate its economic, financial and monetary situation. All the Member States noted that the process of re-establishing the British economy will take a certain time.

4. The Commission expressed the opinion that it would be advisable to open negotiations in the most appropriate form with the States which have presented requests for accession, in order to undertake the necessary further examination of the problems pointed out in its Opinion of 29 September 1967, addressed to the Council, and to examine whether solutions exist which make it possible to satisfy the conditions necessary for ensuring the cohesion and vitality indispensable to an enlarged Community.



5. Five Member States agreed with the Commission's point of view.

They expressed their desire for the immediate opening of negotiations for the accession of Great Britain, Denmark, Ireland and Norway, so that these negotiations might be undertaken in parallel with the re-establishment of Great Britain's economic situation.

One Member State considered that the re-establishment of the British economy must be completed before Great Britain's request can be reconsidered.

6. For this reason, there was no agreement in the Council at this stage on the next step to be taken.

The President of the Council was instructed to inform the countries in question accordingly.

7. The requests for accession presented by the United Kingdom, Ireland, Denmark and Norway, and also the letter from the Swedish Government, remain on the Council's agenda."

428. The Commission published the following statement on 20 December 1967 :

"The Commission deeply regrets the Council's failure to reach agreement on what steps should be taken to deal with the applications for membership of the Communities made by a number of European countries, in particular the United Kingdom.

Whatever difficulties of substance may have arisen, the Commission still believes that the countries concerned must be given a hearing and that the Communities should negotiate with them in order to ascertain whether solutions acceptable to all can be found.

The Commission, faithful to the letter and the spirit of the Opinion it submitted to the Council, has spared no effort to convince all the Member States that a solution should be sought which will reconcile the various views advanced.

This being so, the Commission appeals to all concerned to keep the consequences of the present disagreement within the narrowest possible limits. More than ever before, efforts in the field of European integration will have to be pursued tenaciously, and opportunities must be sought of resuming the course, temporarily abandoned, of expanding the Communities. The Commission will do its utmost to help towards the attainment of these objectives."

## The association of European countries with the Community

### THE ASSOCIATION OF THE UNITED KINGDOM WITH THE ECSC

429. The 17th session of the Council of Association, the first to be held after the Commission of the European Communities took up its functions on 6 July 1967, was held in London on 15 December 1967. The Council examined and approved the reports of the Coal, Steel and Trade Relations Committees.

The various committees set up under the Agreement have continued their studies. The Steel Committee met on 19 May, the Coal Committee on 25 October, and the Trade Relations Committee on 7 December 1967.

The Coal Committee has received a report from its vocational training sub-group on the recruitment of young miners in the light of the needs of mechanical operation. Study of the repercussions of mechanization on the structure, qualifications and training of personnel—in particular of supervisory personnel at the coal face—has been put in hand.

### THE ASSOCIATION OF GREECE WITH THE EEC

#### *The Council of Association*

430. Before the military *coup d'état* on 21 April 1967, the Council of Association held a session at ministerial level. Since then there have been four sessions at ambassadorial level.

The ministerial session (12 April) dealt mainly with the harmonization of Greek and Community agricultural policies. Progress was made on certain technical points, but the discussion of financial aspects revealed certain divergences of view.

At the following sessions the Council extended until 30 June 1968 the provisional system, established in anticipation of harmonization, for trade in certain farm products between the Community and Greece under Article 36 (1) of the Athens Agreement, which expired on 30 June 1967. In this way Greece will continue to benefit, for the products covered by

Regulation No. 23 (fruit and vegetables) and listed in Annex III to the Agreement, from the tariff system which the Member States apply between themselves.

The Council also gave its agreement to the concessions made by the Community in the Kennedy Round in Geneva with respect to unmanufactured tobacco and dried grapes.

The Council fixed the percentage of CCT duties to be taken into consideration when determining the rate of levy mentioned in article 8 of the Association Agreement at

- (a) 40% for goods obtained in EEC Member States and subject to the Article 14 arrangements, and
- (b) 85% for goods obtained in Greece.

In conformity with Article 64 of the Athens Agreement, there have been consultations with Greece concerning the extension until 1 December 1968 of the trade agreement between the Community and Iran.

In implementation of Article 34 (2) of the Athens Agreement, the Community has transmitted to Greece the proposals for regulations concerning further arrangements for the common organizations of wine markets, a common organization of the market for tobacco, and the trading systems for products processed from fruit and vegetables.

Finally, the Council of Association included Mantinea wine in the list of quality wines.

### *The introduction of the customs union*

431. Customs duties on Community imports of Greek tobacco were abolished on 31 December 1967 in conformity with Protocol 15 (3).

As regards the Community's industrial products (except for those listed in Annex I), and the farm products listed in Annex III, the reduction of basic duties on imports into Greece reached 40% on 1 May 1967.

As regards the industrial products of Annex I and the farm products on the list referred to in Protocol 13 (2), the reduction of basic duties on imports into Greece was increased to 15% on 1 November 1967. However, the reductions for ham, butter and cheese of European type were increased to 30%, 25% and 30% respectively.

Under Protocol 6 (1) and (2) industrial products from Greece and the farm products in Annex III enjoy, on entering the Community, the same tariff system as the Member States apply among themselves. Finally, as regards imports from Greece of goods falling under Regulation 160/66/CEE, the provisional arrangements which were applicable to them under Regulations 214 and 407/67/CEE have been extended by the Council until 30 June 1968.

### *Parliamentary work*

432. The *Joint Parliamentary Association Committee EEC-Greece* has not held any meetings, because of the repercussions of the change of régime in Greece (imprisonment of some of the Committee's members).

On 10 May 1967, following an oral question put to the Commission by Mr. E. Martino and Mr. Schuijt, the European Parliament debated the implications for the Association of the political situation in Greece, and adopted a resolution.<sup>(1)</sup> In this debate, the Commission representative reminded his audience of the caution which the Commission must exercise in this field but said that it could not fail to be concerned at the turn affairs were taking in Greece and their consequences for the future development of the Association. Subsequently the Commission, viewing the deterioration of the Greek situation, declared in replies to written questions<sup>(2)</sup> that it could not remain indifferent to the constitutional system of a country like Greece, which was destined to become a member of the Community, and defined its line of conduct for implementation of the Association. Despite what had happened, day-to-day implementation of the Athens Agreement had been assured, in particular the specific obligations regarding tariff systems and trade relations. However, it had not been possible to continue the current negotiations, especially as regards harmonization of Greek and Community agricultural policies and financial aid for Greece after 31 October 1967. The Council of Association had not reopened the question of these harmonization arrangements, the framework for future development.

The same concern was expressed by the Council of the European Communities, whose President stated at the European Parliament session of 28 November 1967<sup>(3)</sup> that discussions on future developments in the Association had had to be suspended.

---

<sup>(1)</sup> *Official Gazette* No. 103, 2 June 1967.

<sup>(2)</sup> By Mr. Seifriz, Mr. van der Goes van Naters and Mr. Faller.

<sup>(3)</sup> Verbatim reports of debates, No. 96 of 28 November 1967.

Greece has received no loan since the events of 21 April 1967. Furthermore, the time-limit for using the sum of \$125 million loaned to Greece under Protocol 19 of the Athens Agreement expired on 31 October 1967, and the Community decided not to allocate the unused balance from this to any new operations.

### THE ASSOCIATION OF TURKEY WITH THE EEC

433. Between 1 April and 31 December 1967 the *EEC-Turkey Council of Association* held three meetings, one of which was at ambassadorial level. The work was prepared by the Association Committee, which met nine times.

The Council of Association adopted its second annual report, covering the period 1 January-31 December 1966, and this was submitted to the EEC-Turkey Joint Parliamentary Association Committee on 16 May 1967.

The Council carefully examined a request submitted by the Turkish Government on the basis of Article 6 of the provisional Protocol to the Ankara Agreement, which provides that, from the end of the third year after the entry into force of the Agreement, the Council may decide on measures likely to favour sales in the Community of other products for which the Member States have already opened tariff quotas for the benefit of Turkey (unmanufactured tobaccos, dried grapes, dried figs and hazelnuts).

434. After this examination the Council, on 1 December 1967, adopted a decision under which the following preferences are granted to Turkey :

Annual tariff quotas, to be opened by the Member States, for 1,200 tons of sea fish, including 300 tons of mackerel.

Up to the limit of these quotas, the customs duty applicable in each Member State is to be equal to half the common customs tariff. Quotas are also granted for tunny (1,650 tons), crayfish and lobsters (800 tons), crabs, shrimps and prawns (850 tons), squids (50 tons). The customs duty applicable in each Member State is equal to that charged on imports of the same products from other Member States.

Up to the limit of a quota of 6,000 hl, the duty applicable to quality wines in each Member State is to be equal to half the CCT rate. The list of quality wines which may benefit from this preference was established by the Council of Association in its Decision 2/67.

For both the fishery products and the quality wines, this system will apply until the common fisheries policy and the common wines policy come into force in the Community.

Between 18 June and 17 July each year, imports of dessert grapes into the Community will attract a customs duty equal to half the CCT rate.

Imports of fresh oranges, mandarines and clementines and fresh lemons will be subject to customs duties equal to those of the CCT less 20%.

These citrus fruit arrangements, which are accompanied by a safeguard clause, will continue to be applied until the entry into force of the general Community system for the chief products of the Mediterranean basin.

Other quotas were opened for terry towelling and similar terry fabrics of cotton (75 tons), other cotton fabrics (105 tons), outer garments, etc. (30 tons), bed and table linen, etc. (30 tons).

Up to the limit of these quotas, for which the administrative procedures applying after 1 July 1968 will be defined later, the customs duty applicable to these products in each Member State is equal to half the CCT rate.

Finally, as soon as the decision of the Council of Association has come into force, hand-made Turkish carpets will be subject in the Community to the reduced customs duties resulting from the Kennedy Round.

435. The Council of Association has also adopted a recommendation<sup>(1)</sup> that Community and Turkish delegations shall forthwith begin their preparatory study of the problems involved in the changeover to the transitional phase of the Association, to enable the Council to carry out the tasks allotted to it in this field by the Ankara Agreement.<sup>(2)</sup>

436. Under the Financial Protocol annexed to the Ankara Agreement, new loans have been granted to Turkey by the European Investment Bank. The number of infrastructure projects financed by this bank rises from three to four, and the amount involved to \$57,300,000 units of account; industrial projects rise from 10 to 18, for an amount of 45,950,000 u.a., making 103,250,000 million u.a. in all.

Furthermore, the \$5 million u.a. to be gradually allotted for investment projects under an outline contract concluded in February 1967 between

---

<sup>(1)</sup> No. 1-67 of 9 October 1967.

<sup>(2)</sup> Under Article 1 of the provisional Protocol annexed to the Ankara Agreement, the Council of Association may carry out this study from 1 December 1968 onwards.

the European Investment Bank and the Republic of Turkey has been increased to \$15 million u.a. The additional clause to the outline contract was signed on 29 November 1967.

437. Turkish manpower has been discussed in the Council of Association, which noted that, in conformity with Article 12 of the Ankara Agreement, this matter will have to be examined in the course of the negotiations on the transitional period.

438. The EEC-Turkey Joint Parliamentary Committee held its third meeting in Luxembourg on 23 and 24 May 1967 and its fourth meeting at Izmir from 8 to 13 September 1967.

At this last meeting the Joint Committee examined the second annual report of the Association Council and adopted five recommendations.

They concern the functioning of the Association and its future development; the Financial Protocol and Turkey's economic development; problems of Turkish manpower potential and emigration to the Community countries; and the participation of the Communities in the Izmir International Fair. The European Parliament endorsed these recommendations in its resolution of 27 November.<sup>(1)</sup>

### **The Associated African States and Madagascar and the Associated Overseas Countries and Territories**

#### INSTITUTIONS OF THE YAOUNDÉ CONVENTION

##### *The Council of Association*

439. At its fifth session (7 June 1967), under the chairmanship of Mr. van Elsandé, Belgian Minister for European Affairs, the Council of Association debated at length the system applicable to goods resulting from the processing of agricultural products coming under EEC Council Regulation 160/66 and originating in Associated States. The representatives of the Associated States claimed that application of this regulation to their goods would be contrary to the spirit and letter

---

<sup>(1)</sup> *Official Gazette* No. 307, 18 December 1967.

of the Yaoundé Convention. The Community for its part intimated that it was thinking of adopting *ad hoc* rules which, while applying Regulation 160/66 to trade with the Associated States, would take full account of their real interests, at present affected in respect of only two products, tapioca and chocolate. Agreement was reached on Community financing of a study for a joint trading organization for the AASM, and on contributions by the Community and Member States towards the expenditure incurred by the Associated States through participation in fairs and exhibitions organized in the Six. The Council also discussed the results of the multilateral trade negotiations in GATT. It agreed that it would accept an invitation from the President of the Democratic Republic of Congo and hold its next session, in the spring of 1968, at Kinshasa.

### *The Committee of Association*

440. The main business of the fifteenth meeting of the Committee of Association (14 April 1967) was to prepare the fifth session of the Council of Association, described above. After this, the Committee met for the third time at alternates level (9 May 1967) in order to define the general lines of financial and technical co-operation (Article 27 of the Yaoundé Convention); to review the implementation of Article 29 of the Yaoundé Convention (right of establishment); and to hear the Community's explanations regarding the quota framework for the Associated States, the concept of "goods originating in," and the report of the joint group of experts on the marketing of products from the Associated States.

This last report was again examined at the sixteenth meeting on 19 May 1967, when the Committee discussed the trading system for certain processed agricultural products, the implementation of Annex IX to the Yaoundé Convention concerning exports of bananas from the Associated States to Germany, the general lines of financial and technological co-operation, and the results of the multilateral trade negotiations in GATT.

At the seventeenth meeting of the Committee on 17 July 1967 the delegations approved the Council's third annual report to the Parliamentary Conference of the Association, subject to certain amendments. As regards the implementation of Article 29 of the Convention, the Committee noted the progress of work on right of establishment in certain of the Associated States. The agenda also included the special system for postal consign-



ments; the system applicable to oleaginous products from the AASM imported into the Community; the arrangements for products processed from cereals and rice or from fruit and vegetables with the addition of sugar, and for rice and broken rice, from the AASM and OCT; the results of the multilateral trade negotiations in GATT; and the restrictions on imports of building materials in Senegal.

At its eighteenth meeting, on 18 November 1967, the Committee of Association examined the application of certain tariff concessions made by the Community in the Kennedy Round. It also again studied the implementation of Article 29 of the Yaoundé Convention on right of establishment; the system governing exports of manufactured goods by the AASM to the Community; the arrangements for products processed from fruit and vegetables with the addition of sugar originating in the AASM; various questions concerning the definition of the concept of "goods originating in ...," AASM quota frameworks for 1967, the application of the tariff preference on coffee, and preparations for the Parliamentary Conference of the Association.

441. The Kennedy Round negotiations gave rise to a number of consultations with the AASM, as required by Article 12 of the Yaoundé Convention. These were arranged to coincide with the various meetings of the Association's institutions. In this way the AASM had an opportunity to comment on the Community's attitude regarding products of interest to them.

### *The Parliamentary Conference and the Joint Committee*

442. The Joint Committee of the Parliamentary Conference of the Association met twice. In Venice (29 May - 2 June 1967), the main business was to examine Mr. Armengaud's working document on methods of promoting the sale of products of the Associated States in the Community at stable and remunerative prices. Attention was also given to questions of financial and technical co-operation and of the general functioning of the Association.

At Bamako (2-6 October 1967), Mr. Armengaud's study was again discussed, and approved, along with a draft resolution drawn up by the Joint Committee for submission to the Parliamentary Conference. At

the same meeting, Mr. Troclet's report on the Council of Association's third annual report was examined; its final adoption was reserved for the Parliamentary Conference.

443. The Parliamentary Conference of the Association held its fourth annual session in Strasbourg from 4 to 7 December. The chief matters of discussion were the reports by Mr. Armengaud and Mr. Troclet.

Three resolutions were adopted: one on the operating accounts of the Parliamentary Conference of the Association for 1966 and the estimates for 1968, and the other two on questions dealt with in the above-mentioned reports.

The resolution on the Association Council's third annual report recommends *inter alia* that preparations be made without delay for renewing the Association when the Yaoundé Convention expires.

### *The European Parliament*

444. The European Parliament also examined certain problems of the EEC-AASM Association. On 22 June 1967 it adopted three resolutions on trade with the African States and Madagascar and the Overseas Countries and Territories, respectively concerning the Commission proposal on the system applicable to rice and broken rice from the AASM and OCT; the arrangements for processed cereal and rice products from these countries; and those applicable to their exports of sugar for the marketing year 1967/68.

### *Co-operation with the Associated States, Countries and Territories on vocational training*

445. Action to promote vocational training and the formation of cadres has been increasingly diversified in order to provide a better response to the varied requirements of the Associated States as set out in the resolution of the Parliamentary Conference of the Association at Abidjan on 14 December 1966. In this resolution the Conference expressed its satisfaction at the growth of assistance linked with the preparation and execution of European Development Fund schemes and at the size of the scholarship programme. It hoped that greater efforts would be devoted to the advancement and vocational training of supervisory staff

Table 20 — Breakdown of scholarship-holders (1967/1968) according to training establishments

	In Member States											In Associated States											In non-member countries
	Belgium	Germany (F.R.G.)	France	Italy	Luxembourg	Netherlands	Total Member States	Burundi	Cameroon	Congo (Brazzaville)	Congo (Kinshasa)	Ivory Coast	Dahomey	Gabon	Upper Volta	Mali	Mauritania	Rwanda	Senegal	Total AASM	Israel		
Percentage from the AASM	12.8	15.7	13.9	14.6	0.2	1.3	58.5	1.5	7.2	1.1	3.2	12.2	1.8	0.1	2.5	1.3	2.8	2.3	2.7	88.7	2.8		
Percentage from the OCI	1.5	0.7	9.5	1.5	—	86.8	100.0																
Percentage of all scholarship-holders	12	14.6	13.5	13.6	0.2	7.5	61.4	1.4	6.7	1	3	11.4	1.6	0.1	2.3	1.2	2.6	2.2	2.5	36	2.6		

in the Associated States and further action taken in the educational field. The Conference also expressed its concern to provide for personnel to take over from European technical assistants and to ensure the proper administration of the investments.

Henceforward a distinction will be made between full-time training scholarship programmes and other forms of aid : payment for expenditure on part-time courses *in situ*, correspondence courses, specific training programmes, the provision of teaching personnel, and surveys.

### *Programme of full-time training scholarships*

446. By 15 November 1967, 1,891 scholarships had been allotted in respect of the 1967/68 academic year. Of these, 1,764 went to nationals of the AASM and 127 to nationals of the OCT. The programme is therefore expanding in relation to the two previous years, when it reached a ceiling slightly below 1,800 annual scholarships. This rise, which reflects an endeavour to cope with more numerous applications from the associated countries and the need to extend many scholarships previously granted for lengthy courses of study (770 new scholarships and 1,121 renewals), is accompanied by a fresh increase in the number of scholarship-holders studying in establishments in the AASM : 36% of the total (38.7% if scholarship-holders from the AASM alone are considered), as against 28.5% in 1966/67.

Of the sectors for which vocational training is given, agriculture is still definitely expanding; it now accounts for 29% of the total. The increase is particularly noticeable among the scholarship-holders from the OCT, where this sector was previously rather neglected (17.3%, as against 5% earlier). Similarly the "women's occupations" sector, interest in which had been declining for two years, has assumed greater importance : 12.9%, as against 10.6%. It is chiefly the economics sector which is falling-off most sharply, with 20.9% as against 27%, while the technical sector remains stable.

The breakdown for scholarship-holders who are AASM nationals is as follows : Economics 20.3%, agriculture 29.9%, technical subjects 36.8%, women's occupations 13%.

For nationals of the OCT, the corresponding breakdown is as follows : 30%, 17.3%, 42.5%, 10.2%.

### *Other forms of aid*

#### *Payment of training fees*

447. As was the case during the previous year, part-time courses for the training and further training on the spot of craftsmen, employees and small entrepreneurs have been paid for by the Community.

One hundred and seventy-one persons are benefiting from this: 60 in Cameroon, 71 in Congo (Brazzaville), 12 in Congo (Kinshasa) and 28 in Gabon.

#### *Programme of scholarships for correspondence courses*

448. In 1967 there were even more applicants for these than in the past (about 1,000). Five hundred and sixty new scholarships had been allocated by 20 November, and to this figure must be added about 400 scholarships granted in the preceding years, whose holders still have to complete their training. These scholarships are chiefly in demand for purposes of further training and of preparation for examinations with a view to professional advancement. It should also be noted that they are used to help train "modern" peasants as part of schemes for agricultural improvement.

The breakdown of the scholarships by training sector<sup>(1)</sup> is as follows: economics 48%, agriculture 19%, technical subjects 33%.

The holders of these scholarships are almost all nationals of the AASM (only 20 from the OCT).

In order to help this category of scholarship-holder, the Commission is trying to further the organization of educational services on the spot, for the purpose of giving advice, explanations and, where necessary, certain oral courses, at regular intervals.

The three forms of action listed above are financed by a credit of 1,000,000 units of account from the Commission budget and by 4,550,000 units of account from the resources of the European Development Fund.

---

(1) For the subjects taught in each sector see *Tenth (EEC) General Report*, sec. 292.

*Specific training programmes*

449. These are training programmes to supply the personnel and supervisory staff needed for the operation of projects financed by the Community or by private firms.

The vocational training programme for the thirty-five workers of the textile factory at Fort-Archambault was completed in February 1967 (cost : 67,000 units of account).

The scheme for training medium-grade staff for public works in the Central African Republic was launched in Bangui at the beginning of October 1967. It is to provide eight clerks of works and 20 foremen, and will take three years to complete (cost : 150,000 u.a.).

The training course for 160 senior officials of OTRACO, for Congo (Kinshasa), began on 15 September 1967 at Kinshasa after preparations on the spot (establishment of the final programmes and arrangements for accommodation) which took five months. The courses will last two years (cost : 760,700 u.a.)

In Rwanda, the programme and equipment of the training centre for cadres of tea-planting co-operatives, financed by the Community, have been in preparation since 1 August 1967. Tests have been organized to select the 80 students. The duration of this programme, which is to begin during the first half of 1968, will be two years (cost : 877,700 u.a.).

*Provision of teachers*

450. For the first time the Commission has decided to provide teaching personnel for schools in the AASM, and to meet the relevant expenses, for two years. This step was taken at the request of the Governments of the States concerned and after receiving a favourable opinion from the EDF Committee.

One teacher will be seconded to the International Centre of Statistical Training at Yaoundé, and two will go to the Abidjan School of Statistics (cost : 174,000 u.a.).

These programmes have necessitated several studies on the training of supervisory staff and other personnel.

*In-service training*

451. An in-service training period which began in February ended on 15 July 1967; another began on 15 September. In these two periods the Commission welcomed a total of 17 officials from the following countries : Cameroon 1; Congo (Kinshasa) 4; Upper Volta 2; Madagascar 2; Mali 1; Niger 1; Rwanda 1; Surinam 2; Chad 1; Togo 2.

*Seminars and "Courrier de l'Association"*

452. According to programme, 26 seminars were held in Brussels and in other Member States during the period 1 April - 31 December 1967. They were attended by 850 students and trainees, mainly Africans. About 160 were English-speaking.

Three issues of the "Courrier de l'Association" have appeared since April 1967.

#### RIGHT OF ESTABLISHMENT AND FREEDOM TO SUPPLY SERVICES

453. In conformity with Article 29 of the Yaoundé Convention, nationals and companies of Member States must be placed on a footing of equality in each Associated State by not later than 1 June 1967. As certain members of the AASM had not yet been able to make the necessary arrangements to do this, the Association Council, at its fifth session on 7 June 1967, decided to postpone the deadline from 1 June to 1 October 1967.

At present the situation regarding implementation of Article 29 is as follows :

- (i) The Central African Republic, Ivory Coast, Dahomey, Gabon, Upper Volta, Mauritania, Niger and Chad have taken the necessary legislative measures to implement it;
- (ii) Cameroon, Congo (Brazzaville), Senegal and Togo have pointed out that their constitutions give ratified international agreements precedence over domestic legislation, and that the ratification of the Yaoundé Convention has therefore automatically resulted in their applying Article 29 with effect from 1 June 1967 at the latest;

- (iii) Burundi, Congo (Kinshasa), Rwanda and Somalia continue to practise an open-door policy as regards right of establishment and freedom to supply services;
- (iv) Mali has indicated that no discrimination exists between nationals and companies from Member States. Mali was asked for further information concerning the measures which had been taken on this head.

## TRADE

### *Customs and quota disarmament*

454. As regards tariff disarmament, discussions have begun between the Community and the Associated States which until then had invoked Article 61 of the Yaoundé Convention in order to refrain from putting into effect the reductions provided for in Article 3.

Various prior studies showed that the customs reductions could be made without jeopardizing the customs receipts of the Associated States or harming their industrialization. In fact, the reductions had favourable effects in certain cases.

As regards quantitative restrictions, the widening of the quotas opened by certain Associated States of the former franc area and concerning a whole range of products—foodstuffs, capital goods, textiles, etc.—has continued, and in many cases extensive import liberalization measures have been introduced. However, other Associated States are still having to cope with balance-of-payments difficulties.

### *Marketing of Associated States' products*

455. The joint group of experts studying means of promoting consumption in the Member States of products originating in the AASM have issued a report embodying conclusions reached by both the Member States and the AASM, and others reached by the AASM alone.

Following the studies of the joint group, the Commission decided on 4 July 1967 to allocate a credit of 500,000 u.a. from EDF funds, to help finance a programme of AASM participation in certain fairs and trade exhibitions in the Community States.



*The trend of trade between the Community  
and the Associated States*

456. The AASM's relative share in Community imports has increased slightly but regularly in quantity (2.5% in 1964, 2.6% in 1965 and 2.7% in 1966). In terms of value, however, it returned in 1966 to more or less the same level as in 1964 (4.3%), after having fallen to 4% in 1965. The improvement noted in 1966 as compared with 1965 is essentially due to greater Community imports of mining products (iron ore, calcium phosphates, copper). The index value of mining products (1964 = 100) rose to 113 in 1965 and 159 in 1966, whereas the index of plant products fell to 94 in 1965 and 96 in 1966. As regards Community exports to the AASM, a 2.3% increase in value compared with 1965 can be observed. France's share in overall EEC exports to these countries has fallen, while the exports of all the other Member States are increasing. If the trend of Community imports from the AASM is compared with those from other

Table 21 — Comparison of EEC trade with Associated States for corresponding six-monthly periods in 1966 and 1967

('000 units of account)

Origin and destination	Six months 1967		Six months 1967	
	Imports	Index figure 1966-67	Exports	Index figure 1966-67
Cameroon	74,608	117	56,650	122
Madagascar	26,043	100	45,730	108
Mali	925	148	5,600	120
Niger	21,559	124	10,429	124
Chad	7,630	98	7,292	84
Senegal	61,723	85	59,553	101
Ivory Coast	137,667	102	85,016	114
Central African Republic	6,135	89	12,554	134
Gabon	45,975	107	20,560	103
Congo (Brazzaville)	13,838	81	26,952	107
Congo (Kinshasa)	211,714	96	62,365	97
Rwanda	2,009	82	3,541	112
Burundi	2,237	118	3,297	96
Somalia	9,898	95	7,346	112
Togo	17,400	102	8,529	97
Mauritania	34,107	129	12,224	233
Upper Volta	1,922	129	7,850	122
Dahomey	5,989	70	13,782	131
<b>Totals</b>	<b>680,379</b>	<b>100</b>	<b>449,260</b>	<b>110</b>

developing countries, particularly Latin America and elsewhere in Africa, it will be seen to be, on the whole, not unfavourable. Imports from Latin America fell in value from 9.1% of all EEC imports in 1964 and 1965 to 8.8% in 1966; and imports from the "other African countries" advanced from 11.17% in 1964 to 11.2% in 1965 and 11.5% in 1966.

The provisional figures (value) for the first six months of 1967 show a certain stagnation of Community imports from the AASM, whereas exports to these countries show appreciable progress. However, it is too soon to draw valid conclusions from these provisional and partial results.

*The interests of the AASM as regards similar and competing agricultural products*

457. In implementation of Article 11 of the Convention and Article 10 of the decision of 25 February 1964, the Community, after consulting the AASM, took a number of agricultural policy measures affecting imports of products originating in the AASM and OCT and similar to or competing with European products. In this way, the system governing Community imports of unhusked and milled rice, manioc products, processed fruits and vegetables and oleaginous products from the AASM has been fixed.

As regards oleaginous products, which account for the bulk of the export income of several members of the AASM, the measures are as follows :

A regulation of 25 July 1967 provides for the suspension of customs duties and taxes with equivalent effect for oils originating in the AASM and OCT. Furthermore, the Council has undertaken to implement special measures should the volume of imports of these products from the AASM and OCT undergo appreciable changes. Finally, by a decision of the representatives of the Governments of the Member States<sup>(1)</sup> meeting in the Council, financial aid is granted in respect of the oleaginous products of the AASM and OCT imported into the Community when the world market prices for them are below the reference prices fixed by the decision.

Other measures concerning imports of sugar and tobacco are being studied in the Council.

---

<sup>(1)</sup> In the case of certain Member States, subject to ratification under their constitutional procedures.

The regulation of 27 October 1966 on imports of processed agricultural products includes arrangements for those originating in the AASM and OCT. The temporary system in force up to 31 December 1967, which can be extended until 31 May 1969, provides for application of the fixed component of the levy which the Member States charge each other, and suspension of the variable component, for the two products at present exported by the AASM : tapioca and chocolate.

### *Production aids*

458. Total commitments approved since 1 April 1967 amount to 18,328,000 u.a. Of this, 13,757,000 u.a. has been assigned for structural improvement and 4,681,000 u.a. for price support (in Cameroon, Chad, Central African Republic, Senegal, Dahomey, Mali, Niger and Togo).

Although production aids have generally had the results expected, problems have nevertheless arisen for cotton in certain backward areas because of the weakness of world cotton prices and the impossibility of exceeding the amount of credits fixed in the Convention.

### *Financial and technical co-operation in general : the main lines of approach*

459. In April the Commission submitted to the Council of Association its second report on financial and technical co-operation with the Associated African States and Madagascar, drawn up as required in Article 27 of the Yaoundé Convention. By way of exception this report covered a longer period, from 1 June 1965 to 31 December 1966.

At the end of its report the Commission submitted proposals to the Council concerning the general lines of future financial and technical co-operation. The Commission has also helped to define these lines of approach in the institutions of the Association.

The definition of general policy by the Council of Association is an important political act in that it establishes not only the directing lines of Community aid to the Associated States but also the rules governing

the latter's own efforts and the aspects of their economic and social policies which are the necessary complement to this aid. It also lays down a charter of genuine co-operation for the development of the Associated States.

This year the Council of Association has confirmed the general policy lines it defined for the first time in 1966, and has completed them, laying particular stress on the advisability of financing combined agricultural and industrial enterprises and gradually abolishing unprofitable production, and also on the Associated States' own responsibility for the maintenance and utilization of the investments made and for the appropriate employment of supervisory staff trained by the Community.

### *Financial and technical co-operation in 1967*

460. In 1967 new commitments, accepted by the Community under the second European Development Fund amounted to 138 million u.a., of which 127 million were for the AASM, 4 million for the OCT, and 7 million for projects of interest to both groups.

The annual average of commitments for the first two-and-a-half years of implementation of the Yaoundé Convention, i.e. 135 million u.a., has therefore been maintained this year.

Agricultural production received the lion's share (49%) of the new commitments. Then come transport and communications (25.5%), water supply and housing (10%), education (8.5%), industrialization (4.5%), and health (2.5%). In all, more than half the credits provided this year have gone to finance the directly productive schemes. The Community's help to industrialization is clearly increasing in relation to the preceding years, although the financing of industrial enterprises has mainly been effected by normal credits from the European Investment Bank.

Fresh aid in the field of production is directed either to the modernization of traditional agricultural structures or to the diversification of productive activities and the establishment of industrial-type enterprises. Three new schemes concern the supply of energy to industries in the strict sense, and one the creation of a reserve of industrial equipment. The Community has also helped with the construction of two factories: a cement works in Cameroon and a textile plant in Chad. Certain crops have been introduced or their cultivation expanded: avocados in Ivory Coast, cashew nuts in Dahomey, coconuts in Madagascar, cotton in Senegal, dah in Mali and oil

palms in Cameroon and Dahomey. We may also mention the building of a modern slaughterhouse with refrigeration plant in the Central African Republic.

461. The schemes and programmes launched in 1967 were financed with 121.6 million u.a. in the form of grants and 16.4 million as loans on special conditions. A short-term advance of 1.8 million was granted to the Cotton Stabilization Fund in Chad. This year therefore saw the commitment on a considerable scale of the credits laid down in the Yaoundé Convention for loans on special terms financed through the European Development Fund. It may be pointed out that only 3.6 million u.a. had been granted for loans of this kind between the entry into force of the Convention and 31 December 1966.

In terms of the main legal categories of aid provided for in the Yaoundé Convention, the 1967 commitments primarily concerned economic and social investments (53% of the total). Production aids represent 21%, diversification aids 18%, and technical assistance linked with investments 2%.

Compared with earlier years, there has been a very distinct increase in the financing of schemes approved under diversification aid. However, such hard-and-fast classifications may well be somewhat deceptive, for certain operations to diversify economies are also financed under the head of economic investments and by loans from the European Investment Bank.

Similarly, aids granted as technical assistance linked with investments actually exceed in amount the credits formally included under this head, for some of the financing provided as economic and social investment and diversification aid covers expenditure on the technical assistance necessary to plan, carry out, supervise or launch investments. Analysis of the schemes approved in 1967 shows that technical assistance linked with investments really accounts for around 12% of the investments concerned. The Commission tries to maintain an optimum ratio between these two types of aid, for the capacity of the associated countries to absorb any large volume of fresh investment depends considerably on the quantity and quality of the technical assistance supplied.

462. While studying the projects and programmes submitted by the Associated States, the Commission prepared and supervised from the economic, technical and financial angles the execution of operations previously approved for financing from the first and second Funds. At the end of the year, these operations represented 1,055 million units of

account distributed among 605 schemes and programmes, of which 382 were financed from the first Fund and 223 from the second. Credits actually paid under this head in 1967 will exceed 120 million u.a. The sums released by the Fund are therefore continuing to increase : 85 million u.a. in 1964, 104 in 1965, and 112 in 1966.

### *Co-ordination of Community aid with other aids*

463. As in previous years, the Commission has endeavoured to co-ordinate the schemes financed by the European Development Fund with the other aids received by the associated countries. For instance, it financed the infrastructure of a technical school in Burundi for which the United Nations Special Fund will supply teachers and educational equipment for six years. Similarly, an agro-industrial scheme has been decided on for Cameroon, which IDA and IBRD will support by complementary loans.

The Community has also granted loans on special terms to finance two industrial enterprises, one in Cameroon and the other in Chad, in co-operation with private capital and bilateral aids granted by Member States.

### RESEARCH CONCERNING THE ASSOCIATED STATES

464. General documentation : Continuing its work of amplifying the available basic documentation, the Commission has drawn up a recapitulatory memorandum on public aid granted by the Community (Member States and Community institutions) to the developing countries, in particular the Associated States, between 1958 and 1966.

A descriptive study of the Associated States' development plans has also recently been completed. It covers fifteen countries and compares the objectives of the plans and the development policies defined in them, and analyses the orientation and financing of the estimated investments.

465. Industrialization of the Associated States : The programme of studies on possibilities of industrialization in the AASM was completed early in 1967.<sup>(1)</sup>

Six reports in all have been submitted, covering respectively (1) West Africa, (2) UDEAC (Union douanière et économique de l'Afrique centrale - Central African Economic and Customs Union), (3) Congo (Kinshasa),

---

(1) *Tenth (EEC) General Report, sec. 297, and Ninth (EEC) General Report, sec. 284.*

(4) the region of the East African lakes : Kivu, Rwanda and Burundi, (5) Madagascar, (6) Somalia. The Commission has drawn up a comprehensive report, the first part of which recalls the objectives of the programme of studies and the methods followed while the second surveys the present state of industrialization of the AASM. The third part sums up the analyses made by the experts, the general lines of industrial development they propose, and the specific industrial projects chosen.

The experts' reports have been widely circulated.

466. Commercial promotion of products originating in the Associated States as part of trade development : In conformity with the wishes of the European Parliament and the conclusions of the report of the Council's joint panel of experts meeting under Annex VIII to the Yaoundé Convention, new information has been assembled to enable more products originating in the Associated States to be sold in the Community. Three new studies have been circulated to the Associated States and the Member States.

The first concerns market promotion for tropical fruits (other than bananas). In it, the situation and potential outlets in Member States' markets are examined and concrete recommendations are made.

The second deals with the possibilities of using Robusta coffee from the AASM and the problems which this involves in the Community.

The third study is on the inactivation by heat of the cattle plague virus in beef and veal and on the use as preserved food of the meat from animals treated. The scientific and technical conclusions of this study are favourable, but it stresses the practical economic problems which would arise in establishing cooking centres in Africa and exporting the meat thus treated to Europe.

Three other studies are in progress : they deal respectively with the conditions of utilization of cocoa butter by the fats industry; conditions of production, transport and marketing of bananas; and stimulation of sales of hides and skins from the AASM on the Community market.

467. Trend of EEC-AASM trade : The Commission has carried out a study devoted chiefly to trade between the EEC and AASM from 1958 to 1965. On the basis of trend calculations this study describes the development of visible trade between the partners to the Association.

In addition, the study published in 1966 on the trend of trade between developing countries and industrialized countries (including the EEC) has been brought up to date for the period 1953-1966 and amplified.

## Commercial and other agreements

### NEGOTIATIONS WITH NON-MEMBER COUNTRIES

#### *Austria*

468. On 3 May 1967 the Commission submitted a further report to the Council on the second phase of negotiations between the Community and Austria. In this document the Commission gave its opinion on the proper solution for the agricultural sector. The Council thus has a complete dossier on the state of negotiations, and proposals which the Commission thinks could solve the various problems arising in the course of them.

The Commission had fulfilled the mandate given by the Council at its session of 6 and 7 December 1966, and so the negotiations, suspended since 2 February 1967, could not be resumed without fresh directives from the Council.

The Council resumed its discussions at the session of 5-6 June 1967, but has not been in a position to continue them since.

As regards the negotiations on coal and steel (Austrian request of 15 December 1966),<sup>(1)</sup> the Special Council of Ministers asked the High Authority on 17 February 1967 to complete the file it prepared on this matter in 1965. On 12 April 1967 the High Authority submitted to the Council a list of the main problems which could arise in connection with ECSC products. Talks on these products have not begun, however, and they remain linked with the pursuit of the overall negotiations.

#### *Spain*

469. On 25 November 1966 the Commission sent the Council a report on the exploratory talks held with a Spanish delegation on 9 December 1964 and 19 July 1966. On the basis of this report the Council of Ministers, at its meeting of 10 and 11 July 1967, adopted the draft of a partial mandate for negotiations with Spain. The first negotiating session between a Spanish and a Commission delegation took place on 21 and 22 September 1967, and the talks were continued on 7, 8, 9 and 10 November.

---

<sup>(1)</sup> *Fifteenth (ECSC) General Report, sec. 53.*



They provided an opportunity for obtaining a more complete understanding of the views of the Spanish delegation, to which certain questions were put. The answers are being studied in preparation for the next negotiating sessions which should take place early in 1968.

### *The Maghreb countries*

470. Having studied the document on the subject submitted by the Commission on 15 December 1966<sup>(1)</sup> the Council, at its meeting of 24 October 1967, gave the Commission a further partial mandate to continue negotiations with Morocco and Tunisia concerning, in particular, citrus fruit, olive oil and refined petroleum products. However, certain products covered by the first partial mandate<sup>(2)</sup> (notably wine) were not included in the second, pending Community decisions on them which are at present being worked out.

The negotiations took place in November 1967. The Commission will submit a report on them in February 1968.

### *Israel*

471. On 14 March 1967 the Commission submitted a report to the Council on the exploratory talks concerning Israel's request to replace the present trade agreement by an association agreement. Following this report, on 7 June 1967 the Commission rendered a report on relations between the Community and Israel, and on 22 June 1967 a report on the Israeli economy.

In the light of these documents the Council instructed an *ad hoc* working party to study the Commission's proposals and report to it with a view to deciding what sort of links could be established between Israel and the Community. The first discussions took place at the Council session of 11 and 12 December 1967; they will be resumed early in 1968.

The Trade Agreement of 4 June 1964 between the EEC and Israel expired on 30 June 1967. At its session of 27 June 1967 the Council, in conformity with the Commission's suggestions, requested the Member States to prolong

---

<sup>(1)</sup> *Tenth (EEC) General Report, sec. 337.*

<sup>(2)</sup> *Ninth (EEC) General Report, sec. 321.*

for one year—from 1 July 1967 to 30 June 1968—the reduction of certain CCT duties granted under the Agreement, and a decision to this effect was taken at the session of 10 and 11 July 1967.

### *East African States : Kenya, Uganda, Tanzania*

472. The second phase of the negotiations was considered as not closed, at the request of the East African delegation, which had first to consult the Governments of the three States. The delegation then informed the Commission, by letters dated 14 February and 16 March 1967, that it could agree with the Community view on reciprocity.<sup>(1)</sup>

As a result of these letters the second phase could be closed, and on 3 May 1967 the Commission's report on the results of the talks could be submitted to the Council, together with its proposals on the points outstanding.

On the basis of this report the Council must give its opinion on the draft for a complementary negotiating mandate.

## IMPLEMENTATION OF THE TRADE AGREEMENTS

### *Nigeria*

473. The Association Agreement, signed in Lagos on 16 July 1966, will come into force on the first day of the second month following the date on which the instruments of ratification and the act of notification<sup>(2)</sup> have been exchanged.

The Netherlands representative lodged his country's instrument of ratification on 12 July 1967. The ratification procedures are reported to be under way in the five other Member States and in Nigeria.

Meanwhile, in conformity with what was agreed at the meeting of the Interim Committee on 17 February 1967, the conclusion of the EEC-Nigeria Association Agreement was notified by the EEC Council and

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 336.

<sup>(2)</sup> *Ibid.* sec. 335.

the Government of Nigeria to the GATT Council at its session of 26 June 1967 in Geneva. The text of the Agreement has been communicated to the GATT Contracting Parties for information.

The Community has also established a system for apportioning and administering the tariff quotas under the Agreement for cocoa beans, veneered wood or plywood, palm oil and groundnut oil.

### *The Agreement with Lebanon*

474. The national procedures for ratification of the Agreement of 21 May 1965<sup>(1)</sup> have been completed in all Member States and will very shortly be completed in Lebanon, thus making it possible to conclude the Agreement and bring it into force within the time-limit laid down in Article XIV (the provisions on technological co-operation are already in force). The joint working party on technological co-operation provided for under Article VII of the Agreement held its second meeting in Brussels on 7 April 1967. It continued to study the seven technical co-operation schemes submitted by the Lebanese Government in 1965, and noted that positive results had been recorded as regards four of these.

Other projects are still under examination in certain Member States.

### *Renewal and amendment of the Trade Agreement with Iran*

475. The Joint Committee set up under Article IV of the Trade Agreement of 14 October 1963 between the Community and Iran<sup>(2)</sup> held its second meeting in Teheran from 10 to 15 July 1967. It reviewed the trend of trade between the two parties, and noted that it had developed favourably in both directions: imports into the EEC from Iran rose from \$378.9 million in 1963 to \$483.4 million in 1966 (+ 28%)<sup>(3)</sup> and exports from the EEC to Iran from \$172.1 million to \$339.8 million (+ 97%). The Joint Committee also studied means of improving trade and made suggestions to this end to the competent bodies on the two sides.

---

<sup>(1)</sup> *Eighth (EEC) General Report*, sec. 307.

<sup>(2)</sup> *Seventh (EEC) General Report*, sec. 293.

<sup>(3)</sup> *Imports of products other than crude petroleum grew by 72%.*

On this basis the Community and the Member States decided on 2 October 1967, each for its own part, to adopt non-discriminatory tariff measures to facilitate imports of certain products of special interest to Iran (knotted wool, carpets, Kelim rugs, dried apricots, caviare, dried grapes, pistachio nuts). In some cases these measures involve an amendment to the present Trade Agreement.

Meanwhile, the Iran Government asked that the Agreement, which expires on 30 November 1967, should be extended for a year. On 2 October 1967 the Council indicated its approval of this. The extension of the agreement and its amendment were the subject of an exchange of letters between the Community and the Imperial Government of Iran on 30 November 1967.

## ACTIVITY IN THE NUCLEAR SECTOR

### *Co-operation in the nuclear sector*<sup>(1)</sup>

#### *The Agreement with the United States*

476. In the field of proven-type reactors, as with fast reactors, the long-standing co-operation between the Commission and the American Atomic Energy Commission (USAEC) has continued normally. In particular, the financial difficulties which had held up the extension of the contracts of association between Euratom and the French CEA and Euratom and the CNEN with regard to fast reactors have in no way affected the exchanges of information in this field initiated between the Community and the United States under the 1964 agreement.

In the field of organic-cooled heavy-water-moderated reactors, negotiations between the Commission and the USAEC were broken off, with the agreement of the Council, after the USAEC's decision to discontinue its research programme on this type. However, the Commission has been informed by the USAEC that in this field the latter will continue to carry out certain basic research and would like to co-operate and to exchange

---

(1) Sec. 525 (Co-operation between the Community and the international organizations in the nuclear sector).

information with Euratom. The Commission still wishes to have a balanced agreement on exchanges of knowhow in this field. This question will be re-examined when the conditions for such an agreement are fulfilled.

With regard to the supplying of special fissile materials by the United States, it will be recalled that the Commission had asked the American authorities to amend the Euratom Co-operation Act of 1958 with a view to raising the maximum amount of fissile materials available for Community programmes.

In November 1967, Congress approved an amendment of the Euratom Co-operation Act and, for the second time, raised the maximum amount of special fissile materials which the USAEC is authorized to supply to the Community under the agreements for co-operation drawn up between Euratom and the United States Administration in 1958 and 1960. The amounts in question, which Congress is now entitled to release in successive instalments, have been raised to 215 tons (instead of 70) for uranium-235 and to 1,500 kg (instead of 500 kg) for plutonium. This amendment was promulgated at the end of December 1967.

#### *Agreements with the United Kingdom and Canada*

477. Co-operation with these two countries within the arranged agreements has also made satisfactory progress.

The agreement for co-operation between the European Atomic Energy Community and the Government of the United Kingdom of Great Britain and Northern Ireland concerning the peaceful uses of atomic energy, concluded on 4 February 1959, will expire on 3 February 1969. Under the terms of Article XIX, at least one year before the agreement expires the contracting parties must hold consultations with a view to extending it for a further period.

The Commission has therefore asked the Council for authority to negotiate with the British Government for the extension of the agreement.

The agreement for co-operation between Euratom and Atomic Energy of Canada Ltd. (AECL) remains, in pursuance of the agreement which was renewed in 1965, centred on the co-ordination of research programmes on heavy-water-moderated reactors.

*Other activities*

478. No agreement has been made with Sweden, but technical links continue to progress satisfactorily within the practical arrangement made in 1964 between the Commission and AB Atomenergi.

No draft agreement has been submitted to the Commission under Articles 103 and 104 of the Euratom Treaty.

In August 1967, on the other hand, two new bilateral agreements expired. These agreements, concluded by the Member States before the Treaty came into force and submitted to the Commission in pursuance of Article 105, linked the Federal Republic of Germany and the United States in one case, in the other the Netherlands and the United States.

The agreements have not been renewed, so that with regard to safeguards and supplies, the provisions of the Euratom/US agreement replace, for the Member States concerned, those of the bilateral agreements which have expired.

*Problems arising from the draft of the nuclear non-proliferation treaty*

479. Developments since March 1967 can be described as follows: the text of a draft non-proliferation treaty was made public after being submitted at Geneva in identical versions by representatives of the United States and the USSR.

This text, in which Article III, relating to safeguards, has been left blank, is important for several reasons: it shows that the United States and the USSR are in favour of a non-proliferation treaty with safeguard provisions. In the preamble, mention is made of an agreement between the signatories with a view to facilitating the application of the IAEA system of controls.

In the draft, Article III (safeguards) has, to the Commission's knowledge, still been left open.

During the last few months the Commission, in accordance with the prerogatives and responsibilities vested in it by the Treaty with regard to safeguards, has kept in constant touch with the Member States as problems have developed. The Commission has explained its view of the consequences which the signing of a non-proliferation treaty by the Member States would have on the implementation of the Euratom Treaty.

In the same way, under the agreement between Euratom and the United States, close contacts have been maintained with the American authorities on the texts under discussion. The Commission was also able to make clear its position during the important debate in the European Parliament on 18 October 1967 on oral question No. 8 concerning the non-proliferation treaty.

On these occasions, the Commission has always recalled the need to keep intact the powers under public law which have been vested in it by six sovereign States in the matter of safeguards, and also the need to protect the interests of the Community within the mutual commitments undertaken by the parties to the Euratom/US agreement.

The Commission has also continued to stress that any discrimination between Member States, in any field whatsoever, would be contrary to the very spirit of the Euratom Treaty and would compromise its implementation. The Commission also insisted that those countries that contemplated signing a non-proliferation treaty should adopt a common attitude towards the problems in question, and it has welcomed the results obtained in this matter.

At the present time, these diverse consultations are continuing, so the Commission cannot adopt a more definite position on the problems under discussion, especially since all parts, in particular Article III, are still very much in the drafting stage.

It should also be pointed out that the treaty now being negotiated is without any doubt one of those covered by Article 103 of the Euratom Treaty.

### **The Community's external relations and commercial policy**

#### **RESULTS OF THE KENNEDY ROUND OF TRADE NEGOTIATIONS**

480. On 27 November 1967 the Council approved the Commission's report on the results of the Kennedy Round of trade negotiations, endorsing on this basis the commitments entered into on behalf of the Community. The report gives, sector by sector, detailed information on these results, a summary of which had been included in the Tenth EEC General Report

following the agreement announced by the Contracting Parties on 15 May 1967.<sup>(1)</sup> It is impossible to sum up in a few paragraphs a document of more than 200 pages, to which the Commission refers the Parliament for fuller details.

### *The legal instruments*

481. In their form as multilateral conventions the results of the Kennedy Round are embodied in a number of legal texts which specify the commitments and obligations that the participating Governments have accepted by common accord. In addition to the lists of the tariff concessions granted by each party, which are grouped together in the 1967 Geneva Protocol, three other multilateral documents — the agreements negotiated on grains, chemicals and anti-dumping — are annexed to the Final Act.

The 1967 Geneva Protocol: A list of the tariff concessions made by the EEC in the Kennedy Round is given in the 1967 Geneva Protocol as List XL. The Member States' harmonized tariffs for ECSC products are given in List XLbis.

This Protocol will come into force on 1 January 1968 for parties which have accepted it before 1 December.

The Agreement on chemicals reproduces the main points of the multilateral arrangement on the elimination of the American Selling Price system of valuation and on adjustments to certain tariff and non-tariff measures.

The stipulations of this Agreement are already given in the list of EEC concessions in the Geneva Protocol.

The Agreement will come into force on the first day of the first calendar quarter which begins at least 30 days after the day on which the United States has notified the GATT Director-General that the legislation abrogating the ASP system of customs valuation and permitting the implementation of the other provisions of the Agreement has been enacted.

The Memorandum of Agreement on the basic elements for the negotiation of a world grains arrangement includes an undertaking to negotiate a world arrangement including financial commitments. Immediately afterwards action will be taken to obtain acceptance of the arrangement in conformity with the constitutional procedures of the signatories.

---

(1) Sec. 310 *et seq.*



Since the success of the negotiation on a world agreement, the first of the above commitments is practically fulfilled; the second commitment is also included in the text negotiated in Rome.

The Agreement on the implementation of Article VI of the GATT provides for the establishment of a code for the interpretation of the GATT anti-dumping clauses and includes rules for the implementation of these clauses with a view to uniformity and greater discipline in their execution.

The Agreement comes into force on 1 July 1968 for all parties which have accepted it by that date.

The Protocols for the accession of Argentina, Ireland and Iceland are legal instruments which, with minor exceptions, include the usual clauses contained in GATT accession protocols.

The Protocol for the accession of Poland is the first to deal, in the framework of full membership of GATT, with the complex problems posed by relations between a country with a centrally-planned economy and the other Contracting Parties. The Protocol was accepted by Poland on 18 September and thus came into force with effect from 18 October 1967.

As regards the Community the results of the Kennedy Round also include a number of bilateral legal instruments defining certain specific reciprocal commitments vis-à-vis third countries.

Under the Geneva Protocol, the tariff reductions agreed can be implemented in two different ways : five equal annual instalments, each equivalent to 20% of the total reduction, starting on 1 January 1968, or 40% of the total reduction, starting 1 July 1968 and the rest, i.e., 60%, in three equal instalments beginning 1 January 1970. In both cases the concessions must be fully implemented on 1 January 1972.

The United States have chosen the first method and the Community the second, which was in fact provided at its request so that the implementation of the results of the negotiations would coincide with the date of entry into force of the common customs tariff, and so that unevenness in the CCT could be avoided.

### *The results by key sectors : industry*

482. The results achieved in the industrial sector in general are extremely important. This success is due without any doubt to the 50% objective chosen as working hypothesis by all the "linear" negotiating countries.

In all the tariffs, cuts of 50%, and even more in some cases, were agreed for a wide range of products. The duties on some of the items not covered by the 50% rule were cut by smaller percentages, though often by more than 20%. Total exceptions were relatively few.

Although weighted calculations are of no great significance, since imports are normally all the lower in quantity the higher the duties, it may be estimated that most of the linear countries' tariffs have been reduced by between 35 and 40%.

These reductions will be felt only gradually since they will be spread over five years, but they will have appreciable effects in international trade. In particular, the burden of international competition will be better distributed and markets which were formerly very highly protected will be opened more widely to imports.

As regards trade between the two great European market areas, the Community and EFTA, it is likely that the drawbacks arising from the separate processes of economic integration of these two areas will become much less marked.

### *Chemicals*

483. The bargaining on chemicals was dominated by the problems arising from the existence in the United States of the method of customs valuation known as the American Selling Price system. As applied to an extensive range of organic chemical products, the ASP system constitutes an obstacle to exports to the US, which for certain products is prohibitive. As the Trade Expansion Act gave it no authority to abolish this system, the US Administration undertook to submit to Congress a proposal to this end. The Agreement reached in this sector had therefore to provide for concession outlines only.

Should the ASP system be abolished, the American duties under this system will be converted. All American duties for chemicals (whether or not subject to the system) will be reduced by 50%. However, those duties whose incidence is particularly high (i.e. all rates of 44% and above) will be reduced by a greater percentage in such a way that the final rates do not exceed 20%. Exceptions to this rule are dyestuffs and certain sulphur drugs, for which the rates will be between 25 and 30%. Except for plastics, the rates for which are relatively low, the United Kingdom will

reduce its duties by 50% and more, to a maximum rate of 12.5%. The Community, the Nordic countries and Austria will make 50% reductions with a limited number of exceptions.

If the ASP system is not abolished, the United States will reduce by 50% their duties in excess of 8% and by 20% those which are below this rate. The EEC, the United Kingdom and the Nordic countries will reduce by only 20% duties below 25% and by 30% those above that figure.

Switzerland and Japan will carry out their reductions independently of the question of the abolition of the ASP system.

### *Textiles*

484. As the textile industries in the industrialized countries face serious difficulties, none of these countries felt able to concede any substantial reductions in existing tariff protection.

In the cotton sector the Community had made its tariff reductions conditional upon the renewal of the Long-Term Arrangement for Cotton Textiles. In the discussions on the renewal of the Arrangement, the EEC Member States made substantial concessions, including the limitation of the period of extension to three years and improved export openings for the developing countries. The tariff concessions were confined to 10-20% reductions, the validity of which is limited to the period of extension of the Long-Term Arrangement.

The concessions by the other participants were also very modest—of the order of 10 to 25% for the United States and the Nordic countries: the United Kingdom maintained its duties at their present levels.

The United States had already excluded the whole of the wool sector in 1964. In view of the great disparity between the CCT and the US tariff, the Community made no reduction and, generally speaking, the other participants maintained their tariffs, sometimes with selective and limited reductions.

For the other textile products, in particular man-made fibres, garments and knitted and crocheted goods, reductions by the leading participants were on a moderate scale.

### *Steel*

485. From the very beginning of the negotiations, the ECSC had stressed two objectives: a unified external tariff and mutual approximation of the customs duties applied by the main countries producing and exporting steel.

These two objectives were to a large extent achieved. For ECSC products the unified tariff works out at an average of 5.7%, as against 5% in Sweden, 5.5% in the United States, 7% in Austria and 7.5% in Japan. Only the United Kingdom made a smaller—20%—reduction, to bring its average tariff down to about 11%.

The duties for products covered by the Treaty of Rome were harmonized with those of ECSC intermediate products.

### *Non-ferrous metals*

486. Except for products on which duties were already relatively low, and for aluminium, lead and zinc (the last two were maintained at their present level), the Community made considerable concessions. It maintained the present duty of 9% for unwrought aluminium but bound a tariff quota at the reduced rate of 5%. Partial reductions were conceded for duties on most non-ferrous metal semi-finished products in such a way as to achieve vertical harmonization (in relation to the unwrought metal) and horizontal harmonization (in relation to other metals).

The Community obtained major concessions for copper.

### *Mechanical engineering*

487. In this very important sector reductions were in general very substantial.

The Community merely endeavoured to maintain a moderate degree of protection for certain products in respect of which duties were already very low (machine tools), for articles exposed to competition from powerful foreign companies (tractors, trucks and heavy buses), for growth industries (electronics, nuclear reactors), and for certain products threatened by low-price imports (sewing machines, transistors, optical instruments).

The Community's leading partners granted very substantial reductions on most of the products of interest to Community exporters, particularly machinery, electrical equipment, precision instruments and sound-recording equipment.

In the motor vehicles sector the Community reduced its duty on private cars by 50%, thus bringing it down to 11%, while trucks and heavy buses will continue to attract duty at 22%. It obtained concessions from most of its main customers as a result of which duties on private cars will range in general from 3% (in the United States) to 12% (in Switzerland and Denmark), Denmark having simply bound the duty at present levied. Only Canada and Japan maintained higher rates: 15% and 30% respectively; Japan declared its readiness, however, to come down to 20% if the Italian Government gradually liberalized imports of Japanese cars.

Finally, the Community concluded an agreement with Switzerland on clocks and watches. In exchange for a reduction of 30% in the CCT, this removes a large part of the public or private obstacles which Switzerland maintained in respect of imports or exports of these goods.

### *Paper pulp, paper and paperboard*

488. This was a key sector in the negotiations with the Nordic countries.

The Community reduced its duties on paper pulp from 6 to 3%, the Council having agreed that the Member States could grant degressive aids to their industries to facilitate amortization of existing plants and the development of production by new techniques.

For paper and paperboard the reduction was about 25%. In addition the Community obtained a consultation clause from the Nordic countries to cover the contingency of their exports gravely affecting the Community paper industry.

### *Other sectors*

489. The Community made substantial reductions although maintaining protection for sensitive products such as rubber footwear, veneer woods and certain ceramic products.

The concessions obtained are considerable, particularly as regards leather footwear (except from the Nordic countries), glass and glass products (except from the United States), gem-stones and furniture.

*The farm sector : general commodity arrangements*

490. From the Community point of view, the results obtained in the farm sector derive from a different approach from that adopted in the industrial sector: the course of the negotiations must be assessed in relation to the method proposed by the Community for the main commodities with a view to the conclusion of general arrangements. For the Community, although it had not yet finalized its own common agricultural policy, was none the less anxious to make a constructive contribution to the Round and had proposed a bargaining method allowing of offers which though original—as compared with the traditional approach to tariff bargaining of the other participants—were basically sound and useful.

The Community had submitted four outlines of general arrangements for cereals, beef and veal, dairy products and sugar, accounting for 28% of the Community's total farm imports.

With the exception of the proposals concerning sugar, which were not even discussed (mainly on the grounds that the bulk of the sugar trade was in the hands of countries not participating in the Kennedy Round), it must first be noted that on each occasion the Community's proposals served as the basis of discussion. Although the Community's method could not be translated into action, exploratory talks elicited approval in practice of the soundness, in any endeavour to work out multilateral solutions to problems of international trade in the main farm commodities, of an approach based on commitments related to the margin of support provided under agricultural policies.

The grains agreement itself is based on much less ambitious commitments than those aimed at during three years' work, since they amount to no more than maximum and minimum price arrangements and a food aid programme of 4.5 million tons of grain.<sup>(1)</sup> However, the agreement includes new devices such as the scale of equivalence between the various qualities of wheats traded. The scale supplements the minimum and maximum price arrangement and means that this arrangement will probably have far more significant scope as an adjunct to market equilibrium.

It would even be too much to claim that the food grain aid programme, isolated from the context in which the Community had envisaged it, will

---

(1) *Tenth (EEC) General Report, sec. 312 in fine.*

help to maintain general balance between grain supply and demand, despite the fact that it constitutes, for the exporting countries, a substitute for the assurance of access that they failed to obtain in another form.

However, though the results of the agricultural discussions were modest, the way the negotiations on general arrangements developed was significant as a sign of a changing trend, and thus has its own importance.

### *Conclusions*

491. In the last analysis the political will to succeed prevailed despite the difficulties: the leading participants manifestly stood to gain from the success of the Round: the United States had an obvious interest in opening to its trade the customs frontiers of the two European economic groups, and the EEC, the world's leading importer, also had to ensure the development of its external, and particularly, of its intra-European trade.

But perhaps even more important than the quantified results is the role played by the Community as such in a negotiating round of this kind.

Whilst assuming its international responsibilities, the Community succeeded in reconciling its own requirements with those of the world outside. It endeavoured to avoid jeopardizing Community consolidation and growth, although it had not yet been able to work out an industrial policy consonant with its scale and could not measure the exact potential dimensions of its economic capacity. Moreover, with the traditional interests of the six Member States as a basis, the negotiations brought to the fore an awareness of a common interest, of which the Community list of exceptions was a noteworthy illustration.

In this respect it is worth pointing out that the Community was one of the few "linear" participants which held closely throughout the negotiations to the linear rules and respected the proper operation of the linear formula. It is likely that the Community's refusal to revert to the traditional item-by-item approach helped to halt a dangerous tendency towards disintegration and dilution of the gains made. The Community's success in "swimming against the tide" in this particularly difficult way bore witness to the strong solidarity and cohesion of the six Member States, without which it would have been impossible.

Although the outcome of this collective venture will be appreciable benefits to accrue as commercial gains for each of the parties, the effect of the multilateralization of the results is that each participant is in a position

to show the advantages it has achieved globally. In any case, in the light of a country-by-country examination, conclusions can be drawn to guide certain bilateral relations in the future.

The most significant experience in this respect was with some advanced countries which, for special reasons, were dispensed from applying the linear rule, in particular Canada, Australia, and South Africa. True, these countries had undertaken to submit selective offers as a *quid pro quo* for the advantages which they would derive from the negotiations, but in fact this obligation remained a dead letter. Quite apart from any considerations as to disequilibria in the advantages derived from the agreement, these countries have remained outside the strict tariff discipline based on the linear system, and this factor cannot be ignored in the future.

The results in the agricultural field—though an improvement on earlier attempts—fall far short of the initial objectives: “the creation of acceptable conditions of access to world markets for agricultural products in furtherance of a significant development and expansion of world trade in such products.”

The Community was the only participant to propose a method of negotiation calculated to get to grips with the real problem, i.e., to make internal agricultural policies the subject of undertakings to be given and concessions to be exchanged. The Community offered to proceed systematically and logically towards the “binding of the margin of support” resulting from its agricultural policy if its partners were prepared to do the same. Admittedly, the significance and scope of this idea were not accepted as a rule of general application.

It nevertheless remains true that, on the basis of the Community’s proposals, the problem was for the first time properly stated and discussed. The facts are now known and defined and awareness is extending to interested sections of the general public.

The developing countries stated at the end of the Kennedy Round that their main trading problems remained unsolved. It is hard to gainsay this, even though obstacles were reduced in a way which could promote trade where the situation of the relevant industries in the different markets of the advanced countries made this possible.

One reason why the importance, and even the usefulness, for the developing countries of negotiations of the traditional type on obstacles to trade may be doubted is because a large part of the industrial countries’ imports from most of these countries is already admitted duty-free and is thus not subject



to negotiation. For some of these countries this accounts for as much as 90% of total exports. Moreover, taking into account the preferential systems to which the developing countries are parties, the only effect of tariff reductions negotiated in a multilateral setting on products of particular interest to these countries is to give an advantage to some of them to the detriment of the traditional privileged suppliers. None the less, the Kennedy Round afforded the developing countries an opportunity to obtain certain reductions in obstacles to their exports. To this gain in respect of products already exported were added all the many and substantial tariff reductions on the more sophisticated manufactures, which will also be exported by the developing countries in the future.

492. At its session of 27 November to 1 December 1967, the European Parliament debated an oral question concerning the results of the negotiations and the scope of the undertakings entered into by the EEC and adopted a resolution expressing the hope that the problems not yet solved would be dealt with at further GATT or UNCTAD negotiations. The Parliament also approved the Commission's attitude towards the protectionist trends which are emerging in the United States.

In this connection the Commission representative, Mr. Deniau, emphasized the danger of contagion in this field and showed how unjust was the accusation of protectionism levelled against the Community. He recalled the present disequilibrium in trade between Europe and the United States in favour of the latter. Mr. Deniau concluded by saying that the Commission was watchful that no participant should give the impression of calling into question the progress that had been achieved. On 20 October the Commission submitted a memorandum to the US authorities on these lines.

## Common commercial policy

### PROPOSALS FOR REGULATIONS

493. The Council took no decisions in this field either in 1966 or 1967,<sup>(1)</sup> but some progress was made towards a common approach to the problems and in the preparatory work for future discussions in the Council.

---

<sup>(1)</sup> Except for the six-month extension of Regulation No. 3/63/CEE from 1 July 1968.

At its meeting of 12 December 1967 the Council examined a progress report on this work, found it advisable to take measures in the commercial policy field parallel with the completion of the customs union, and agreed to decide on the pending proposals for regulations by 1 July 1968.

Early in the year the Commission also communicated to the Member States its tentative proposals for a unified importing system (liberalization or quotas) for products not yet covered by the common liberalization list<sup>(1)</sup> and declared its readiness to carry out further examinations with the national experts. This work is now going on.

*Common liberalization list  
and administration of Community quotas*

494. The proposed regulation on a common liberalization list for imports from non-member countries was discussed in detail in the Council's Trade Questions Group and in the Committee of Permanent Representatives. Some adjustments will probably have to be made to the Commission's initial text.

The proposed regulation<sup>(2)</sup> concerning gradual establishment of a common procedure for administering quantitative quotas for imports into the Community has reached the same stage.

*Special import system for certain products*

495. In July 1967 the Commission sent the Council a proposal for a special import system for several products from certain non-member countries. The aim was to replace the arrangements introduced by Regulation No. 3/63 concerning trade with the state-trading countries in farm products governed by a common market organization.

The Commission considered that certain basic principles of Regulation No. 3/63 should be maintained but was also of the opinion that the current system should be adapted to progress made in the agricultural policy field and to the evolving attitude of the Member States and the Community regarding commerce with the state-trading countries. It appeared desir-

---

<sup>(1)</sup> *Eighth (EEC) General Report*, sec. 279 and *Ninth (EEC) General Report*, sec. 295.

<sup>(2)</sup> *Eighth (EEC) General Report*, sec. 279 and *Tenth (EEC) General Report*, sec. 317.

able to stop limiting the special rules of the import system expressly to those farm products covered by a common market organization and to make provision for extending them to other products, including specially sensitive manufactures. At the same time, the proposals could become the linchpin of a future import system covering any liberalized product which remained or again became particularly sensitive. It therefore seemed advisable not to limit these special rules to the state-trading countries but to make them generally applicable within limits decided, case by case, in the Council.

The system would include :

- (i) Special control of imports by means of import documents;
- (ii) The right to suspend the issue of such documents in certain circumstances, without prejudice to existing international obligations;
- (iii) The possibility of waiving this right by Council decision in the event of a non-member country giving the Commission adequate guarantees for the product in question.

Thus, these rules can be considered as the final link in the Community's import system, which, after approval by the Council, would consist of :

- (i) A regulation covering a common list of liberalized products;
- (ii) A regulation concerning the administration of quantitative Community quotas;
- (iii) A regulation covering certain products that can only be liberalized subject to control measures permitting temporary suspension of the issue of licences, where necessary (the proposal which is the subject of this section).

The Commission's proposal is being discussed by the appropriate group in the Council.

### *Defence against dumping practices*

496. The proposed regulation on defence against dumping practices, bonuses or subsidies on the part of non-member countries is still before the Council. On 18 October 1967, the latter instructed the Commission to adapt it to the provisions of the anti-dumping code drawn up in the Kennedy Round negotiations. This adaptation was necessary because the Geneva code contains a large number of new arrangements for the inter-

pretation and working out of the traditional GATT rules which had not yet been covered in the Commission document, at least not in such detailed form.

On 6 December the Commission submitted its amended proposal to the Council. The new proposal contains the following changes or additions to the old one :

- (i) A more precise definition of the concept of dumping, in particular of indirect or concealed dumping;
- (ii) Establishment of exact rules for determining the extent of damage, and in particular the causal link between imports dumped and deterioration of the Community's production situation;
- (iii) A new definition of the term "production," from the angle of both product and producer;
- (iv) Introduction of a system of regional protection within the Community, subject to certain conditions;
- (v) Procedure : the Commission must inform the interested parties of the essential facts and give them an opportunity of meeting parties with conflicting interests when the latter are not opposed to such a meeting and the confidential nature of the information is not jeopardized;
- (vi) Details of the procedure to be followed when exporters voluntarily undertake to revise their prices so as to eliminate the dumping margin;
- (vii) Establishment of a procedure for the partial or total refund of duties, when the importer can prove that the products introduced into the Community were not dumped or that the dumping margin applied was lower than that on which the decision to introduce the duty was based;
- (viii) Separation of the provisions concerning dumping from those concerning bonuses and subsidies to which the provisions of the anti-dumping code are not applicable.

The Commission proposes that the Community regulation should apply from 1 July 1968, the date on which the Community and all the other signatories to the anti-dumping agreement are obliged to bring their legislation into line with the rules of the Geneva code. On the internal

plane another reason for choosing this date was that it coincides with completion of the customs union, which makes the adoption of a Community anti-dumping system particularly urgent.

## COMMERCIAL POLICY : STEEL

### *Peripheral tariff arrangements*

497. The customs duties on ECSC steel products imposed at the Community frontiers by the High Authority's Recommendation No. 1/64 were accepted as starting-point for the reductions agreed in the Kennedy Round, and they therefore remain applicable until 30 June 1968. On 1 July the first instalment of the reductions (a double one) will have to be put into effect, which means that the Commission has had to adopt the necessary derogatory measures.

In order to satisfy the legitimate wish of certain non-member countries to benefit by the tariff quotas granted in earlier years, the Commission approved tariff quotas amounting to about 350,000 tons for 1968 (Decision 33/67 of 21 December 1967). It also authorized, for the first half of 1968, the import of certain steel products at the old harmonized rates or at lower ones still, in accordance with the half-yearly tariff adjustments unanimously approved by the representatives of the Governments (Decision 32/67 of 21 December 1967).

For foundry pig-iron the minimum specific duty of \$ 5/ton maintained for 1967 and 1968, after a duty of \$ 7/ton had been levied from 1964 to 1966, will continue in force until 31 December 1968.

However, for certain special qualities of foundry pig, tariff quotas at the reduced rate of 4.6% have been granted up to a total amount of 78,000 tons (Decision 34/67 of 21 December 1967).

### *Restriction of steel imports from countries with State-trading systems*

498. Difficulties in the common market for steel, which were partly reflected by weakening of prices, have been appreciably reduced by the measures of Community solidarity to limit imports of steel products from

the State-trading countries and territories that were the subject of a first decision by the Government representatives in 1963 and have been renewed each year since.

In 1966 a tendency to make increasing use of the import possibilities available to each member country (quotas and "contingency reserves") made itself felt, and this continued in 1967, although the agreed "ceiling" was not exceeded. The decision taken on 22 November 1966 by the representatives of the six Governments, to limit imports of ECSC steel products from the Eastern bloc, has been renewed for one year beginning 1 January 1968. The new decision, adopted in the Council on 18 December 1967, is more flexible than that of 22 November 1966 at a number of points.

In January 1964 a measure was introduced for the first time whereby Community producers were prohibited from aligning themselves on more advantageous offers from the Eastern bloc countries. This prohibition, which is closely connected with the decision described above, was renewed for a year by Commission Decision 36/37 of 21 December 1967, after approval by the ECSC Consultative Committee and confirmation by the Council.

## TRADE AGREEMENTS

### *Consultations*

499. The consultations provided for by the Council decision of 9 October 1961 have been held regularly before each round of trade negotiations between a Member State and a non-member country. These meetings have also been convened to study, in particular, liberalization measures envisaged by the Member States in their relations with the Eastern bloc or other non-member countries.

### *Concerted action*

500. In conformity with the Council decision of 7 March 1967, the Member States and the Commission have acted in concert in the negotiations for renewal and implementation of the long-term Arrangement for cotton textiles. These negotiations took place both at multilateral level within the Cotton Textiles Committee and bilaterally with non-member countries which supply low-price cotton textiles.

At multilateral level the negotiations led, on 3 April 1967, to the establishment of a Protocol extending the long-term Arrangement for three years, i.e., until 30 September 1970.

Article 4 of this Protocol stipulates that "as soon as it judges that its institutional arrangements make this possible, the European Economic Community as such will be entitled to accept this Protocol."

This is a new provision which was not in the text of the 1962 Arrangement.<sup>(1)</sup> It enables the Community to become a party to the Arrangement as an entity and thus take over from the Member States, when the common commercial policy comes into force, without having to renegotiate the Arrangement.

Furthermore, the percentages of increase in the quotas still in force were fixed for the European Economic Community as a whole, for the three years of the Arrangement.

At bilateral level the Member States and the Commission conducted negotiations with India, and then with Pakistan, for mutually acceptable agreements on the basis of Article 4 of the long-term Arrangement. The talks concerned new procedures for the administration and control of imports and also greater export openings for non-member suppliers to the Community.

The delegations undertook to suggest to their respective authorities that identical bilateral agreements should be concluded between each Member State and each of the two non-member countries in question. The wording of these instruments was agreed between the Member States and the Commission on the one hand, and the delegations of India and Pakistan on the other. The list of cotton textile products concerned, the aggregate quantity of imports into each Member State, and details of the administration of these quantities, which remain within the competence of the individual States, were also fixed. The conclusion of such parallel agreements will help to harmonize commercial relations between the Member States and the non-member countries in the relevant sector and will subsequently permit uniformity of bilateral relations by the replacement of Community agreements for the present ones.

---

(1) At the time of their acceptance in 1962, the Member States formulated the following unilateral declaration: "When the obligations stemming from the Treaty establishing the EEC and concerning the progressive introduction of a common commercial policy call for such action, negotiations will be opened as rapidly as possible in order to make all necessary changes in this Arrangement."

## CO-ORDINATION OF POLICY ON CREDIT INSURANCE

501. On 25 July 1967 the Council of the European Communities decided that the consultation procedure would be strengthened: there would be more oral consultations and better written information for the cases subject to the procedure.

The co-ordination of credit policies was examined from the angle of the distinction between aid credits and commercial credits, on the basis of two Commission studies. In this connection, the Group for the Co-ordination of Policy on Credit Insurance, Guarantees and Financial Credits also examined the International Bank for Reconstruction and Development's report on suppliers' credits.

The group continued its work on harmonization of export insurance techniques and studied the next of the standard medium- and long-term insurance policy for government purchasers. The EEC Technical Committee on Credit Insurance carefully examined possibilities of harmonizing rules for the short term and for public works contracts.

The Group also studied the problems posed by the financing of guaranteed private credits in the member countries and certain non-member countries. In particular, a list was drawn up of the statutory and administrative obstacles to circulation in the Common Market of bills representing export credits.

Finally, the Group embarked on a study of guaranteed contracts, providing for credits for periods of more than five years after delivery, notified to the Berne Union by the Community countries and certain non-member countries. It also reviewed the results of the second year of application of the rules on sub-contracts, which had been rendered more flexible the year before.

COMMERCIAL POLICY  
REGARDING NON-MEMBER COUNTRIES*Eastern European countries*

502. Commercial relations between the West and the Eastern bloc have been extensively discussed in the OECD, notably in its Trade Committee, on the basis of the memoranda submitted by the different Member States



and by the European Economic Community. Discussions on this matter in which the Member States and Community institutions actively participated also took place in the United Nations Economic Commission for Europe. They included, on the one hand, analysis of the effects which the current economic reforms in the Eastern countries may have on their external trading systems and situation and, on the other, the possibilities of easing the West's import and export policies with respect to those countries.

The expansion of trade between the Community and the Eastern bloc countries has consolidated, and an increase of 17% was recorded in 1966: a similar figure may be forecast for 1967 (8% for the non-member countries as a whole). Trade with the Eastern countries is thus one of the most dynamic sectors in the Community's commercial relations. This progress is largely due to liberalization measures implemented on a unilateral and autonomous basis by the Member States, and to the granting of higher quotas.

### *Poland*

503. Poland's accession to GATT is dealt with in section 481 above.

### *Yugoslavia*

504. In a memorandum to the Council dated 31 January 1967, the Commission suggested that trade negotiations should be opened with Yugoslavia. A working party was given the task of reporting at the earliest opportunity on the possible content of a non-preferential trade agreement. This working party submitted its report at the end of September 1967, and the Commission then prepared a draft mandate for negotiations which was subsequently finalized.

## *The Community and the Latin-American countries*

505. The Commission has examined the results of the Kennedy Round negotiations, in order to determine the advantages which have accrued to the Latin-American countries from the concessions made by the Community and to compare these advantages with the desiderata expressed by

the countries' Missions in their memorandum of 4 February 1966.<sup>(1)</sup> The conclusions of this examination will be embodied in a memorandum to the Council of Ministers, supplementing the report addressed to it on 6 December 1966.

The question of preference for semi-finished and finished products from the developing countries is to be debated at the second United Nations Conference on Trade and Development. Only after this Conference will it be possible for the Community to consider whether certain problems in this field, of concern to the Latin-American countries, can be solved in a way corresponding to their wishes.

The Commission was present as an observer at the VIIIth meeting of the Governors of the Inter-American Development Bank, the XIIth session of the Economic Commission for Latin America, the Vth annual meeting of the Inter-American Economic and Social Council, and the XIth meeting of the Ministers of Foreign Affairs of the Latin-American Free Trade Association. It was also represented at the Congress of the Latin-American Iron and Steel Institute (ILAFA), which took place on 2 to 5 October 1967 at Montevideo, where the ECSC liaison office is continuing its information work.

The third period of in-service training for young Latin-American managerial staff was organized at Luxembourg by the High Authority, which has also helped to finance ten training scholarships offered by the Turin International Centre to nationals of Latin-American countries.

*Renewal of the agreement with the United Kingdom on  
tea, maté and tropical hardwoods*

506. On 28 September 1967 the United Kingdom Mission to the Communities forwarded to the Commission an *aide-mémoire* in which the British Government proposed prolongation of the arrangement made on 10 September 1963 suspending or temporarily reducing customs duties on tea, maté and tropical hardwoods.

The Council adopted two decisions in this field on 18 December 1967.

The first, taken under Article 28 of the EEC Treaty, prolongs the suspension or temporary reduction of the common customs duties on tea, maté and tropical hardwoods until 30 June 1969. On the basis of Article 24 of

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 343.

the Treaty, the representatives of the Member States' Governments, meeting in the Council, also agreed to implement in full the suspension or temporary reduction of the CCT duties on these products according to the terms of the decision.

The second decision, taken under Article 111 and 114 of the Treaty, embodies the arrangement between the Community and the United Kingdom to prolong until 30 June 1969 the simultaneous suspension or temporary reduction of the customs duties on tea, maté and tropical hardwoods. This arrangement was made in an exchange of letters between the Community and the United Kingdom Mission.

### *Relations with Asian countries*

507. The requests made by the Missions of India and Pakistan concerning certain of their countries' exports were examined, in particular in the context of the Kennedy Round, and certain lines of action were planned.

Negotiations will be carried out with India and Pakistan with a view to improving conditions of access to the EEC market for jute, coconut matting and handicraft products.

Furthermore, the Community envisages the autonomous application of nil customs duty for Indian kips from 1 July 1968. As regards handwoven fabrics, tariff quotas at nil duty will be applied to an amount of \$ 1 million for silk and \$ 1 million for cotton fabrics.<sup>(1)</sup>

The Indonesian Government has sent the Commission two memoranda concerning the CCT duties on manioc and palm oil. A series of talks has taken place on this matter with representatives of Indonesia.

On 21 December 1967 the Commission decided to extend until 30 June 1969 the suspension of CCT duties on certain spices and sports requisites which expired on 31 December 1967 and particularly concerns imports from India.

### *ECSC specific agreements*

508. Joint work has continued with countries which are large producers and/or exporters of steel for the purpose of keeping pace with the evolution of the world market. There have been two further meetings with Japanese

---

<sup>(1)</sup> See also the renewal of the long-term Arrangement for cotton textiles (sec. 499) and of the agreement on tea, maté and tropical hardwoods (sec. 506).

Government officials, one on 7 and 8 June 1967 in Tokyo, the other on 30 and 31 October in Luxembourg. The main subject of discussion was the outlook for the Japanese steel industry and its influence on the world market, where Japan is the Community's leading competitor. Similar meetings were held with Swedish officials on 16 April in Luxembourg and on 20 November in Stockholm. The stress was on trade in steel between the Community and Sweden and on research and social problems in the steel sector. Discussions concerning the world steel market also took place with British officials, on 23 May and 7 December 1967 in Luxembourg: The idea was mooted that a study should be made, on a basis to be defined, of measures calculated to put the world market on a sound footing.

The discussions with the Commission on joint research to promote the valorization and utilization of coal, held at the request of the US Government, were successfully concluded, and there was an initial exchange of information on projects in hand.

## GENERAL PROBLEMS OF DEVELOPMENT AID

### *The trend of trade with the developing countries*

509. From the figures at present available (first six months of 1967), it would seem that the Community's imports from these countries might tend to stagnate somewhat in 1967, after the remarkable development between 1958 and 1966 (average annual growth rate 6.6%). In value, imports for this year are unlikely to exceed the cif figure of 11,312 million units of account reached in 1966.

The growth of the Community's exports to the developing countries was by no means as rapid as before. An increase of about 3% on the figure of 7,955 million u.a. achieved in 1966 is likely.

It may however be expected that the developing countries' share in the Community's total imports will continue to be around 37%, as in the previous years, and that the Community's deficit on trade with these countries will again exceed 3,000 million u.a. The Community will thus retain its pre-eminent place among the customers of the developing countries.

### *The United Nations Conference on Trade and Development*

510. The 5th session of the Trade and Development Board (15 August to 9 September) was mainly devoted to preparing the second UNCTAD Conference, to be held in New Delhi from 1 February to 25 March 1968. A draft agenda has been adopted which covers practically all the problems of concern to the developing countries.

Without committing itself formally, the Council has recognized that, if the second Conference is to be a success, a distinction must be made between questions which have reached a stage allowing of constructive debate, or even concrete agreements, and questions which require further study. Thus, in his recapitulatory statement on the discussions, the Chairman, Mr. Jolles (Switzerland) enumerated a number of "points of crystallization" which could be given a certain priority in the discussions (preparation of agreements concerning certain commodities, tariff preferences for manufactured articles from the developing countries, programme for promoting exports from these countries, etc.). Questions still insufficiently worked out, but on which important debates are pending, include trade relations between countries with different economic and social structures, the problem of world food supplies, the transmission of techniques, etc.

The Community as such has participated as an observer in the work of the Trade and Development Board and in the meetings of its chief subsidiary bodies. The representatives of the Member States, of the Commission and, in certain cases, of the AASM, have held frequent meetings to co-ordinate action on points of Community interest before and during sessions.

### *Tariff preferences for developing countries*

511. The granting by the industrialized countries of non-reciprocal and non-discriminatory tariff preferences<sup>(1)</sup>—a basic demand of the developing countries which the Community supports, in principle—continued to be discussed in the Community institutions, OECD, UNCTAD and GATT.

In OECD, in particular, progress has been made on the basis of the report submitted on 2 October 1967 by the Special Group on trade with the developing countries which was set up to study the question and consists of an American, a German, a British and a French expert. At the

---

(1) *Tenth (EEC) General Report*, sec. 345: Commission memorandum to the Council.

OECD Council meetings of 30 November and 1 December 1967, the Ministers agreed that the main lines of the Group's study should be used as a joint platform for the delegations of the member Governments to the second United Nations Conference on Trade and Development and in the discussions of this matter in the future. The Ministers also asked the OECD to continue the study of these problems with due regard for the views expressed by the developing countries.

The American expert in the Special Group brought up the matter of the preferences which certain developing countries grant at present to some industrialized countries. Several Ministers stated that arrangements for the granting of special tariff treatment to all the developing countries partly depended on these preferences being abolished as soon as possible. Other Ministers could not agree with this, and emphasized that the basic objective of the arrangements envisaged was to afford new opportunities to the developing countries' exports.

### *Co-ordination of development aid and of technical assistance*

512. The Technical Assistance Group set up by the Council is still devoting much of its time to co-ordinating Member States' technical assistance measures for the Lebanon and to discussing the technical assistance policies of the Member States and the Commission. These discussions are the necessary prelude to agreement regarding certain practical technical co-operation schemes. In conformity with paragraph 6 of its mandate, the Group also completed its third report to the Council, covering the period 1965 to 1967.

513. For its part the Commission began very early in 1967 to study the problems involved for the Community in supplying foodstuffs as aid to the developing countries. This study has become especially topical through the conclusion of the Kennedy Round, in which the Community undertook to provide these countries with 1,035 million tons of cereals under the heading of aid every year from 1 July 1968 to 30 June 1971.

### *The OECD and development work*

#### *Development Assistance Committee (DAC)*

514. The Commission continued to participate in the activities of the DAC. As part of the annual review of aid and of aid policy implemented by the members of the Committee to help the developing countries, it

submitted a memorandum listing the projects put in hand either directly from its own budget or from the resources of the European Development Fund and the European Investment Bank.

The Committee pursued its study of several problems relating to development (food aid, agricultural research, harmonization of the terms of aid, technical assistance by private firms, obstacles to the increase of aid, and supplementary financial measures).

#### *Technical Co-operation Committee*

515. The Commission continued to follow the work of this Committee, which administers certain operational programmes (notably in Greece and Turkey) and also carries out general technical assistance studies.

#### *Commodities and international commodity agreements*

516. Negotiation of an international agreement on cocoa: In August and September 1967, representatives of the Commission, at the invitation of the Secretary-General of UNCTAD, assisted in the preparatory work for resumption of the conference to negotiate an international cocoa agreement. The progress made in planning a system of sales quotas and buffer stocks, and the accord reached on minimum and maximum prices, justified the Cocoa Consultative Committee in recommending that a conference should be called to negotiate an international agreement. This Conference met in Geneva from 28 November to 19 December 1967, but no agreement resulted from it and the negotiations were adjourned.

517. International Coffee Agreement: The Community was represented as an observer at the meetings of the International Coffee Council (31 May to 8 June and 21 August to 11 September 1967). These were mainly devoted to problems of extending and amending the 1962 Agreement, which expires on 30 September 1968.

At the extraordinary meeting of the International Coffee Council in November 1967 unanimity was reached on the allocation of basic export quotas, and it was decided to convene a new meeting in January 1968 to draw up recommendations to the Contracting Parties for a new five-year Agreement considerably amending the 1962 Agreement.

RELATIONS WITH INTERNATIONAL ORGANIZATIONS<sup>(1)</sup>*The Community and GATT*

518. The Community participated in the XXIVth session of the Contracting Parties in Geneva from 9 to 24 November 1967—a milestone in the history of GATT, since it was the first session following the Kennedy Round and coincided with the organization's twentieth anniversary. The agenda included, firstly, a report from the Director-General on the execution of the action programme launched by the Ministers in 1958; secondly, a review of the work accomplished during the last twenty years and—especially important—the study of a programme for the future.

The Member States' delegations and the Commission delegation under Mr. Deniau, a member of the Commission, took an active part in the debates; their influence was particularly felt in the formulation of the future programme.

A Committee on Trade in Industrial Products and an Agricultural Committee were set up. The first was instructed to make an objective analysis of the tariff situation as it will be when all Kennedy Round concessions have been fully implemented. This Committee is also to compile an inventory of non-tariff and para-tariff barriers which still impede international trade. The Agricultural Committee is to follow the approach generally advocated by the Community during the negotiations, and to examine the agricultural products which play an important part in international trade and all the relevant elements of agricultural trade and production policies.

This programme of study and reflection shows that the Contracting Parties are resolved to enter upon a new stage in the pursuit of the objectives of the General Agreement. It must be launched concurrently with execution of the first essential and immediate task—implementation of all the results of the Kennedy Round.

The programme gives an important place to questions of the developing countries' trade. In this connection certain Groups are planned, in particular the Special Group on Trade in Tropical Products, which has

---

(1) See below for relations with these organizations in the nuclear field.



been reactivated. Finally, the Contracting Parties have again shown their interest in the matter of preferences and welcome the possibilities of the exchange of concessions between various developing countries.

Establishment of a joint centre to link the work of GATT and UNCTAD received strong encouragement.

The Commission of the European Communities is gratified by the wisdom shown in this programme and also by its balanced and pragmatic character and the will it evinces to consolidate progress made and to hold in check the inevitable protectionist trends which might tend towards the recapture of lost ground.

In conformity with established practice, the Commission's representative submitted a report on the main lines of implementation of the Rome Treaty since the previous session.

### *The Council of Europe*

519. The Commission was represented at the sessions of the Consultative Assembly and took part in the work of the Council's inter-governmental committees of experts in the legal, agricultural, social and cultural spheres whenever the aims pursued in Strasbourg were germane to those of Brussels. It was also associated with the studies of the experts on patents.

On the social plane in particular the Commission helped to work out the European Convention on social security, certain points of which are based on Community regulations. It regularly followed the work of the Social Committee and the Public Health Committee.

### *The Organization for Economic Co-operation and Development (OECD)*

520. The Commission continued to participate in the work of the different committees and working parties, notably as regards international trade, agriculture and aid to development. The Commission also followed with particular interest the studies of the Special Committee for Oil and the Energy Committee.

### *European Free Trade Association (EFTA)*

521. In the context of the regular meetings<sup>(1)</sup> a further exchange of views and information took place on 5 July 1967. Subjects dealt with were: methods of analysis and calculation to gauge the effects of economic integration, standardization of industrial norms, foreign investment statistics, and right of establishment.

### *Western European Union*

522. The Commission was represented at the sessions of the WEU Assembly and at the meetings of the Council of Ministers dealing with economic matters. The Assembly discussed the problem of Europe's technological lag, in particular the "brain drain" and the means by which Europe could make up some of its scientific and technological leeway. At its session of 4 to 7 December the Assembly also discussed the United Kingdom's application for membership of the Community.

The Council of Ministers, for its part, has kept this latter question under periodical review. At its session of 12 and 13 October 1967 it heard a statement on the situation in the Communities by Mr. Martino, a member of the Commission.

### *The Community and the United Nations*

523. Relations between the two organizations continued in accordance with the standing arrangements. Two new decisions open the possibility of developing them in the course of the coming years.

The 43rd session of the Economic and Social Council (ECOSOC), which was attended by Community representatives, examined the question of its relations with inter-governmental organizations of an economic and social character not attached to the United Nations and adopted a resolution whereby certain of these organizations were given the opportunity of participating as observers in the work of ECOSOC and its subsidiary agencies such as the Regional Economic Commissions.<sup>(2)</sup>

---

<sup>(1)</sup> *Ninth (EEC) General Report*, sec. 311 and *Tenth (EEC) General Report*, sec. 333.  
<sup>(2)</sup> For relations with UNCTAD see sec. 510.

At its first meeting in April 1967 the Council of the United Nations Organization for Industrial Development invited the Community to participate as an observer in the work of this new body.

Relations have been maintained with the United Nations Food and Agriculture Organization (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the World Health Organization (WHO), the United Nations High Commissioner for Refugees (UNHCR), the European Conference of Ministers of Transport (ECMT), and the Intergovernmental Committee for European Migration (ICEM).

### *International Labour Organization (ILO)*

524. The Commission was represented on the Governing Body and at the Conference of the International Labour Organization. Co-operation continued between the Commission and the International Labour Office, particularly as regards the social security of migrant workers.

### CO-OPERATION WITH INTERNATIONAL ORGANIZATIONS IN THE NUCLEAR FIELD

525. As before, the Commission participated in the OECD's activities,<sup>(1)</sup> and more particularly in those of certain committees : Energy, Electricity, Science Policy, Research Co-operation. Work on intense magnetic fields and air pollution was carried out with the last-named.

Co-operation with the European Nuclear Energy Agency (ENEA) chiefly concerned completion of the implementing details for prolonging the Dragon Agreement (which, after being extended twice, was due to run out at the end of 1967) without, for the time being, any Community research programme.

An arrangement was negotiated between Euratom and its partners which offered the Community the opportunity of joining the other signatories at a later date while enabling it meanwhile to obtain reasonable benefit from the considerable resources it has invested in the project (more than 34 million units of account). Under this arrangement, concluded for the period after 31 December 1967, the Community will

---

<sup>(1)</sup> Sec. 403.

participate in the work up to the end of 1968 with the same rights as hitherto, provided it abandons its claims on the project in the event of its termination. This arrangement will be cancelled if the Community decides to be a party to a later extension of the agreement before 31 July 1968.

The agreement concluded in 1964 between Euratom and OECD on installation of the European library of computer programmes at the Ispra establishment also expired in 1967. A proposal to renew it has been made by the ENEA and is being studied by the various competent departments in the two organizations.

526. The Commission has maintained relations with the International Atomic Energy Authority, in many fields. It was represented at the Authority's General Conference in Vienna from 26 September to 2 October 1967; the work there this year mainly concerned the current negotiations for a draft treaty on the non-proliferation of nuclear weapons.

#### THE COMMUNITY'S DIPLOMATIC RELATIONS

527. When this Report went to press, 72 non-member and associated countries had missions or representatives with the EEC. For eight other countries, procedure for establishment of a mission is in progress. Among the 72 countries mentioned, 27 also maintain diplomatic relations with Euratom, and 29 with ECSC.

## CHAPTER VII

## INSTITUTIONS AND ORGANS OF THE COMMUNITY

## The European Parliament

528. The parliamentary year began on 13 March 1967 with the re-election, by acclamation, of the President, Mr. Poher, and of the Vice-Presidents.<sup>(1)</sup>

The Parliament subsequently met in ordinary session six times. On 28 June, 17 October and 30 November 1967 it rendered Opinions on the activities of the ECSC, of Euratom and of the EEC. On 20 and 21 September it held its joint meeting with the Consultative Assembly of the Council of Europe, during which it presented a report on its own activities. At the sitting of 20 September the Commission of the European Communities which was installed after the Merger Treaty had come into force presented itself to the European Parliament.<sup>(2)</sup> The joint meeting between the institutions was held on 29 November. This year the subject considered was the outlook for the development of the Communities after the merger.

The Parliament deeply mourned the loss during the year of one of its most eminent members, Mr. Gaetano Martino, a former President; at the sitting of 28 September, Parliament associated itself with Mr. Poher in his expression of profound regret. Mr. Poher gave the funeral address, paying tribute to the deceased and stressing his outstanding qualities and the immense services he had rendered to the cause of Europe.

---

<sup>(1)</sup> An account of this session appears in the *Tenth (EEC) General Report*, sec. 363.

<sup>(2)</sup> The addresses made by the Presidents of the Parliaments and of the Commission and by the spokesmen of the political groups are reported in Chapter I, sec. 5.

The Parliament was consulted by the Council on a large number of proposals arising from different parts of the Treaty, and during the course of the session it rendered 46 Opinions and adopted 29 resolutions, including 34 Opinions on the common agricultural policy.<sup>(1)</sup> As the general content of most of these Opinions is to be found in the preceding chapters, the following pages will simply give an overall glimpse of parliamentary activity during the year.<sup>(2)</sup>

529. The Parliament considered several *juridical and political* questions during its annual session.

On 9 May 1967 the Parliament held an important debate, and adopted two resolutions, on the application of Community law by the Member States and on legal protection of individuals within the Community. Mr. Dehousse (Belgium, Socialist) and Mr. Deringer (Federal Germany, Christian Democrat) each presented a report, the one dealing with the problems arising from the primacy of Community law over national law, the other with those raised by the need to ensure that Community law would be uniformly applied in all Member States.<sup>(3)</sup>

The reports also touched on the question of incorporating into national law Community regulations which are not directly applicable in Member States. Mr. Deringer spoke too of the inadequate legal protection of individuals within the Community, and suggested some ways of improving the present situation. In its first resolution, the Parliament noted certain gaps in the procedures adopted by the Member States; it proposed, in particular, that when the execution of Community rules leaves the national authorities no political choice, and where the constitutional

---

<sup>(1)</sup> For the other Opinions, 5 are about the AASM (Associated African States and Madagascar), 1 the internal market, 2 the freedom of establishment, 1 alignment of the domestic laws of the various countries, 1 the freedom of movement of workers, 2 transport.

Resolutions : 1 concerning the summit meeting in Rome, 1 institutional problems, 8 external relations, 2 the application of Community law, 2 developments in the social field, 1 scientific research, 2 transport, 1 regional policy, 1 agriculture, 3 the reports on the activities of the Communities, 3 the internal organization of the Parliament, 4 budget questions.

<sup>(2)</sup> Sessions were held on the following dates (the items in brackets refer to the *Official Gazette*, which also publishes the index and full text of the Opinions and resolutions, and also the minutes of the sittings) : 13 to 17 March (*O.G.* No. 63 of 3 April 1967); 8 to 11 May (*O.G.* No. 103 of 2 June 1967); 19 to 23 June (*O.G.* No. 156 of 15 July 1967); 19 July (*O.G.* No. 192 of 11 August); 20 September (*O.G.* No. 240 of 4 October 1967); 16 to 19 October (*O.G.* No. 268 of 6 November 1967); 27 November to 1 December (*O.G.* No. 307 of 18 December 1967).

<sup>(3)</sup> See Chapter VIII.

law of Member States allows, wider use should be made of the procedure of delegating parliamentary powers to governments, without prejudice to the need for control by the European Parliament to be extended; the three Executives were invited to continue and intensify their efforts to inform all concerned as fully as possible on the nature of the Community and the problems raised by the existence of the new legal system.

The second resolution, concerning legal protection of individuals, stated that it is essential for both individuals and enterprises to have at their disposal adequate and effective means of having the legality of measures affecting them reviewed by an independent tribunal.

The Parliament invited the Councils and Executives to keep in mind the question of uniform application of Community law when the merger of the Treaties was being worked out.

530. At its session from 19 to 23 June 1967 the Parliament held a debate and adopted a resolution on the results of the summit conference of Heads of State and Government in Rome on 29 and 30 May. Speaking for the Political Committee, Mr. Edoardo Martino stressed the positive aspects of this meeting, and expressed the Parliament's satisfaction at the decision to bring the Merger Treaty into force. Mr. Martino also welcomed the fact that it had been decided to use the procedure laid down in the Treaties for examining applications to join the Communities, that the six Governments had reaffirmed their desire to strengthen political links and that they intended to pursue further the project of creating a European University in Florence.

During the debate which followed, the Parliament expressed its satisfaction at the Rome meeting, but also certain reservations. Several spokesmen for the political groups regretted the tiny part in the Governments' statement reserved for the "two Community institutions which have the most markedly supranational character," the Commissions and the Parliament. It was also unanimously regretted that Mr. Walter Hallstein did not have the opportunity to speak at the Rome conference, when his ten-year presidency had, as everyone agreed, been decisive for the progress of the Community.

The Parliament also expressed concern lest the right of initiative and proposal belonging to the single Commission be in any way diminished after the Merger Treaty came into force. It was noted too that "the Europe of the Six is becoming more and more involved in politics"

(Mr. de Lipkowski, France, UDE) and that a fresh European policy should be defined as soon as possible so that the European presence might be felt more strongly in the world and help to safeguard peace, be it in Vietnam or the Middle East.

The Parliament welcomed the results of the Rome conference and adopted a resolution stressing that the progress it was hoped to make through the merger in the sphere of political and economic integration should not impair the procedures and institutional competences laid down by the Treaties. The Parliament also recalled that the building of European unity could not be achieved without the active participation of the people and the help of their representatives. Thus, recognition of the Parliament's functions and of the part it should be able to play in the Community was becoming increasingly essential.

*531.* This recognition was necessary in particular for carrying out the common agricultural policy: during the debate of 10 May on the Commission's proposals for the single market stage and the adoption of resolutions in this field, the Parliament noted that by substituting the Community agricultural policy for national policies, the national parliaments forfeit most of their powers of action in this sphere, and that the European Parliament, as it takes over, must be in a position to assume democratic control of the common policy. Mr. Mansholt, Vice-President of the Commission, also stressed that after having begun to apply a market policy, which was neither autarkic nor protectionist, it was now essential to work out a genuine common overall agricultural policy concept and, from this point of view, a European Parliament with real powers was essential.

*532.* The Community's relations with non-member countries and the Kennedy Round of trade negotiations were also the subject of several important debates.

During its session from 19 to 23 June, the Parliament analysed the structure of the various forms of association and trade agreements and the Community's relations with non-member countries and international organizations. The rapporteur, Mr. Dehousse, recalling the political nature of the existing Communities, insisted that whenever a non-member country applied for membership, the effects this might have on European unity should be examined. The United States attitude to European unity and the Community's responsibilities towards the developing countries were examined by several speakers. In the resolution adopted, the



Parliament expressed its conviction that the most fruitful and certain future for a democratic Europe lay in economic and political unity, reaffirmed the political vocation of the Communities, and noted that their power of attraction depended on their cohesion and dynamism and that these characteristics were therefore the ones that should primarily be protected and developed.

The Parliament expressed its conviction that the Communities could contribute to easing European tension, and generally to solving the continent's remaining problems. It called urgently for a common trade policy to be laid down before the end of the transitional period and reaffirmed the extreme importance it attached to the development of the association with the African countries and Madagascar.

Here the elaboration of a Community policy seemed increasingly essential in view of the dramatic problems of development in the world.

533. On 21 June 1967, the Parliament debated the tariff negotiations which ended on 15 May at Geneva, and heard a statement by Mr. Rey, then a member of the EEC Commission.

The Parliament's resolution reiterated the political importance of the success of the negotiations, conducted by the Commission on behalf of the Community—a development in which it saw a powerful means of strengthening the Community.

At its session from 27 November to 1 December, the Parliament devoted a debate to the results of the Kennedy Round negotiations.<sup>(1)</sup>

534. Lastly, the Parliament held debates on international political topics. Those relating to the political situation in Greece have already been reported.<sup>(2)</sup>

The Middle East situation after the war of 5 June 1967 caused the Parliament to deplore once more the fact that Europe's lack of political unity prevented it from making a useful contribution to ensuring peace and from protecting truly European interests in that part of the world. The various political groups in turn explained how Europe's common

---

<sup>(1)</sup> Sec. 492.

<sup>(2)</sup> Sec. 432.

interests could be served by a concerted policy, and regretted that the meeting of Heads of State and Government at Rome during the Middle East crisis had not included this question on its agenda. The Commission's representative, Mr. Jean Rey, said that the Commission shared the unanimous feeling of the Parliament regarding Israel's position; "we cannot remain unmoved if Israel's right of existence, her frontiers or her access to the great seaways of the world are questioned."

The resolution, adopted unanimously, stressed how far this crisis affected European safety and development, and that Israel's right to existence cannot now be questioned; the Parliament recommended that the points at issue should be solved by a comprehensive peace treaty, which would include recognition of the State of Israel, the demarcation of frontiers, which should be guaranteed by all the States concerned, free access to the Holy Places, freedom of shipping and a solution to the refugee problem. The Parliament also considered it essential that an international convention should ensure that development aid for this region served peaceful ends and not the arms race.

In conclusion, the resolution invited the Governments of the Member States to act in accordance with the decisions taken in Rome and convene a meeting of Ministers so that the European Community might make its voice heard as a Community in the coming negotiations.

535. The annual joint meeting of the Institutions—the European Parliament, the Council and the Commission—was held on 28 November 1967. Its subject this year was: "The outlook for the development of the Communities following the merger of the Institutions."

Opening the discussions, the President of the European Parliament, Mr. Poher, expressed the Parliament's regret that the Council should thus have limited the subject; the Parliament would have liked also to discuss the chances for political union following the Rome summit meeting.

Mr. Karl Schiller, President in office of the Council, emphasized that the merger of the Institutions was important not only as a starting-point for the merger of the Treaties but also for its own sake in that it entailed concentration of powers, streamlining of the administration, and simplification of the institutional structure—aspects which were all calculated to stimulate public interest in the building of Europe. Reviewing certain problems of the completion of the customs union and the

economic union, Mr. Schiller particularly stressed the need to work harder for a short-term economic policy to parry the threats of recession, and the need to implement a common policy in the energy field, which was urgent.

Turning to the question of the widening of the Communities, Mr. Schiller said the Council considered that the accession of new members should in no way modify the Treaties and that the first question it should examine was the economic and financial situation of Great Britain. Here the Commission's complementary oral report, due on 11 December 1967, would provide new data. The President of the Council also stated that the cohesion of the Six and their solidarity towards Great Britain was shown by the member countries' decision to participate in multilateral action to support the pound at the meeting of the Ministers of Finance which followed devaluation of sterling.

The debate showed that many speakers (Mr. Illerhaus, Mr. Pedini and Mr. De Winter for the Christian Democrat group; Mr. Metzger and Mr. Burger for the Socialists; Mr. Rossi for the Liberals and affiliated group) wanted negotiations started with the countries which had applied for membership. Without underestimating the very great difficulties involved, certain speakers declared that the opening of negotiations could not be made conditional upon the solution of precisely those problems which the negotiations could help to solve.

In reply to certain arguments put forward the previous day in public statements by the French Head of State, several speakers pointed out that neither the Commission, nor the Parliament, nor the majority of Council members thought that Great Britain's entry would be fatal to the Community.

Speaking on behalf of the Commission, Mr. Rey felt that a "little merger" (limited to the Institutions and not followed by a merger of the Treaties) would not meet the needs of the further building of the Community. He mentioned the solidarity in monetary matters which was one of the great things the Community had produced. He recalled the conclusions of the Opinion rendered by the Commission to the Council on the possible accession of new members, which recent happenings in the monetary field had well and truly confirmed, and said that the Community no longer had the right to allow itself to be paralysed by divisions: its responsibilities throughout the world had become too great for that. Moreover, the Preamble to the

Rome Treaty included an appeal to the other countries to join in the efforts of the Six. This being so, how could those countries be refused an opportunity of expressing themselves to this effect?

Answering certain points made during the discussions, and speaking as a member of the German Government, Mr. Schiller first stressed that his Government favoured the accession of the four States which had applied for membership, and that all the economic and financial questions connected with their membership could be solved. Speaking then as President of the Council, Mr. Schiller added that the merger of the Treaties and the internal consolidation of the Community should not delay enlargement of the latter. He ended by saying that the Council would endeavour to bring this question down to earth, without dramatizing the debate but by calm discussion with a view to deciding on future action in the matter.

### **The Council**

536. The Councils of the three Communities continued to exercise their powers until the inception of the single Council on 1 July 1967, when the merger Treaty came into force. From the end of the periods concerned respectively by the last General Reports until that date, the ECSC Council met three times, presided over in turn by the Italian, Luxembourg and Belgian members. The EEC Council held nine sessions, four devoted to agriculture and one to social questions; the Belgian representative presided at all nine sessions. The Euratom Council met three times, and was also presided over by the Belgian member. The single Council, with the German member in the chair, met 20 times, eight times to discuss agriculture. Apart from these agricultural sessions, devoted mainly to the Commission's proposals for the joint market organizations in the definitive, single-market period, the Council's work was mostly devoted to questions pertaining to the applications for membership from the United Kingdom and other European countries, the conclusion of the GATT negotiations, the negotiations in progress with several non-member countries, scientific, technical and technological research, the common transport policy and the adaptation of the structure of the coal industry to the development of the energy market within the Community.

The main work of the Council during the past year is summarized below. Further details are given in other chapters of this Report.

## THE COUNCILS OF THE THREE COMMUNITIES

*ECSC Council, 107th session (16 February 1967)*

537. The Special Council endorsed the draft decision on additional aids for the Community coal industry (coking coals and cokes for the iron and steel industries of the six countries) and adopted a Protocol thereon. It instructed the *ad hoc* Committee on coal problems to continue studying the problems arising from the increasing disequilibrium in the market for house coal. Regarding iron and steel, the Council adapted a resolution calling on the *ad hoc* Committee on steel problems to submit proposals for practical measures with regard to steel.

The Council also carried out its annual review of the structural situation and of trends in the fuel and power sector and approved several projects for conversion aid.

*EEC Council, 212th session and  
Euratom Council, 124th session  
(10, 11 and 12 April 1967)*

538. The Council heard a statement by Mr. Willy Brandt, Minister of Foreign Affairs of the Federal Republic of Germany, on the development of the Community.

It adopted the Medium-term Economic Policy Programme, and the first two directives concerning the approximation of Member States' legislation on turnover taxes.

The Council dealt with various problems arising from the implementation of Euratom's second programme concerning fast reactors.

*EEC Council, 213th session (10 and 11 April 1967)  
(agriculture)*

539. The main business was a further discussion of the proposed regulations on transitional measures for the application of common prices for cereals and on the joint organization of the cereals markets.

*EEC Council, 214th session (17 and 18 April 1967)  
(agriculture)*

540. During this session, the Council dealt with the organization of the cereals markets and transitional measures for cereals, the organization of the pigmeat markets, arrangements governing imports of fruit and vegetables from non-member countries, and certain problems of an institutional nature.

It adopted a regulation extending Regulation No. 163/66/CEE, which laid down conditions for the issue of import and export licences for olive oil. The Council also adopted various texts on the implementation of Regulation No. 160/66/CEE, which instituted a trading system for certain goods manufactured from agricultural products.

*Euratom Council, 120th session (7 March 1967)*

541. The Council heard a statement from the Italian delegation on various problems arising from the implementation of the second Community research and training programme, and on the Community's activity after 31 December 1967.

*ECSC Council, 108th session (5 June 1967)*

542. Having received a paper from the High Authority on coal industry problems, the Council called for a definitive report on solutions to the house-coal problem. It rendered an opinion as requested on the application of High Authority Decision No. 1-67 (sales of coke and coking coals to the iron and steel industry) and endorsed the draft decision concerning exemption from the prior authorization requirement for amalgamations of coal and steel firms (amendment of High Authority Decision No. 25-54). The Council also approved several projects for conversion and technical research assistance.

*EEC Council, 215th session (2 May 1967)*

543. The Council made a thorough examination of the main problems arising from the multilateral trade negotiations taking place at Geneva. It gave instructions to the Commission to continue the negotiations in

the light of the Council's discussion, and to report back at the following session. Two regulations were adopted, one on the application of the tax rules set out in Article 3 of Council Regulation No. 160/66/CEE, the other fixing basic and buying-in prices for cauliflowers.

*EEC Council, 216th session (8 and 9 May 1967)  
(agriculture)*

544. The Council resumed its study of the main general problems connected with regulations for the organization of the markets in the definitive, single-market period and with proposed regulations for the joint organization of the cereals, pigmeat, and eggs and poultry markets.

*EEC Council, 217th session (10 and 11 May 1967)*

545. After making a very thorough study of the main problems raised by the multilateral trade negotiations taking place at Geneva, the Council once again expressed its full confidence in the Commission, giving it further instructions with a view to the conclusion of the negotiations.

The Council also noted a communication from the Commission on special measures applicable to oleaginous products imported from the Yaoundé countries or the overseas countries and territories.

*EEC Council, 218th session (10 and 11 May 1967)*

546. The Council resumed its study of the problems raised by management of the joint organizations in the definitive, single-market period, and of the proposed regulations on the common organization of markets in cereals, pigmeat, eggs and poultrymeat.

Certain animal health problems were also discussed.

*EEC Council, 219th session (29, 30 and 31 May 1967)  
(agriculture)*

547. Work this session was mainly concerned with cereals, pigmeat, eggs and poultrymeat.

The Council agreed to include in the proposed regulations for the common organization of markets in these sectors a clause ensuring that, except where otherwise laid down in the relevant regulation, Articles 92 to 94 of the EEC Treaty were applicable to the production of and trade in the products governed by the various regulations.

It approved the regulations on oilseeds.

On proposals from the Commission, the Council also adopted three regulations intended to overcome the crisis on the Italian market for certain milk products.

It also adopted a resolution on the CCT duty on raw silk and a directive for the first reduction, during the third stage, of customs duties between Member States for certain products listed in Annex II of the Treaty.

*EEC Council, 220th session (5 June 1967)  
(social questions)*

548. On the basis of a Commission paper, the Council discussed in general terms the principal aspects of the employment trend within the Community. The Council also discussed proposals by the Commission for changes in the organization of the European Social Fund to make its operations more effective.

*EEC Council, 221st session (5 and 6 June 1967)*

549. The Council also adopted the text of the acknowledgment, to be made by the President of the Council, of the letters from the Governments of the United Kingdom, Ireland and Denmark applying for membership of the European Communities.

It examined the special measures to be taken before 1 July 1967 in favour of oleaginous products imported from the Yaoundé countries or the associated overseas countries and territories and finalized trading arrangements for certain goods derived from the processing of agricultural produce from the Associated States.

The Council also adopted three regulations on oils and fats.



*EEC Council, 222nd and 223rd sessions,  
(13, 26 and 27 June 1967)  
(agriculture)*

550. At these sessions, the Council adopted regulations on the joint organizations of the markets, at the definitive, single-market stage, for cereals, pigmeat, eggs and poultrymeat. These basic regulations supersede those in force since 1962. The Council also adopted a large number of implementing regulations, mainly concerning milk and milk products, sugar, oils and fats and fruit and vegetables.

*EEC Council, 224th session (26 and 27 June 1967)*

551. The Council first discussed the applications for Community membership from the Governments of the United Kingdom, Ireland and Denmark and decided to consult the Commission as provided for in Article 237 of the Rome Treaty.

As regards the trade negotiations (Kennedy Round), the Council examined various questions still outstanding in Geneva and, in particular, Community concessions for cotton textiles and beef and veal.

The Council considered a suggestion from the Italian Government that assistance should be given to the communities which had suffered from recent events in the Middle East. It then resumed discussion of the special proposals applicable to oleaginous products originating in the Yaoundé countries or the overseas countries and territories. It adopted several regulations, in particular concerning goods dealt with in Regulation No. 160/66/CEE, and the conditions for the granting of refunds for the export of certain agricultural products to non-member countries. A large number of directives were given initial approval or formally adopted. These related *inter alia* to the rights of farmers from one Member State who have settled in another.

*Euratom Council, 127th session (27 June 1967)*

552. The Council heard a statement by the President of the Commission, Mr. Chatenet, on work accomplished during the first ten years of Euratom's existence. The President and members of the Council expressed their

thanks to the outgoing Commission for the results achieved. The Council then discussed problems arising in the preparation of a research and investment budget for 1967 and the organizing of the second programme.

*ECSC Council, 109th session (29 June 1967)*

553. Noting the High Authority's survey of measures which would facilitate changes in the structure of the coal-mining industry and its reply to the Federal German Government's request for "manifest crisis" measures to be adopted as provided for in Article 58 of the Treaty, it invited the High Authority and the single Commission to make concrete proposals. The Council asked that proposals should be worked out for stabilizing the prices of house coal and adapting its extraction to market demand. Lastly, the Council agreed on the terms of an initial reply to the applications from the Governments of the United Kingdom, Ireland and Denmark for membership of the ECSC.

THE SINGLE COUNCIL

*1st session (3 July 1967)*

554. The Council of the European Communities held its first session on 3 July 1967. Mr. Karl Schiller, Minister of Foreign Affairs of the Federal Republic of Germany, presided.

Continuing its deliberations of 20 December 1966 on fiscal questions, the Council discussed a statement from the French Minister on the problems arising from the harmonization of direct taxes within the Community and the progress of work in this field. It charged the Committee of Permanent Representatives to report on this subject for the end of 1967.

*2nd session (10 and 11 July 1967)*

555. Opening the session, the President of the Council welcomed the President and members of the Commission of the European Communities who were taking part for the first time in the work of the Council. The

President of the Commission, Mr. Jean Rey, expressed his thanks and outlined the most urgent tasks facing his Institution.

The Council then discussed the proposals of the Italian Government on the granting of food aid to the communities affected by recent events in the Middle East. It began the study of fundamental problems raised by the applications for membership from the Governments of the United Kingdom, Ireland and Denmark.

After discussion, the Council decided to continue this work at the October session, when it would have received the Commission's Opinion. The Council then approved the text of initial instructions to the Commission covering the opening of the first round of talks with the Spanish Government.

The Council adopted a recommendation to the Member States on guidelines for short-term economic policy in the second half of 1967 and the first measures for 1968. It noted the reception of a memorandum from the Commission concerning Community policy on oil and natural gas. Lastly, within the framework of the trade agreement with Israel, the representatives of the Governments of the Member States meeting in the Council decided to extend until 30 June 1968 the period over which certain duties are being aligned more rapidly on the CCT.

On Euratom questions, the Council gave its assent to the Commission's proposal to include in the common programme the study and research work being undertaken by the CNEN<sup>(1)</sup> in the field of fast reactors.

*3rd session (11 July 1967)*  
*(agriculture)*

556. The Council adopted a regulation specifying price rules applicable in Germany to certain milk products during the 1967-68 milk year. It also adopted a regulation on import duties to be charged on processed fruit or vegetable products for a part of 1967. It discussed the joint organization of the market in rice and broken rice and also a proposed regulation on certain powdered milks and cheeses.

---

<sup>(1)</sup> Comitato nazionale per l'energia nucleare.

*4th session (24 and 25 July 1967)*

557. After taking cognizance of Norway's application for membership, the Council approved the text of the reply to be addressed to the Norwegian Government and decided to ask the Commission for the Opinions provided for in Articles 237 of the EEC Treaty, Article 205 of the Euratom Treaty and Article 98 of the ECSC Treaty.

The Council received an interim report from the Community delegation to the Rome Conference held under the auspices of the International Wheat Council in collaboration with UNCTAD. The Conference had met to work out a new international agreement on wheat and certain specific problems of food aid. The Council adopted instructions on certain points for the Community delegation.

It also examined the problems raised by the Commission's proposals for speeding up EAGGF contributions by introducing from 1967 onwards a system of payments on account. Pursuant to the General Programme on freedom of establishment, the Council adopted three directives connected with farming and approved, as to essentials, a fourth (self-employed forestry activities).

A decision was adopted extending the time-limits laid down in the agreements on quality wheat concluded with the United States and Canada. For the United States, the time-limit was extended until twelve months after the expiry of the World Grain Arrangement, and for Canada the time-limit was extended to 30 June 1968.

On Euratom questions, the Council made a decision to modify the second Euratom research and training programme. It drew up the research and investment budget for 1967.

*5th session (24 and 25 July 1967)  
(agriculture)*

558. Work this session was devoted to rice, sugar, beef and veal, milk products, fruit and vegetables, and a regulation on aid for 1968 from the Guidance Section of the EAGGF.

*6th session (25 and 26 September 1967)  
(agriculture)*

559. The Council examined the Commission's proposals regarding the fixing and review of prices for certain agricultural products and the joint organization of the sugar markets.

It adopted a regulation amending Regulation No. 14/64/CEE (fixing of the import price and calculation of the levy on beef and veal).

*7th session (2 and 3 October 1967)*

560. The Council heard the Commission's Opinion on the applications for membership from the United Kingdom, Ireland, Denmark and Norway. After a preliminary exchange of views, the Council decided to hold a detailed discussion of the Opinion at the following session.

The Council approved the text of the reply to the request by Malta to establish relations with the Community. It decided to renew for one year the trade agreement between the EEC and Iran. It took note of the first Opinion of the Medium-term Economic Policy Committee on ways and means of facilitating the structural adaptation of Community enterprises.

The Council endorsed, under Article 95, first paragraph, of the ECSC Treaty, the High Authority's decision to extend Decision No. 3-65 relating to Community arrangements governing intervention by the Member States to assist the coal industry. Under this decision, the Council rendered an Opinion on the financial measures which the Member States intended taking in 1967 and on those which had been taken by the Netherlands in 1966. As regards house coal, the Council gave its assent to the measures described in the communication that the Commission had submitted under the instructions given to the High Authority at the last session of the Special Council of Ministers. Under the Protocol of Agreement of 21 April 1964, the Council rendered an Opinion on the German Government's new decisions on coal policy. The Council also endorsed, pursuant to Article 54, second paragraph, of the ECSC Treaty, the granting of a loan to finance the building of a power station in the Federal Republic.

The Council decided that the Euratom research and investment budget for 1967 could now be considered definitive, the European Parliament having approved the draft at its sitting of 20 September 1967.

*8th session (16 and 17 October)  
(agriculture)*

561. The Council resumed its study of the Commission's proposals on the fixing and review of prices for certain agricultural products and of the proposed regulation on the joint organization of the sugar markets. No final decision was reached.

After hearing an account by Mr. Mansholt, Vice-President of the Commission, on Community policy on agricultural structures, the Council began discussing Community programmes for the Guidance Section of the EAGGF. Other work dealt with eggs and beef and veal. The Council adopted a regulation on oilseeds and a decision on butter.

*9th session (23 and 24 October 1967)*

562. The Council discussed in detail the applications from the Governments of the United Kingdom, Ireland, Norway and Denmark for membership of the European Communities, and also dealt with a letter from the Swedish Government.

It adopted four regulations concerning the EAGGF and another amending Annexes I and II of Regulation No. 83/67/CEE. It adopted two directives: one relating to freedom of establishment, and the other on the harmonization of regulations.

*10th session (25 and 26 October 1967)  
(agriculture)*

563. The Council took decisions on the fixing and review of prices for certain agricultural products, on the joint organization of the sugar markets, and on trading arrangements for processed fruit or vegetable products.

It adopted a regulation on aid for olive oil, another amending Regulation No. 142/67/CEE, which concerns export refunds in respect of colza, rape and sunflower seed, and another extending until 30 November 1967 Regulation No. 281/67/CEE, which fixes the maximum amounts of refunds to producers in respect of sugar used in the chemical industry.

*11th session (31 October 1967)*  
*(research)*

564. The main business at this session was an examination of problems of scientific and technical research in the Communities. The Council expressed its determination to put in hand a vigorous programme of improvement and promotion of scientific and technical research and industrial innovation, and made the necessary arrangements to this effect. It then approved the results of the talks held between the Commission, the United Kingdom Atomic Energy Authority and other partners in the Dragon project. Three regulations on agricultural questions were also adopted.

*12th session (14 November 1967)*  
*(agriculture)*

565. The Council began discussing the Commission's proposals on Community programmes for the Guidance Section of the EAGGF. It also adopted several regulations, in particular on beef and veal, colza and rape seed processed in Italy, oranges, mandarin oranges and also on prices and qualities of cereals.

*13th session (20 November 1967)*

566. The Council continued its work on the applications for membership made by the United Kingdom, Denmark and Ireland, and on the Swedish Government's letter, referring also to the British Government's devaluation of sterling.<sup>(1)</sup>

It adopted two decisions suspending certain CCT duties and two regulations on additional aid for colza and rape seed processed in Italy.

*14th session (27 and 28 November 1967)*  
*(agriculture)*

567. The first substantive item on the agenda concerned some problems still outstanding relating to the joint organization of the sugar markets.

---

<sup>(1)</sup> Sec. 425.

On these the Council reached agreement. It then worked out the main points of a resolution on measures to enable a Community animal health policy to be implemented.

The Council also resumed its discussion of Community programmes for the Guidance Section of the EAGGF and of certain marketing standards applicable to eggs. A regulation was adopted providing for the granting—when appropriate—of aid for reduced-price sales of butter from private stocks.

*15th session (8 December 1967)  
(scientific and technical research)*

568. The Council adopted a programme and approved a draft interim research budget for Euratom for 1968.

After a thorough discussion on the future activity of Euratom, the Council adopted a decision. It also approved the extension for one year of the arrangements for covering third party liability at present applicable in the establishments of the Joint Research Centre.

*16th session (11 and 12 December 1967)*

569. The Commission made a statement on the implications of the measures taken by the British Government in the field of monetary and economic policy.

The Council continued its study of the Community's relations with Israel and the countries of East Africa, and the draft instructions for the opening of trade negotiations with Yugoslavia.

The Council held a general exchange of views on the common commercial policy and also examined the Communities' preliminary draft operating budget for 1968.

*17th session (13 and 14 December 1967)  
(common transport policy)*

570. The Council held a wide-ranging discussion of the development of the common transport policy, after which it took a decision expressing



its intention to adopt various measures before 30 June 1968, in particular as regards the application to transport of the rules of competition, regulations for aid in this sector, the bracket-rate system and the harmonization of social provisions in the field of road transport.

*18th session (18 and 19 December 1967)*

571. The Council continued its work on the membership applications and released a seven-point summary on this subject.

With the representatives of the Governments of the Member States, it adopted certain decisions on trade with State-trading countries. It agreed a list of products to which the concessions negotiated during the GATT multilateral trade negotiations will be applicable from 1 July 1968. After discussion, decisions were taken regarding exports of scrap iron to non-member countries.

*19th session (18 and 19 December 1967)*  
*(agriculture)*

572. The Council adopted the regulation on the joint organization of the sugar markets.

It continued its examination of the proposed regulation establishing a joint organization of the markets in "live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage." It also considered the proposed regulation on certain marketing standards for eggs.

*20th session (20 and 21 December)*  
*(social affairs)*

573. The Council heard a statement by the Commission on Community social policy during the last six years. It then discussed future tasks in the field of social policy and several other questions, in particular labour problems and the reform of the Social Fund. No decisions were taken.

## The Court of Justice of the European Communities

### *The Judges*

574. When the terms of office of Mr. Hammes, President, and Mr. Delvaux, came to an end, the Governments of the Member States appointed Mr. Joseph Mertens de Wilmars and Mr. Pierre Pescatore as judges for the period from 7 October 1967 to 6 October 1973. The Court then elected Mr. Robert Lecourt as President for the period 7 October 1967 to 6 October 1970.

Following the Court's decisions on the formation of the chambers for the 1967-1968 judicial year, the present composition of the Court is as follows :

President of the Court : Mr. Lecourt

First Chamber, judges : Mr. Donner (presiding), Mr. Monaco and Mr. Mertens de Wilmars

Advocate-General : Mr. Roemer

Second Chamber, judges : Mr. Strauß (presiding), Mr. Trabucchi and Mr. Pescatore

Advocate-General : Mr. Gand

Registrar : Mr. Van Houtte

On 16 January 1968 the Court held a special meeting to honour the memory of its former President, Mr. Charles-Léon Hammes, who died on 9 December 1967, two months after the expiry of his term of office.

Mr. Lecourt, the President, paid tribute to the work of his predecessor, who, "presiding over the senior European court, had shown that his country (Luxembourg) could play a key role as a natural centre of European law, and that the Court of Justice had an important function as a focal-point and meeting-place for judges of the six countries."

### *New cases*

575. During 1967, 37 new cases concerning the activities of the three Communities were brought before the Court of Justice. Of these cases, 17 were decided, and the others are still pending.

These 37 cases fall into the groups shown below :

a) Twenty-three requests by domestic courts under Article 177 of the EEC Treaty for rulings on questions of interpretation of Community law or on the validity of Community acts, of which :

- (i) Two concern the interpretation of Article 85 (86) of the EEC Treaty, the first regarding an exclusive supply contract, the second a dispute arising out of a national patent :

Case 23/67 : *S.A. Brasserie de Haecht v. Wilkin and Janssen* (Liège Tribunal de commerce);

Case 24/67 : *Parke Davis and Co., Detroit v. Probel and others* (The Hague Gerechtshof);

- (ii) Six concern the interpretation of Articles 95 or 97 of the EEC Treaty as regards the German equalization charge (turnover tax) :

Case 13/67 : *Société Becher v. Hauptzollamt, Munich* (Munich Finanzgericht);

Case 25/67 : *Milch-, Fett- und Eier-Kontor GmbH, Hamburg, v. Hauptzollamt, Saarbrücken* (Saar Finanzgericht);

Case 27/67 : *Fink-Frucht GmbH v. Hauptzollamt, Munich* (Munich Finanzgericht)

Case 28/67 : *Molkerei-Zentrale Westfalen-Lippe GmbH, v. Hauptzollamt, Paderborn* (Bundesfinanzhof);

Case 31/67 : *Stier, Hamburg v. Hauptzollamt, Hamburg* (Hamburg Finanzgericht);

Case 34/67 : *Lück v. Hauptzollamt, Cologne* (Düsseldorf Finanzgericht);

- (iii) Four concern the interpretation or the validity of certain clauses in the regulations implementing the common agricultural policy, and, in part, also the interpretation of Articles 95 and 97 of the Treaty :

Case 5/67 : *Beus & Co. v. Hauptzollamt, Munich* (Munich Finanzgericht);

Case 7/67 : *Wöhrmann KG v. Hauptzollamt, Bad Reichenhall* (Munich Finanzgericht);

Case 17/67 : *Neumann v. Hauptzollamt Hof/Saale* (Bundesfinanzhof);

Case 20/67 : *Kunstmühle Tivoli v. Hauptzollamt, Würzburg* (Munich Finanzgericht);

(iv) Ten concern the interpretation of Council Regulations No. 3 or No. 4 (the social security of migrant workers) :

Case 1/67 : *Ciechelski v. Caisse de sécurité sociale du Centre* (Orleans Cour d'appel);

Case 2/67 : *De Moor v. Caisse de pension des employés privés* (Luxembourg Cour supérieure de justice);

Case 6/67 : *Guerra v. Institut national d'assurance maladie-invalidité* (Belgian Conseil d'État);

Case 9/67 : *Colditz v. Caisse d'assurance vieillesse, Paris* (Paris Cour d'appel);

Case 11/67 : *Office national des pensions v. Couture* (Belgian Conseil d'État);

Case 12/67 : *Guissart v. État belge* (Belgian Conseil d'État);

Case 14/67 : *Landesversicherungsanstalt Rheinland-Pfalz v. Welchner* (Bundessozialgericht);

Case 18/67 : *Cossutta v. Office national des pensions pour ouvriers* (Belgian Conseil d'État);

Case 19/67 : *Sociale Verzekeringsbank, Amsterdam v. van der Vecht* (Utrecht, Centrale Raad van Beroep);

Case 22/67 : *Caisse régionale de sécurité sociale du Nord-Est v. Goffart* (French Cour de Cassation)

(v) One request concerns the interpretation of the Protocol on privileges and immunities :

Case 32/67 : *Van Leeuwen v. Gemeente Rotterdam* (The Hague Gerechtshof);

b) An appeal by an individual against a Community Institution, under Article 173 of the EEC Treaty, for the annulment of Council Regulation No. 128/67 fixing the 1967-1968 cereals price :

Case 30/67 : *Industria Molitoria Imolese, Bologna v. Council of the European Communities*;

c) Three appeals by individuals under Articles 33, second paragraph, and 35 of the ECSC Treaty concerning individual decisions of the High Authority :

Case 3/67 : *Fonderie Acciaierie Mandelli v. High Authority* (scrap compensation);

Case 29/67 : *Société De Wendel et Cie, Paris v. High Authority* (penalty decision);

Case 37/67 : Acciaierie San Michele S.p.A. *v.* Commission of the European Communities;

*d*) An action by the EAEC Commission against an individual under Article 153 of the EAEC Treaty concerning an arbitration clause on the carrying out of a research contract :

Case 21/67 : EAEC Commission *v.* Société Cotrel, Paris;

*e*) Nine appeals by officials or other servants of the Institutions against their Institutions in the administrative field :

Case 4/67 : *v.* High Authority;

Case 8/67 : *v.* EAEC Commission;

Case 10/67 : *v.* EEC Commission;

Case 15/67 : *v.* High Authority;

Case 16/67 : *v.* EAEC Commission;

Case 26/67 : *v.* EEC Commission;

Case 33/67 : *v.* Council of the European Communities;

Case 35/67 : *v.* Commission of the European Communities;

Case 36/67 : *v.* Commission of the European Communities.

### *Judgments*

576. *a*) Appeals based on Article 173 of the EEC Treaty.

Joint cases 8, 9, 10 and 11/66 : S.A. Cimenteries C.B.R. and others *v.* EEC Commission (application of Article 15 (6) of Council Regulation No. 17). Ruling handed down on 15 March 1967.<sup>(1)</sup>

*b*) Appeals based on Article 215, second paragraph, of the EEC Treaty.

Joint cases 5, 7, 13 to 24/66 and Case 30/66 : Kampfmeier and others *v.* EEC Commission.

During 1966, the Court of Justice was seized of a series of suits for damages under Article 215 of the EEC Treaty. These suits concerned loss of potential profits and actual losses arising from a Commission decision of

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 423.

3 October 1963 (concerning safeguard measures taken in Germany against imports of maize) which had been annulled by the Court of Justice on 1 July 1965.

By a judgment of 14 July 1967, the Court dismissed Cases 17, 18, 20, 22, 23 and 24/66 on the merits, because the imports envisaged by the plaintiff enterprises had not in fact taken concrete form and were therefore not of the material nature which could have created a right to redress for loss of earnings.

In the other cases of this nature, the Court issued interlocutory judgments on 14 July and 30 November 1967 on several questions of interpretation connected with Article 215 of the Treaty. The final judgments will be rendered when the plaintiffs have provided the Court with the information and evidence it requires.

c) Requests for preliminary rulings arising under Article 177 of the EEC Treaty.

The ten judgments listed below concern the implementation of EEC Council Regulations No. 3 and No. 4 on the social security of migrant workers :

- Case 1/67 : *Ciechelski v. Caisse régionale de sécurité sociale du Centre* (Orleans Cour d'appel), ruling given on 5 July 1967;
- Case 2/67 : *De Moor v. Caisse de pension des employés privés* (Luxembourg Cour supérieure de justice), ruling given on 5 July 1967;
- Case 6/67 : *Guerra v. Institut national d'assurance maladie-invalidité* (Belgian Conseil d'État), ruling given on 5 July 1967;
- Case 9/67 : *Colditz v. Caisse d'assurance vieillesse des travailleurs salariés, Paris* (Paris Cour d'appel), ruling given on 5 July 1967;
- Case 11/67 : *Office national des pensions pour ouvriers v. Couture* (Belgian Conseil d'État), ruling given on 12 December 1967;
- Case 12/67 : *Guissart v. État belge* (Belgian Conseil d'État), ruling given on 13 December 1967;
- Case 14/67 : *Landesversicherungsanstalt Rheinland-Pfalz v. Welchner* (Kassel Bundessozialgericht), ruling given on 5 December 1967;
- Case 18/67 : *Cossutta v. Office national des pensions pour ouvriers* (Belgian Conseil d'État), ruling given on 30 November 1967;

- Case 19/67 : Administration of the Sociale Verzekeringsbank, Amsterdam *v.* van der Vecht (Centrale Raad van Beroep), ruling given on 5 December 1967;
- Case 22/67 : Caisse régionale de sécurité sociale du Nord-Est *v.* Goffart (French Cour de Cassation), ruling given on 30 November 1967.

Most of the questions submitted to the Court concerned the calculation of pensions and provided it with an opportunity to confirm, with additional detail, previous rulings to the effect that Article 51 of the EEC Treaty and its implementing regulations are, from certain points of view, intended to place the migrant worker in a more favourable situation than that in which he would be placed if domestic law only were to apply : Article 51 prohibits, in particular, the introduction of an arrangement for sharing out the cost of benefits between the social security institutions, i.e. the use of a pro-rata apportionment scale in a given country, when it has not been necessary to aggregate periods to create a right to a pension in this country, or when the periods credited do not overlap with periods actually worked in another Member State.

In Case 6/67 the Court interpreted the procedural rules for the application of social security regulations as meaning that domestic courts may not reject petitions or other documents submitted to them on the grounds that they are drafted in a foreign language, provided this language is an official language of another Member State.

Lastly, in a judgment in Case 19/67 it replied in the negative to the question whether the rulings of the Administrative Committee for the Social Security of Migrant Workers, established by Regulation 3, were binding on the courts.

*d)* A ruling was made on the validity of certain regulations concerning agriculture.

Case 17/67 : Neumann *v.* Hauptzollamt, Hof (Bundesfinanzhof).

The German Bundesfinanzhof had put several questions to the Court of Justice on the validity of Council Regulation No. 22 for the progressive establishment of a common organization of the market in poultrymeat and on Commission Regulation No. 135 of 7 November 1962 establishing the additional amount of the levy in respect of slaughtered hens and chickens.

By its ruling of 13 December 1967, the Court dismissed all the arguments attacking the validity of these regulations, finding that the EEC Treaty

conferred on the EEC Institutions the right to establish levy systems directly applicable in the Member States, so that the validity of Regulation No. 22 could not be affected by the fact that the levy established in this way had the nature of a customs duty or of a tax.

e) A ruling concerning the interpretation of Article 85 of the EEC Treaty.

Case 23/67 : *Brasseries de Haecht v. Wilkin et Janssen* (Liège Tribunal de commerce).

In this case the Liège tribunal had to decide whether it should examine separately a brewery contract challenged under Article 85 of the Treaty or whether it should take into account all brewery contracts between Belgian licensees and brewers.

In a ruling rendered on 12 December 1967, the Court found that agreements under which an enterprise undertakes to procure supplies from one enterprise only, to the exclusion of all others, do not *ipso facto* fulfil the conditions — as set out in Article 85 (1) of the Treaty — that entail incompatibility with the Common Market. They may, however, either in isolation or simultaneously with others entail incompatibility in certain circumstances.

f) Cases arising from the ECSC Treaty.

The Court rendered three judgments in scrap compensation cases :

Joint cases 9 and 58/65 : *Acciaierie San Michele S.p.A., Turin v. High Authority*;

Joint cases 25 and 26/65 : *Società Industria Metallurgica di Napoli (Simet) v. High Authority*;

*Acciaierie e Ferriere di Roma (Feram) v. High Authority*.

By two judgments of 2 March 1967, in Joint cases 9 and 58/65 on the one hand, and Case 25/65 on the other, the Court, slightly modifying its earlier attitude, annulled several of the High Authority's individual decisions. Though it had previously recognized that the High Authority (particularly if dealing with enterprises lacking a proper accounting system) was entitled to make inductive assessments, it emphasized in the new judgments that unilateral assessment and rectification by the High Authority should be undertaken only in exceptional circumstances and that the Authority was entitled to use these methods only if the enterprise had failed either



to submit the data needed to establish how much it should pay or to provide evidence supporting such data.

In its second ruling, the Court declared an appeal (Case 26/65) inadmissible (*Acciaierie e Ferriere di Roma (Feram) v. High Authority*).

Case 26/66 : *Koninklijke Nederlandsche Hoogovens en Staalfabrieken N.V. v. High Authority*.

In its judgment of 14 June 1967, the Court dismissed on the merits this appeal for annulment of a High Authority decision imposing a payment as a contribution to the compensation arrangements for imported scrap. The Court refused the plaintiff's request that it consider whether the scrap in question was in fact "own arisings."

g) Appeals by officials or other servants of the Institutions.

Case 12/66 : *v. EAEC Commission*. Ruling of 22 June 1967 finding the main plea inadmissible.

Case 4/67 : *v. High Authority*. Ruling of 12 December 1967, declaring the appeal inadmissible.

Case 10/67 : *v. EEC Commission*. Ruling of 22 June 1967, declaring the appeal inadmissible.

Case 15/67 : *v. High Authority*. Ruling of 12 December 1967, finding that there was no reason to rule on the submissions in the resquet.

### The organs of the Communities

#### THE ECSC CONSULTATIVE COMMITTEE

577. The Committee met six times during the year under review. In addition to the various activities recorded below, it heard every three months accounts of the work of the Community, market developments and the quarterly guidance programmes for coal and steel, given on behalf of the High Authority by Mr. Reynaud and later, on behalf of the merged Commission, by President Rey, Vice-President Barre and Messrs. Colonna di Paliano and Haferkamp. At its 113th, 114th and 117th sessions the Committee rendered Opinions concerning proposed research grants in the coal and steel sectors.

*Constituent session (112th session, 2 February 1967)*

578. The Committee elected Mr. Jean Martin (steel consumers, France) as its chairman until the following January, and at the same time appointed its Bureau and Sub-Committees and agreed its programme for 1967. After hearing statements by Messrs. Lapie and Hellwig, members of the High Authority, it passed a resolution rendering its Opinion with regard to the High Authority Decision on subsidization to aid sales of metallurgical coking coal and coke.

*113th session (9 March 1967)*

579. The chairman, Mr. Martin, in a tribute to President Dino Del Bo of the High Authority, who was resigning his position for reasons of health, spoke of the "very notable work" the High Authority had done under his leadership.

The Committee rendered its Opinion on the general outlook for the coal market in 1967, as described to it by Mr. Hellwig, of the High Authority, and on the desirability of extending Decision No. 3/65 up to the end of 1968.

*114th session (9 June 1967)*

580. At this session, the last before the merger of the Executives, the Vice-President of the High Authority, Mr. Coppé, praised the valuable work done by the Committee in the past. The Committee gave its backing to the proposed extension of Decision No. 3/65 up to the end of 1970, but opposed a High Authority draft Decision concerning publication of collieries' prices and conditions of sale.

*115th session (14 September 1967)*

581. The chairman, Mr. Martin, outlined for the attention of the merged Commission the main matters with which the Committee was more especially concerned, namely industrial policy, energy policy, readaptation and reconversion, and problems in connection with technical and scientific research. President Rey, after assuring the Committee that the new Commission

would faithfully continue with the implementation of the Treaty of Paris, described the recent work of the High Authority and the Commission with regard to coal and steel.

*116th session (10 November 1967)*

582. The chairman in his opening remarks paid tribute to the late Mr. Baart, a former chairman of the Committee, and the late Mr. Wehrer, of the High Authority.

The Committee was addressed by Mr. Colonna di Paliano, a member of the Commission, concerning the memorandum submitted for its attention on the iron and steel industry's supplies of iron ore, and discussed this subject from various angles.

It then heard observations by Mr. Levi Sandri concerning the memorandum on the Community's work in connection with readaptation and redevelopment, which it also discussed.

*117th session (14 December 1967)*

583. At this session, which was held in Paris, the Committee discussed a memorandum from the Commission on the state of the steel market, and rendered its opinion with regard to the extension of the Commission's prohibition of alignment on quotations for iron and steel products from countries or territories with State-controlled trading systems.

THE ECONOMIC AND SOCIAL COMMITTEE

The Committee met five times and rendered 16 Opinions.

*61st session (25, 26 and 27 April 1967)*

584. The Committee adopted four Opinions on proposals for Council directives or decisions. These concerned the marketing of material for the asexual multiplication of vinestock, the campaign against the San Jose scale, formalities in trade between the Member States, and access to

insurance activities other than life insurance. The Committee also adopted two Opinions concerning firstly the UNIR plan and transport capacity in inland shipping, and secondly, the economic situation in the Community.

At this meeting the Council heard a statement on the economic situation by Mr. Marjolin, Vice-President of the Commission. After hearing a statement by Mr. Rochereau, member of the Commission, on the stage reached in implementing the association agreement between the EEC countries and the Yaoundé countries, the Committee held a general discussion on the various aspects of association arrangements.

### *62nd session (30 and 31 May 1967)*

585. After adopting new standing orders, the Committee approved four Opinions on proposals for Council directives or regulations. These Opinions concerned freedom of establishment in the field of insurance, aids granted to transport enterprises, the right of farmers who are nationals of one Member State but established in another Member State to apply for subsidies, and the common organization of the market in "live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage."

### *63rd session (29 June 1967)*

586. The Committee heard a farewell address by Mr. Walter Hallstein, President of the EEC Commission, who came to take his leave of Committee members.

Mr. Louis Major had earlier paid tribute to Mr. Hallstein, recalling his great faith in Europe and his achievements during his ten-year spell as President of the EEC Commission. Mr. Giunti, Mr. Cool and Mr. Meyvaert, speaking for the Committee's three groups (employers, workers, and the general interest) associated all the members with Mr. Major's tribute.

The Committee then heard a statement by Mr. Jean Rey, member of the EEC Commission, on the results of the Geneva tariff negotiations. The Committee rendered an Opinion on a proposal for a Council regulation on defining the unit of account for use in connection with the common agricultural policy.

*64th session (27 and 28 September 1967)*

587. The Committee heard a statement by Mr. Mansholt, Vice-President of the Commission, on the latest developments in the common agricultural policy and in particular on the reasons which led the Commission to make new proposals for a policy on agricultural structures.<sup>(1)</sup> This statement was followed by a discussion in which Committee members brought up matters they felt needed consideration and Mr. Mansholt gave further details and answered questions. The Council also rendered an Opinion on proposals for a Council regulation on farmers' federations and associations.

*65th session (25 and 26 October 1967)*

588. The Committee adopted a study on action programmes in connection with the common vocational training policy as a general policy and as a policy for agriculture. It also rendered three Opinions for proposals for Council regulations or directives on the freedom of movement of workers within the Community, the reorganization of the market in products deriving from the milling of bread-grains, and freedom of establishment for the self-employed in film-distribution activities.

Mr. Levi Sandri, Vice-President of the Commission, gave further details in connection with the proposals concerning free movement of workers.

*66th session (28 and 29 November 1967)*

589. At this session, the Committee held a general discussion and rendered an Opinion on the development of the social situation in the Community. The Committee emphasized that it was essential that the social policy of the Member States should be pursued on a Community basis by progressive harmonization of the measures in force as economic integration advanced.

Three other Opinions were adopted on proposals for Council directives concerning feed additives, a common method for calculating the average rates provided for in Article 97 of the EEC Treaty, and freedom of establishment and freedom to supply services in connection with self-employed

---

<sup>(1)</sup> Sec. 152.

activities in the field of petroleum and natural gas prospecting. A fifth Opinion, on a proposal for a Council regulation extending the period of non-applicability to transport of Council Regulation No. 17, was also adopted.

## THE EURATOM SCIENTIFIC AND TECHNICAL COMMITTEE

590. During 1967, the Scientific and Technical Committee held four meetings, on 8 March, 8 April, 10 October and 21 December.

At its meeting of 8 March, the Committee appointed Mr. D.G.H. Latzko, professor in the Technical University of Delft, as Chairman, and Mr. H. Mandel, member of the board of management of the Rheinisch-Westfälische Elektrizitätswerke and lecturer at the Technical University in Aachen as Vice-Chairman for the period from 1 April 1967 to 31 March 1968.

In its meetings of 8 March and 8 April, the Committee examined in detail a working document on the activities in the fields of research, teaching and industrial promotion which it planned to propose to the Council for the extended period following its second five-year programme. It rendered an Opinion to the Commission in which it emphasized the pressing need for very detailed studies at Community level in the fields of isotope separation, irradiated fuel reprocessing and radioactive waste storage. These studies should include a thorough analysis of the technical, economic and political conditions under which a uranium isotope enrichment plant could be built in the Community. The Committee also specially emphasized the need for continued support for the principle of associations co-ordinating the efforts of Euratom and certain countries in some large fields of nuclear research, and stressed that a system whereby the Commission would simply co-ordinate without having funds at its disposal would offer little prospect of success. It therefore suggested that the Commission should drop the alternative idea of continuing certain associations without there being a financial contribution from the Community, as the participation of a large Euratom staff in research was essential to the success of joint projects.

At its meeting of 10 October, the Committee gave its assent, with a few reservations, to a working document from the Commission proposing an interim programme for 1968, there having been no discussion with the Council on a long-term programme. In its Opinion, the Committee again stressed the special need to support the principle of associations, although particular problems of structure and operation arising from this would be

examined separately. The Committee also emphasized the value it attached to the construction at Ispra, in the near future, of the SORA pulsed-source reactor for research in solid state physics and called for a comparative examination at an early date of all the types of heavy-water reactors (including Orgel) investigated in the Community, with a view to concentrating efforts on one single variant selected on a basis of cost-effectiveness. In the meantime, expenditures solely on Orgel should remain limited.

## OTHER COMMUNITY ORGANS<sup>(1)</sup>

### *The Monetary Committee*

591. The Monetary Committee held ten sessions during the period covered by the present report. The alternates and the working parties also met frequently. In accordance with Article 105 of the Treaty, the Committee carried out regular examinations of the monetary and financial situation in the Member States and reported to the Council and to the Commission.<sup>(2)</sup>

### *The Short-term Economic Policy Committee*

592. The Short-term Economic Policy Committee held two sessions during the period under review. It continued its regular examinations of the short-term economic policies of the Member States, considering in particular the draft and final economic budgets for 1968. It summarized its conclusions in an Opinion submitted to the Commission.

### *The Medium-term Economic Policy Committee*

593. The Medium-term Economic Policy Committee held six meetings during the period under review.

At its 22nd meeting on 21 September 1967, it elected Mr. Montjoie as Vice-Chairman to replace Mr. Ortoli, who had resigned to take up a new post in France.

<sup>(1)</sup> For the Consultative Committee on Transport, see sec. 241.

<sup>(2)</sup> See also secs. 116 *et seq.* The activities of the Monetary Committee are described in its *Tenth Report*.

The specialist working parties continued their work on policy on the structure of individual industries, incomes policy and scientific and technical research policy. An *ad hoc* working party considered the problems raised in making agricultural forecasts.<sup>(1)</sup>

### *The Budget Policy Committee*

594. The Budget Policy Committee held four sessions. In April and May 1967 it examined the budget structures in most of the Member States, using for the first time an outlined plan with standardized presentation of budget data.<sup>(2)</sup> At its tenth session in November 1967, the Committee elected Mr. Stamatii to replace Mr. Marzano, who had resigned to take up a new post in Italy.

### THE CONSULTATIVE COMMITTEE ON NUCLEAR RESEARCH

595. The Consultative Committee on Nuclear Research met in Brussels on 26 October 1967 with Mr. Hellwig, Vice-Chairman, in the chair. It studied the Commission's working document "Presentation of the 1968 programme and budget" and discussed future action. The Committee considered 1968 as an interim year, during which activity already in progress at the Joint Centre should be continued but no new projects started. It also hoped that groups composed of representatives from the Member States and from the Commission might be set up to study the programme of future activities.

### **The Commission**

#### COMPOSITION

596. When the Merger Treaty came into force, the membership of the three European Executives was as follows :

(i) ECSC High Authority :

Acting President : Mr. Coppé, Vice-President;

Other members : Mr. Wehrer, Mr. Reynaud, Mr. Lapie, Mr. Hellwig, Mr. Hettlage, Mr. Linthorst Homan, Mr. Fohrmann;

---

<sup>(1)</sup> Sec. 114.

<sup>(2)</sup> Sec. 105.



## (ii) EEC Commission :

President : Mr. Hallstein;

Vice-Presidents : Mr. Mansholt, Mr. Marjolin and Mr. Levi Sandri;

Other members : Mr. Rey, Mr. von der Groeben, Mr. Schaus, Mr. Rochereau and Mr. Colonna di Paliano;

## (iii) Euratom Commission :

President : Mr. Chatenet;

Vice-President: Mr. Carrelli;

Other members : Mr. De Groote, Mr. Sassen and Mr. Margulies.

597. On 1 March 1967, the President of the High Authority, Mr. Dino del Bo, informed his colleagues that, for health reasons, he must resign from his position as President and member of the High Authority.

The members expressed their deep regret and stressed how much the President had done to ensure the acceptance of Community solutions and to safeguard the work of the ECSC during what had been a very difficult period for the common coal and steel market.

Mr. Albert Wehrer, former member of the High Authority, died on 31 October 1967. He had been charged by the Luxembourg Government with negotiations related to the Schuman plan, and when the ECSC was established, was appointed to the High Authority.

At its session of 27 November 1967, the European Parliament expressed its sorrow at the death of "this convinced and enthusiastic European, a man of sterling integrity and a sincere patriot," and paid tribute to Mr. Wehrer's devotion to duty and to principle.

598. Details concerning the establishment and membership of the single Commission are given in Chapter I. At its session of 20 July 1967, the Commission defined the responsibilities of its members as follows :

Mr. Rey, President : Secretariat, Legal Service, Spokesman's Group

Mr. Mansholt, Vice-President : Agriculture

Mr. Levi Sandri, Vice-President : Social Affairs, Personnel and Administration

Mr. Hellwig, Vice-President : General Research and Technology, Joint Nuclear Research Centre, Dissemination of Information

Mr. Barre, Vice-President	: Economic and Financial Affairs, Statistical Office.
Mr. Coppé,	: Budgets; Levies, Credit and Investment; Information Service
Mr. von der Groeben	: Internal Market (commercial and fiscal); Regional Policy
Mr. Sassen	: Rules of Competition
Mr. Rochereau	: Development Aid
Mr. Colonna di Paliano	: Industrial Affairs
Mr. Bodson	: Transport
Mr. Martino	: External Relations
Mr. Haferkamp	: Energy, Supply Agency, Safeguards and Controls
Mr. Deniau	: External Trade, Financial Control

It also set up Groups of its own members to ensure internal co-ordination and to facilitate the preparation of its work. The membership of these Groups is as follows :

1. General Economy

President, Mr. Barre; Vice-President, Mr. Hellwig; other members, Mr. Mansholt, Mr. Levi Sandri, Mr. Coppé, Mr. Colonna di Paliano, Mr. Haferkamp.

2. Industrial Affairs

President, Mr. von der Groeben; Vice-President, Mr. Colonna di Paliano; other members, Mr. Hellwig, Mr. Barre, Mr. Sassen, Mr. Bodson, Mr. Haferkamp.

3. Agricultural Problems

President, Mr. Mansholt; Vice-President, Mr. Deniau; other members, Mr. von der Groeben, Mr. Rochereau, Mr. Martino.

4. External Relations and Development Aid

Presidents, Mr. Martino and Mr. Rochereau; other members, Mr. Mansholt, Mr. Hellwig, Mr. Sassen, Mr. Deniau.

5. Social Affairs

President, Mr. Levi Sandri; Vice-Presidents, Mr. Coppé and Mr. Haferkamp; other members, Mr. Mansholt, Mr. von der Groeben, Mr. Sassen, Mr. Bodson.

6. Problems raised by Applications for Membership and Related Applications for Association

President, Mr. Hellwig; Vice-President, Mr. Sassen; other members, Mr. Mansholt, Mr. Barre, Mr. Martino, Mr. Deniau.

7. Administration

President, Mr. Rey; Vice-Presidents, Mr. Levi Sandri and Mr. Bodson; other members, Mr. Mansholt, Mr. Hellwig, Mr. Barre, Mr. Coppé.

599. Article 32 of the Merger Treaty provides that the Commission shall have 14 members until such time as a treaty establishing a single European Community enters into force, but in any case for a period not exceeding three years from the date of first appointment of its members : after this time the Commission shall be composed of 9 members (Article 10).

## INTERNAL ADMINISTRATION OF THE COMMUNITY

### *Reorganization of departments*

600. On its inception, the Commission began work on the reorganization and rationalization of its departments with a view to the establishment at the earliest possible moment of a single administration to supersede the three administrations of the old Executives. The administrative merger will enable better use to be made of the officials serving the High Authority and the two Commissions by eliminating wasteful overlapping. It will thus be possible to supply more staff for the projects which, as a result of the merger, can now be pressed forward more vigorously, particularly in the fields of general and technological research, social affairs, regional policy and energy policy. Rationalization could also mean that the staff establishment of the single Commission will be rather smaller than the combined staffs of the three institutions it has replaced.

By the end of the year, considerable progress had been made in reorganization. As soon as possible in 1968, the Commission intends to report to the Council as the budget authority, and the Parliament, on the results of its work.

### *The Statute of Service*

601. In accordance with Article 24(1) of the Merger Treaty, the Commission laid before the Council on 27 October 1967 a proposed regulation embodying the Statute of Service (staff regulations) of the officials of the European Communities, with arrangements for other Community servants, and also providing for special measures temporarily applicable to Commission officials.

Apart from certain minor amendments, the proposed regulation recommends that the present Statutes of Service of the officials of the three Communities should be unified in one document. It also suggests special measures necessitated by the rationalization of the single Commission's departments. The European Parliament and the Court of Justice were consulted on the proposal.

Quite apart from this proposal, the Commission, together with the other institutions, is studying ways and means of revising the Statute which, taking into account the experience gained, would enable the administration of the Communities' staff to be steadily improved and the framework for a European civil service to be created.

As regards the Euratom officials and other servants working in the Joint Nuclear Research Centres, measures were taken to adapt their conditions of work to the improvements which had taken place in the social field to the benefit of personnel employed by the Member States engaged in similar types of work (pay of officials and other servants employed at Petten, Geel and Ispra).

602. At the same time, the Commission carried on the work commenced by the High Authority and the Euratom Commission with a view to broadening and improving the professional qualifications of staff members. In 1967, these institutions started staff-training courses; the High Authority organized a third seminar at Pont-à-Mousson under the guidance of university professors from several Community countries, to which, as in the past, officials of other European institutions were invited.

### *Budget questions<sup>(1)</sup>*

603. Article 20 of the Merger Treaty provides for the establishment of a single budget for the three Communities and their joint services

---

(<sup>1</sup>) For information on the ECSC operational budget, which is not directly affected by the Merger Treaty, see *Budget de la Communauté pour le 16<sup>e</sup> exercice*.

from 1 January 1968. Six budgets, previously differing in the periods covered and in the nomenclatures used, had to be presented in a homogeneous framework. The reorganization of budget arrangements along such radical lines raised two problems: firstly, the synchronizing of budget periods, and secondly, the presentation of budgets within a uniform framework.

The problem of synchronizing the financial years was solved in the case of the ECSC by the establishment of a "transitional budget" running from 1 July 1967 to 31 December 1967. Henceforth, the ECSC operational budget will coincide with the calendar year.

As regards the external form of a single budget for the Communities, the grouping together of the EEC, Euratom and joint services budgets encountered no particular difficulty. As for the ECSC budget, with its specific nomenclature, a solution was found by means of slight alterations in the EEC and Euratom nomenclatures. On 25 September 1967, the Commission of the European Communities submitted to the Council a draft single budget.

Concerning staff for 1968, the Commission stated that it could not accurately estimate personnel requirements until it had carried out the tasks entrusted to it under Annex 1 of the Merger Treaty.

Accordingly, the Council introduced on 1 January 1968 the system of "provisional twelfths" (Article 204 of the EEC Treaty).

### *Other matters*

#### *Publications*

604. Work continued on setting up a Publications Office and a Publications Sales Centre with the aim of centralizing work in this field. The Merger Treaty provides that these agencies should be located in Luxembourg. The Luxembourg departments have already coped for many years with the publication of the Official Gazette and ECSC, Parliament and Court of Justice documents. With the entry into force of the agricultural regulations, the number of pages in the Official Gazette increased by 61% during 1967 and the number of issues by 53%. It now appears daily.

*Languages, documentation and terminology*

605. Work is continuing on setting up a medium- and long-term translation service in Luxembourg as provided for in the Merger Treaty. This service is to undertake translations intended for publication and generally to relieve the Brussels translation service of work which is not of an urgent nature. The work carried out in Brussels has expanded sharply each year : the increase for 1967 over 1966 was 13%.

The completion of studies undertaken by the former EEC Commission with a view to the automatic handling of documents enabled a start to be made on the introduction of a system of automatic documentation which is expected to be fully operational in 1968 and to make possible the publication of the subject index of the central library's systematic catalogue. Further progress will be made later, when automation is extended to the various catalogues and bibliographical lists.

As regards terminology, the terminology fund, recorded by computer, continues to expand in Luxembourg. The Dicautom method worked out by the former High Authority departments allows the translating staff to consult an electronic dictionary automatically. The requisite programmes for the four official languages and English have already been tested and the system can now be put into operation. As regards Euratom, longer-term projects are under way in connection with the preparation of the Euratom Glossary, which is already at a very advanced stage, and of glossaries of maritime terms, geology and thermonuclear fusion.

**FORMER JOINT SERVICES**

606. Until the Merger Treaty came into force, the services common to the three Executives worked within an organic framework existing since 1960. At that time, an agreement was reached between the Presidents of the three Executives as to general rules of administration and organization of these services. It was decided that each of them should be administered by a supervisory board manned by three members, one member per Executive, and be presided over by the representative of the Executive responsible for the administration of the corresponding service. The High Authority administered the Statistical Office, the EEC Commission the Joint Information Service, and the Euratom Commission the Joint Legal Service.

Since July 1967, the supervisory boards have been wound up and the services which were at the disposal of the three former Executives have become departments of the single Commission.<sup>(1)</sup>

In order to ensure continuity in the information provided by the General Report, and in view of the fact that this report covers differing periods of review, the account of the work of the former joint services has been given the same form as in the past. In future, accounts of the Commission's activity in matters of Community law, information and statistics will be given a new presentation.

### *The Statistical Office*

607. The Commission carried out a large amount of work in the field of statistics during the year under review, and only the main aspects can be considered here: from the outset, the former Executives had set the Office what they considered a most important objective: that of establishing, within a national accounting framework, a picture of economic channels adapted to the Community's analysis, forecasting and economic policy requirements. The preparation of a European System of Integrated Economic Accounts was pressed forward in various ways. Apart from the more detailed treatment of traditional national accounts, work on two projects—the development of input-output tables for a thorough analysis of flows of goods and services and the preparation of financial accounts for a study of monetary and financial channels—continued along roughly parallel lines. The project for a European System of Integrated Economic Accounts now encompasses and integrates as closely as possible each of the three systems of accounts.

The results of a tentative study of the social accounts of the Member States, covering the years 1962 and 1963, have been published. This study aimed at providing the basis necessary for a better appreciation of the impact of social expenditure in the field of social policy and its relation to general economic activity. It has enabled comparable statistics of most social expenditures to be worked out, measured and analysed both from the point of view of their destination and their financing. For the first time, the results of a survey the purpose of which was the international comparison of the retail prices in absolute values of about 250 selected articles have been published. This survey, which

---

<sup>(1)</sup> Sec. 599.

is carried out in April and October of each year among large stores and the main specialist retail outlets of the Member States, helps to fill a major gap in information on the effects of the Common Market on the consumer.

Progress has been made towards harmonizing the energy balance-sheets through the introduction of a new method of converting waste coal. A survey in connection with industrial statistics is in preparation; its aim is to assemble each year, in all Member States, data on a number of major variables enabling trends and changes in structure in the various industries to be monitored. The data will also facilitate the calculation each year of the added value or at least the net value of output per industry. Lastly, surveys on the structure of farms (Regulations No. 70/66/CEE and No. 35/67/CEE) are being carried out and are progressing satisfactorily.

### *The Information Service*

608. The very numerous requests for information about the Community bear witness to an increasing public interest in European problems: at one time mainly professional, ideological, or political in nature, public interest is now much more general. A short while ago the Common Market was the concern of the specialist—it is now becoming everybody's business.

There is no doubt that this year's events made a special contribution to broadening the Common Market's "audience": the Kennedy Round, the 1 July 1968 deadline, the merger of the Executives and membership applications from several European countries all reached the headlines. Below is a summary of the main activities by means of which the Community endeavours to respond, within the framework of general policy guidelines and its budget,<sup>(1)</sup> to the demand for information.

#### *Media*

609. In addition to the printed matter produced in seven monthly magazines, 60 general or specialized information brochures were also published in seven languages, plus leaflets for the general public and a folder of 12 maps. In the audiovisual field, emphasis was on extending

---

(1) *Seventh (EEC) General Report*, sec. 384.



the information networks, particularly by increasing the number of radio and television features and by organizing regular co-operation with newsreel producers to supplement the arrangements already made with the television networks of the six Community countries.

In order to awaken the interest of young people in European problems, a third competition for young photographers and film enthusiasts was organized with the co-operation of companies which produce photographic material and equipment. In view of the development of television for schools, several joint projects have been worked out with the authorities in the Community countries.

A special effort was made on the occasion of the Montreal Universal Exhibition: over two million visitors came to the European Community pavillion. The European Day—10 September—afforded an opportunity for several displays which helped to make the Community known in Canada. The Member States also participated in various fairs and exhibitions in Italy, in the Netherlands and in Brussels.

#### *Information for key groups*

610. As well as information for the general public, the supply of detailed information to those groups especially interested in the process of European integration was selectively intensified in response to the demand for fuller treatment of problems from industrialists, trade unionists, lecturers, youth leaders, etc.

The supply of information to trade unions was carried out as in the past in liaison with the unions and federations affiliated to the international confederations which themselves take part in the working of Community institutions. This action took many different forms, but mainly consisted of fact-finding meetings lasting one or more days. In 1967, 78 meetings were organized for union leaders and officials, and these were supplemented by several hundreds of operations in the field for local leaders, organized by trade union organizations themselves with the co-operation of the Information Service. Documentary information was also provided for the organizations and the trade union press: trade union information memos, press reviews, calendars of important events, monographs, lists of documents, etc., all designed to better acquaint trade union circles with European problems and improve the supply of information of European interest to trade union organizations.

In agricultural circles, more information was disseminated about the decisions on common prices and the free movement in the Community of a large proportion of agricultural produce. There was a growing interest in the development of the common agricultural policy. More than 60 fact-finding meetings lasting one or more days were organized in Brussels for "European" or "national" groups and about 50 in Community countries. About ten such meetings concerned groups from non-member European countries (Britain, Denmark, Norway). Three important operations on a European level are particularly noteworthy: the fourth seminar for students of higher agricultural institutions, the first Community young farmers' conference, and an information session with the Consumer Contact Committee. The information media consisted chiefly of brochures and various documents on the common agricultural policy and on the consumer's place in the Common Market, and also of a Newsletter on the Common Agricultural Policy. All these activities are discussed at least twice a year with the directors of the information services of the Ministries of Agriculture of the six countries.

In the Yaoundé countries the dissemination of information on the significance, aims and effects of European integration and the association with the Six was continued by means of radio and television broadcasts, various publications and contacts with persons in public life. Some 350 broadcasts were made to these countries, most of them through the Radio Co-operation Office (Ocora), and the remainder from short-wave stations in several countries of the Community.

In the six Community countries themselves, the aim of information policy is to make known by all available means and as widely as possible the problems of association and particularly the results obtained in Africa and Madagascar within the Yaoundé Convention.

611. In Community circles other than those already mentioned, the information policy concentrated increasingly on persons influential in economic and political life. This is the daily concern of the press and information offices at Bonn, The Hague, Paris, Rome, London, Geneva, Washington, New York and Montevideo. It should also be mentioned that about 10,000 persons visited Brussels or Luxembourg for information purposes, a large number of them being public figures likely to act as "multipliers" in the immense task of making Europeans aware of, and of informing them as to, developments in Europe.

*Action in the educational field*

612. Requests for information coming from universities have increased sharply in number as a result of the spread of teaching and research devoted to Community institutions and problems. It is no longer only the laws and economics faculties which feel involved — the political sciences, sociology and agronomy departments are now also taking an interest in European affairs. The number of courses and seminars on Europe in the Community countries and in Britain has increased by about 70% in two years.<sup>(1)</sup>

Seventy-six doctoral theses were submitted to the competition for the European Communities' prize in 1967, against 65 in 1965.

Education of this kind is also being provided in Greece, Turkey, Ireland, Switzerland, Austria, Spain, Canada, various Latin American countries and most East European countries. In the USA, 47 regular teaching programmes on Community institutions and problems have been organized.

This development is not restricted in the Community to higher education. In schools wide dissemination of information on Community activities has been facilitated by the production of suitable documents and by the organization of discussions and one-day fact-finding meetings with the co-operation of the Committees for the European Schools Day, The European Association of Teachers, the European Campaign for Civic Education, teachers' unions, the International League for Education and Culture, the Catholic International Education Office, etc.

Lastly, in the fields of non- and post-scholastic education, i.e. youth movements and adult education, closer and more extensive co-operation has developed with most of the large organizations in the form of international and national seminars.

In continuing to extend these information activities, the Community authorities are striving to respond to the resolution voted by the European

<sup>(1)</sup> Lecture courses and seminars in European universities :

	1964-65	1965-66	1966-67
Germany	32	40	45
Belgium	17	26	30
France	59	69	73
Italy	10	21	27
Netherlands	4	10	15
Britain	11	32	33
Total	133	198	223

Parliament on 9 May 1966 and to the wishes of the Council of Ministers, which increased the appropriations for this purpose in the 1967 budget.

As in the past, the government services responsible for youth activities in the Member States were invited to take part in the working out and implementation of these information programmes.

The European Parliament also maintained its interest in these problems in 1967. When the Parliamentary Committee on Research, Energy and Atomic Problems submitted an oral question, the Parliament recalled its resolution of 9 May 1966<sup>(1)</sup> advocating the formation of a European youth organization and expressing the hope that this problem could gradually come to be seen in a Community perspective. Speaking for the Commission, Mr. Colonna di Paliano assured the House that the Executives were endeavouring to achieve the aims of the resolution. They had called for more funds and were stepping up information activities and exchanges of young people. However, there were still insufficient staff available for work to be carried out on the scale desired by the Parliament.

### *The Legal Service*

613. The former Executives carried out their legal work within the existing organic framework, with the Legal Service being divided into three branches attached to the three Executives. On the administrative level, the operation of the joint service was placed under a supervisory board presided over by Mr. Sassen, member of the Euratom Commission. Although the single Commission maintained this arrangement pending the complete reorganization of its departments, some interpenetration and considerable co-ordination of the work of the three branches was achieved. The work is in fact of essentially the same nature, though the fields concerned are different.<sup>(2)</sup> In the ECSC branch, activity mainly consisted of studies and participation in the drafting of executive decisions. In the EEC branch, the bulk of the work is concerned with the Community as legislator, and in the Euratom branch, the emphasis is on work connected with the conclusion and implementation of a large number of contracts.

---

<sup>(1)</sup> *Tenth (EEC) General Report*, sec. 364.

<sup>(2)</sup> Sec. 614.

CHAPTER VIII

COMMUNITY LAW

614. Following the practice of the last two (EEC) General Reports, this report—the first issued by the single Commission—outlines the development of Community law during the past year, in this case under the three Treaties.<sup>(1)</sup> The first section below is devoted to the activity of the Legal Service, one of whose tasks is the promotion of Community law.

In accordance with established practice, the Legal Service was consulted on all the legal acts and proposals issued by the Executives, and on the legal aspects of most of the problems arising in the administration of the Communities. The fields in which the main problems of legal interest arose during the year under review were the following :

*EEC Treaty*

- (i) Measures for the completion of the customs union on 1 July 1968, in particular proposals for the harmonization of tariff legislation;
- (ii) The elimination of non-tariff obstacles to trade;
- (iii) Preparation of regulations and establishment of machinery for the first agricultural market organizations working under the single-price system;
- (iv) Implementation of the right of establishment and of freedom to supply services, and a study of amendments to company law;
- (v) Conclusion of agreements with non-member countries, in particular tariff agreements negotiated within GATT and implementation of the association conventions;
- (vi) Study of the legal problems raised by the applications for accession to the Communities.

---

<sup>(1)</sup> The tables concerning judicial decisions in the field of Community law published in the *Tenth (EEC) General Report* are brought up to date at the end of this chapter.

*ECSC Treaty*

- (i) Decision relating to subsidies concerning the marketing of coking coal and coke for Community iron and steel enterprises;
- (ii) Decision widening the categories of industrial combination not subject to prior authorization under Article 66 of the ECSC Treaty;
- (iii) Application of the general aid scheme to the Community coal industries, improvement of the supervision of the iron and steel product markets, and joint sales machinery set up by the German iron and steel industry.

*Euratom Treaty*

- (i) Revision of Title 2, Chapter VI, of the Euratom Treaty, which deals with supplies of nuclear fuels and ores;
- (ii) Problems concerning the compatibility of the Euratom Treaty with the draft treaty on the non-proliferation of atomic weapons;
- (iii) Application of local legislation to the establishments of the Joint Research Centre (safety, health protection, etc.);
- (iv) Implementing measures adopted by the Member States under Articles 3 and 4 of the Protocol on privileges and immunities (the Community's immunity from taxes and customs duties);
- (v) Arbitration concerning the taxation in the United Kingdom of officials working on the Dragon project.

615. The merger of the Executives and of their staffs engendered a considerable number of problems in administrative law for the Commission. These arose mainly in connection with the adoption of a single Statute of Service and common implementing rules, the establishment of a single budget, new rules of procedure for the Commission itself and a large number of procedural and organizational measures designed to facilitate the work of the Commission and of its staff. A start was made on the preparatory work for the merging of the Communities, work to which the Legal Service has a special contribution to make.

616. In the litigation field, the Commission dealt in 1967 with 65 cases filed with the Court of Justice, 36 of which were settled and 29 of which are still pending.

The 37 cases filed with the Court of Justice in this period comprised :

- (i) Twenty-three cases relating to preliminary questions submitted by national courts under Article 177, ten of which were submitted

by courts of last instance. Ten of these cases concerned social security, two concerned the interpretation of Articles 95 and 97 of the EEC Treaty, six the interpretation of Articles 85 and 86 of the EEC Treaty, four the interpretation and the validity of regulations relating to agriculture and one the interpretation of a clause in the Protocol on privileges and immunities;

- (ii) Nine appeals by staff against the Commissions or the High Authority under Article 91 of the Statute of Service;
- (iii) Three appeals by enterprises under Articles 33 and 35 of the ECSC Treaty concerning individual decisions of the High Authority;
- (iv) An action by the Euratom Commission against an individual under an arbitration clause included in a contract in accordance with Article 153 of the Euratom Treaty.

Among the decisions handed down during the periods covered by this report, particular interest attaches to the judgments in Joint Cases 5, 7, 13 to 24/66 (suits for compensation against the EEC Commission), in Case 17/67 (the validity of agricultural regulations) and in Case 23/67 (interpretation of Article 85).<sup>(1)</sup>

617. As in preceding years, the Commission continued its efforts to provide information on the development of Community law.

Important questions connected with the Community's legal order were the main items discussed in the Legal Committee of the European Parliament, in which the Commission was regularly represented, mainly by officials from the Legal Service. Particularly noteworthy were the discussions concerning the application of Community law in the Member States, the protection of individuals by the courts and the legal problems connected with consultation of the European Parliament. These discussions led to the drafting of official reports presented respectively by Mr. Dehousse, Mr. Deringer and Mr. Jozeau-Marigné, and to the adoption of important resolutions by the Parliament in full session.

At a series of symposia and seminars, such as those held at Bad Ems, Deauville and Brussels, questions concerning the establishment of a European-type company were considered in more detail; the draft statute for this type of company, prepared by a working party under the chairmanship of Professor Sanders, has now been published. Important

---

<sup>(1)</sup> Sec. 626. The last two of these judgments, handed down in December, are at present referred to only under sec. 576.

problems concerning the right of establishment and company law in the Community were examined thoroughly at the international seminar organized in June at Pont-à-Mousson and in a symposium held in Turin in September. Ways and means of eliminating obstacles hampering the co-operation, amalgamation and concentration of firms in the Common Market were considered at an international meeting organized by the Centre d'études européennes of the University of Paris and attended by many businessmen and persons active in public life. The Liège symposium, on questions raised by the merger of the Communities, dealt this year with the external relations of a unified Community.

A visit by members of the Legal Committee of the German Bundesrat and by Länder officials specializing in questions of European law provided an opportunity for a fruitful exchange of views on problems that have recently arisen in connection with the application of Community law, including those raised by the fact that Germany is a federation.

Contacts with judicial circles in the various countries were also pursued during the period covered by this report. For example, the relationship between Community law and the domestic law of the Member States was studied with future French judges at the Centre national d'études judiciaires and with *Gerichtsratsreferendare* of the Federal Republic of Germany. The annual series of lectures on Community law held in the Paris Palais de Justice attracts many members of the legal professions.

Such contacts with the judges and the officials responsible for the implementation of Community law in the Member States must be encouraged. Not only do they provide lawyers in the member countries with information needed for their work, but they also help to develop awareness of the legal problems peculiar to each Member State and thus prepare for better understanding of Community problems and of the concerted solutions these require.

Lawyers and legal associations outside the Community still showed undiminished interest in the problems of Community law. In this connection, mention may be made of a conference arranged by the International Law Association in London on the extraterritorial effects of competition regulations, a visit paid by leading Norwegian lawyers to the Brussels Commission and, in particular, the presence of practising and academic lawyers from Britain at conferences in Brussels and Rouen — conferences where the legal questions raised by Great Britain's application for membership were naturally high on the agenda.



### The legal order of the Community

618. Since the entry into force of the Treaty of 8 April 1965 establishing a single Council and a single Commission of the European Communities, the Treaties instituting the European Coal and Steel Community, the European Economic Community and the European Atomic Energy Community have been implemented and supervised by the same institutions. The Community's legal order is not directly affected by this change: three distinct Communities and three different Treaties survive, and each of these, as will be shown below, must still be interpreted in the light of the philosophy upon which it is based (for example, partial integration for the ECSC, general integration for the EEC). However, the work done since 1958 by the common institutions for political and legal control is clear evidence that the execution of the three Treaties by the same group of institutions should facilitate the consistent and co-ordinated development of the Community's legal order.

619. The changes noted in this respect in the period covered by the present report are fully in line with the trend noted in the preceding report. There are various indications of the growing penetration of domestic legal systems by Community law and of the steadily improving comprehension of the new situation by those working in this field. The pattern of cases dealt with by the courts provides the clearest evidence of the continuing trend.

For one thing, the application of Community law is gaining in importance within the courts of the Member States, as can be seen from the number of court decisions connected with Community law that have been handed down in the member countries,<sup>(1)</sup> and even more from the number of such cases now pending before these courts. In the Federal Republic of Germany, in particular, there has of late been a spate of litigation concerning problems raised, in relation with Articles 95 and 97 of the EEC Treaty, by the application to products from other Member States of charges levied as equalization for turnover taxes.<sup>(2)</sup>

Secondly, the number of disputes arising in connection with the bases of Community law is steadily declining. In 1967, the question of the

<sup>(1)</sup> Table 24.

<sup>(2)</sup> According to information in the possession of the Bundesfinanzhof (Federal finance court), the number of administrative complaints made to the administrative authorities on this point totals nearly 200,000, the number of disputes referred to the Finanzgerichte (finance courts) 15,000.

constitutionality of the Treaties seems to have been raised by no court or tribunal in the Member States. It is to be noted that the Bundesverfassungsgericht (Federal German constitutional court) found inadmissible a preliminary question referred to it in this connection by the Rhineland-Palatinate Finanzgericht.<sup>(1)</sup> In a decision of 18 October 1967, the same court<sup>(2)</sup> also found inadmissible two suits which had been filed with it by individuals who pleaded that certain rules in Council and/or Commission regulations were unconstitutional. The Bundesverfassungsgericht, whose right of control extends only to German public authorities, declared itself incompetent to pass upon Community regulations, i.e. "... acts of a special ... supranational ... public power," set up by the Treaty and entirely separate from the public power of the Member States. "The EEC institutions," the Court said, "exercise sovereign rights which the Member States have relinquished for the benefit of the Community set up by them ... Thus a new public power has been created, autonomous and independent of the public power of each Member State ... The legal rules adopted by the Community institutions in the exercise of their powers deriving from the Treaty ("secondary Community law") constitute a separate legal order which is part neither of international law nor of the municipal law of the States."

## EEC TREATY

### *The machinery of the Community legal system*<sup>(3)</sup>

#### *Article 177 of the EEC Treaty on uniform implementation of the Treaty*

620. The essentials of the procedure for judicial co-operation established in Article 177, as expounded by the Court of Justice in its earlier rulings,<sup>(4)</sup> have in the period under review found appreciably wider application in the court practice of the six countries. Nearly half the preliminary

<sup>(1)</sup> Decision of 5 July 1967 (2 BvL 29/63), *Neue Juristische Wochenschrift*, 1967, p. 1707. In the statement of grounds accompanying the decision, the Court also intimated that the constitutionality of the Treaty as a whole could not be challenged in Germany.

<sup>(2)</sup> Case 1 BvR 348/63; Case 1 BvR 216/67.

<sup>(3)</sup> As in the *Tenth (EEC) General Report*, the titles reflect the structure of the first account of the development of Community law, which appeared in the *Ninth (EEC) General Report*, and which is being supplemented in subsequent general reports.

<sup>(4)</sup> *Ninth (EEC) General Report*, secs. 386 and 387.

questions concerning the interpretation or the assessment of the validity of rules of Community law put since the entry into force of the Treaty were filed in the first ten months of this year. This class of case accounts for the bulk of the Court's work in 1967. Preliminary questions alone account for about two-thirds of the cases filed with the Court of Justice under the three Treaties between 1 January and 31 December 1967.<sup>(1)</sup>

The significant increase in the number of preliminary questions submitted by the member countries' courts is of course a direct function of the sharp increase in the number of cases before them where Community law is applicable. It is also evidence of the fuller understanding by the judicial authorities in the various member countries of the way in which their work dovetails with that of the Court of Justice, and of the value of Article 177, both for the correct application of Community law and for the protection of those appearing before the Courts.

It is remarkable that Article 177 has been used not only by lower courts, but also by several courts of last resort. It is true that this tendency to use the preliminary question for problems of Community law does not extend to all courts of last resort. Neither the senior Italian Courts nor the French Conseil d'État<sup>(2)</sup> for example, have felt it necessary to appeal to the Court of Justice for an interpretation of the clauses of the Treaty or of acts of the institutions with which they have had to deal. On the other hand, the Cour supérieure de justice of the Grand Duchy of Luxembourg,<sup>(3)</sup> the Belgian Conseil d'État (four cases),<sup>(4)</sup> the Bundessozialgericht,<sup>(5)</sup> the Centrale Raad van Beroep,<sup>(6)</sup> the Bundesfinanzhof<sup>(7)</sup> and the French Cour de cassation<sup>(8)</sup> have all referred to the Court of Justice questions of interpretation or of validity in compliance with the requirement set out in the third paragraph of Article 177.

621. Jurists are not unanimous as to the scope of all aspects of this requirement. Nor do the courts concerned always regard themselves as bound to refer questions to the Court of Justice; if a dispute on the

<sup>(1)</sup> Sec. 575.

<sup>(2)</sup> Case 2/67 (judgment of 5 July 1967, see sec. 576).

<sup>(3)</sup> Judgment in *Syndicat national des importateurs français en produits laitiers et Société Decker*, 27 January 1967. Submissions of Mr. Michel Bernard. *Revue de Droit public*, 1967, p. 781.

<sup>(4)</sup> Case 6/67 (Judgment of 5 July 1967, see sec. 576) and Cases 11/67 and 18/67.

<sup>(5)</sup> Case 14/67.

<sup>(6)</sup> Case 19/67.

<sup>(7)</sup> Cases 17/67 and 28/67.

<sup>(8)</sup> Case 22/67 (see sec. 576).

interpretation or scope of a rule of Community law is deemed negligible or irrelevant to the solution of the dispute,<sup>(1)</sup> they rule directly without reference to the Court of Justice. But they have in general become aware of the peculiar difficulties of Community law and of the need for the greatest prudence in assessing the clarity of Community rules of law.<sup>(2)</sup>

Nor, according to the Court's rulings,<sup>(3)</sup> is a preliminary question necessary when the Court has already ruled on the problem raised. This does not, however, mean that a question *may* not be filed. Article 177 always allows a domestic court to refer questions of interpretation once again to the Court if such action is considered useful.<sup>(4)</sup> The Bundesfinanzhof in fact used this right in its decision of 18 July 1967,<sup>(5)</sup> under which it asked the Court *inter alia* whether it "confirmed its judgment of 16 June 1966 in Case 57/65,<sup>(6)</sup> according to which the first paragraph of Article 95 produces immediate effects and creates for individuals rights which the domestic courts must uphold."

When questions of interpretation or validity arise before courts whose decisions are open to appeal to a higher court within the country concerned, reference to the Court of Justice is optional (second paragraph of Article 177). It is, however, in the interests both of the parties and of the certainty of the law (*sécurité juridique*) that the earliest possible opportunity should be given the Court of Justice for it to rule on these questions. This is the case in particular when the questions arise from a doubt as to the validity of Community acts. But a court of first instance which does not accept the validity of a Community act is entitled not to apply it. The Frankfurt Verwaltungsgericht (administrative court) did not hesitate to do this in decisions of 12 December 1966<sup>(7)</sup> and 23 August 1967 (not yet published). On the other hand, the Munich Finanzgericht, when in doubt as to the validity of a regulation, preferred to refer the matter to the Court of Justice, stating rightly in its request

(1) French Conseil d'État, judgment in Syndicat national des importateurs français en produits laitiers et Société Decker, 27 January 1967. Submissions of Mr. Michel Bernard. *Revue de Droit public*, 1967, p. 781; Belgian Cour de cassation, judgment of 8 June 1967, *Journal des tribunaux*, 9 September 1967, p. 458.

(2) Submissions of the advocate-general in CRSS du Nord-Est v. Goffar. Judgment of the French Cour de cassation (Second civil chamber) of 27 April 1967, *Dalloz-Sirey*, 4 October 1967, p. 543 *et seq.*

(3) *Ninth (EEC) General Report*, sec. 387 *in fine*.

(4) Judgments 28, 29 and 30/62, *Recueil de la jurisprudence de la Cour* (hereinafter *Recueil*), Vol. IX, p. 63. (The reports of the Court do not appear in English).

(5) Case 28/67.

(6) *Recueil*, Vol. XII, p. 293.

(7) *Tenth (EEC) General Report*, sec. 449.

for a preliminary ruling, dated 25 January 1967,<sup>(1)</sup> that “the fact that the Court of Justice has an opportunity—at as early a stage as possible in the judicial procedure—to reply to the question of validity ... is in keeping with the requirements of good procedure.”

*Sources of Community law*  
(Acts of the Institutions)

*Increased use of regulations*

622. Since the common organization of agricultural markets entered the final stage of the common market, there has been a considerable increase in the work of the Community Institutions. The bulk of the additional work is connected with import levies and export refunds.

The levies and refunds are from now on to be fixed by the Community Institutions. They were previously determined by the Member States either on the basis of prices laid down by the Institutions or within limits set by them.

Community intervention thus became much more direct and this has naturally affected the nature and form of the relevant instruments. The prices serving as a basis for the calculation of the levies or the ceilings placed on refunds had been fixed by decisions addressed to the Member States concerned: all that was required was to determine the components which the Member States had to take into consideration in fixing the exact amounts of the levies or of the refunds. Moreover, when both are fixed by the Community Institutions, Community law flows directly from its source to those affected, without passing through national authorities. From now on, therefore, the right procedure is the adoption of regulations “directly applicable in each Member State” (Article 189 of the Treaty).

This change—which is very characteristic of the progressive development of the Community legal order—has also proved favourable to individuals, for whom it has become easier to check how far the measures concerned conform with the Treaty and if need be, to challenge them in the courts.

---

<sup>(1)</sup> Case 5/67.

*Adoption of Commission decisions : delegation of powers*

623. The increase in the Commission's work in connection with regulations has also affected the conditions under which its decisions are prepared : as the implementing and administrative tasks increase, it is becoming more and more difficult for the 14-man Commission itself to take as a collective body all the relevant decisions, which are numerous, often of great urgency, and highly technical.

In this connection, the Court's rulings have shown that a distinction should be made between powers that can be exercised only by an authority already endowed with a large measure of discretionary capacity and which because of their relevance to economic policy cannot be delegated without causing a shift in responsibility, and clearly delimited executive powers which can quite properly be delegated.

This distinction lies behind the wording of Article 27 of the EEC Commission's rules of procedure<sup>(1)</sup> : "The Commission may empower its members and officials to take on its responsibility, all or any of the measures ... needed for the preparation and execution of its decisions ..."

The EEC Commission had already had occasion to apply these rules. Faced with the heavy increase in a number of regulations in the agricultural field—connected with the transition to the ultimate single market stage—it proved necessary in this field to extend the practice of authorizing subordinates to sign decisions. A decision to this effect was adopted on 5 July 1967<sup>(2)</sup> and has since been supplemented by other decisions of the single Commission.<sup>(3)</sup>

624. In acting thus, the Commission has no intention of relinquishing its responsibilities by transferring them to other persons. The mandate given to an individual member of the Commission and, in his absence, to senior officials, leaves the Commission full freedom to intervene if it feels it should do so.

The persons concerned have been authorized *in the Commission's name and on the Commission's responsibility* to sign decisions which lie well outside the realm of economic policy and involve only clearly delimited executive powers (fixing of the amounts of the import levies or the export

---

<sup>(1)</sup> Made provisionally applicable to the activities of the single Commission by a Decision of 6 July 1967. *Official Gazette* No. 147, 11 July 1967.

<sup>(2)</sup> *Official Gazette* No. 146, 8 July 1967.

<sup>(3)</sup> *Official Gazette* No. 179, 3 August 1967 and No. 187, 8 August 1967.

refunds in relation with the difference between world prices and internal prices). The Commission has also been careful to stipulate that reports must be submitted from time to time on the use of these powers and that where necessary additional guidance must be sought from the Commission.

The acts thus adopted under powers delegated by the Commission have the same value and the same status in the legal hierarchy as if they were adopted by the Commission itself. They are therefore open to the same types of appeal, and guarantees for individuals are not affected.

In all respects—and particularly vis-à-vis the European Parliament—it is accordingly quite clear that these measures in no way represent an attempt by the Commission to escape its responsibilities under the Treaty, but merely reflect a desire to adjust methods of work so that it can carry out its administrative tasks as efficiently as possible without its role as a policy-maker and its powers of initiative being impaired.

*Nature of the acts* (measures taken under Article 15(6) of Council Regulation No. 17)

625. The concept of a decision within the meaning of Article 189 of the EEC Treaty is of great importance for the legal protection of individuals, since on it depends *inter alia* the admissibility of appeals for annulment which the second paragraph of Article 173 entitles them to submit to the Court of Justice. Joint Cases 8 to 11/66, judged on 15 March 1967,<sup>(1)</sup> gave the Court an opportunity to amplify, in important respects, the reasoning behind some of its previous rulings.<sup>(2)</sup> For the first time, it was required to rule on complaints from parties to a restrictive agreement against Commission communications based on Article 15(6) of Council Regulation No. 17 (implementing Articles 85 and 86 of the EEC Treaty).

Under this clause, the Commission may inform enterprises which have notified a restrictive agreement that this agreement appears, after a preliminary examination, to conflict with Article 85 of the Treaty. The effect of this "communication" is to deny the enterprises concerned the benefit of the arrangements made by Article 15(5) of the Regulation and thus to render them liable to the fines which Article 15(2) empowers the Commission to impose, as appropriate, on enterprises infringing Article 85. However, the communication does not settle definitively the question

(1) *Recueil*, Vol. XIII, p. 93.

(2) *Ninth (EEC) General Report*, sec. 388.

of the compatibility of the agreement with the Treaty clauses and thus does not by itself constitute a legal obligation for those to whom it is addressed. It was therefore doubtful whether such communications had the status of decisions in Community law, especially as Article 15(6) of the Regulation uses the term "communication" and not "decision." But since it bars the benefit of Article 15(5) to those concerned and thus renders them liable to serious pecuniary risks, the communication is none the less, according to the Court, a "measure having legal effects as to the interests of the enterprises concerned and which is binding at law on them." It therefore ranks as a decision within the meaning of the Treaty. Although provisional, it constitutes the final stage of a special procedure distinct from that which will subsequently enable the authorities to rule on the merits of the case. The Court added that to allow enterprises to appeal only at the final stage of the procedure for the amendment of Commission decisions banning agreements or Commission decisions inflicting fines would not ensure adequate legal protection.

### *Interpretation of substantive rules of Community law<sup>(1)</sup>*

626. Article 215 of the EEC Treaty lays down the principle that the Community incurs non-contractual liability "in accordance with the general principles common to the law of the Member States." The wording used is, however, very general, so it is particularly interesting for the study of Community law to see how the Court has gradually defined in more detail the substance of the Community's non-contractual liability.

The judgment handed down by the Court on 14 July 1967 in Joint Cases 5, 7, 13 to 24/66,<sup>(2)</sup> concerning a series of appeals for damages submitted under Article 215 of the EEC Treaty, elucidated several important questions of interpretation raised by this very general Treaty rule: points at issue were the injury caused to legitimate interests, the problem of fault (*Verschulden*), the question of the extent of the damage, and the question of joint liability.

627. On the first question, the Court has adopted a generous and favourable attitude to individuals. It is not considered indispensable

---

<sup>(1)</sup> See footnote 3, p. 464.

<sup>(2)</sup> Sec. 576 and *Recueil*, Vol. XIII, p. 317.



that the rule of law infringed should have as main object that of protecting the interests of the plaintiff before its infringement can create entitlement to redress. In the case at issue, the rule infringed was a provision concerned with a market organization which served as basis both for a safeguard measure and the Commission decision that was annulled by the Court on grounds of illegality.

The Court's attitude to fault is also favourable to those injured by an incorrect administrative act. While the Commission, drawing mainly on certain rules found in the domestic law of different Member States, had argued that the Community could be held liable for compensation only in case of serious fault, the Court, in view of the fact that the decision quashed had been adopted as part of the Commission's control work, ruled that "The Commission is required to carry out as careful an examination of each safeguard measure communicated as that which the Governments of Member States are required to carry out, and it has independent responsibility for the maintenance of the safeguard measures." Nor did the Court recognize as a circumstance discharging the Commission from its liability the fact that the official act constituting a fault was adopted as part of an emergency procedure, in which economic forecasting is especially difficult.

On the question of damages, the main point at issue was how far the plaintiffs were entitled to compensation for loss of profits. Community regulations enable importers to obtain import licences in which the rate of levy is fixed in advance for a certain period. The loss of profits was due to the fact that licences with the levies fixed at 0 were refused the plaintiffs—although the nil levy had been fixed by the Commission—and that consequently they were unable to make purchases on these advantageous terms; the Commission decision authorizing this refusal had been set aside by the Court in 1965.<sup>(1)</sup> The Court, while accepting the principle that loss of profits must be compensated, dismissed by far the greater part claimed by the plaintiffs under this heading because of the speculative nature of the purchases in question. It even denied any obligation of redress at all to the extent that the imports concerned had not in fact taken concrete form and were therefore not of the material nature which would have created a right to redress for loss of profits.

Lastly, the Court was required to consider the question of the joint liability of the Community and the Member States. It ruled that the plaintiffs

---

(1) Judgment in Joint Cases 106 and 107/63, *Recueil*, Vol. IX, p. 526.

should be awarded neither inadequate nor excessive damages because of differing assessments made by two different Courts applying different rules of law. Before determining the damages for which the Community would be held liable, the Court stated that the domestic court should be in a position to rule on the liability, if any, resting on the Member State concerned. In addition, if the damage suffered by the enterprises was due to the payment of the levy to the fund of the Member State, the enterprises must first exhaust all legal remedies to obtain a refund by the State concerned of the sums wrongly paid as levies; only when these remedies had been exhausted was it right to consider whether the Community may still be required to make redress.

### ECSC TREATY

628. Inasmuch as the ECSC Treaty is more a "treaty of rules" than a "framework treaty," the bulk of Coal and Steel Community law is contained in the Treaty itself.

The difference between the EEC Treaty and the ECSC Treaty is at first sight very considerable. From the legal point of view, however, it should not be overestimated: implementation of rules set out in the ECSC Treaty also often necessitates the adoption of general measures designed to make the scope of such rules more precise.

It is indeed interesting to note that the expression "regulation"—which is found neither in Article 15 (which mentions only "decisions, recommendations and opinions") nor in Article 33 (which sets out the various grounds of illegality which may be charged against general decisions on the one hand and individual ones on the other)—is used several times in Article 66 of the Treaty, which concerns industrial combination.

For example, after establishing the principle that operations of lesser importance are exempt from prior authorization, Article 66 provides for a "regulation", established after endorsement by the Council, to ensure its application. This was the subject of Decision No. 25-54 of 6 May 1954.<sup>(1)</sup> But the provisions of the decision have recently had to be adapted to changes which have since occurred in the volume of production,

---

<sup>(1)</sup> *Official Gazette* No. 9, 11 May 1954, p. 346.

in the structure of the economy and in the conditions of marketing and competition: during the period covered by the present report, the High Authority adopted Decision No. 25-67 of 22 June 1967, which embodies a regulation implementing Article 66(3) of the Treaty, relating to exemption from prior authorization.<sup>(1)</sup>

The rigidity with which the whole ECSC Treaty was drafted has been at least partially mitigated by the opportunities which are offered in Article 95 of the Treaty itself: the existence of a revision procedure internal to the Community (Article 95, third and fourth paragraphs) has enabled the European Parliament, on proposals from the High Authority and the Council and after endorsement by the Court, to widen the scope of Article 56 and so to temper the social and economic impact of closures. Moreover, the radical changes in the conditions under which coal and steel are marketed has in several cases led the High Authority and the Council to assume that the Community was in a situation not provided for in the Treaty (Article 95, first and second paragraphs) and that this situation warranted special measures to attain the objectives set out in the early articles of the Treaty.

This is one of the bases of Decision No. 3-65 of 17 February 1965,<sup>(2)</sup> establishing a "Community system of intervention by the Member States for the coal industry". Under this decision the Member States may grant aids to coal enterprises under Community supervision. In the period under review, Decision No. 1-67 of 21 February 1967,<sup>(3)</sup> designed to facilitate the sale of coking coal and coke to Community iron and steel firms, was also based on the first and second paragraphs of Article 95.

This last decision has a more markedly Community character than the preceding one: it is not limited to defining the conditions under which aids to the marketing of coking coal and coke for the iron and steel industry may be made but also compels the Member States to defray together—within certain limits—the cost of aids paid in connection with deliveries from one country to another. The mere fact that such an obligation can derive directly from a decision based on the first and second paragraphs of Article 95<sup>(4)</sup> is of considerable interest.

---

<sup>(1)</sup> *Official Gazette* No. 154, 14 July 1967, p. 154.

<sup>(2)</sup> *Official Gazette* No. 31, 25 February 1965, p. 480/65.

<sup>(3)</sup> *Official Gazette* No. 36, 28 February 1967, p. 562/67.

<sup>(4)</sup> Articles 203 of the Euratom Treaty and 235 of the EEC Treaty have similar effects.

It should also be noted that the application of the first and second paragraphs of Article 95 of the ECSC Treaty poses problems similar to those which are raised when the Council confers powers on the Commission pursuant to the last sub-paragraph of Article 155 of the EEC Treaty: Article 16 of Decision No. 1-67, unanimously endorsed by the Council, entrusted to the High Authority the task of adopting, after consulting the Council, the measures necessary for implementation of the Decision.<sup>(1)</sup>

Thus ECSC practice is if anything tending to come closer to the methods used in the EEC.

### EURATOM TREATY

629. When compared with the EEC and the ECSC Treaties, the Euratom Treaty has certain peculiarities that merit attention. On specific points the drafters of this Treaty did not hesitate to incorporate original and bold ideas. The work of the Euratom institutions and of the bodies which depend on them is also closely linked in many ways with the legal authorities and institutions in the member countries, notably through the research centres, and with international legal activity, because of the many important agreements made in this field.

Where the Treaty has to deal with the process whereby the legal activity of Euratom is fitted into the framework of domestic law and with institutions and establishments of the Community, the principle adopted is that the applicability of domestic law to all acts, installations and staff of the institutions is the rule and inapplicability the exception. The exceptions derive mainly from express rules laid down in the Treaties themselves or in the Protocols on privileges and immunities.

The exceptions based on these provisions are on the whole satisfactory, although it has proved indispensable, notably with regard to Articles 3 and 4 of the Protocol on privileges and immunities, to work out detailed implementing measures in association with the competent national authorities because of the differences in the fiscal systems of the Member States on whose territories the establishments of the Euratom Joint Research Centre have been set up.

---

(1) Decision No. 16-67, *Official Gazette* No. 127, 27 June 1967, p. 2521/67.

But it is inevitable that alongside these problems of interpretation and implementation difficulties should arise for which no specific clause provides even the principle on which to base a settlement. It is natural that the impact of domestic law should be more appreciable in an institution like Euratom, which owns and operates scientific, technical and even semi-industrial installations, particularly when, as is often the case, work being carried out is of a dangerous nature. Nobody will challenge the legitimate concern of the national and local authorities for public health and safety or for the preservation of the countryside. But there are cases in which a serious doubt may arise as to the applicability of laws and regulations which subject the Community's work to very specific formal and practical conditions, even if there is in fact nothing in Community law which expressly excludes their application. For instance it would be hard to defend in law the proposition that a site transferred to the Community as the result of an international agreement to build an installation for the Joint Research Centre in accordance with Article 8 of the Euratom Treaty should be included in a planning scheme which prohibited or severely restricted the construction of buildings essential to the Centre's work. In cases of this kind, domestic law has been deemed inapplicable, even in the absence of explicit agreements, if the conditions imposed by the national authorities were such as to prevent or seriously impede the Community in the execution of its task or would impair the functional independence of the institutions. But because of the delicate nature of such decisions, problems of this sort are examined jointly by the institution and the State concerned. This is in accordance with Article 19 of the new protocol on privileges, and the method has produced satisfactory solutions.

630. The submission to the Member States and to the Community of the draft treaty on the non-proliferation of nuclear weapons raised the problem of the harmonization of international commitments. This problem is not new, but at the present stage of international development the intensification of international relations coupled with the establishment among certain States of a common legal order, it is assuming exceptional dimensions and forms.

The conclusion by these very States of a constantly growing number of bilateral and multilateral agreements already entails the risk of conflicting commitments. The risk is further heightened when agreements covering the same field differ as to the circumstances which have led to them, as to their objectives, as to the choice of partners, as to the political

climate of which they are the expression and above all as to the degree of alienation of national sovereignty for which they provide.

This last factor gives the problem an original character inherent in the system of co-operation that has been established between the six countries: bound together in a Community order which has precedence over domestic law and having set up institutions to implement and safeguard this new legal order in the fields covered by the Treaties, the Member States can assume international commitments only to where the obligations entailed will not affect the coherence of the Community system or encroach on the authority of the common institutions.

The non-proliferation treaty constitutes a characteristic example of the kind of problem just referred to. In its original form, the draft contained clauses to which the Member States could not have subscribed without radically distorting arrangements for inspection and supply, for the free movement of nuclear materials and equipment and for the exchange of information between the Six.

The Euratom Commission and subsequently the single Commission of the Communities endeavoured to assess the legal implications of the draft treaty and to propose solutions designed to safeguard the coherence of the Community legal order while enabling any Member State that so wished to renounce — along with a large number of non-member states — all atomic armaments.

Table 22 — Cases submitted to the Court of Justice :  
analysis by subject-matter (situation at 31 December 1967)

	ECSC				EEC				Privileges and immunities	Application of the ECSC, EEC and Euratom Statutes of Service and similar	Total
	Scrap compensation	Transport	Competition	Sundry (1)	Customs union	Competition (including tax cases)	Social cases	Agricultural policy			
Cases filed	165	35	52	19	30	24	20	33	3	145	526 (2)
Cases struck out	21	5	15	9	6	1	1	2	—	44	104 (2)
Cases judged	142	29	36	10	24	14	19	20	2	96	392
Cases pending	2	1	1	—	—	9	—	11	1	5	30

(1) Levies, investment declarations, tax charges, miners' bonuses.  
(2) All the Euratom cases except one concerned the Statute of Service. This figure includes the exception.

Table 23 A — Cases submitted to the Court of Justice :  
analysis by type of case (EEC Treaty) (situation at 31 December 1967)

	Cases filed under Articles :											Total <sup>(e)</sup>		
	170			173			175			177			179	
	169 and 193	By Govern-ments		By private persons		By the Institutions	Total	Validity	Inter-pretation	Total	184			215
		10	3	22	2								31	
7	3	7	2	19	26	2 <sup>(6)</sup>	4	33	36	3	7	31		
Cases filed	10	3	7	2	19	26	2 <sup>(6)</sup>	4	33	36	3	7	31	152
Cases struck out	—	—	—	—	—	—	—	—	—	—	—	—	—	20
Cases judged <sup>(1)</sup>	7	3	7	2	19	26	2 <sup>(6)</sup>	4	33	36	3	7	31	109
In favour of plaintiff <sup>(2)</sup>	7	—	1	6	—	7	—	—	—	—	—	—	—	15
Dismissed on merits <sup>(3)</sup>	—	—	6	2	—	8	—	—	—	—	—	7	8	—
Ruled inadmissible	—	—	—	11	—	11	1	—	—	—	3	—	8	—
Cases pending	—	—	—	1	—	—	—	1	10	11	—	9	2	23

(1) The number of judgments is smaller than the number of cases judged, because some cases were consolidated.  
 (2) In respect of at least one of plaintiff's main pleas.  
 (3) This also covers appeals part of which were ruled inadmissible and part of which were dismissed on the merits.  
 (4) This column does not include appeals filed by officials or other servants of the joint institutions.  
 (5) The total may be smaller than the sum of cases listed since some cases were based on more than one article of the Treaty.  
 (6) Including one judgment to the effect that no ruling was necessary except on costs.



Table 23 B — Cases submitted to the Court of Justice :  
analysis by type (ECSC Treaty) (situation at 31 December 1967)

	By Governments	By the Institutions	By private persons (enterprises)	By Community staff <sup>(4)</sup>	Total
Cases filed	20	1	251	32	304
Cases struck out	9	—	41	18	68
Cases judged <sup>(1)</sup>	10	1	207	14	232
In favour of plaintiff <sup>(2)</sup>	5	—	48	4	
Dismissed on merits <sup>(3)</sup>	4	—	111	6	
Ruled inadmissible	—	1	47	4	
Cases pending	1	—	3	—	4

(1) The number of judgments is smaller than the number of cases judged, because some cases were consolidated.  
 (2) In respect of at least one of plaintiff's main pleas.  
 (3) This also covers appeals part of which were ruled inadmissible and part of which were dismissed on the merits.  
 (4) This column does not include appeals filed by officials or other servants of the joint institutions.

Table 24 — Decisions by domestic courts concerning Community law<sup>(1)</sup>

Subject-matter <sup>(2)</sup>	EEC Treaty										ECSC Treaty <sup>(3)</sup>	Total
	Free movement of goods			Free movement of workers	Transport	Competition			Tax Provisions	Article 220		
	Customs duties	Quantitative restrictions				Agriculture	Restrictive agreements, monopolies	Dumping				
		Monopolies										
Belgium	—	—	—	—	—	23	—	—	—	1	—	25
Germany (F.R.)	11	—	15	9	—	24	2	—	20	—	2	83
France	6	2	1	8	1	12	1	1	—	—	2	34
Italy	—	1	1	2	—	1	—	1	—	—	8	14
Luxembourg	—	—	—	—	—	1	—	—	—	—	—	1
Netherlands	3	—	1	1	—	24	—	—	—	—	—	30
Total	19	3	3	21	1	85	3	2	20	1	12	187

<sup>(1)</sup> Figures are for decisions published up to 31 December 1967, excluding cases having involved a preliminary question to the Court of Justice.

<sup>(2)</sup> The breakdown by subject-matter is made according to the main aspect of the judgment; thus cases referring to tax questions in the agricultural field are classified under "tax provisions."

<sup>(3)</sup> Prices, competition, transport, obligation to pay, and forced execution.

PUBLICATIONS DEPARTMENT OF THE EUROPEAN COMMUNITIES

4325/5/68/1

---

£1.5.0    \$3.—    BF150.—    FF15.—    DM12.—    Lire 1,870    Fl.11.—

---