

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

COMMISSION

Third

## GENERAL REPORT

on the

# Activities of the Communities

1969

BRUSSELS - LUXEMBOURG

February 1970

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

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Mr. President,

We have the honour to submit the Third 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, 10 February 1970

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## INTRODUCTION

The year 1969 ended better than it started. On 1 January 1970 the Community moved into its final stage. Important political decisions were taken with regard to the completion and strengthening of the Community and to its enlargement. Happily, the atmosphere in which the Community is embarking on the new phase of its existence is far more serene.

It is, however, important to preface the analysis of the ultimate political results by a brief review of the developments that marked the year, and to bring out the action taken by the Commission and the other institutions of the Community during this eventful period.

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At the beginning of 1969 the political disagreements between Member States over vital problems did not appear to be diminishing. The economic and monetary trends apparent in the various countries were still widely divergent. Discussions on the enlargement and strengthening of the Community remained as difficult as ever. The Parliaments were growing impatient with this lack of visible progress. Leading protagonists of the European cause were beginning to feel discouraged and pessimistic. There was open talk of crisis, paralysis and even the possible disintegration of the Communities.

Faced with this situation, the Commission decided to concentrate its action in two main directions.

Firstly, it spared no effort to carry construction of the Community forward by presenting the Council with further

proposals in all fields of economic union, convinced as it was that the difficulties of the moment were ephemeral.

Secondly, it opposed any extension of the transitional period, seeking thereby to prevent persistence of the political malaise in the Community and to ensure that the Council and the Member States would at the end of the year have to take all the decisions involved in the changeover to the final stage.

In spite of unforeseen difficulties which arose in the course of the year, the outcome corresponds in large measure with the hopes which inspired the Commission.

### I—*The current activities of the Community*

As usual, this report covers, grouped by subject, the Commission's activities and the moves it has made in the various fields, the main Opinions issued by the European Parliament and the Economic and Social Committee, and the discussions and decisions in the Council; it would be impossible to refer to them all here without overburdening this introductory chapter.

The policies already embarked on and the executive tasks incumbent on the Commission have been pursued in the economic, monetary and fiscal spheres, in the social field, in that of regional policy, in the industrial, technological and energy sectors, in nuclear and general research, in the realms of competition, the internal market, agriculture and transport, and also in the spheres of external relations, commercial policy and development aid.

Particular stress must be laid on the fresh steps taken by the Commission in 1969. The year began with the forwarding to the Council in early February of proposals to co-ordinate the Member States' economic policies and reinforce their monetary solidarity. This plan, which was looked upon as audacious at

the time, has gradually gained support from Central Banks and Governments in the Member States, and the essential points in the plan have just been adopted.

The Commission has put before the Council and the Parliament the draft for a far-reaching reorganization of the European Social Fund which would transform it from a mere accounting mechanism into a powerful instrument of social and economic policy and so provide the Community as a whole with an instrument which has already proved its worth in the more limited setting of the Treaty of Paris.

The Commission has prepared a first overall programme of regional measures at Community level, the aim being to move out of the stage of general or sector-by-sector studies and get down to practical action, which is awaited with impatience in all regions of the Community.

It has submitted proposals regarding a programme for Euratom, based on a Community policy for scientific research and development of the nuclear industry.

It has put before the Council fresh proposals on agriculture, seeking in particular to improve the present market organizations, to achieve better control of the markets and ensure the gradual elimination of surplus stocks at the same time as action is taken on the plan to reform agriculture.

In the field of external relations, the Commission has completed association negotiations with Tunisia and Morocco, resumed Community negotiations with Spain, Israel and Yugoslavia and the talks with Austria, and embarked on exploratory talks with the UAR. It has also been authorized to open exploratory talks with Japan. Likewise it has resumed its discussions with the Council on relations between the Community and Latin America.

Now that the problem of renewing efforts to enlarge the Community has come to the fore again, the Commission has gone



over its earlier Opinions and sent the Council, at the end of September, a new detailed Opinion on the whole problem of enlarging and deepening the Community and of reinforcing its institutions; the Opinion also deals with the problem of the procedure to be followed in negotiations with the candidate countries.

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In several spheres decisions have already been reached as a result of the work done by the Council, assisted by the Permanent Representatives Committee. The Parliament has greatly helped the other institutions with its well-informed opinions, vigilant supervision and justified impatience. Its political dynamism throughout 1969 has dispelled any temptation to be discouraged by difficulties and has helped the Commission maintain the rhythm of work and the spirit of initiative in the Community.

In the sphere of development aid, for instance, a joint effort by the Parliament, Council and Commission made it possible to negotiate a new Association Convention with the Associated States and Madagascar; it was signed at Yaoundé in July. Likewise a new Agreement with the East African States was signed at Arusha in September.

On the basis of Commission proposals, the Council has adopted several regulations that are essential for the functioning of the common commercial policy from 1 January 1970, and has found transitional solutions, as "Community" as possible in character, for commercial policy towards the East bloc countries.

On two occasions the Community was faced with serious monetary difficulties. In August 1969 the French Government decided to devalue its currency. Strict application of the existing rules would have involved for France a corresponding increase in the farm prices covered by the market organizations and would have deprived the French economy of a good part of the advantages that devaluation was intended to bring. Furthermore, such an

encouragement to increase agricultural production at a time when the Community was already grappling with the serious problem of surpluses was evidently inadvisable. Exceptional measures, therefore, had to be taken in conjunction with the Council.

Hardly had these measures been put into effect when it was necessary to cope with fluctuations in the value of the mark and its subsequent revaluation. This time the incomes of German farmers were threatened, and the Community had to help support them. The Community's institutions rose to the occasion, but this unforeseen expansion of the work-load proved to be a heavy burden on their end-of-year schedule and is the main reason why certain important decisions had to be postponed until the early months of 1970. Conversely, the difficulties in which the Community found itself because of these monetary fluctuations contributed in no small measure to the conviction among the Member States that urgent action must be taken to prevent their repetition and to step up decisively the degree of monetary solidarity in the Community.

## II—*The end of the transitional period*

In the spring of 1969 the Commission had to consider whether it should propose an extension to the transitional period under the terms of Article 8 of the EEC Treaty.

There was no lack of arguments in favour of extension. It was clear that some of the things which the Treaty required to be done during the transitional period, such as the adjustment of monopolies of a commercial nature and adoption of the directives on freedom of establishment, would not in fact be accomplished by the end of the year. Moreover, there was little time left in which to take the essential political decisions implied by the end of the transitional period, and it was doubtful whether it would be possible to settle matters in the rather heavy atmosphere prevailing at the time.

The Commission, after weighing the pros and cons, decided against extending the transitional period. It recalled that the Community's last crisis, which had arisen in 1963 in circumstances not unlike those of 1967/69, had been resolved by a set of decisions under which the internal and external policies of the Community had been advanced simultaneously and in parallel. The Commission felt that the same approach should be adopted this time; that there was no point in trying to decide which was the most important or which should be tackled first of the problems that came to be discussed under the heads of completion, strengthening and enlargement of the Community; and that it would be impossible to reach unanimous agreement except by dealing with all three aspects at the same time. It also considered that nothing was more likely to ensure success than the existence of a deadline—the end of the year—fixed by the Treaty; if the deadline were to be met, an exceptional effort would be required of all the institutions.

Events bore out these expectations. The Community institutions also did what was expected of them. Work was stepped up in all the institutions from June onwards. The Commission spared no effort to ensure that its main proposals would be ready in mid-July. The Council met more and more frequently. The Parliament sat in extraordinary session on a number of occasions. The last month of the year witnessed more meetings by day and night than the Community had ever before known in a comparable stretch of time.

These concentrated efforts were finally rewarded. A decision of fundamental importance was reached on the application of Article 201 of the EEC Treaty and the creation of the Community's own resources; the relevant provisions take effect gradually over a period beginning on 1 January 1971 and ending on 1 January 1975. At the same time the budget contributions to be made by the several Member States were reviewed so as to correct certain glaring inequalities that were developing and to ensure that financial burdens were allocated in a way that corresponded more closely with criteria based on the national product of each Member State.

The provisions to be laid down in the new financial regulations for the common agricultural policy covering the interim period of 1970 and the definitive period starting on 1 January 1971 were discussed in detail and finalized.

As for the strengthening of the European Parliament's budgetary powers, which can be expected to go together with the creation of own resources, it was decided that, beginning with the preparation of the Communities' budget for 1975, the European Parliament should have the last word on budget matters.

Most of these questions were settled at the December 1969 sessions. A number of problems, however, could not be wholly resolved simply for lack of time. These were therefore referred to the Council's sessions at the beginning of 1970, and it was not until after the session of 5-7 February 1970 that the decisions reached during the "marathon" at the end of December were definitively enacted.

The unanimous feeling in the Council and the Commission when the meeting broke up early in the morning of Monday, 22 December, was that the main points had been cleared up, that a great step forward had been made and that the Community's last crisis had been overcome.

### III—*Conference of Heads of State or Government*

A conference of Heads of State or Government was held in The Hague on 1 and 2 December at the suggestion of the French Government and on the invitation of the Netherlands Government. The Commission was invited to take part in the work of this conference.

The results of this meeting have been of very great importance. Since the conference was not a Treaty institution and since it was not called upon to deal with texts being discussed within

the Council, care was taken not to trespass on the powers and responsibilities of the Community institutions; but clear, forceful pronouncements were made on a number of the major political issues confronting the Community. The very detailed communiqué, with a preamble as significant as the resolutions themselves, will not be summarized here. But two key declarations which will undoubtedly influence future action by those holding authority within the Community should, however, be singled out from among many significant passages. The first is the unanimous declaration by the six Governments of their willingness to maintain the gradual advance towards a genuine economic and monetary union and the close alignment of social policies which this entails. The second is their willingness to resume their endeavours to enlarge the Community.

The Commission regretted that the conference did not achieve more on the political and institutional front, but welcomed the decisions which were taken. After several years of hesitation and disagreement, these decisions provide proof of the Governments' refund and dramatically reaffirmed willingness to press ahead with fresh political vigour to complete the construction of the Community both within its present frontiers and beyond.

It has even been possible to talk of a "Hague spirit". This was neither inaccurate nor exaggerated. The first reflection of this spirit was felt that same week when the Council discussed the future of Euratom and its Joint Research Centre in a friendly and constructive atmosphere.

#### IV—*Tasks for the future*

With the twelve-year transitional period over and the European Economic Community at the start of the final stage, this is an appropriate moment at which to look back on the lessons of the past and forward to the tasks ahead.

The considerable progress made in twenty years—9 May 1970 will be the twentieth anniversary of Robert Schuman's declaration—towards what Schuman called the Federation of Europe is a source of legitimate satisfaction. The task of gradually uniting and integrating the European continent, of gathering into one fold the old nations which had so long been divided, of creating a customs union and common policies, and—more important still—of fostering a common sense of purpose in an area long disunited, was an ambitious undertaking; those responsible for the work of building Europe cannot but be aware of the distance which has been covered.

Perhaps the most striking feature of the last two decades is the way in which they have shown that the forces uniting our six countries are far stronger than those dividing them. The successive political crises which have shaken the Community structure have never once endangered the undertaking itself, and Europeans in the Community are still convinced today of the need to complete the work they put in hand twenty years ago.

It is even more useful and stimulating to turn to tomorrow's tasks.

First on the list comes economic union. Though in essential matters the Community is no longer falling behind the timetables set out in the Treaties, it is certainly falling short of what is required to meet present-day needs. It succeeded in formulating its common agricultural policy within the specified time-limits, but major issues are still outstanding in that field.

Though on the other hand the Community has laid the foundations of an industrial policy, it has not yet produced its answer to the major changes already taking place.

The events of 1969 focused attention on the lack of coherence in the economic policies of the Member States and the fragility of the Community's monetary infrastructures when set against the common policies now being elaborated. It was made

clear at The Hague that rapid progress in this field is absolutely essential if the results achieved so far are not to be placed in jeopardy.

The Community institutions, which were adequate at the outset, are now too weak and limited to deal with today's task of completing the Community and managing its affairs in more and more complex fields. The Commission, from its day-to-day experience of their limitations, has repeatedly drawn attention to this point. It is even more justified in raising this issue now that the Community is turning once again to the problem of its enlargement. The Community institutions, and the Council in particular, will find that they will very soon have to examine the conditions under which they operate and take the necessary steps. They will also have to decide how representatives of the various walks of life can be brought to share in the task of elaborating and implementing the common policies.

The enlargement of the Community, first mooted in 1961 and temporarily shelved in 1963 and 1967, has once again become a topical question. The Commission has twice expressed a favourable opinion on the reopening of negotiations and has indicated in broad outline the conditions to be fulfilled if enlargement is not to weaken the Community. Everything points to a reopening of negotiations in 1970. The Commission does not underestimate the difficulties or dangers of these negotiations, but it does believe the time has come to relaunch this venture, in pursuit of which it will spare no effort.

Finally, because of the stature and strength it has attained, the Community must make a general review of its relations with the other continents. It attaches great importance to development aid and is rightly proud of the sustained effort it has made on the African continent and in Madagascar. But it can no longer delay the review of its relations with other parts of the world, especially Latin America and Asia, which look to the Community for sympathy and help. Since the Community and the United States both have in practice extensive responsibility

for the development of the world economy, the Community should strive in collaboration with the United States to overcome the unduly numerous difficulties and conflicts of interest which have accumulated in this sphere. Convinced as it is that peaceful coexistence is good not only in political life but also in economic life, the Community should again pledge itself to try to organize coexistence and co-operation with Eastern Europe, and above all with the USSR.

All this leads us to political union. The Community is already political in essence and in the very form of its institutions. But it is destined to become even more political, to increase the powers of its institutions, to align the policies of its Member States and to work out step by step a foreign policy at Community level. At the end of the transitional period, on the threshold of a new decade, the people of the Community can draw on the work accomplished in the last few years and tackle with renewed courage the tasks of the future.



CHAPTER I

**COMMUNITY POLICY AND ITS EFFECTS ON THE ECONOMY OF EACH MEMBER STATE AND OF THE COMMUNITY**

1. The Commission has undertaken to submit to the Parliament a report on the consequences of Community policy since its inception for the economy of the Member States and of the Community as a whole. This chapter can be seen as an initial contribution to the subject, there being two reasons for its obvious limitations:

- (a) first, the lack of sufficient groundwork: for example, the study on the Community's competitive capacity that has been undertaken by a panel of experts under the chairmanship of M. Uri is not yet finished and therefore could not be used;
- (b) second, difficulties of method: the economies in the Community are influenced by numerous factors, and the role played by Community policies is hard to single out, let alone to measure, so trying to trace cause and effect runs into enormous difficulties.

It is in the light of these remarks that the ideas set out below must be approached. The Commission intends to develop them further at a later date—for instance, in conjunction with future General Reports and the reports of the Medium-term Economic Policy Committee on the implementation of the policy programmes.

2. In order to gain an idea of the overall trend of the economy of each Member State and of the Community in the last twelve years, it is useful to look at certain key indicators. These indicators compare favourably with those in the leading industrialized non-member countries. Table 1 shows the growth of GNP per person in employment—an indicator which gives a good idea of the general trend of productivity and the standard of living—together with changes in the components used in calculating it. A study of other indicators such as *per capita* GNP or national income would reveal a similar pattern.

**TABLE 1**  
**GNP per person in employment from 1958 to 1968**

	Average annual growth rate		
	Volume of GNP	Employment	GNP per person in employment
Germany	5.1	0.3	4.8
France	5.3	0.3	5.0
Italy	5.6	— 0.6	6.2
Netherlands	5.3	1.1	4.1
Belgium	4.3	0.4	3.9
Luxembourg	3.4	0.5	2.9
Community	5.2	0.2	4.9
United States	4.7	1.9	2.7
Japan	11.0	1.5	9.4
United Kingdom	3.2	0.4	2.8
Sweden	4.6	0.7	3.9

*Sources:* Statistical Office of the European Communities and OECD.

**TABLE 2**  
**GNP per person in employment from 1950 to 1958**

	Average annual growth rate		
	Volume of GNP	Employment	GNP per person in employment
Germany	7.9	2.6	5.2
France	5.3	0.3	5.0
Italy	5.6	0.5	5.0
Netherlands	4.3	0.7	3.5
Belgium	2.9	0.4	2.5
Luxembourg	2.9	0.2	2.7
Community	6.6	0.8	5.8

*Sources:* Statistical Office of the European Communities, OECD and national statistics.

3. It can likewise be shown that in the member countries of the Community the growth of production per person in employment since 1958 compares favourably with that of the preceding period despite the disappearance of the exceptional growth factors which were a feature of the immediate postwar period (Table 2).

4. The question must be asked, however, whether economic performance since 1958 is a direct consequence of "Community policy" or whether, on the contrary, it is due rather to the presence of dynamic factors inherent in the member countries themselves, which would have come into play in any case. Community policy is here taken to mean the body of measures which have been adopted in implementation of the Treaty of Rome, either directly by the Community authorities or by the national authorities following Community decisions. So far these measures have dealt mainly with the free movement of goods, persons, services and capital; they also cover certain co-ordinated policies implemented by the Member States in accordance with the aims set out in the Treaties. As a result of the interpenetration of the markets, there is scarcely any aspect of the economy in the member countries which has not been influenced to some degree by Community policy as here defined.

In order to throw light on the nature and extent of this influence, there would have to be some way of establishing how the economies would have developed had there been no Community. Now this can scarcely be done except on the basis of inevitably arbitrary assumptions. So another approach must be contemplated. This means first of all looking into the actual content of Community policy and at the same time picking out those components of domestic policies which are there because the Member States are united in a Community, and then trying to determine the effects of these specific components.

## 1. Community policy

Most action undertaken within the framework of Community policies so far has been aimed at establishing a large internal market. But this approach has had consequences affecting the adaptation of domestic policy aims and instruments.

### ESTABLISHMENT OF A LARGE INTERNAL MARKET

5. So far the establishment of a large competitive market with the characteristics of an internal or domestic market has been the central pivot of Community action. This aim is justified by the benefits in terms of productivity, efficiency and economies of scale obtained from having such a market. OECD studies on the problem of technological gaps have also fully confirmed the essential role played by the size of the market in the differences between Europe's performance and that of the United States.

The creation of a common market is gradually giving a large number of producers the opportunity of increasing their efficiency by producing on a larger scale and by adapting their production units to the bigger market. To the extent that the most dynamic entrepreneurs succeed in taking advantage of these opportunities for certain lines, thus producing more cheaply, their direct competitors on the markets in these products find it necessary to adapt in their turn. The additional productivity gains achieved in certain industries as a result of having a larger internal market on which to operate tends to be reflected in factor income; through the factor markets, they provide greater incentive to seek out and make full use of opportunities to raise productivity in other industries.

In order to attain the desired objective of an integrated market for the Member States, the line of action adopted was to do away first of all with the obstacles to the free movement of goods and production factors between them. At the same time, considerable changes of policy have been necessary in most fields so that the markets may be integrated in circumstances that would facilitate achievement of the sought-after structural effects. As a whole, most other action in the Community framework may be said to be directed towards ensuring that the big market is fully integrated and that it functions smoothly.

The introduction of common rules on competition, for instance, was designed primarily to fulfil this requirement. In social matters it has been necessary to arrange for continuity of social security benefits for workers moving from one part of the Community to another. The adjustments made or being made to tax policy at Community level are aimed at improving the circulation of goods and services and of capital.

In industries where government intervention was particularly extensive before the Community was established, simply opening domestic markets to products and services from other Member States was not really feasible, for this would have made it difficult to achieve the social and economic aims of domestic policies. In such industries certain Community-wide agreements on policy aims and instruments were a prerequisite for the integration of markets. Progress made has varied greatly according to the sector: it has been particularly marked in agriculture and may be regarded as encouraging in transport, for example, but it has proved very difficult in fields in which the State plays a dominant role either as a monopolist or as purchaser, particularly in the advanced technology industries.

#### ADAPTATION OF POLICY AIMS AND INSTRUMENTS

6. The Community authorities and those of the Member States have of course realized that the establishment of a large internal market does not concern business firms only but that in certain circumstances and within certain limits it also provides opportunities as regards economic policymaking. The enlarged market has faced them with the need to take joint or concerted decisions in fields outside the actual integration of the markets.

More often than not, the difficulty of reaching joint or concerted decisions has induced the Member States to try individually to adapt their policies to the constraints resulting from the increased interdependence of the markets; they have endeavoured to make a better selection of the instruments used to implement their policies in order to avoid points of incompatibility or conflict. In certain fields, however, moves have been made towards ensuring as far as possible the mutual support that is necessary if domestic policies are to maintain their efficacy. This has been facilitated by the similarity of the traditional aims of Member States' policies in numerous spheres and even by an alignment of ideas on the

steps to be taken to achieve these aims; one example is the adoption of the guidelines for the first medium-term economic policy programme.

Such concerted action is directed towards utilization of the opportunities provided by a larger market with a view to achieving objectives which would have been unattainable in the former state of relations between the Member States. The most obvious example is that of the Kennedy Round. This, however, was concerned with a traditional sphere of negotiations. The concerted action which has been taking shape in other fields, whether on the more general aspects of economic policy—in particular short-term and monetary policy—or on policies concerning specific industries, is in fact going further, for more ambitious and more original aims are being conceived and defined. And the problem of the real effectiveness of concerted action is becoming increasingly crystallized. There are appreciable differences to be overcome between the economic structures of the Member States and between the priorities they accord the various economic policy targets, and—however firm the resolve to alter certain policies—the time required may be considerable.

In a modern economy the network of interdependent relations is extremely complex. The system can be modified only marginally from one year to the next: if certain aspects of economic policy are to be changed more substantially, others must be changed less so.

Be that as it may, whatever the pace at which policy has been developing the establishment of the common market has brought about a veritable revolution in the conditions of trade and competition. This revolution, for all its advantages, has nevertheless made the position of certain industries or regions more difficult, and quite a considerable share of the opportunities for action by the governments has been used to ease the changeovers and make the constraints socially and politically bearable.

In these circumstances, the adaptation of policies to the new dimension of the market has often been less than should have been possible. The future will tell us if the experience of certain setbacks, together with a number of spectacular achievements on the part of the leading non-member countries, particularly in the field of advanced technology, will create a real awareness of the disadvantages of tackling certain points of vital interest to the Community piecemeal.

## 2. The effects of Community policy

7. Since the dominant theme of Community policy has been market integration, the first point to look into is what are the possible effects of such integration.

There is certainly a link between the gradual integration of the markets and overall performance in terms of total growth. But the key indicators do not reveal the nature of this link. They do not show us by what processes these results have been obtained. Nor do they make it possible to assess whether what has been achieved already represents the bulk of what may be expected or whether, on the contrary, the structural changes that Community policy aims at bringing about are being effected progressively and are only beginning to produce an impact. The indicators are not capable of showing whether the structural changes are being made in conformity with the objectives pursued by society in the Community countries or are helping to resolve the problems with which these countries are faced—reducing disparities between regions and improving industrial structures in the regions, ensuring a more satisfactory distribution of income, improving the pattern of consumption and, in sum, enhancing the quality of life.

It is doubtless to questions like these that it would have been desirable to give precise answers as regards the influence of Community policies. It seems, however, too early to develop these points at this stage. The reasons given at the beginning of this chapter show clearly that the contribution of Community policies to the attainment of the aims in view can be assessed only in the light of a complex analysis. It would be rash, for instance, to put forward any hypothesis regarding the common market's impact on the disparities between regions. Within countries they have persisted as a general rule—and sometimes even become more serious. It must be said, however, that the disparities between one country and another have lessened somewhat, particularly in favour of the Netherlands and Italy.

It would seem best to confine this first analysis to indicators that will bring out some of the effects of Community policies on structures in the member countries. The items discussed here concern the trend of international trade, the pattern of production and employment, and changes in the structure of business firms. The impact of the common market on distribution and consumers is discussed at length in Chapter II and has not been dealt with here.

## THE GROWTH OF VISIBLE TRADE

8. International trade has always enjoyed pride of place in the analysis of the effects of policies to integrate economies because its growth helps to increase consumers' satisfaction and to improve the utilization of resources by furthering specialization and competition.

TABLE 3  
Growth of visible trade from 1958 to 1968

(at current prices; 1958 = 100)

	Imports			
	Total a	From EEC countries b	From non-EEC countries c	b/c
Germany	273.7	440.8	215.8	2.0
France	248.3	539.1	166.8	3.2
Italy	325.0	539.6	258.8	2.1
Netherlands	256.4	339.0	196.8	1.7
BLEU	265.7	311.5	224.0	1.4
Community	270.7	418.0	207.6	2.0

	Exports			
	Total a	To EEC countries b	To non-EEC countries c	b/c
Germany	282.1	388.2	242.2	1.6
France	247.5	480.1	181.2	2.6
Italy	401.8	670.6	310.1	2.2
Netherlands	259.3	358.3	188.8	1.9
BLEU	267.5	381.1	173.8	2.2
Community	282.4	421.2	221.8	1.9

Source: Statistical Office of the European Communities.



The formation of the common market has been accompanied by a very rapid growth of visible trade between the countries making up the Community (Table 3).

Generally speaking, this has not been to the detriment of trade with the rest of the world: in proportion to the Community's domestic product, imports from non-member countries are still of the same order of magnitude.

It is very likely that these developments are a direct result of Community policy. Some liberalization of trade would presumably have taken place even if there had been no common market. It is difficult, however, to imagine that the member countries would have been in a position to remove so many of the obstacles to trade between them and to enjoy a comparable growth of trade without having the guarantee of durable reciprocity provided by the Treaty of Rome.

#### THE STRUCTURE OF PRODUCTION AND EMPLOYMENT

9. Developments in the pattern of production and employment differ considerably according to whether they are seen from the angle of the leading sectors of activity contributing to gross domestic production (agriculture, mining and quarrying, manufacturing) or from that of the various manufacturing industries.

(1) To take the main subdivisions of gross domestic production, the growth rates of the different sectors rank in an order which differs very little whether one compares the Community countries among themselves or with non-member countries such as the United States, the United Kingdom, Canada and Sweden (Table 4).

There are, however, some exceptions in special cases—for example, in building and construction and in transport and communications. They derive principally from factors such as the level of development, demographic situation and stock of capital (dwellings, infrastructure, industrial equipment), factors on which the common market has not had a decisive influence.

Behind this relative stability of production structures by main sector there are far more appreciable differences between trends as regards employment. The Community as a whole, for instance, has had to cope with a smaller total growth of employment than that of the

United States (average annual growth rate from 1958 to 1967: EEC 0.3%, USA 2%). As regards the creation of jobs, however, the difference is far less marked, since the Community has had to offset a bigger reduction in the number of jobs in the primary sector (Table 5).

The common market has probably not had a direct influence on the overall level of employment, except of course in Italy. However, by stimulating the expansion of non-agricultural sectors, it does seem to have helped to bring the distribution of manpower among the sectors more into line with the requirements of dynamic growth, and especially with the prospects for demand.

- (2) From the standpoint of the various manufacturing industries, the differences in production trends between one country and another are distinctly more marked. Within the Community they reflect in the main two kinds of development (Table 6):

First, an endeavour to make up leeway (which is reflected in a high growth rate in industries whose share in manufacturing at the outset was below the Community average), as in metal manufacture and, to a lesser extent, metal products in Italy and the Netherlands, and in chemicals in Germany.

Second, specialization (which is reflected in a high growth rate in industries with a major share in the manufacturing sector), as in textiles in Italy and Belgium, and in wood, paper and related industries in the Netherlands and Belgium.

The first of these two developments is connected only indirectly with the establishment of the common market. It reflects the rapid industrialization that has been taking place in Italy and the Netherlands (see the overall growth rates), but it is not unconnected with the setting up of the customs union.

Increased specialization is a more direct reflection of the improvement in the international division of labour that was expected of the common market.

These are only the initial results, which the Commission hopes to be able to examine in greater depth and detail, particularly alongside the studies on foreign trade. However, they already suggest—even at this still very general level—the extent of the changes that have occurred in the last ten years and the difference in these changes from one country to another.

TABLE 4

Gross domestic product<sup>1</sup>

(a) Structure in 1963

(b) Average annual growth rate from 1958 to 1967<sup>2</sup>

	Germany		France		Italy		Belgium		Nether-lands		Com-munity		United States		United Kingdom		Sweden		Canada	
	a	b	a	b	a	b	a	b	a	b	a	b	a	b	a	b	a	b	a	b
Electricity, gas, water	2	6.7	1.7	9.0	2.9	9.0	1.9	7.2	2.2	11.5	2.1	8.2	2.5	6.2	3.1	5.1	3.0	7.6	2.5	9.3
Manufacturing industries	40.4	6.3	36.6	5.5	31.7	8.4	30.8	6.3	32.5	7.0	34.4	6.4	23.0	5.9	33.6	3.3	29.6	6.8	30.6	5.9
Commerce, banking, insurance	19.8	6.3	17.7	5.1	19.2	5.9	25.4	3.9	18.8	6.0	20.2	5.6	22.2	4.4	14.6	3.1	23.1	5.5	21.2	4.4
Gross domestic product	100	5.5	100	5.2	100	5.4	100	4.5	100	5.1	100	5.3	100	4.6	100	3.1	100	4.5	100	4.8
Building and construction	7.5	4.9	7.7	7.1	7.4	3.3	6.2	4.6	6.6	—	7.1	5.3	4.4	1.4	6.6	4.2	9.2	4.6	5.5	2.3
Transport and communications	6.1	3.9	5	4.8	5.8	6.1	6.6	3.8	8.2	5.0	6.3	4.7	6.4	5.7	8.6	3.4	7.3	3.8	6.5	6.4
Public services and administration	14.8	5.3	20.9	4.3	17.5	3.5	20.8	4.2	19.7	2.1	18.7	4.3	30.3	4.5	22.8	2.7	20.6	3.8	26.0	3.5
Agriculture	5.1	2.4	8.6	2.9	12.4	1.9	6	0.8	7.5	1.7	7.9	2.3	3.6	2.0	3.7	3.1	5.9	0.8	4.9	2.7
Mining and quarrying	2.6	0.6	1.6	1.7	0.7	3.8	2.3	- 3.0	1.4	2.7	1.4	1.1	2.2	2.9	2.7	- 1.8	1.2	4.2	2.2	1.8

Sources: Statistical Office of the European Communities and OECD.

<sup>1</sup> At market prices except for Italy, the United Kingdom and Canada.<sup>2</sup> Only period for which comparable series for all the countries are available at present. For France and Italy the series are old ones.

TABLE 5  
Employment

(a) Structure in 1963

(b) Average annual growth rate from 1958 to 1967<sup>1</sup>

	Germany		France		Italy		Belgium		Netherlands		Community		United States		United Kingdom		Sweden		Canada	
	a	b	a	b	a	b	a	b	a	b	a	b	a	b	a	b	a	b	a	b
Public services and administration	18.7	2.5	20.0	2.0	13.2	0.8	24.6	1.4	23.4	2.2	20.0	1.9	33.9	3.5	25.2	2.2	22.2	3.3	26.3	6.0
Electricity, gas, water	0.8	1.4	1.0	2.0	0.6	2.1	0.9	0.4	0.9	1.7	0.8	1.7	0.9	0.6	1.6	1.3	0.9	1.8	1.2	0.4
Building and construction	8.0	-0.5	9.0	2.8	10.6	1.7	7.9	2.8	10.0	3.0	9.1	1.5	5.4	1.6	7.2	2.1	8.4	1.5	6.4	4.0
Commerce, banking, insurance	14.3	1.2	14.3	2.3	13.8	0.4	15.5	2.6	16.8	2.7	14.9	1.5	22.1	1.9	16.6	0.9	16.2	1.3	20.6	3.3
Transport and communications	5.8	0.2	5.8	1.4	4.7	3.7	7.0	0.7	7.2	0.5	6.1	1.4	4.8	0.5	7.0	0.5	7.2	0.6	8.2	2.8
Manufacturing industries	37.6	0.7	28.7	0.5	28.5	0.7	34.7	0.6	30.6	1.1	32.0	0.7	25.1	2.2	35.8	0.2	30.3	0.4	24.3	3.2
Total	100	0.2	100	0.5	100	-0.8	100	0.7	100	1.3	100	0.3	100	2.0	100	0.6	100	0.4	100	2.9
Agriculture	12.2	-4.2	19.8	-3.4	29.8	-4.8	6.5	-2.9	9.9	-3.4	15.6	-4.2	6.8	-4.3	3.8	-3.3	13.1	-5.5	11.8	-2.2
Mining and quarrying	2.6	-5.5	1.6	-3.5	0.8	-1.5	2.9	-8.5	1.2	-4.8	1.8	-4.8	1.0	-2.4	2.8	-4.8	0.5	-3.5	1.1	-0.2

Sources : Statistical Office of the European Communities and OECD.

<sup>1</sup> See note 2 to Table 4.

TABLE 6  
Production of manufacturing industries<sup>1</sup>

(a) Structure in 1963

(b) Average annual growth rate from 1958 to 1967<sup>2</sup>

	Germany		France		Italy		Belgium		Netherlands		EEC	
	a	b	a	b	a	b	a	b	a	b	a	b
	Foodstuffs, beverages, tobacco	15.3	5.4	16	2.9	17.1	5.7	21.1	3.3	21.1	3.6	16.2
Textiles	5.2	2.6	6.1	2.7	8.2	5.5	8.9	4.2	6.1	4.0	6.0	3.4
Clothing, footwear	5.8	3.6	7.0	3.9	6.1	8.2	4.5	5.0	5.1	3.1	6.0	4.4
Wood, paper, publishing	9.5	4.5	9.5	5.4	9.5	6.9	9.5	7.6	11.3	8.6	9.2	5.5
Chemicals, petroleum	12.5	10.3	16.4	8.7	19.6	13.7	8.2	8.3	15.7	8.2	14.8	9.8
Non-metallic minerals	5.8	6.0	4.2	9.1	6.0	7.9	5.7	5.8	3.9	7.0	5.5	6.6
Metal manufacture	9.6	4.3	6.2	5.6	6.0	9.9	7.6	5.9	4.1	10.7	7.9	5.6
Metal products	36.4	7.2	31.6	5.2	27.9	9.1	31.5	8.7	29.8	7.2	32.4	6.9
Miscellaneous	—	—	3.1	5.2	1.5	4.5	3.1	6.7	3.0	—	2.0	—
Total	100	6.3	100	5.5	100	8.4	100	6.3	100	7.0	100	6.4

Source : Statistical Office of the European Communities.

<sup>1, 2</sup> See notes to Table 4.

### ADJUSTMENT OF CORPORATE STRUCTURES TO THE NEW SCALE OF THE MARKET

10. The structural adjustment of the business sector to the new, larger-scale market is far from complete. It is probable that the growth of visible trade registered between Community countries in part simply reflects more efficient utilization of production units originally designed to match the scale of the domestic markets. The reasons for this are manifold.

The main reason seems to be that the investment required is very considerable in relation to the sources of finance available to firms, and that firms belonging to industries in which the most progress could be made are not necessarily those which are best placed to call on the capital market. This is particularly true of medium-sized firms which used to operate solely on the domestic market; if they have no link with industrial or financial groups which could help them, adaptation of their production units to the bigger market can only be gradual. The difficulties encountered in carrying out such changes by numerous firms which were competitive on their domestic market in the circumstances ruling formerly are such as to attract firms from other member or non-member countries with experience of the same lines of production and more money behind them.

As Tables 7 to 9 show, the number of transnational take-overs, mergers or acquisitions of holdings effected and of transnational subsidiaries established in the EEC between 1962 and 1968 is a large one.<sup>1</sup> For lack of comparable figures for earlier years, it is difficult to decide exactly how far this is an effect of the establishment of the common market; that there is a cause-and-effect relation seems clear, however, in view of the increasing number of such operations since the beginning of the period under review.

Of such operations carried out in each of the EEC countries by foreign firms, there is a large majority involving firms from outside the Community.

<sup>1</sup> The figures given in these tables must be interpreted with caution. This is not a complete register of all such operations but a fully representative sample prepared by the Commission's staff by keeping a systematic count of the operations reported in the specialized press.

The establishment of subsidiaries across frontiers has been kept separate from the other operations because it concerns a larger percentage of commercial rather than industrial establishments.

TABLE 7  
Industrial combination and interpenetration, all industries  
(Transnational operations)

	Take-overs and mergers			Acquisition of holdings			Joint ventures			Grand total		
	Between Common Market firms	Between a Common Market firm and a non-member country firm	Total	By a Common Market firm in another Common Market firm	By a non-member country firm in a Common Market firm	Total	Between Common Market firms	Between a Common Market firm and a non-member country firm	Total	Common Market	Common Market and non-member countries	Total
1962	1	1	2	23	39	62	53	117	170	77	157	234
1963	5	4	9	27	71	98	53	111	164	85	186	271
1964	10	4	14	36	112	148	107	186	293	153	302	455
1965	9	5	14	63	124	187	119	175	294	191	304	495
1966	9	6	15	78	165	243	103	205	308	190	376	566
1967	10	15	25	80	144	224	110	168	278	200	327	527
1968	11	19	30	74	144	218	120	162	282	205	325	530
Total	55	54	109	381	799	1 180	665	1 124	1 789	1 101	1 977	3 078

TABLE 8  
Establishment of subsidiaries<sup>1</sup>  
(Transnational operations)

	1962			1963			1964			1965			1966			1967			1968			Grand total		
	EFC <sup>2</sup>	NMC <sup>3</sup>	Total	EFC	NMC	Total	EFC	NMC	Total	EFC	NMC	Total	EFC	NMC	Total	EFC	NMC	Total	EFC	NMC	Total	EFC	NMC	Total
Metal	12	29	41	56	107	163	62	151	213	93	172	265	114	253	367	115	216	331	137	237	374	589	1 165	1 754
Chemicals	7	8	15	14	37	51	24	59	83	52	97	149	59	81	140	56	106	162	72	80	152	284	468	752
Foodstuffs	2	2	4	7	10	17	12	15	27	25	25	50	18	7	25	16	21	37	23	14	37	108	94	197
Textiles	4	4	8	11	15	26	14	20	34	23	34	57	24	21	45	37	27	64	33	14	47	146	135	281
Services	4	3	7	18	31	49	17	50	67	29	60	89	32	76	108	30	94	124	60	114	174	190	428	618
Miscellaneous	1	6	7	14	22	36	13	35	48	25	60	85	33	61	94	52	64	116	47	54	101	185	302	487
Total	30	52	82	120	222	342	142	330	472	247	448	695	280	499	779	306	528	834	372	513	885	1 497	2 592	4 089

<sup>1</sup> A large proportion are commercial rather than industrial subsidiaries.  
<sup>2</sup> Common Market firms.  
<sup>3</sup> Non-member country firms.





The percentage of firms from non-member countries taking part in these operations is an indication both of the opportunities offered by a large unified market and of the fact that the firms already located there have not always been able to take sufficient advantage of it. There is no reason to believe that all the opportunities offered by the common market have already been exhausted; it is more likely that firms from other countries have come in only in cases where the delays in adaptation were most outstanding. There should, therefore, still be considerable progress to be made in numerous industries.

This necessarily very general conclusion is confirmed by the results of studies made of individual industries such as textiles and shipbuilding, which are discussed in this and certain earlier reports.

#### CONCLUSIONS

11. There is no aspect of the Community's economy where developments have not been affected by Community policy.

The content of this policy is complex, and the importance of the individual components has varied with time. It is safe to say, however, that up to the present it has consisted above all in integrating the majority of product markets and in making a start with integration of the factor markets.

All in all, integration has had a dynamic effect on the economy, but the ensuing problems are far from being resolved.

The change in market size has speeded up developments, thus rendering more acute the problem of the ageing of certain industries and the backwardness of certain regions. At the same time it has left the Member States less room for independent action. And integration alone is not enough to reduce the gap in certain fields, especially research and innovation, between the Community countries and the leading non-member countries.

It is clear that there has been a substantial time-lag between integration of the markets and adaptation of economic and social policies to the new situation thus created. Freedom of movement within the Community is a natural corollary to a long series of past efforts and practices designed to liberalize international trade; adaptation of policies, on the

other hand, was an entirely new problem: the Member States had no past experience of the opportunities that rapid change in the size of the domestic market opens up for economic policies. It is not surprising that at the outset it was easier to push ahead with liberalization than to take advantage of the increase in scale by means of active policies.

The construction of the Community cannot go ahead unless, in the years to come, there is a change of emphasis between these two aspects.

## CHAPTER II

**ESTABLISHMENT AND FUNCTIONING  
OF THE COMMON MARKET****1. Free movement of goods**

## FUNCTIONING OF THE CUSTOMS UNION

12. In 1969, as a result of a number of Council decisions adopted in 1968 and 1969 on Commission proposals, administration of the customs union became a Community matter. The decisions related both to the common customs tariff and to harmonization of customs legislation and were designed to harmonize or unify at Community level the national arrangements in force in the Member States. Some of the measures approved by the Council have given the Commission new powers under the consultation procedures in the various committees set up to deal with questions of nomenclature, valuation, origin, transit of goods through the Community and processing traffic: it is essential that the new customs rules that have been introduced should be applied in a uniform way so as to help ensure that the effects of the common customs tariff are the same everywhere in the Community, and that they should also be applied with a view to maximum simplification of formalities so as to promote the expansion of trade with non-member countries. This task is more complex than it looks at first sight, since operating a customs system, even if it is based on comparatively simple principles, constantly calls for implementing measures adopted in the light of either economic and technological developments or of the variety of special situations to be coped with in the large customs area of the Community.

Before the objectives mentioned can be attained, a good deal of time-consuming work will have to be completed, and help from the national customs departments and the business groupings concerned will be needed. After adopting the necessary implementing measures with the agree-

ment of the trade organizations at Community level, the Commission has been able, despite certain administrative difficulties,<sup>1</sup> to ensure that the customs committees have been set up, and they have begun work.

Given the scale of the administration work, the Commission has been unable to place the same emphasis on pursuing the harmonization of customs legislation, which is therefore still incomplete. The Commission regrets this state of affairs, which it has endeavoured to remedy provisionally where possible.

### THE COMMON CUSTOMS TARIFF<sup>2</sup>

13. Endorsing the Commission's view that there was a pressing need to ensure uniform interpretation of the common customs tariff, leading to the levying of one and the same duty on a given item everywhere in the Community, the Council adopted, on 16 January 1969, Regulation (EEC) No. 97/69 concerning the nomenclature of the tariff.<sup>3</sup> This regulation set up a CCT Nomenclature Committee to deal with all questions relating to nomenclature. Armed with a favourable Opinion from the Committee, the Commission was empowered to adopt the provisions needed with a view to the classification of goods under this nomenclature. The Commission consequently adopted several regulations concerning the classification of certain items, particularly of food products with a very high milk fat content, since imports of these products under incorrect headings were liable to cause further serious difficulties on the Community market for butter.<sup>4</sup> At the 15 meetings held in 1969, the same Committee examined numerous other questions falling under its responsibility; these included the conditions governing admission, under the respective sub-headings at reduced rates of duty, of "Bourbon" whisky (sub-heading 22.09 C III (a))<sup>5</sup> and cows for immediate slaughter (sub-heading 01.02 A II (b)).

<sup>1</sup> Reply by the Commission to written question No. 180/69 by M. Bading on the harmonization of customs legislation; *official gazette* No. C 133, 18 October 1969.

<sup>2</sup> The Commission has published, in the four Community languages, a new edition of the *Customs Tariff of the European Communities* listing the duties applicable at 1 July 1968, 1 January 1970, 1 January 1971, and 1 January 1972. This work is kept up to date with all amendments, reductions or suspensions of duties (the 8th series of loose-leaf amendments is dated 1 January 1970).

<sup>3</sup> *Official gazette* No. L 14, 21 January 1969.

<sup>4</sup> Regulations (EEC) Nos. 495/69 and 496/69 of 18 March 1969 (*official gazette* No. L 67, 19 March 1969) and No. 663/69 of 9 April 1969 (*official gazette* No. L 86, 10 April 1969).

<sup>5</sup> Commission Regulation (EEC) No. 2552/69 of 17 December 1969; *official gazette* No. L 320, 20 December 1969.

From the outset, the Committee was therefore of the greatest value as a consultative body in the technical administration of the common customs tariff. It also approved the draft explanatory notes which it received, as they became available, from an *ad hoc* group which in 1969 dealt with the sectors "machinery", "chemicals" and "miscellaneous". By 31 December 1969, the explanatory notes were virtually completed for 60 chapters of the tariff (of 93 for which such notes are to be drawn up). They had been published<sup>1</sup> for 33 chapters and there is good reason to hope that, the petroleum products sector apart, the basic work will be completed by the end of 1970. The Commission will ask the customs departments of the Member States and their representatives on the Committee and in the *ad hoc* group to make fresh efforts enabling the drafting of these explanatory notes to be carried through as rapidly as possible, as these notes should be a useful help for trade and industry and the official departments concerned in applying the common customs tariff.

14. As in previous years the Commission, assisted by the Joint Panel of Government Experts on the Common Customs Tariff, also dealt with the economic problems raised by the continuing administration of the common customs tariff. In this field, work was concentrated at first on completing the tariff applicable from 1 January 1970, the date when the third instalment of the tariff reductions agreed upon at the end of the last negotiations in GATT became effective. It also proved expedient to make some amendments or corrections, mainly on matters of form, to the tariff and its nomenclature. On the basis of the work of the panel, the Commission laid before the Council a proposed regulation concerning the common customs tariff as applicable on 1 January 1970 and consequently amending Regulation (EEC) No. 950/68 of 28 June 1968. The Council adopted this regulation on 8 December 1969<sup>2</sup>.

By a regulation of 8 December 1969<sup>3</sup> the Council also laid down the list of products the duties on which are to be reduced or suspended in 1970. In this connection, the same methods of co-operation were used between the Member States and the Commission as between the Commission and the Council. The Commission assembled the applications from the Member States, studied them together with the government

<sup>1</sup> Explanatory Notes to the Customs Tariff of the European Communities. Published as they become available, loose leaf (two sets published in 1969).

<sup>2</sup> Regulation (EEC) No. 2451/69 of 8 December 1969; *official gazette* No. L 311, 11 December 1969.

<sup>3</sup> Regulation (EEC) No. 2484/69 of 8 December 1969; *official gazette* No. L 314, 15 December 1969.

experts and then submitted to the Council, which must decide in accordance with Article 28, the list of products which had been approved unanimously. There were 187 applications relating to 146 products or groups of products; agreement from all Member States was obtained for 118 of them which are being imported in appreciable or even large quantities from non-member countries. Once again most of these are raw materials or semi-finished products (particularly chemicals) which are available in insufficient quantities or not available at all in the Community. One hundred and fourteen of these products had already enjoyed identical duty reductions or suspensions in 1969. The suspension of duties on aircraft weighing more than 15 000 kg, which expired at the end of 1969, was extended by one year. Mainly for reasons of administrative simplification, the Commission and the Member States preferred suspension to the opening of a tariff quota under Protocol XVII to the agreement on the products of List G.

On 1 July 1969 the Council, again acting on a Commission proposal, renewed the suspension of the common customs tariff duties on tea,<sup>1</sup> on certain products imported particularly from Israel<sup>2</sup> and on various spices imported mainly from India.<sup>3</sup> In 1969, the Commission confined waivers to the common customs tariff (under Article 26 of the EEC Treaty) to certain imports of manufactured tobacco by the Benelux countries<sup>4</sup> and to imports of unwrought aluminium<sup>5</sup> and Algerian wines<sup>6</sup> by Germany.

Most of the work on the comparison of customs tariffs depended on the progress being made by the Committee on Trade in Industrial Products set up in GATT to analyse what will be the tariff situation when the Kennedy Round concessions have been fully implemented. An updated version of the table of equivalence for the Brussels Nomenclature and the customs tariff of the United States, a table of equivalence for the Brussels Nomenclature and the Canadian customs tariff, and a list of groups of industrial products which is to help in the study of the tariff situation have been completed.

<sup>1</sup> Regulation (EEC) No. 1258/69 of 30 June 1969; *official gazette* No. L 159, 1 July 1969.

<sup>2</sup> Regulation (EEC) No. 1227/69 of 30 June 1969; *official gazette* No. L 159, 1 July 1969.

<sup>3</sup> Regulation (EEC) No. 1259/69 of 30 June 1969; *official gazette* No. L 159, 1 July 1969.

<sup>4</sup> Commission Decision of 29 July 1969; *official gazette* No. L 220, 1 September 1969.

<sup>5</sup> Commission Decision of 26 February 1969; *official gazette* No. L 68, 19 March 1969.

<sup>6</sup> Commission Decision of 28 August 1969; *official gazette* No. L 240, 24 September 1969.

## TARIFF QUOTAS

15. As regards the national tariff quotas under Article 25 of the Treaty and the protocols to the agreement on the drawing up of a part of the common customs tariff for the products of List G, the Commission continued its efforts to curtail these derogations. In 1969, it authorized only 9 quotas, out of 29 applied for by the Member States. Other applications led to the adoption of Community arrangements in the form of a reduction or suspension of customs duties or in the form of the opening of Community tariff quotas under Article 28 of the Treaty. Upon representations, Member States agreed to withdraw five applications. The Commission believes that further efforts along these lines will enable it to reduce the number of national tariff quotas still further.

As regards the opening of Community tariff quotas, the Commission submitted to the Council a number of proposed regulations or draft regulations on the subject to meet the Community's obligations in GATT, comply with certain provisions of agreements concluded between the Community and non-member countries (contractual quotas), and satisfy certain needs of the Community's industries (autonomous measures under Article 28 of the EEC Treaty).

In this context, the Commission took practical steps to help advance harmonization of the methods used in administering these quotas and approximation of national legislation where the rules still differ from one Member State to another. The Commission is all the more determined to maintain the harmonization drive since it is convinced that uniform rules are absolutely indispensable in a customs union.

## CHARGES WITH EQUIVALENT EFFECT

16. In 1969, the Commission's work on abolishing charges with effect equivalent to that of customs duties led to the abolition of 17 of them, while six new cases were reported.

The great majority of the charges on which the Commission has not yet decided under the relevant Treaty rules are duties, charges and dues for plant, animal and other health controls and for quality inspections which many products must undergo when being imported into or exported from the Member States. The Commission is currently examining the application of these provisions in the light of certain new factors in the



interpretation of the concept of charges with equivalent effect recently given by the Court of Justice in its judgments in case 24-68 and joint cases 2-69 and 3-69.<sup>1</sup>

Looking into a second group of charges, which, though levied at the same rate on similar items of domestic production, are linked with an aid system benefiting only domestic production, the Commission found only one case in respect of which the conditions for the application of the Treaty rules on charges with equivalent effect were met.

In the other cases, the Commission has already taken steps to obtain abolition of the charges. Sometimes, however, a considerable period of time elapses till this aim is achieved, especially if the legal situation is not completely clear.

#### DUTY-FREE ENTRY

17. In the field of duty-free entry on economic grounds, the measures taken over the past few years in respect of the aviation and shipbuilding industries have been implemented smoothly by the Member States. The industries of the Community have thus developed under conditions which put them on an equal footing with regard to each other and with regard to their competitors from non-member countries. These provisions will have to be supplemented by others as rapidly as possible, for the Member States still apply either differing or special rules if goods are, for instance, imported for use by the armed forces or in certain regions. For research and cultural activities it is also of special importance that the existing agreements under which some equipment may be imported duty free should be applied in the same way by all Member States.

#### CUSTOMS VALUATION

18. Following the entry into force of Council Regulation (EEC) No. 803/68 of 27 June 1968 on the customs valuation of goods,<sup>2</sup> the Commission adopted a first round of implementing measures, provided for in the basic regulation, to reduce further the differences between the methods by which Member States assess the value of goods and, in conse-

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<sup>1</sup> See secs. 573 *et seq. infra*.

<sup>2</sup> *Official gazette* No. L 148, 28 June 1968, p. 6.

quence, to ensure that the incidence of the duties in the common customs tariff is genuinely the same no matter where goods are cleared through customs at the Community frontier.

These implementing regulations, which were all adopted after the Committee on Customs Valuation had rendered favourable opinions, are:

- (1) Commission Regulation (EEC) No. 1769/68 of 6 November 1968 on air freight charges to be incorporated in value for customs purposes,<sup>1</sup>
- (2) Commission Regulation (EEC) No. 375/69 of 27 February 1969 on the declaration of information concerning the customs valuation of goods,<sup>2</sup>
- (3) Commission Regulation (EEC) No. 1788/69 of 10 September 1969 determining certain exceptions within the meaning of Article 3(2) of Council Regulation (EEC) No. 803/68,<sup>3</sup>
- (4) Commission Regulation (EEC) No. 1974/III/69 of 6 October 1969 on the exchange rate of the German mark for determining customs value,<sup>4</sup>
- (5) Commission Regulation (EEC) No. 2198/69 of 30 October 1969 on the periods of grace in Article 10(2 and 3) of Council Regulation (EEC) No. 803/68 on the customs valuation of goods.<sup>5</sup>

As part of its drive to harmonize valuation methods, the Commission, acting under Article 16 of the basic regulation, has begun to examine concrete cases in the Committee on Customs Valuation.

#### CUSTOMS LEGISLATION

19. Work on the establishment of the customs union, which is now virtually complete, has shown how important it is to have in the common customs territory<sup>6</sup> customs legislation that is as uniform as possible. The situation in this field is as follows:

<sup>1</sup> *Official gazette* No. L 285, 25 November 1968, p. 1.

<sup>2</sup> *Ibid.* No. L 52, 3 March 1969, p. 1.

<sup>3</sup> *Ibid.* No. L 230, 11 September 1969, p. 8.

<sup>4</sup> *Ibid.* No. L 251, 7 October 1969, p. 10.

<sup>5</sup> *Ibid.* No. L 279, 6 November 1969, p. 9.

<sup>6</sup> *Ibid.* No. L 238, 28 September 1968, p. 1.

20. The Council of Ministers adopted the directives, drawn up by the Commission, concerning bonded warehouses and free zones.<sup>1</sup>

After incorporating the Community measures in their own legislation, the Member States have applied them obligatorily as from 1 October 1969, the result being that since that date storage of goods without payment of customs duties must be governed by the same conditions in all six Member States. The liberal measures now applying in this matter, and in particular those relating to the free zones, will no doubt induce the Member States in which this system had virtually not existed to offer users new possibilities, encouraging storage and redistribution operations, particularly in the ports. As goods to an annual value of \$3 000 to \$4 000 million,<sup>2</sup> exclusive of duties and charges, are now covered by harmonized systems, it is certain that the new measures to eliminate differences in treatment in the Member States have effectively helped align the conditions under which the commercial operations involved are effected. The Community arrangement for free zones is also designed to promote the establishment of processing industries using raw materials or finished products imported from non-member countries and resold outside the Community. Another aim is to encourage the expansion of the shipyards.

The Commission must, however, still adopt a number of provisions to implement the arrangements for bonded warehouses and free zones. In particular a list of authorized storage operations has to be established.

21. In 1969, "inward processing traffic" was also harmonized by means of a directive.<sup>3</sup>

This device enables industrialists to import goods temporarily from non-member countries duty free, for processing and subsequent re-exportation. It was therefore indispensable to work out common rules on the subject, for it was clear that the more or the less liberal the approach to these arrangements was, the greater or the smaller were the disadvantages they entailed for Community manufacturers. The arrangements also have an impact on the conditions of competition inside the Community, particularly where the manufacturers concerned also sell in the Common Market. To illustrate the importance of the arrangements it should be emphasized that they facilitate visible exports to non-member countries worth at least 5 000 to 6 000 million u.a., i.e. almost 20% of total exports.

<sup>1</sup> *Official gazette* No. L 58, 8 March 1969, pp. 7 and 11.

<sup>2</sup> Excluding petroleum products.

<sup>3</sup> *Official gazette* No. L 58, 8 March 1969, p. 1.

The Community arrangements adopted after long and delicate discussions lay down fairly liberal economic criteria and take account of modern production and management methods. However, for the arrangements to become fully effective and place all industries in the Community on a genuinely equal footing—and, indeed, if they are to be effective at all—the Member States must adopt the relevant implementing measures as soon as possible. In 1969, only two implementing provisions<sup>1</sup> were referred to the competent Committee, since even in such important fields as the fixing of the rates of yield for charges on goods not re-exported, the Commission has not yet been able to complete the draft version of the provisions to be adopted.

22. In 1968, the Council adopted a regulation on the origin of goods.<sup>2</sup> In 1969, the Committee on origin held several meetings to discuss urgent questions claiming priority. Following a favourable Opinion by the Committee, the Commission was thus able to adopt the regulation instituting a Community certificate of origin.<sup>3</sup> Work is in hand on other provisions, particularly on the rules of origin for certain “sensitive” products. In 1969 the member countries closely co-ordinated their views in this field during work on questions of origin in UNCTAD, OECD and the Customs Co-operation Council.

In addition, special rules of origin indispensable to the functioning of the relevant agreements entered into force under association arrangements with Morocco, Tunisia and certain other states. Under the new Yaoundé Convention, the rules previously governing trade between the EEC and the Yaoundé countries were maintained, but it was agreed that they should be reviewed so as to take account of the experience gained and to combine into a single document the provisions adopted during the operation of the old Convention.

23. The proposed regulation on transit of goods through the Community was adopted by the Council on 18 March 1969.<sup>4</sup> As actual application of the arrangements for Community transit is to begin on 1 January 1970,

<sup>1</sup> Council Directive of 26 June 1969 on the inwards processing of certain products falling under CCT headings 18.06 and 21.07; *official gazette* No. L 159, 1 July 1969, p. 21.

Commission Directive of 30 September 1969 fixing the period allowed for processing certain agricultural products admitted in inward processing traffic; *official gazette* No. L 264, 22 October 1969, p. 7.

<sup>2</sup> *Official gazette* No. L 148, 28 June 1968, p. 1.

<sup>3</sup> *Ibid.* No. L 79, 31 March 1969, p. 1.

<sup>4</sup> *Ibid.* No. L 77, 29 March 1969, p. 1.

the Commission has been busy working out the necessary implementing provisions.

A proposed regulation with specimens of the forms to be used was submitted to the Committee on Goods in Transit.<sup>1</sup>

The forms have been unified in the fullest detail because—particularly in respect of the height and width of the columns and the spacing of the lines—they have to comply with the standards adopted in the Economic Commission for Europe. As simplified, the declaration formalities should be much easier. To help users, the Committee approved a joint notice providing detailed instructions for each column.

Thanks to regular contacts with the carriers' organizations, forwarding agents and representatives of the guarantee institutions, it has been possible to work out a standard guarantee system the general principle of which was already laid down in the basic regulation. The system has been designed to take into account the difficulties small and medium-sized firms and occasional users may have in finding a person willing to stand security for their commitments. The rules governing the standard guarantee system were laid down by Regulation (EEC) No. 2311/69,<sup>2</sup> The Commission also adopted another regulation enabling those concerned and particularly the guarantee institutions to obtain information on the progress of a Community transit operation.<sup>3</sup> The Commission believes that this arrangement should help reduce the cost of the guarantee, since it limits the risks of standing security.

The first simplification under the new Community transit arrangements consists in the abolition of the rules under which the Community nature of goods had to be proved by means of a special document issued for the purpose (movement certificate on Form DD).<sup>4</sup> In future, a similar formality will be required only in respect of goods entering the territory of a Member State under a procedure other than the Community transit arrangement.<sup>5</sup>

The second simplification is that the variety of procedures used to check, under the agricultural regulations, the use to which certain products are to be put and the country to which they are exported will be replaced

<sup>1</sup> *Official gazette* No. L 212, 25 August 1969, p. 1.

<sup>2</sup> *Ibid.* No. L 295, 24 November 1969, p. 1.

<sup>3</sup> *Ibid.* No. L 295, 24 November 1969 p. 6.

<sup>4</sup> *Ibid.* No. L 13, 19 January 1970.

<sup>5</sup> *Ibid.* No. L 295, 24 November 1969, p. 8.

by a uniform procedure based on the functioning of the Community transit system. Implementing Regulation (EEC) No. 2315/69 lays down the necessary details.<sup>1</sup>

The institution of the Community transit system entails quite generally an appreciable reduction in the formalities to be complied with at the internal frontiers. Under the system, there is no need for a halt at the point of exit, and the formalities upon entry into the next Member State are confined to the handing over of a simple frontier transit note and to a possible check of the customs seals. International goods trains now do not need to stop at all at frontiers, the railway companies being exempt from the obligation to present a frontier transit note.

24. All this might suggest that the bulk of the work towards the establishment of a customs union has been completed, at least in respect of the basic provisions.

There is, however, still much that needs to be done immediately to consolidate and secure for the future the progress made so far.<sup>2</sup>

#### MEASURES WITH EQUIVALENT EFFECT TO QUANTITATIVE RESTRICTIONS, TECHNICAL OBSTACLES TO TRADE, TECHNICAL HARMONIZATION

##### *Quantitative restrictions and measures with equivalent effect*

25. The end of the transitional period is marked by the full attainment of one of the most important objectives which the signatories of the EEC Treaty had set themselves, namely the elimination of quantitative restrictions between Member States (Title I, Chapter 2). The prohibition of quotas, in force for several years already with regard to industrial products, will in future apply to all goods. The only exceptions are a few residual quotas for farm products subject to a national market organization; these quotas are, however, bound to disappear as joint market organizations are gradually introduced in the fields concerned. Article 30 of the EEC Treaty

<sup>1</sup> *Official gazette* No. L 295, 24 November 1969, p. 14.

<sup>2</sup> See Commission communication to the Council on the Communities' work programme for the next three years (Doc. COM (69) 250) and reply by the Commission to written question No. 180/69 by M. Bading on the harmonization of customs legislation; *official gazette* No. C 133, 18 October 1969.

also prohibits *ipso jure*, as from the expiry of the transitional period, all measures with equivalent effect to quantitative restrictions which existed at the date of the entry into force of the Treaty.

In compliance with its obligations under Article 33(7), the Commission completed execution of the appropriate action programme. Two directives were adopted, one on supplies to the central government, regional and local authorities and other public agencies,<sup>1</sup> and the other on the elimination of those measures with effect equivalent to quantitative restrictions on imports which were not accounted for by other provisions adopted under the Treaty.

The first directive provides for the elimination of restrictive measures impeding the free movement of goods intended to meet the needs of the State, the regional and local authorities and other public agencies.

The second is designed to eliminate all those measures with effect equivalent to quantitative restrictions on imports which existed at the date of entry into force of the Treaty and have been maintained. This directive is of particular importance in that it analyses the concept of "measures with equivalent effect" and at the same time lists, by way of example, a number of provisions which must be considered to fall within this category. The guidelines laid down by the Commission in this directive will no doubt assist the Member States in studying the measures involved and, in the final analysis, help to ensure that the Treaty obligations are complied with.

### *Removal of technical obstacles to trade<sup>2</sup>*

26. For economic union to be established, there is a need to eliminate not only customs and quota barriers but also any other obstacles that stand in the way of a completely unified market at Community level. Elimination of non-tariff barriers has not advanced at the same pace as removal of the other obstacles. This is particularly true of technical obstacles resulting from the disparities between the laws and regulations applying in the Member States to the manufacture and marketing of certain products. Though its powers and facilities are limited, the Commission has worked hard to solve this problem, in a field which is very

<sup>1</sup> *Official gazette* No. L 13, 19 January 1970.

<sup>2</sup> See also Ch. II, 5.

complex. Another difficulty is that while the Treaty provides for ensuring the removal of obstacles in the form of tariffs or quotas, it is silent on the matter of technical obstacles.

The field is complex mainly because of the need to approximate differing legal provisions, having due regard not only to their specific content but also to national traditions and the economic and social context in which they apply. Again, it sometimes happens that in one and the same Member State several official departments, holding differing views on the problem, are competent. In addition, it is always difficult to reconcile the immediate requirements of harmonization of legislation with the need to adopt a rational and coherent solution in the light of the latest state of technical progress.

Because there are no specific Treaty provisions, a systematic *ad hoc* programme has been worked out to bring home to those concerned, in both the public and private sectors, the importance of the problem posed by technical obstacles and to ensure that the Member States muster the political will to help solve it by specifying the necessary measures and drawing up a time-table for their adoption.

This gap was filled on 28 May 1969 with the adoption by the Council of a general programme, to be implemented before 1 January 1971, which fixes priorities in the light of the relative importance of the sectors involved and co-ordinates, to the extent necessary for implementation, national legislative measures with the work to be done by the Community. This programme implies a basic political choice in that it lays down that the final objective of all measures to eliminate technical obstacles is the mutual recognition of the national decisions on the subject so as to enable producers in the Community to manufacture on the scale of the common market, and consumers to make a better choice among the products thus made available.

The programme is important not only because it makes an essential contribution to the creation of a truly common market effectively guaranteeing the free movement of goods but also because it is a key instrument for the implementation of industrial policy, particularly in respect of measures for certain industries. Lastly, the steps to be taken under the programme clear the way for a considerable number of economic policy measures at Community level.

The first part of the time-table concerning industrial products has been kept to, for all proposed directives envisaged have been submitted by the Commission to the Council. So far the Council has adopted only



the directive on crystal glass (15 December 1969).<sup>1</sup> Work on the proposed directives for the other parts is now too far behind hand to be made up in 1970.

### *Euronorms*

27. In 1969, the Co-ordinating Committee on the nomenclature of iron and steel products pressed ahead with its work on the drawing up of European standards. The last five important quality standards for ordinary steel have been published and work on several standards for special steel is far advanced; five of these standards concerning steel for heat treatment have been completed. Parallel to the introduction of standards for special steel, standards are also being drawn up for physical and chemical testing methods for this type of steel; this includes five standards for physical tests of which two have practically been completed, and six standards for the chemical analysis of special elements of which two have reached the final phase. At the request of the producers and users of magnetic sheet, a new working party (No. 24) was set up to standardize the qualities produced in the Community; it held its first meeting in 1969.

In the group of Euronorms concerning sizes and tolerances of rolled products, three standards on the tolerances of flat products have been completed; work on the rationalization of special purpose sections continues. The development, about ten years ago, of European series of parallel-flanged beams met a double need as it made available lighter beams for use in steel constructions and helped rationalize the range of rolled products. As rolling-mill equipment has been renewed in the past few years, it is now possible to work on the improvement of the solutions adopted previously; the study of these new series, combined with world harmonization of the dimensions, has reached a very advanced stage. Lastly, the revision of the ten-year old Euronorms for wire rod has been completed. Work on other revisions made necessary by technical progress is in hand.

### SAFEGUARD MEASURES (ARTICLE 226)

28. All the safeguard measures under Article 226 still in force expired on 31 December 1969, the date when the transitional period ended and this safeguard clause ceased being valid.

<sup>1</sup> *Official gazette* No. L 326, 29 December 1969.

These measures concern silk in Italy, cereals in Germany, Belgium and the Netherlands, and a number of other farm products in Germany.

Last year, the Government of the Federal Republic of Germany withdrew an application for measures safeguarding products derived from cocoa. The Commission rejected two applications from the Italian Government, submitted in March and June 1969, for an extension of the measures safeguarding lead and zinc. In December 1969 it also refused an application by the Belgian Government in favour of its wine and spirits bottling industry. It accepted applications by the German, Netherlands and Belgian Governments in favour of cereals.

The latter applications were mainly motivated by the situation prevailing before the change in the parity of the German mark and its repercussions on prices.

Lastly, the Commission took a considerable number of decisions authorizing measures by the Government of the Federal Republic of Germany in the agricultural sector following the parity change.

## 2. Competition policy

### GENERAL

29. The tendency towards greater industrial concentration in the Common Market continued in 1969, but few of the amalgamations raised problems from the angle of competition policy.

However, the number of cases of combination in respect of which the Commission felt a more detailed investigation necessary rose, as it was impossible to establish at the outset that they involved no appreciable restraint of effective competition. Those investigations already completed showed that in the area controlled by the EEC Treaty there was no need to apply Article 86. A scheme for an amalgamation in the glass industry which was liable to infringe Article 86 was dropped.

In the iron and steel industry, an amalgamation involving the two Belgian firms Cockerill-Ougrée-Providence and SA Métallurgique d'Espérance-Longdoz was authorized under Article 66 of the ECSC Treaty. As a result of this amalgamation, the new firm accounts for about 6.5% of the Community's total output of crude steel; however, together with the output of the Sidmar and Arbed groups which are linked with the new firm, the share is about 15%. The Commission nevertheless authorized this amalgamation because the group is not very close-knit and because competition remains possible between Cockerill-Espérance and Arbed. The Commission helped to safeguard a relative degree of independence by imposing certain conditions.

In the energy sector, the Commission authorized the establishment of the single Ruhrkohle company to enable a solution to be found to structural problems in coalmining. In assessing the situation, the Commission took account of competition from other sources of energy and, where coking coal is concerned, of competition from American coking coal.

On the application of Article 85 of the EEC Treaty, the Commission continued its policy of encouraging co-operation making for higher productivity while using Article 85(1) to ensure maintenance of effective competition. In addition to taking various decisions by which new cases of co-operation were exempted from the ban of Article 85(1), the Com-

mission ruled for the first time (in the case *Christiani & Nielsen*) on the problem of competition within a group of legally independent yet economically linked enterprises.

In two cases, the Commission fined firms for infringement of the ban on restrictive agreements. This was the first time that such decisions were taken in an EEC context. One of them is important particularly because it also concerns firms which have their headquarters in non-member countries. Most of the firms involved have appealed to the Court of Justice of the European Communities against these decisions.

The Commission's opposition to efforts to wall off national markets by means of contractual bans on exports or re-imports has implications for the German system of resale price maintenance. Although the Commission has not opposed RPM itself, its existence in Germany is jeopardized because according to current German court practice resale price maintenance must be applied without exception, both on paper and in practice; the system must therefore be underpinned by bans on exports and re-imports.

The rate at which aid is being stepped up, particularly under regional policy, and the way in which Member States outbid each other in the process as a result of insufficient harmonization, represent a danger for competition and industrial and regional equilibrium in the Community, a danger which is growing as the integration of the Community advances. The Commission has therefore pressed forward its harmonization drive and laid down rules that make the national aid systems and certain implementation procedures easier to examine and assess.

Nineteen-sixty-nine was of particular importance for State-trading monopolies. Under Article 37 of the EEC Treaty, Member States are required to adjust them so as to ensure that, when the transitional period expires, no discrimination regarding supplies or marketing exists between the nationals of Member States. Before the end of the year, the Commission addressed recommendations to the Governments of the Member States concerned in respect of almost all monopolies that have not yet been adjusted in accordance with the Treaty. These recommendations set out what adjustments have to be made to this end.

APPLICATION OF THE TREATY CLAUSES RELATING TO AGREEMENTS,  
MERGERS, DOMINANT POSITIONS AND CASES OF PRIVATE  
DISCRIMINATION

*Individual cases*

*Individual cases on 31 December 1969: numbers and stage reached*

*Articles 85 and 86 of the EEC Treaty*

30. Table 10 shows the stage reached in the cases dealt with between 1 January and 31 December 1969 under Articles 85 and 86 of the EEC Treaty.

The large number of cases settled by means other than a decision is largely a result of the decision adopted by the Commission in 1968 to take no further action in respect of exclusive dealing agreements notified on Form B and not involving absolute territorial protection or similar arrangements. An examination carried out in the light of this decision enabled 11 736 cases to be disposed of in 1969.

After the decision taken in the case *Johs. Rieckermann/AEG-Elotherm*,<sup>1</sup> the Commission discontinued under a simplified procedure 1 073 cases of notification which related to exclusive dealing agreements on exports to non-member countries and to which the criteria established in the *Rieckermann* decision applied.

Having examined them, the Commission was able to shelve as not requiring further action 1 026 notifications and complaints, either because the agreements involved had been adjusted or voluntarily terminated by the parties concerned, or because they referred to exclusive dealing agreements qualifying for exemption under Regulation No. 67/67/CEE,<sup>2</sup> or for other reasons (withdrawal of the application, Commission decision no longer needed, complaint rejected as inadmissible, etc.).

Most of the cases still to be dealt with relate to exclusive dealing agreements involving absolute territorial protection, licensing agreements, horizontal agreements on prices, quotas, etc. which have either been notified or have been detected under an own-initiative procedure.

<sup>1</sup> Of 6 November 1968. See *Second General Report*, sec. 28(v).

<sup>2</sup> *Official gazette* No. 57, 25 March 1967, *Tenth General Report* (EEC), sec. 60.

*TABLE 10*  
**Articles 85 and 86 of the EEC Treaty**  
 (31 December 1969)

	Proce- dures based on notifica- tions and negative clearance applica- tions	Procedures based on complaints		Own initiative proce- dures	Total
		from firms	from Member States		
Total number of individual cases on 1 January 1969	23 006	72	—	67	23 145
New cases submitted in the year under review :	70	12	—	25	107
Cases settled in the year under review					
(i) Settled by decision	11			2	13
(ii) Otherwise settled (e.g., through withdrawal of appli- cation or termination of re- straint of competition and sus- pension of procedures, discon- tinuance of procedures, etc.)	13 799	13		20	13 832
Total number of cases settled	13 810	13		22	13 845
Number of cases pending on 1 January 1970	9 266	71		70	9 407

Work is in hand on test decisions on licensing agreements with a view to the possibility of granting block exemption. Virtually all exclusive dealing agreements that have not yet been settled are currently being examined.

New notifications are examined briefly immediately on receipt so that they can, where necessary, be given priority treatment.

*Articles 65 and 66 of the ECSC Treaty*

31. Table 11 shows the stage reached in the cases dealt with under Articles 65 and 66 of the ECSC Treaty.

TABLE 11  
Articles 65 and 66 of the ECSC Treaty  
(31 December 1969)

	Article 65	Article 66
Total number of individual cases on 1 January 1969	42	48
New cases submitted in the year under review	2	31
Cases settled in the year under review :		
(i) Commission decisions	1	12
(ii) Otherwise settled (exemption from the requirement of prior authorization, discontinuance of procedures, joint cases)	18	41
Total number of procedures closed	19	53
Number of individual cases pending on 31 December 1969	25	26

*Surveillance of the markets, spot checks and investigations*

32. The Commission continued to monitor conditions of competition in the Common Market. It carried out, alone or assisted by the authorities of the Member States, a large number of investigations under Article 14 of Council Regulation No. 17.

It also looked into several cases of mergers or proposed amalgamations—*inter alia* by sending requests for information under Article 11 of

Regulation No. 17—which might entail elimination of effective competition in the Common Market or in a substantial part thereof.

The Commission decided to carry out an inquiry under Article 12 of Council Regulation No. 17 with a view to examining the importance attaching to brewery contracts and their influence on trade between Member States.

As pointed out by the Commission in previous reports already, these surveillance measures sometimes induce firms engaged in practices prohibited under Articles 85 and 86 to put an immediate end to their concerted practices or restrictive agreements.

Spot checks to ensure compliance with Article 60 were continued in 1969 to a limited extent. In the iron and steel industry, they were mainly concerned with the market in reinforcing rods; spot checks were made on the chief manufacturers in five Community countries; by and large they confirmed that the situation on this market was returning to normal. Spot checks concerning coking coal intended for the iron and steel industry, made under Decision 1/67, were carried out in iron and steel companies and coalmining companies in the Federal Republic of Germany, France and Italy.

### *Decisions*

33. The Commission adopted two decisions noting infringements of Article 85 of the EEC Treaty and imposing fines on each of the enterprises concerned, and 11 favourable decisions on co-operation agreements between enterprises, the most significant of which are listed below.

#### *Decisions to impose fines*

34. In deciding for the first time to impose fines in two flagrant cases of infringement of the rules of competition, the Commission showed its determination to ensure compliance with the ban on restrictive agreements that contravene the Treaty objectives. An international quinine agreement<sup>1</sup> involved price-fixing, control of production and markets, and market-sharing. The parties to it, a Dutch company, two German companies and three French companies, were fined a total of 500 000 u.a., the

<sup>1</sup> Decision of 16 July 1969, *official gazette* No. L 192, 5 August 1969; *Bulletin* 9/10-69, Ch. V, sec. 11.



individual fines being fixed in the light of the company's market position and the degree of its responsibility for the infringements. A second decision<sup>1</sup> concerns firms manufacturing dyestuffs. This was the first occasion on which the Commission had to rule on concerted practices involving uniform and virtually simultaneous price increases. The Commission had to take steps not only against firms from the Common Market but also against firms having their headquarters in non-member countries, the practices to which they were parties having as their object and result, the restriction of competition within the Common Market. A fine of 50 000 u.a. was imposed on all companies involved, the only exception being the Italian company which was less heavily penalized (40 000 u.a.) because it was less closely involved.

#### *Favourable decisions on industrial co-operation agreements*

35. The Commission continued its examination of co-operation agreements between enterprises, having already adopted a number of favourable decisions, particularly in 1968.<sup>2</sup> It adopted three new individual decisions in this field.

The exemptions granted on 22 July 1969 in the cases *Clima Chappée-Buderus* and *Jaz-Peter*<sup>3</sup> concern two agreements to specialize in the manufacture of air-conditioning equipment and of clocks respectively, each concluded between one French and one German company. The two decisions confirm that the Commission takes a favourable view of co-operation agreements of this kind and that other specialization agreements between firms from different Member States, offering comparable advantages, might be encouraged.

The negative clearance granted on 5 December 1969 in the case *Dunlop-Pirelli*<sup>4</sup> concerns two reciprocal agreements on the manufacture of tyres and inner tubes by each of the two firms for the account of the subsidiary of the other party. The decision does not affect the Commission's future attitude to similar cases of reciprocal agreements on production for account of another firm, where such agreements are concluded in different economic circumstances.

<sup>1</sup> Of 24 July 1969, *official gazette* No. L 195, 7 August 1969; *Bulletin* 9/10-69, Ch. V, sec. 12.

<sup>2</sup> *Second General Report*, sec. 28.

<sup>3</sup> *Official gazette* No. L 195, 7 August 1969; *Bulletin* 9/10-69, Ch. V, sec. 13.

<sup>4</sup> *Official gazette* No. L 323, 24 December 1969; *Bulletin* 2-70.

*Favourable decisions on other agreements*

36. Exemption<sup>1</sup> was granted for the rules of the European Machine Tool Exhibitions (EEMO), drawn up by the European Committee for Co-operation of the Machine Tool Industries. Under these rules, exhibitors are forbidden to participate, during the year when they exhibit at a European Machine Tool Exhibition, in any other fairs and exhibitions in countries where the association of machine-tool manufacturers is a member of the European Committee for Co-operation of the Machine Tool Industries.

Given the advantages joint exhibiting offers to both exhibitors and buyers, the Commission raised no objection to this restriction these rules place on the ability of the parties to compete freely.

The importance of the decision goes beyond this particular case, since a number of other organizations of important international fairs have comparable rules.

An agreement concluded in 1936 between Belgian lime-burners and the Belgian manufacturers of Portland cement, under which the former undertook to refrain from the production of Portland cement against payment of a compensation over an unlimited period of time, was granted negative clearance.<sup>2</sup> The Commission arrived at the conclusion that under present technical and economic conditions the lime-burners concerned had practically no scope for manufacturing this quality of cement and that the production ban could not appreciably restrict competition in this product.

The decision *Christiani & Nielsen*<sup>3</sup> relates to an agreement between a parent company and its wholly-owned subsidiary, binding the latter not to operate outside Dutch territory without the agreement of the parent company. The Commission held that the subsidiary was an integral part of the parent company economically and financially, that the two companies were not competing with each other and that to limit the area within which the subsidiary was allowed to operate was no more than to apportion work internally. This decision is the first Commission ruling on relationships between parent and subsidiary companies.

<sup>1</sup> Of 13 March 1969, *official gazette* No. L 69, 20 March 1969; *Bulletin* 5-69, Ch. VI, sec. 4.

<sup>2</sup> Of 5 May 1969, *official gazette* No. L 122, 22 May 1969; *Bulletin* 7-69, Ch. VI, sec. 4.

<sup>3</sup> Of 18 June 1969, *official gazette* No. L 165, 5 July 1969; *Bulletin* 8-69, Ch. V, sec. 6.

In the case *Vereniging van Vernis- en Verffabrikanten in Nederland*, negative clearance<sup>1</sup> was granted in respect of an undertaking given by the Netherlands manufacturers of paint and varnish belonging to this trade association to comply with certain minimum quality requirements. The decision is of special interest because it lists the clauses in the agreement considered incompatible with Article 85 of the Treaty, in particular those concerning minimum prices and conditions of sale. The firms concerned had deleted these clauses, following comments by the Commission, in respect of their exports to the other countries of the Common Market.

The SEIFA decision<sup>2</sup> concerning a joint selling agreement concluded by several Italian manufacturers of artificial fertilizers follows those adopted by the Commission on 6 November 1968 concerning similar organizations for the sale of fertilizers operating in Belgium and France (*Cobelaz and Comptoir français de l'azote*).<sup>3</sup>

#### *Cases settled by other means*

37. Several cases were closed after the parties concerned had, on representations from the Commission, adjusted their agreements to the rules of competition of the Treaty. This includes the following cases:

- (i) An information agreement among companies providing special forms of insurance;<sup>4</sup>
- (ii) The general sales conditions of the subsidiaries of NV Philips Gloeilampenfabrieken;<sup>5</sup>
- (iii) A reciprocal exclusive dealing agreement on buying and selling concluded among traders in agricultural machinery;<sup>6</sup>
- (iv) A case involving abusive use of trade-mark rights.<sup>7</sup>

#### *Articles 65 and 66 of the ECSC Treaty*

38. The most important decisions taken in 1969 are the following.

<sup>1</sup> Of 25 June 1965, *official gazette* No. L 168, 10 July 1969; *Bulletin* 9/10-69, Ch. V, sec. 13.

<sup>2</sup> Of 30 June 1969, *official gazette* No. L 173, 15 July 1969; *Bulletin* 9/10-69.

<sup>3</sup> *Second General Report*, sec. 28(iv).

<sup>4</sup> *Bulletin* 5-69, Ch. VI, sec. 5.

<sup>5</sup> *Ibid.* 4-69, Ch. VI, sec. 5.

<sup>6</sup> *Ibid.* 7-67, Ch. VI, sec. 4.

<sup>7</sup> *Ibid.* 8-69, Ch. V, sec. 5.

By a decision of 31 July 1969 taken under Article 66 of the ECSC Treaty, the Commission authorized a combination involving the iron and steel companies SA Cockerill-Ougrée-Providence, Seraing (Belgium), and SA Métallurgique d'Espérance-Longdoz, Liège (Belgium). The iron and steel companies concerned directly or indirectly in this link-up account for some 15% of the Community's total output of crude steel and sheet. The Commission made its authorization in particular subject to the condition that the agreement on the joint selling of cold-rolled sheet and strip<sup>1</sup> concluded between Cockerill-Ougrée-Providence, Aciéries de Beator (France), Arbed (Luxembourg) and Sidmar (Belgium), should be terminated on 31 December 1970. As from January 1971 at the latest, the products of the jointly owned company Sidmar will have to be sold separately by the respective sales organization of the Cockerill group and Arbed. This condition is designed to guarantee Arbed's relative independence from the other companies directly or indirectly involved in the amalgamation, and to enable it to remain independent in its commercial decisions, a factor upon which the authorization was made conditional. The Commission will monitor the market behaviour of the companies concerned and check for compliance with the conditions imposed.

The Commission also acceded to a request by the Union sidérurgique du nord et de l'est de la France (Usinor) to authorize this company to acquire a majority of the equity of Société métallurgique de l'Escaut SA. Similarly, it approved the acquisition of an important share in the equity of Stahlwerke Südwestfalen by Hoesch AG.<sup>2</sup>

On 27 November 1969 the Commission authorized, by a decision taken under Article 66 of the ECSC Treaty, the transfer of mining interests to Ruhrkohle AG. This company will account for somewhat more than 90% of the Ruhr coalfield's output. Such heavy concentration was authorized only because it takes place on a market where Community coal has in the past ten years been increasingly replaced by other products. The coal market in the Community has ceased to play an autonomous role and has become part of an energy market dominated by oil and, to a growing extent, by natural gas. Even a firm of the size of Ruhrkohle AG will not be able to prevent effective competition on this market (Article 66(2)). As regards the section of the market which sells coking coal to the steel industry—a section in which, in 1968, the Ruhr coalfield had a share of somewhat more than 50% and coal from non-member countries one of more than 15%—the Commission found that the pressure

<sup>1</sup> *Official gazette* No. 49, 16 March 1967; *First General Report*, sec. 28.

<sup>2</sup> See also *Bulletin* 5-69, Ch. VI, sec. 7, and *Bulletin* 6-69, Ch. V, sec. 3.

exerted by the prices of coal from non-member countries was such that the Community procedure, including the Ruhrkohle AG, could not help adjusting to it.

A large part of the Ruhrkohle AG output will be delivered under 20-year contracts which the companies giving up their mining interests have undertaken to conclude with Ruhrkohle AG with a view to securing supplies for their steel mills and power stations. All other coal users in the Common Market who find themselves in a similar position must be allowed equal access to production. This is why the Commission has placed the Ruhrkohle AG under the obligation to open, within two years of the decision taking effect, negotiations on long-term contracts with any steel firm in the Community which so desires, and has required that these contracts comply with the current rules on prices. Ruhrkohle AG must keep the Commission informed of the progress and outcome of these negotiations.

The High Authority decisions authorizing joint selling through the agencies Geitling and Präsident<sup>1</sup> were abrogated as from 31 December 1969.

### *General measures*

#### *Legislation*

39. On 8 August 1969 the Commission adopted two regulations implementing Council Regulation (EEC) No. 1017/68 of 19 July 1968 "applying the rules of competition to rail, road and inland water transport"<sup>2</sup> (Regulations (EEC) Nos. 1629 and 1630/69).<sup>3</sup>

Given the trends on the markets for the various products falling under the rules of the ECSC Treaty, less urgency attached in the year under review to the amendment of the decisions implementing Article 60 of this Treaty. The Commission nevertheless concluded its preparatory work on a new definition of the ban on discrimination under Article 60(1). The problems raised by the rules on publication and alignment (Article 60(2)) were examined from the technical angle.<sup>4</sup>

<sup>1</sup> *Official gazette* No. 57, 10 April 1963.

<sup>2</sup> *Ibid.* No. L 175, 23 July 1968, p. 1.

<sup>3</sup> Regulations (EEC) Nos. 1629/69 and 1630/69, *official gazette* No. L 209, 21 August 1969. See also Regulation No. 17 of 6 February 1962.

<sup>4</sup> *Second General Report*, sec. 34.

*Application of Article 37 of the EEC Treaty  
to State trading monopolies*

40. The Commission examined more carefully all monopolies and other arrangements falling within Article 37 with a view to determining what measures must still be taken to comply with the obligations under this article. In some cases, it had to take into account the requirement of Article 37(4) that if a State trading monopoly is linked with arrangements intended to facilitate the marketing or valorization of agricultural products, steps must be taken when the Article is implemented to ensure that the producers concerned receive equivalent guarantees in respect of their employment and their standard of living, due allowance being made for the pace of such adjustments as are possible and of the requisite specializations.

The Commission proposals of 4 July 1967 as amended on 19 July 1969 concerning the manufactured tobacco monopolies in France and Italy were further discussed by the various Community institutions, as were the proposals concerning agriculture and taxation.<sup>1</sup>

As in the case of tobacco, the definitive adjustment of the spirits monopolies operated in France and Germany should take place under a general arrangement that provides for the establishment of a common market organization and for the adoption of measures to harmonize taxation. Work in this field has not yet advanced sufficiently to enable the Commission to submit to the Council proposals for such a solution.

In view of the difficulties which Germany had encountered since the beginning of 1969 when importing spirits and spirituous beverages from the other Member States, the Commission recommended to Germany, on 27 June 1969, that it gradually raise its import quotas for these products. In a *note verbale* of 17 November 1969, Germany advised the Commission that as long as the common organization of the market in ethyl alcohol of agricultural origin was not set up, it was unable to comply with this recommendation.

Given the time-limits laid down by Article 37 for the adjustment of monopolies, the Commission nevertheless addressed two recommendations (23 December 1969) to France and Germany concerning the adjustment of their spirits monopolies. These recommendations take account of the problems posed, in respect of the elimination of all discrimination as

<sup>1</sup> Secs. 51 and 174.

required under Article 37, by the fact that there is no common organization of the market in ethyl alcohol of agricultural origin.

Indeed, while recommending to France and Germany to take measures to ensure the elimination of all discrimination among nationals from Member States in respect of ethyl alcohol of non-agricultural origin, spirits and spirituous beverages, the Commission at the same time stated what measures the two countries may either maintain or adopt with a view to safeguarding the main objectives currently pursued in the two countries by the national market organizations.

41. On 25 November and 23 and 30 December 1969, recommendations were addressed to France and Italy concerning the adjustment of the French monopolies for potash, matches, basic slag, gun-powder and explosives and the arrangements for oil, and the adjustment of the Italian monopolies for lighters, matches, cigarette paper, flints and salt.

The Commission had found that the two governments had taken steps to adjust certain monopolies while they had failed to do anything to adjust others.

In the light of the objective underlying Article 37, the Commission arrived at the conclusion that in none of the above cases did the arrangements currently in force ensure, as provided for under Article 37, that no discrimination existed as regards the supply or marketing of the relevant goods. Article 37, which is part of the Title on the free movement of goods and more particularly of the Chapter on the elimination of quantitative restrictions as between Member States, is, in the Commission's view, designed to ensure that at the end of the transitional period the situation in respect of goods subject to State trading monopolies (or like arrangements) is the same as the one created in respect of the other products by the application of Articles 30 to 34, i.e. that goods can move freely.

Article 37 not only requires the elimination of discrimination resulting directly from the rules governing goods covered by monopoly arrangements but is also designed to rule out the possibility of cases of discrimination occurring after the end of the transitional period because of certain special powers enjoyed by the monopolies in respect of the importation and marketing, or exportation, of certain goods.

In general, the Commission took the view that the desired result can be best achieved through elimination of the exclusive rights

enjoyed by the monopolies: there is already no further doubt that this approach is effective. It therefore recommended to France and Italy to eliminate the exclusive rights of the above-mentioned monopolies to import, export and market the products involved where these rights affect trade between Member States.

Special problems have, however, arisen in the case of the French oil monopoly, not only because trade in petroleum products, unlike the other cases to which Article 37 applies, is not carried out by a single company or agency in France but by a fairly large number of companies specially licensed and subject to supervision by the public authorities, but also because there are currently major differences between the policies of the Member States, particularly in their trade and energy policies. Given these special circumstances, the Commission recommended to France that it adjust the arrangement in such a way that some of the provisions currently in force which discriminate against nationals from other Member States are amended or dropped because they restrict imports of crude petroleum from these States while encouraging the marketing on the French market of French crude petroleum or like products and of products refined in France. With regard to a considerable number of other provisions enabling the public authorities to introduce such measures of discrimination, the Commission recommended that the French Government ensure that they are applied in a way that rules out any discrimination in the conditions of supply and marketing between the nationals of the Member States.

#### TREATY RULES ON AID

##### *Aids to specific industries*

42. On 28 July 1969 the Council, acting on a Commission proposal, adopted a directive on aid to shipbuilding to correct distortions of competition on the world market. This directive, valid until 31 December 1971 only, makes such aid subject, throughout the Community, to a ceiling of 10% of the selling price of the vessels and gives it a maximum field of application.

In the period under review, several shipbuilding aid schemes were modified in individual Member States.



The alarming situation facing several branches of the textile industry led certain Member States to introduce or contemplate introducing aid measures.

On 18 July 1969, the Commission decided that the French aid arrangements to encourage research and modernization of industrial and commercial structures in the textile sector must be terminated by 1 April 1970 unless the method of financing is modified so that imports from other Member States are no longer subject to the para-fiscal charge introduced under these arrangements.

In co-operation with government experts, the Commission started an examination of the specific measures taken by the Member States to assist the computer industry. The Commission also studied those general measures to promote research and development which also cover this industry, but made no systematic survey of the cases in which measures were being applied.

In the pulp, paper and cardboard industry, the procedure of Article 169 was instituted for infringement of Articles 12 and 95 of the EEC Treaty in the case of French aid to the pulp industry financed from a para-fiscal charge on paper and cardboard. In view of the growing number of aids financed from para-fiscal charges and of their effect on the establishment and functioning of the common market, the Commission proposes to check these aids systematically for compatibility with the EEC Treaty, particularly Articles 12, 95 and 92.

The Commission, assisted by the Member States, continued work on the problem posed by the application of diverging aid arrangements for the film industry.

On 24 April 1969 the Commission decided to raise no objections to the proposed Italian aid arrangement to reorganize the sulphur industry in Sicily. These measures are merely designed to keep the mines in operation until new economically profitable industries have been set up that will gradually replace the unprofitable sulphur industry.

In the energy sector, the German Government notified a proposed law on the disposal of waste lubricating oils. This law is part of the drive against environmental pollution which penal legislation alone cannot prevent. The Commission arrived at the conclusion that the subsidies to be granted under the proposed law were not aids within the meaning of Article 92(1) provided that no regeneration firm received subsidies exceeding the real annual deficit incurred by that firm and that the subsidies for the combustion and the regeneration of waste oils were progressively aligned.

The German Government also notified a programme of initial aids for the oil industry basically designed to guarantee and diversify the supply of crude oil to Germany by allowing the use of independent resources outside the Community. The Commission noted that, because of its general objectives, the German system would be consonant with the policy lines it had itself defined in the "First guidelines for a Community energy policy". It also arrived at the conclusion that subject to certain amendments the aids did not raise serious difficulties as to their form or their amount.

### *General aid schemes*

43. In July 1968 the Commission decided to approve certain general aid schemes as compatible with the common market only on condition that the Member State involved inform it in good time of certain major schemes whose compatibility with the common market cannot be assessed by merely examining the aid criteria listed in the outline law.<sup>1</sup> Following this decision, the Commission organized a multilateral meeting of government experts to examine the practical details of a procedure for the prior examination of significant cases involving the application of the principal general aid schemes.

During the discussions it became clear that some of the national delegations, while recognizing the need to make State aids more "transparent" in order to maintain sound and workable competition in the common market, would prefer to ensure such transparency at the level of the general aid schemes themselves. Without prejudice to its definitive policy in this area, the Commission decided at this stage to introduce an alternative to the condition on which it is prepared to approve the main schemes as compatible with the common market. The alternative condition requires these schemes to be adjusted so as to be more transparent and more selective as to the regions and industries assisted, enabling the Commission to rule on their compatibility.

44. In the light of this decision as to principle, the Commission ruled on the new French, Dutch and German measures to assist regional development.

<sup>1</sup> *Second General Report*, sec. 47.

On the whole the new measures do not dispose of the substance of the Commission's objections to the previous arrangements. The Commission therefore confirmed its reservations in connection with competition and regional equilibrium in the Community. As in the case of the old schemes, the Commission felt that in view of the scale of the aids granted and the failure to make them transparent and use them selectively, there was a serious presumption that the new arrangements were not compatible with the common market. It therefore decided to institute against the arrangements involved the procedure laid down in Article 93(2) of the EEC Treaty, making approval subject to notification of the major individual decisions or adjustment of the proposed measures to make them more transparent and selective.

### *Matters affecting the consumer*

45. The Commission's competition policy is designed to safeguard the interests of consumers as well as to stimulate the economy in general.

This point is of particular importance because the European economy is developing rapidly and because it is clear that Europe will never be more than a blueprint unless consumers are free to contribute fully to, and bear their share of responsibility for, the economy, and unless their interests are properly safeguarded.

46. Under its competition policy, the Commission took initiatives clearly reflecting its belief that there is a need for a co-ordinated and effective consumer policy.

Though still in its beginnings, this policy is already taking shape. Its main object is to help inform and protect the consumer.

(a) There are two aspects to the problem:

- (i) General information—knowledge and understanding of the Commission's work in matters affecting the consumer and of the repercussions of the common market at consumer level must be promoted.

The first part of this general information task involved intensive public relations work (lectures, published articles), reflected in particular in a quarterly periodical which provides a forum for discussion between consumers and the Commission.

General information includes information on the effects of the development of the common market on the prices of consumer goods. In 1969, an analysis was made of intra-Community trade in 300 goods or groups of goods intended for final consumption; statistical surveys were carried out to show any disparities between the Member States in the price level for identical or fully comparable articles of everyday consumption and to show how such disparities are developing; lastly, a study was commissioned from an economic research institute on the reasons for these price differences for a number of products.<sup>1</sup>

- (ii) The second object of consumer information is to make the market "transparent", so that consumers can choose discriminatingly among products and qualities offered on the market. The Commission therefore held tentative discussions with the Member States to study the possibility of drawing up a programme for the comparative testing of goods at European level.
- (b) In the field of consumer protection, one of the aims of the draft directive submitted to the Council on the names used for textiles is to protect the consumer from the use of incorrect or incomplete descriptions of textile goods. The guidelines for this work were drawn up after contacts with the authorities of the six Member States and in the light of the work done by other international organizations such as the Council of Europe and OECD; these contacts enabled the six Member States to lay down certain common lines for their consumer policy.

Lastly, relations have been established between the Commission and the consumer representatives organized at European level. The Common Market Consumers' Contact Committee has been associated by the Commission with the work done in this field. These relations are to be developed further.

<sup>1</sup> See Ch. II, 6.

### 3. Taxation policy

#### ELIMINATION OF TAX DISCRIMINATION

##### *Turnover taxes*

47. Acting under Articles 95 and 97 of the EEC Treaty, the Commission has been making further examinations of various cases of discrimination by countries which have not yet introduced the system of tax on value added (TVA), and continued the procedures initiated under Article 169 of the Treaty.

The infringements dealt with included the following:

- (i) Belgium: Tax treatment of goods purchased direct from abroad by private customers; tax treatment of imports of fresh tropical fruit; application of different tax arrangements to imported wood. In all these cases, the Belgian Government has admitted the infringements observed but failed to take legislative action to put an end to them. The Commission decided to initiate the procedure under Article 169 in the first case and refer the other two cases to the Court of Justice.
- (ii) Italy: on 11 February 1969 the Commission, acting under Article 97 of the Treaty, addressed to this country a directive concerning the level of average rates of refunds on exports and the countervailing charges on imports of refined oils from oilseeds. The Italian Government having failed to comply with the provisions of this directive, the Commission has instituted the procedure under Article 169 of the EEC Treaty. It also referred to the Court of Justice the two sets of tax arrangements for imports of woollen yarns.

In connection with the multilateral consultations undertaken as a result of the decision taken on 21 June 1960 by the representatives of the Member States meeting in the Council, the Commission examined the calculations submitted by Italy and Belgium for the incidence of TVA on a large number of products; the calculations concern in the main the rates of drawback and countervailing duties applied in Italy to woollen and cotton yarns and fabrics, and in Belgium to certain petrochemical, food and farm products.

*Indirect taxes other than turnover taxes*

48. Further to the Court of Justice's judgment of 1 December 1965, a detailed study was made of certain aspects of Italian Law No. 639 concerning drawback granted on exports of engineering products. As a result of the examination, the Commission filed a petition with the Court of Justice asking it to reopen the oral procedure in case 45-64 in respect of the second plea concerning the compatibility with Article 96 of the flat-rate method used by the Italian Republic. The Court ruled in this matter on 19 November 1969, accepting the arguments advanced by the Commission and finding that the Italian Republic had failed in its obligations under Article 96 of the Treaty in that it maintained a statutory arrangement which was liable to lead to the payment of drawback, in respect of internal charges, that exceeded the charges directly or indirectly levied on the goods.

*Excise duties*

49. Following action taken by the Commission, the Member States abolished various cases of discrimination arising in their excise duties. The examination of other cases is still proceeding either before the Court of Justice or at Commission level.

On 13 and 27 June 1969 respectively, Belgium and Luxembourg introduced for the taxation of sugar new criteria which put an end to the discriminatory taxation of imported sugar products. Italy took at administrative level the necessary measures to apply a new system authorizing taxation on the basis of the real sugar content of the imported products, in replacement of the flat-rate arrangement. The system is already being applied but still has to be given legislative approval.

Belgium and Luxembourg abolished the discrimination in excise duties on imported beer, the former by a ministerial decree of 25 November 1968 and the latter by a ministerial regulation of 24 November 1968, both effective from 1 January 1969.

Italy informed the Commission that the Senate had approved a draft law putting an end to the infringement of Articles 95 and 96 resulting from the levy of a flat-rate tax on cocoa. The Commission, which had

referred the matter to the Court of Justice on 24 June 1969 (case 28-69) nevertheless decided to continue the proceedings pending final approval by the Parliament of the measures contemplated by the Italian Government.

On 2 July 1969, Italy suspended the manufacturing tax on yarns (cotton, rayon staple, etc.) levied on a flat-rate basis and therefore liable to infringe Articles 95 and 96 of the Treaty.

Although in the field of spirits and wine several Member States had amended their legislation to comply with the Community rules,<sup>1</sup> a number of additional cases still needed to be dealt with. The Commission filed with the Court of Justice a suit against Italy for taxing imported spirits on the basis of a standard alcoholic strength (70°) while similar Italian products are taxed according to their real alcoholic strength. The Court of Justice handed down its judgment in this matter on 15 October 1969, finding that the Italian system was contrary to Article 95 of the EEC Treaty. The Commission had instituted proceedings against Belgium, Luxembourg and the Netherlands, challenging the flat-rate taxation of imported wine and spirits. As a result of this action, the three countries from 1 August 1969 have taxed natural and flavoured wines on the basis of their real alcoholic strength. Also since 1 August 1969, spirits imported into Belgium and Luxembourg have been taxed on the basis of their pure alcohol content. (The Netherlands had adopted this procedure with effect from 1 January 1968). The excise duty levied on imports was reduced from Bfrs. 9 200 per hectolitre to Bfrs. 9 000, the rate already levied on domestic alcohol.

The Commission in addition instituted the procedure of Article 169 of the EEC Treaty in the following cases:

- (i) Against Belgium, Luxembourg and the Netherlands for levying an excise duty on imported wine, while wine produced in Belgium and the Netherlands is exempt (exemption of Luxembourg wine is guaranteed by the protocol concerning the Grand Duchy of Luxembourg, annexed to the Treaty);
- (ii) Against Germany for levying on imports of acetic acid a rate of excise duty increased by 100%, while the domestic product is either subject to the simple rate or is even exempt.

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<sup>1</sup> *Second General Report*, sec. 50.

## APPROXIMATION OF PROVISIONS CONCERNING INDIRECT TAXES

*Turnover taxes*

50. In accordance with Article 1 of the first Council directive of 11 April 1967 concerning the harmonization of legislation on turnover taxes, the Member States were originally to introduce the tax on value added into their tax systems by 1 January 1970 at the latest.

France and the Federal Republic of Germany applied the tax in 1968, the Netherlands introduced it on 1 January 1969, and Luxembourg promulgated a law under which it could be applied from 1 January 1970.

On 14 July and 12 September 1969 respectively, the Italian and Belgian Governments advised the Commission that they were not in a position to comply with the 1 January 1970 deadline fixed by the first Council directive for the introduction of the common TVA system. Mainly for reasons connected with the current state of business and the budget situation, the Belgian Government requested a one-year extension. The Italian Government asked for a two-year extension, pointing out that introduction of TVA was bound up with the scheme for a general overhaul of taxation in Italy. The relevant proposals had been tabled in the Italian Parliament but had not yet been examined.

The Commission noted with regret that the time allowed since the adoption of the two directives on 11 April 1967 had not been used by these Member States to introduce the common tax system at a time when the current state of business was favourable. In the circumstances, it proposed to the Council that the deadline by which all obligations under these directives will have to be fulfilled should be postponed to 1 January 1971 for all Member States. The relevant proposal for a directive, which the Commission submitted to the Council on 1 October 1969<sup>1</sup> and whose main points were approved by the European Parliament<sup>2</sup> and the Economic and Social Committee,<sup>3</sup> includes, however, a number of conditions limiting the drawbacks entailed by postponement, both as regards conditions of competition and work on the harmonization of taxes.

On 9 December 1969 the Council adopted a third directive concerning the introduction of TVA in the Member States,<sup>4</sup> which contains a clause

<sup>1</sup> *Official gazette* No. C 129, 10 October 1969.

<sup>2</sup> *Ibid.* No. C 139, 28 October 1969.

<sup>3</sup> *Ibid.* No. C 144, 8 November 1969.

<sup>4</sup> *Ibid.* No. L 320, 20 December 1969.



postponing to 1 January 1972 the date laid down in Article 1 of the first directive. Italy and Belgium will therefore continue for a time to apply to exports and imports average standard rates to offset the incidence of domestic taxation. The directive lays down, however, that the average rates in force on 1 October 1969 shall not be increased. The "average rate" is the general rate levied on imports or the rate of drawback on exports.

When the third directive was adopted, the Member States which do not yet apply TVA also undertook to reduce the average standard rates as follows:

- (1) Between 1 April 1970 and 31 December 1970:
  - (a) A reduction of 10% in the average rates ranging from 101% to 150% of the general rate of turnover tax;
  - (b) A reduction of 13% in the average rates of 151% and more;
- (2) Between 1 January 1971 and 31 December 1971:
  - (a) The reduction of 10% remains unchanged;
  - (b) The reduction of 13% is increased to 15%.

By a resolution of 9 December 1969<sup>1</sup> the Council also invited the Commission to submit the proposals required by Article 4 of the first directive of 11 April 1967; at the same time it pointed out that the sphere of application of TVA would have to be extended to cover retail trade from the outset, and that there would have to be a very small number of tax rates only.

On 28 May 1969 the Council adopted the directive on the harmonization of laws and regulations relating to exemption from turnover taxes and excise tax on goods imported in passengers' luggage.<sup>2</sup> This directive, which is designed to ensure further liberalization of the taxes levied on goods imported by tourists and other persons travelling between Member States, is to enter into force by 1 January 1970 at latest. In some member countries the implementing procedures appear to be not entirely consonant with the provisions of the directive and are therefore being examined by the Commission.

In the Council of Ministers, there have been further discussions on the proposed directive laying down common arrangements for applying

<sup>1</sup> *Official gazette* No. C 163, 23 December 1969.

<sup>2</sup> *Ibid.* No. L 133, 4 June 1969.

TVA to transactions involving agricultural products.<sup>1</sup> It appears that the Governments of the Member States are inclined to link the solution of the problem of a common TVA rate for these products with the proposals which the Commission is preparing on the elimination of tax frontiers in respect of TVA.

### *Excise duties*

51. Work on the harmonization of the structure of excise duties, as required in the programme of tax harmonization forwarded by the Commission to the Council on 8 February 1967, was pressed ahead; if sufficient progress is made, the Commission intends to submit to the Council in the first half of 1970 proposals for the harmonization of excise duties on spirits and wines, mineral oils and beer.

As the problems involved in the approximation of structures vary with the particular excise duty, the most efficient approach seems to be to harmonize the duties on each item in turn, and as rapidly as possible. Only in the second stage of harmonization, when tax frontiers are eliminated and rates have therefore to be aligned, will account have to be taken of the mutual relationships between the excise duties and of their interdependence with the turnover taxes. At the end of 1969, work on harmonization of the structures of excise duties had reached the following stage: the Council was still engaged on the examination of the proposed regulation concerning taxes on the consumption of manufactured tobacco other than turnover taxes, submitted by the Commission on 4 July 1967. The Economic and Social Committee and the European Parliament had rendered their Opinions, on 28 November 1968<sup>2</sup> and 3 July 1969<sup>3</sup> respectively.

The Commission concluded the preparatory work on excise duties on spirits. In connection with the harmonization of the excise duties on wine and, where applicable, other beverages, a detailed study was made of the market in beverages. Further to this study, the Commission will work out the relevant proposals for directives. Major progress was made in work on the harmonization of excise duties on mineral oils, and this will make it easier to work out a proposed directive. Work on the excise

<sup>1</sup> *Official gazette* No. C 48, 16 May 1968.

<sup>2</sup> *Ibid.* No. C 21, 20 February 1969.

<sup>3</sup> *Ibid.* No. C 97, 28 July 1969.

duties on beer showed that there was full agreement on the maintenance and harmonization of this excise duty. Work was put in hand to specify the common procedures that may be used to achieve this harmonization.

### *Other indirect taxes*

52. On 17 July 1969 the Council adopted the directive concerning the indirect taxes imposed on the raising of capital.<sup>1</sup> The Member States are required to adapt their legislation to the provisions of this directive by 1 January 1972 at latest.

Work on taxes affecting stock exchange transactions was continued; a preliminary draft for a directive was worked out and is currently being discussed with experts from the Member States.

The Commission started its examination of the harmonization of taxes on bills of exchange and cheques. These taxes need to be harmonized because letters of exchange and cheques play an important part in international trade as a means of payment and credit, and are therefore very often subject to double taxation.

### APPROXIMATION OF PROVISIONS CONCERNING DIRECT TAXES

53. The Commission pursued its efforts to implement its programme for the harmonization of direct taxes, giving priority to the solution of taxation difficulties hampering industrial combination and capital movements.<sup>2</sup>

As regards industrial combination, the Commission on 16 January 1969 submitted to the Council two proposed directives concerning the removal of the tax obstacles which at present prevent firms located in one member country from merging with<sup>3</sup> or acquiring holdings in<sup>4</sup> firms located in another. The Economic and Social Committee<sup>5</sup> rendered a favourable Opinion on both proposals.

<sup>1</sup> *Second General Report*, sec. 54, and *official gazette* No. L 249, 3 October 1969.

<sup>2</sup> *Second General Report*, secs. 55-57.

<sup>3</sup> *Official gazette* No. C 39, 22 March 1969, p. 1.

<sup>4</sup> *Ibid.* No. C 39, 22 March 1969, p. 7.

<sup>5</sup> *Ibid.* No. C 100, 1 August 1969.

Where capital movements are concerned, the Commission, in accordance with the request made by the Council at the meeting of 4 and 5 March 1968, looked further into the problems involved in the harmonization of the withholding tax arrangements which apply to dividends and to interest from bonds, and looked particularly at the relationship between these problems and the good functioning of a European capital market. The results of the Commission's examination were submitted to the Council on 5 March 1969 in the form of a memorandum, together with a memorandum dealing with the more general problem of the need and the appropriate procedures for action in the field of capital.<sup>1</sup> While recognizing that a "memorandum" is not in all cases the most appropriate form, the Commission nevertheless feels that in certain cases, as in that of the withholding tax on dividends and interest from bonds, where taxation is very closely bound up with the general economic policy of the Member States, such a form has its merits because it engenders at political level a discussion which should help the Commission to submit definitive proposals on the subject. The Council examined the memorandum at its session of 17 July 1969, following which the Commission started work on the preparation of practical proposals.

The changes in tax policy proposed in the memorandum are designed to promote the liberalization of capital movements, the interpenetration of the national capital markets and consequently the establishment of a capital market commensurate with the needs of production and the scale of the European Community. In this context, the Commission expressed the view that in present circumstances the elimination of all withholding taxes on interest from bonds would be the best way to encourage the establishment of a European capital market. Harmonization of the withholding tax systems covering dividends calls for a prior decision on the way relief is to be given from economic double taxation of dividends. In this context detailed studies are currently being made of the various methods possible. For the Member States it is important to know whether, in addition to the indispensable alignment of the rates of TVA and of the common excise duties, the proposed harmonization of the structures and the level of taxes on company profits leaves them sufficient room for manoeuvre for the implementation of their budget policy and for using taxation as an instrument of economic and social policy. This is why studies are being made to quantify the effects that would be produced on the budgets by implementation of the programme for tax harmonization.

<sup>1</sup> *Bulletin* 5-69, Ch. III.

#### 4. Right of establishment, freedom to supply services and approximation of legislation on professions, trades and crafts

##### PROFESSIONS

54. In 1969 it was possible to make up much of the leeway in introducing freedom of establishment and freedom to supply services for the professions. Besides the proposed directives already submitted for the purpose of liberalizing the activities of self-employed architects,<sup>1</sup> the Commission put before the Council proposals regarding the following activities:

**Engineers:** Three proposed directives on freedom of establishment and freedom to supply services for activities in the technical field: research, design, advisory services, practical application. The aims of these directives are the removal of restrictions, the introduction of certain transitional measures and initial steps to co-ordinate statutory and administrative provisions regarding engineer training.

**Health:** Six proposed directives concerning the removal of restrictions on freedom of establishment and freedom to supply services, mutual recognition of degrees and diplomas and measures to co-ordinate occupational regulations regarding doctors and dentists.

Another three proposed directives concern general nurses (removal of restrictions, mutual recognition of diplomas, co-ordination of occupational regulations), while a further three refer to midwives (removal of restrictions, mutual recognition of diplomas, co-ordination of occupational regulations).

Seven proposals for directives were submitted to the Council with the aim of introducing freedom of establishment and freedom to supply services for certain activities in the pharmaceutical field. Two of these concern the manufacture of pharmaceutical products (removal of restrictions, co-ordination of statutory and administrative provisions), another two cover wholesale and intermediary activities in commerce and industry in the field of pharmaceutical products (removal of restrictions and co-ordination of statutory and administrative provisions). A further directive deals with activities connected with the retail sale of pharmaceutical products (co-ordination of statutory and administrative provisions),

<sup>1</sup> *Second General Report*, sec. 72.

and the last two cover the mutual recognition of pharmacists' diplomas and co-ordination of regulations governing the profession.

Four proposed directives have likewise been submitted to the Council to liberalize the occupation of optician (removal of restrictions, mutual recognition of diplomas and co-ordination of occupational regulations).

In addition, the Commission submitted to the Council several draft recommendations concerning Luxembourg nationals holding certain degrees and diplomas awarded in a non-member country. The Governments of the other Member States are recommended to facilitate access to and pursuit of self-employed activities as doctor, dentist, pharmacist or engineer in the Community for Luxembourg nationals holding such a degree or diploma which is recognized by Luxembourg. They should do this by recognizing such degrees and diplomas on their territories.

Legal professions: Another proposed directive concerns the detailed method of introducing freedom to supply services for certain activities of lawyers.

Films: A proposed directive concerns the removal of restrictions on freedom of establishment and freedom to supply services for film production activities.

#### INDUSTRY, COMMERCE, CRAFTS

55. Work in self-employed activities in industry, commerce and crafts—the subject of the majority of the 32 directives on right of establishment adopted by the Council to date<sup>1</sup>—has also been pursued and partly completed. A directive, adopted by the Council on 13 March 1969,<sup>2</sup> removed restrictions on freedom of establishment and freedom to supply services in exploration for oil and natural gas.

A directive adopted by the Council on 4 March 1969<sup>3</sup> amends the one of 7 July 1964 detailing transitional measures affecting self-employed activities in the processing industries belonging to ISIC Major Groups 23-40 (industry and crafts).<sup>4</sup> By this amendment a number of professions

<sup>1</sup> *Second General Report*, sec. 58.

<sup>2</sup> *Official gazette* No. L 68, 19 March 1969.

<sup>3</sup> *Ibid.* No. L 59, 10 March 1969.

<sup>4</sup> *Ibid.* No. L 117, 23 July 1964.

concerned with health (for example, opticians, orthopaedists, hearing-aid experts) have been placed outside the province of the directive.

In the period under review the Commission submitted a number of new proposals to the Council. They concern the following activities:

**Agriculture:** Two proposed directives (removal of restrictions) complete the liberalization of agricultural activities.

**Commerce:** Two directives concern wholesale trade in coal (removal of restrictions, transitional measures).

**General:** Lastly, one of the directives proposed is aimed at the elimination of restrictions for a number of self-employed activities not yet covered by Council directives. As a consequence the liberalization of activities in industry, commerce and the crafts is virtually complete.

56. Although by the end of the transitional period directives had thus been drafted for nearly all the self-employed activities to be liberalized under the General Programmes, the Commission, as required by Article 57(2) of the EEC Treaty, still has important work to do on the co-ordination of occupational rules and the mutual recognition of degrees and diplomas. For the purpose of this work, the Commission is having a study made of the training of technicians and engineers in the Member States.

The Commission believes that the progressive introduction of freedom of establishment and freedom to supply services must be continued, even after the transitional period, in the form of directives addressed by the Council to the Member States. The direct applicability of Articles 53 and 62 (standstill clause) cannot be extended to the other clauses in the Treaty relating to freedom of establishment or freedom to supply services.

#### BANKING AND INSURANCE

57. The removal of restrictions on freedom of establishment and freedom to supply services in insurance cannot be contemplated without first co-ordinating the legislation of the member countries regarding insurance. As a consequence, work is being pursued in these two fields.

58. For direct insurance other than life assurance, the proposed directive forwarded to the Council on 2 February 1967, which is concerned with

removing restrictions on freedom of establishment, must be supplemented by a second directive, prepared in 1969, on the removal of restrictions on freedom to supply services. Directives on the same lines are being drafted for life assurance.

Access to the occupations of insurance agent and broker (producers of insurance) is to be liberalized by two directives now in preparation. These cover the methods of removing restrictions on freedom of establishment and transitional measures to facilitate access to the activities in question.

In order to achieve the aims referred to above, it has proved necessary to frame a further two draft directives embracing transitional measures to settle the problems arising from the requirement in some Member States that certain forms of insurance may be provided only by specialized firms. One of these directives deals with accident insurance and the other with life assurance.

59. Work on the co-ordination of the Member countries' legislation has been pursued. Proposals for directives are being drawn up concerning freedom to supply services in direct insurance other than life assurance, laws and regulations governing insurance contracts, and rules of private international law determining the law applicable to insurance contracts.

Other work in hand concerns a directive on the removal of the international insurance card (green card) control at the Community's internal frontiers and a directive to harmonize the methods of winding up insurance firms in the event of insolvency or the threat thereof.

60. The proposed directive of 26 July 1965 to remove restrictions on freedom of establishment and freedom to supply services affecting self-employed activities in banks and other financial establishments has not yet been adopted by the Council. The inclusion of services connected with capital movements has been examined very thoroughly, but the results have so far not enabled all the reservations regarding this proposal to be lifted.

The possibilities of co-ordinating legislation on banking in the Member States were gone into at two meetings of the new working party set up for this purpose. The Commission will shortly be consulting the professional circles concerned and will subsequently draw up the first draft of a directive.



## IMPLEMENTATION OF DIRECTIVES ADOPTED

61. In order to ensure that the directives adopted by the Council are being properly implemented in the Member States, the Commission has made increasing use of its powers under Articles 155 and 169 of the EEC Treaty. In the period under review it took action, in accordance with Article 169, in eleven cases of infringement of the Treaty by individual Member States.

In a number of cases the Member States have, at the Commission's invitation, removed discrimination against nationals of other Member States from their legislation. Of the eleven cases of infringement of the Treaty, three were dropped once the Member States concerned had amended their statutory provisions. The other procedures have gone ahead.

TABLE 12

The Table in Section 81 of the First General Report (amended by Table 3 of the Second General Report), which showed the progress made in removing restrictions on freedom of establishment and freedom to supply services affecting the nationals of other Member States, should be amended or amplified as follows :

Subject	Legal basis	Legal nature of the measure and reference
<p>1. <i>General</i></p> <p>Activities not yet liberalized in ISIC Major Groups 01-90</p>	Arts. 54, 63	pro. dir. sub. 23.12.69
<p>2. <i>Production activities</i></p> <p>Exploration and drilling for petroleum and natural gas</p>	Arts. 54, 63	dir. 69/82 ad. 13.3.69 OGEC L 68/69, p. 4
<p><i>Agriculture</i></p> <p>(i) Agricultural services</p> <p>(k) Complete freedom of establishment for agricultural activities</p>	<p>Art. 63</p> <p>Arts. 54, 63</p>	<p>pro. dir. sub. 3.2.69</p> <p>pro. dir. sub. 3.2.69</p>

Subject	Legal basis	Legal nature of the measure and reference
3. <i>Processing activities</i> (craft and other industries)		
Manufacture of pharmaceutical products	Arts. 54, 63	pro. dir. sub. 10.3.69
Construction of transport equipment	Delete	
4. <i>Contractors</i>		
Agricultural contractors (establishment)	Delete	
5. <i>Wholesale and retail trade</i>		
Wholesale trade in coal	Arts. 54, 63	pro. dir. sub. 30.9.69
Wholesale and intermediary trade in pharmaceuticals	Arts. 54, 63	pro. dir. sub. 10.3.69
6. <i>Services and financial establishments</i>		
Insurance, banks and financial establishments		
Reinsurance and retrocession	Arts. 54, 63	dir. 64/225, ad. 25.2.64 OGEC 878/64
Direct insurance other than life (establishment)	Arts. 54, 57	pro. dir. sub. 2.2.67 OGEC 955/67
Direct insurance other than life (freedom to supply services)	Arts. 54, 57	dir. prep. 1966
Life assurance (establishment)	Arts. 54, 57	dir. prep. 1969
Life assurance (freedom to supply services)	Arts. 54, 57	dir. prep. 1969
Insurance agents and brokers (establishment)	Arts. 54, 57	dir. prep. 1967
Insurance agents and brokers (freedom to supply services)	Arts. 54, 57	dir. prep. 1969
Banks and financial establishments	Arts. 54, 63	pro. dir. sub. 30.7.65 OGEC 2576/65

Subject	Legal basis	Legal nature of the measure and reference
<i>Film industry</i>		
Film production	Arts 54, 63	pro. dir. sub. 20.6.69
7. <i>Professions</i>		
(a) <i>Technical professions</i>		
Engineers	Arts. 54, 63	pro. dir. sub. 8.5.69
(b) <i>Medical, paramedical and pharmaceutical professions</i>		
Doctors	Arts. 54, 63	pro. dir. sub. 3.3.69
Pharmacists	Arts. 54, 63	pro. dir. sub. 10.3.69
Dentists	Arts. 54, 63	pro. dir. sub. 3.3.69
Opticians	Arts. 54, 63	pro. dir. sub. 10.11.69
Midwives	Arts. 54, 63	pro. dir. sub. 12.12.69
Nurses	Arts. 54, 63	pro. dir. sub. 14.10.69
(c) <i>Legal professions</i>		
Lawyers	Arts. 54, 63	pro. dir. sub. 17.4.69

## 5. Approximation of legislation and the creation of European law by conventions

### GENERAL

62. In the period under review the political importance of approximation of legislation was more evident than in preceding years. The reason is that with the end of the transitional period the stress has moved progressively from simple measures for the elimination of obstacles to Community trade to the establishment of the legal framework which is essential if the common market is to work. The insufficient co-ordination of the Member States' economic policies has, furthermore, had unfavourable repercussions on liberalization. The need to extend the time-limit for introducing the common TVA system, the insufficient progress made in work on public contracts and the failure to move ahead with the harmonization of laws on pharmaceutical products are examples of this state of affairs. Lack of political will prevented work being started, with the help of national experts, on the creation of a European company, although the need for such a legal form is constantly being stressed both by Governments and by business circles.

When, then, the Commission was asked for a report by the European Parliament, it gave a detailed account of the various political, legal and economic aspects of the policy it is pursuing in the field of approximation.<sup>1</sup>

Work on patent law was resumed after having been at a standstill since 1965. As before, the Commission welcomes the fact that full account is being taken of the interest of those non-member countries that wish to participate in a European patent system. And so the Commission must insist even more than before on the need to introduce among the Member States, at the same time as the convention on the issue of European patents, a convention governing in a uniform manner the effects of these patents within the common market and securing the free movement of patented products across the international frontiers.

63. Table 13 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 previous general reports.<sup>2</sup>

<sup>1</sup> See verbatim report of the European Parliament's sitting of 27 November 1969: address by M. Hans von der Groeben, member of the Commission.

<sup>2</sup> *Second General Report*, sec. 75.

The table shows:

- (i) Progress made as a result of work referred to in the Eighth, Ninth and Tenth (EEC) General Reports and in the First and Second General Reports on the Activities of the Communities;
- (ii) Progress made with work begun in 1969.

It will be seen from the table that 22 directives, 6 decisions, 1 resolution and 1 recommendation were adopted during the period.

In the same period, 33 proposals, namely for 1 regulation, 30 directives and 2 decisions, were submitted to the Council. In addition 7 new files on approximation of legislation were opened.

Between the entry into force of the Treaty of Rome and 31 December 1969, 11 regulations, 67 directives (including 2 Commission directives), 13 decisions, 24 recommendations, 7 opinions and 2 resolutions were adopted in this field; 33 of the directives are based on Article 100 (including 7 also based on Articles 43, 99 and 155), 2 on Article 99, 4 directives on Article 227(2), 1 on Articles 75 and 99, 1 on Article 97 alone, 1 on Articles 95 and 97, 1 on Article 75 alone and 6 on Articles 57 and 66, 7 on Article 36(2), 1 on Article 54(3 g), and 9 directives on Article 43.

On 31 December 1969, proposals for 2 conventions, 16 regulations, 78 directives, 5 decisions and 2 recommendations were pending before the Council. The Commission was also preparing 87 directives, 1 recommendation, 20 approximation measures in as yet unspecified legal form and 8 conventions.<sup>1</sup>

<sup>1</sup> In the *Second General Report*, the figure given for conventions was 9. The reduction to 8 is the result of a decision in connection with the European patent (see sec. 67).

TABLE 13

## Approximation of legislation

This table brings up to date the table published in the Second General Report (sec. 75) and covers further work undertaken between 1 January and 31 December 1969

Subject	Legal basis	Legal nature of approximation measure and state of progress
<b>I. CUSTOMS LEGISLATION, EXTERNAL TRADE</b>		
Inward processing traffic	Arts. 100, 155	dir. 69/73 ad. 4.3.69 OGEC L 58/1, 69
Inward processing traffic in certain products under Headings Nos. 18.06 and 21.07 of the common customs tariff	dir. 69/73 OGEC L 58/1, 69	dir. 69/184 ad. 26.6.69 OGEC L 159/21, 69
Fixing the period for processing certain agricultural products admitted in inward processing traffic	dir. 69/73 OGEC L 58/1, 69	Commission dir. 69/354 ad. 30.9.69 OGEC L 264/7, 69
Bonded warehousing procedure	Art. 100	dir. 69/74 ad. 4.3.69 OGEC L 58/7, 69
Free zone arrangements	Art. 100	dir. 69/75 ad. 4.3.69 OGEC L 58/11, 69
Payment of customs duties, charges with equivalent effect and agricultural levies	Art. 100	dir. 69/76 ad. 4.3.69 OGEC L 58/14, 69
<b>III. ESTABLISHMENT AND SERVICES</b>		
2. <i>Access to and pursuit of activities in trade and industry</i>		
Processing activities (industry and trades) :		
Details of transitional measures	Arts. 57, 66	dir. 69/77 ad. 4.3.69 OGEC L 59/8, 69
Toxic products :		
Details of transitional measures	Arts. 57, 66	pro. dir. sub. 21.12.68 OGEC C 12/7, 69
Production of pharmaceuticals :		
Details of co-ordination measures	Arts. 57, 66	pro. dir. sub. 10.3.69 OGEC C 54/35, 69
Wholesale trade in pharmaceuticals :		
Details of co-ordination measures	Arts. 57, 66	pro. dir. sub. 10.3.69 OGEC C 54/41, 69
Retail sale of pharmaceuticals :		
Details of co-ordination measures	Arts. 57, 66	pro. dir. sub. 10.3.69 OGEC C 54/44, 69
Wholesale trade in coal :		
Details of transitional measures	Arts. 57, 66	pro. dir. sub. 30.9.69 OGEC C 152/4, 69

Subject	Legal basis	Legal nature of approximation measure and state of progress
<b>3. Insurance, banking and financial establishments</b>		
Life assurance (establishment)	Arts. 57(2); 66	dir. prep. 1969
Life assurance (freedom to supply services)	Art. 57(2)	dir. prep. 1969
<b>4. Access to and pursuit of the professions</b>		
Medical professions		
Doctors :		
Details of co-ordination measures	Arts. 57, 66	pro. dir. sub. 3.3.69 OGEC C 54/8 <i>et seq.</i> , 69
Dentists :		
Details of co-ordination measures	Arts. 57, 66	pro. dir. sub. 3.3.69 OGEC C 54/20, <i>et seq.</i> , 69
Pharmacists :		
Details of co-ordination measures	Arts. 57, 66	pro. dir. sub. 10.3.69 OGEC C 54/48, <i>et seq.</i> , 69
General nurses :		
Details of transitional measures	Arts. 57, 66	pro. dir. sub. 14.10.69 (not yet published)
Opticians :		
Details of transitional measures	Arts. 57, 66	pro. dir. sub. 10.11.69 OGEC C 155/2 <i>et seq.</i> , 69
Midwives :		
Details of transitional measures	Arts. 57, 66	pro. dir. sub. (not yet published)
Research, design, consultancy and applications in the technical field :		
Details of co-ordination measures	Arts. 57, 66	pro. dir. sub. 8.5.69 OGEC C 99/1, 69
<b>V. COMPETITION AND FREE MOVEMENT OF GOODS</b>		
<b>1. Technical obstacles to trade</b>		
General programme of 28 May 1969, on the removal of technical obstacles	Art. 100	res. 28.5.69 OGEC C 76/1, 69
Braking system for certain categories of motor vehicles and their trailers	Art. 100	pro. dir. sub. 21.12.68 OGEC C 35/3, 69
Entries and exits (doors, steps, etc.) for motor vehicles	Art. 100	pro. dir. sub. 21.12.68 OGEC C 35/18, 69
Steering gear on motor vehicles and their trailers	Art. 100	pro. dir. sub. 25.2.69 OGEC C 54/5, 69

Subject	Legal basis	Legal nature of approximation measure and state of progress
Automatic weighing instruments	Art. 100	pro. dir. sub. 7.8.69
Measuring instruments for liquids	Art. 100	OGEC C 136/6, 69
Gas meters	Art. 100	pro. dir. sub. 6.8.69
Noxious exhaust gas from ignition engines in motor vehicles	Art. 100	OGEC C 136/1, 69
Approval of motor vehicles and trailers	Art. 100	pro. dir. sub. 10.12.69
Denomination of textiles	Art. 100	(not yet published)
		pro. dir. sub. 29.10.69
		OGEC C 152/14, 69
		pro. dir. (amdt.) sub. 29.10.69
		OGEC C 152/31, 69
		pro. dir. sub. 14.3.69
		OGEC C 66/1, 69
<b>3. Pharmaceuticals</b>		
Standards and protocols applicable to testing of branded pharmaceuticals	Art. 100	prep. 1969
Branded pharmaceuticals sold only on prescription	Art. 100	prep. 1969
Serums and vaccines	Art. 100	prep. 1969
<b>8a. Distortion of competition in specific cases</b>		
Divergent provisions on deduction of TVA	Art. 101	ex. completed 1969
Italian law of 25.10.68 No. 1089 on counter-cyclical measures	Arts. 101, 102	no distortion
German law of 28.11.68	Arts. 101, 102	ex. completed 1969
Measures to protect the balance of payments		no distortion
French law of 29.11.68	Arts. 101, 102	ex. completed 1969
Measures to protect the balance of payments		no distortion
German law of 23.12.68 on the disposal of waste oils	Art. 101	ex. begun 1969
Italian law No. 1147 increasing charges on imports and refunds on exports for iron and steel products	Art. 101	ex. completed 1969
Belgian law on communal tax	Art. 101	no distortion
Postponement of the deadline for introducing TVA in Italy and Belgium	Art. 101	ex. begun 1969
Proposal by the Belgian Government to amend the transmission tax on imports and refunds on exports	Art. 102	Cons. 7.3.69



Subject	Legal basis	Legal nature of approximation measure and state of progress
German draft law on wines, beverages containing wine, and spirits distilled from wine	Art. 102	Commission rec. 11.12.68 OGEC L 18/3, 69
14. <i>Tax law</i>		
Introduction of TVA in the Member States	Arts. 99, 100	pro. dir. sub. 1.10.69 OGEC C 129/4, 69
Introduction of TVA in the Member States	Arts. 99, 100	dir. 69/463 ad. 9.12.69 OGEC L 320/34, 69
Indirect taxes on capital movements	Arts. 99, 100	dir. 69/335 ad. 17.7.69 OGEC L 249/25, 69
Tax arrangements applicable to mergers, and contributions of assets to companies in other Member States	Art. 100	pro. dir. sub. 16.1.69 OGEC C 39/1, 69
Tax arrangements applicable to companies and their subsidiaries in different Member States	Art. 100	pro. dir. sub. 16.1.69 OGEC C 39/7, 69
Exemption from turnover tax and excise duty on goods imported in passengers' luggage	Art. 99	dir. 69/169 ad. 28.5.69 OGEC L 133/6, 69
Import charges and export refunds made by Italy in connection with refined grain oils	Art. 97	dir. 69/69 ad. 11.2.69 OGEC L 52/6, 69
Turnover tax levied by Luxembourg on agricultural products	Arts. 95, 97	dir. 69/12 ad. 12.12.68 OGEC L 10/14, 69
15. <i>Sales representatives</i>		
Sales agents	Arts. 57(2), 100	dir. in prep.
VI. SOCIAL LAW		
3. <i>Industrial safety</i> (protection against accidents)		
Dangerous substances and preparations :		
Classification, labelling and packaging (substances)	Art. 100	dir. (amdt.) 69/81 ad. 13.3.69 OGEC L 68/1, 69
VII. AGRICULTURE		
1. <i>Food legislation</i>		
Establishment of a Standing Committee on Foodstuffs		dec. ad. 13.11.69 OGEC L 291/69

Subject	Legal basis	Legal nature of approximation measure and state of progress
Emulsifier-stabilizers, thickeners and jellying agents	Art. 100	pro. dir. sub. 21.2.79 OGEC C 54/1, 69
Diet foods (basic regulation)	Art. 100	pro. dir. sub. 15.4.69 OGEC C 66/18, 69
Fruit juices	Art. 43	pro. dir. sub. 7.2.69 OGEC C 39/19, 69
Sugar (general regulation)	Art. 43	pro. dir. sub. 3.12.69 (not yet published)
<i>2. Veterinary legislation</i>		
Health problems connected with trade in fresh meat	Arts. 43, 100	dir. (amdt.) ad. 6.10.69 OGEC L 256/5, 69
Appointment of veterinary experts to draw up opinions on slaughterhouses and cutting-up establishments	dir. 64/433 OGEC 2012/64 and 3302/66	Commission dec. 18.3.69 OGEC L 88/9, 69
Health problems in connection with cuts of fresh meat, whether or not boned	Arts. 43, 100	dir. 69/349 ad. 6.10.69 OGEC L 256/5, 69
Transit of cattle and pigs	Art. 43	pro. dir. sub. 6.8.69 OGEC C 127/13, 69
Transit of fresh meat	Art. 43	pro. dir. sub. 6.8.69 OGEC C 127/7, 69
Health requirements for intra-Community trade in live poultry, day-old chicks and eggs to be hatched	Art. 43	prep. 1969
<i>4. Forestry legislation</i>		
Marketing of forestry reproductive material	Art. 43	dir. (amdt.) 69/64 ad. 18.2.69 OGEC L 48/12, 69
External quality standards for forestry reproductive material	Art. 43	pro. reg. sub. 20.3.69 OGEC C 66/8, 69
<i>5. Legislation on seeds and seedlings</i>		
Marketing of beet seed	Art. 43	dir. (amdt.) 69/61 ad. 18.2.69 OGEC L 48/4, 69
Marketing of herbage seed	Arts. 43, 100	dir. (amdt.) 69/63 ad. 18.2.69 OGEC L 48/8, 69
Marketing of cereal seed	Art. 43	dir. (amdt.) 69/60 ad. 18.2.69 OGEC L 48/1, 69
Marketing of seed potatoes	Art. 43	dir. (amdt.) 69/62 ad. 18.2.69 OGEC L 48/7, 69
Marketing of oleaginous and fibrous plant seed	Art. 43	dir. 69/208 ad. 30.6.69 OGEC L 169/3, 69

Subject	Legal basis	Legal nature of approximation measure and state of progress
First Council decision regarding in-the-field inspection of seed in non-member countries	dir. Nos. 66/400, 66/401 and 66/402 of 14.6.66 OGEC 2290, 2298 and 2309/66	(not yet published)
First Council decision on the equivalence of seed from non-member countries	dir. Nos. 66/400, 66/401 and 66/402 of 14.6.66	pro. dec. sub. 14.5.69 (not yet published)
Waiver authorizing Germany not to apply to certain species the Council Directives of 14 June 1966 on the marketing of herbage and cereal seed	dir. Nos. 66/401 and 66/402 of 14.6.66	dec. 69/270 ad. 28.7.69 OGEC L 220/8, 69
Waiver authorizing the Netherlands not to apply to certain species the Council Directives of 14 June 1966 on the marketing of herbage and cereal seed	dir. Nos. 66/401 and 66/402 of 14.6.66	dec. 69/271 ad. 28.7.69 OGEC L 220/9, 69
Waiver authorizing Luxembourg not to supply to certain species the Council Decisions of 14 June 1966 on the marketing of herbage and cereal seed	dir. Nos. 66/401 and 66/402 of 14.6.66	dec. 69/272 ad. 28.7.69 OGEC L 220/10, 69
Authorization granted to the Netherlands to permit, until 31 January 1970, the marketing of seed of a winter wheat variety subject to reduced requirements	dir. 66/402 of 14.6.66	dec. 69/459 ad. 1.12.69 OGEC L 314/25, 69
<b>VIII. TRANSPORT</b>		
Census of international road haulage (made as part of regional statistics)	Art. 75	dir. 69/467/CEE ad. 8.12.69 OGEC L 323/7, 69

**Abbreviations**

ad. = adopted on ...  
 amdt. = amendment  
 Art(s). = Article(s) of the Treaty of Rome  
 cons. = consultation  
 dec. = Council decision  
 dir. = Council directive  
 ex. = examination  
 OGEC = Official gazette of the European Communities (number, page, year)

prep. = in preparation since ...  
 pro. = proposal for a ...  
 rec. = Commission recommendation  
 reg. = regulation  
 res. = Council resolution  
 sub. = submitted to the Council by the Commission on ...

## PUBLIC LAW

*Public works contracts*

64. As the Council's Working Party on Economic Affairs had completed its examination of the proposed directive on co-ordinating procedures for awarding public works contracts, the proposal was discussed in the course of the year by the Committee of Permanent Representatives. The Commission took an active part in these discussions, during which it was possible to pinpoint almost a dozen problems for which solutions must be found that can be adopted unanimously by the Council. These problems concern in particular: the system of awarding concessions to private firms, a system used more and more frequently by governments for the building of motorways; the list of legal persons under public law subject to the directive; the formation, for the purpose of building urban complexes, of teams in which there are from the outset firms selected on a non-competitive basis; the difficulties encountered in connection with the formation of temporary associations of firms for the purpose of tendering for public works contracts which are too big for individual firms; the exclusion from the directive's scope of contracts awarded by transport boards, since such contracts will shortly be catered for by an *ad hoc* directive.

*Public supply contracts*

65. On 17 December 1969, the Commission adopted a directive, based on Article 33(7) of the EEC Treaty, concerning the removal of restrictions on the supply of products to central governments, local authorities and other public bodies.<sup>1</sup> The Commission will refer to the Council a proposed directive to co-ordinate the procedures for awarding public supply contracts.<sup>2</sup>

*Pharmaceutical products*

66. On 5 August 1969 the Commission submitted to the Council a memorandum on the free movement of pharmaceutical products. It drew attention to the disturbing situation created by the Member States' failure

<sup>1</sup> *Official gazette* No. L 13, 19 January 1970.

<sup>2</sup> *Second General Report*, sec. 77.

to implement fully the Council's first directive, which was adopted in 1965, and by the failure to reach a decision on the other proposed directives.

After summing up the situation and recalling the compromise suggestions it had already made, the Commission called on the Council to take a political decision by the end of 1969. For this purpose, the Commission proposed a package deal to safeguard public health and at the same time ensure that the economic objectives of approximation are achieved. It drew up a new working programme with concrete points and a timetable which takes into account the progress made at discussions in the Council and work done at Commission level. So far the Council has not examined the Commission's proposals.

## PRIVATE LAW

### *European patent*

67. Work on the subject was resumed following a Council Decision of 3 March 1969. As a result of this decision, future European patent law will be embodied in two distinct conventions.

The first Convention is concerned with the introduction of a procedure for issuing patents and involves the establishment of a European patent office.<sup>1</sup> At the Council's invitation eleven other European States joined the six Member States for the task of drawing up this Convention. A Working Party, set up by an Inter-governmental Conference<sup>2</sup> of all these States and using as basis the work previously done with the participation of the Commission, prepared a preliminary draft of the convention to be submitted to the Conference of the seventeen States early in 1970.

Patents issued under the first Convention will have the status of domestic patents in the non-member States. For the Member States, on the other hand, these patents will constitute a unified form of protection, the effects of which are to be laid down by a second convention, applicable to the Member States. Work on the latter convention has been completed at expert level, and so from the technical angle the simultaneous entry into force of the two convention is possible.

<sup>1</sup> *Bulletin* 5-69, Ch. IV and Ch. VI, and also *ibid.* 6-69, Ch. V, sec. 9.

<sup>2</sup> *Ibid.* 7-69, Ch. V, sec. 10.

*Unfair competition*

68. The Commission has processed the replies to the detailed questionnaire it addressed to the associations representing industry and commerce at Community level.<sup>1</sup> It is now endeavouring to decide in which sectors action needs to be taken.

*Company law**Co-ordination*

69. Harmonization work has been completed on co-ordination of the safeguards required of a joint stock company in the six Member States when it is formed and when operations are undertaken which affect its capital (increase, reduction, etc.). These safeguards, which must be provided from the time the company is set up, concern both outsiders and shareholders.

A draft directive harmonizing the structure and responsibilities of a company's management and supervisory organs is in preparation. Its purpose is to render truly equivalent the protection offered by each of the two systems of organization existing in the Member States: the single board of directors system, and the dualist board of management plus supervisory board system.

A draft directive on "national" mergers is in the final stage of preparation. Other aspects of the law on joint stock companies (general meetings of shareholders, securities, winding up and dissolution) are still being studied by the Commission and so is the harmonization of ways of submitting and assessing annual statements of accounts.

*European company*

70. In view of the urgent character of this subject, the Commission has decided to produce a draft statute itself. Considerable progress has been made and the work will soon be finished. As part of this work and at the request of the Commission, Professor Lyon-Caen, in co-operation with other well-known experts from the Member States, has drawn up a report

<sup>1</sup> *Second General Report*, sec. 83.

on the ways of representing the workers' interests in this form of company. The report provides an excellent basis for a full and fruitful discussion on this important problem.<sup>1</sup>

### *International mergers*

71. Preparatory work on a Convention regarding international mergers within the meaning of Article 220, third paragraph, of the Treaty of Rome has gone ahead.

Mergers of companies having their headquarters in different Member States are impossible at present for legal and tax reasons. The Convention will create the conditions making international mergers of joint stock companies possible. Work on the removal of tax obstacles and on the co-ordination of domestic rules and regulations on mergers is going ahead in parallel.

### *Commercial intermediaries*

72. Following the removal of restrictions on the activities of commercial intermediaries by Directive No. 64/224/CEE,<sup>2</sup> it has become necessary to harmonize domestic laws on the subject. Different ways of solving a number of problems connected with the cost of representation have a repercussion on the organization of distribution networks and, generally speaking, on the conditions of competition between firms. Consequently *de facto* inequalities between certain countries or certain industries in the functioning of commercial representation may constitute an obstacle to the formation of a single market.

At the beginning of 1969 therefore the Commission, having completed a long study of current legislation on the subject in the various Member States, undertook a comprehensive series of consultations with the trade organizations concerned. The results of these consultations were forwarded to the various Governments and examined at a meeting of national experts. In the light of the examination it has been possible to assess the importance of the distinction between self-employed commercial

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<sup>1</sup> This report appears in the collection "Studies—Competition Series", published by the Commission.

<sup>2</sup> *Official gazette* No. 56, 4 April 1964, p. 869.

agents and employed representatives, and to elaborate a first set of guidelines for future work.

### *Private international law*

73. The laws of the Member States present very appreciable divergences in the character and source of the rules concerning the territorial extension of private law. In no State have the rules on conflict of laws yet been completely codified, with the result that there is frequent recourse to case law, which itself is neither all-embracing nor unchanging. Furthermore, the rules on conflict do not everywhere cover the same *de jure* or *de facto* situations, and different criteria are used to determine the law that is applicable.

The existence of these divergences may prove detrimental to the functioning of the common market and generate legal uncertainty. One and the same dispute may be judged on the basis of a different type of law according to the Member State in which the case is brought to court. The "Convention on jurisdiction and the enforcement of civil and commercial judgments" concluded by the Member States on 27 September 1968 assigns jurisdiction in general to the court best placed from the angle of the legal centre of gravity of the case. There are exceptions to this principle, however. In quite a number of cases, for example, the plaintiff may choose between the courts of several Member States, and the parties often have the possibility of agreeing on the court which should deal with the case. The choice made will then determine the rules of conflict and consequently the substantive law applicable. The divergences between rules of conflict could mean that identical cases were settled in different manners in the various member countries.

This is why the Commission, acting on suggestions made by certain Member States, has recently had discussions with government experts on the need for and extent of standardization of rules of conflict. The Commission drew attention to the fact that harmonization of these rules was necessary in a number of concrete cases (particularly those involving free movement of goods, services, capital and persons). This would mainly involve law relating to debts and suretyship, but other sectors are not excluded out of hand. The aim would be to harmonize and codify, to a degree to be specified, the rules of conflict applicable in the Member States.



## LAW RELATING TO ECONOMIC ACTIVITIES

*Specific cases involving distortions of competition*

74. In 1969 the following concrete results were obtained in cases of disparities in legislation which lead to distortion of competition:

- (i) Commission recommendation based on Article 102 addressed to the German Government on the bill regarding wines, dessert wines, sparkling wines, wine-based beverages and wine alcohols.<sup>1</sup> The German Government followed this recommendation (Law of 19 July 1969);
- (ii) Consultation with the Member States under Article 102(1) on the measures contemplated by the Belgian Government regarding transmission tax on imports and refunds on exports.<sup>2</sup>

Numerous other cases are being examined under Articles 101 and 102 (see Table 13).

*Price legislation*

75. Success in the form of practical results has crowned the efforts to arrive at a consensus of opinion between the Member States and the Commission on the introduction of a procedure for co-operation. Its purpose is to enable a list of price legislation in force in the Member States to be reviewed regularly and brought up to date. Since then the Member States have forwarded to the Commission lists of their rules and regulations applicable under this heading. The first overall list has been drawn up on the basis of these reports and is to be published.

*Legislation on water pollution*

76. The Commission has striven to co-operate more closely and more effectively with the various international and European organizations likewise studying the problem (Council of Europe, UN Economic and Social Council). The Commission is now working on a systematic list of the Member States' rules and regulations on the subject.

<sup>1</sup> *Official gazette* No. L 18, 24 January 1969.

<sup>2</sup> See also Ch. II, 3.

## 6. The common market, trade and the consumer

### DEVELOPMENT OF TRADE STRUCTURES

77. The results of a survey undertaken by the Statistical Office of the European Communities with a view to obtaining an overall picture of trade patterns in the Community show that Europe is still without a modern trading apparatus and that conditions in the Member States vary considerably in this respect:<sup>1</sup>

- (i) Wholesale and retail trades show the highest degree of concentration in Germany and the Netherlands;
- (ii) Wholesale and retail trades are least concentrated and most fragmented in Belgium;
- (iii) Wholesalers and middlemen play very little part in the distribution of goods in Italy, where retail trade is the least developed in the Community. Italy does however have the highest number of itinerant traders;
- (iv) France occupies an intermediate position for both wholesale and retail trade. Middlemen play an important part in distribution.

Two features are shared to a varying extent by all six countries. First, there is a trend towards the creation of a large number of highly modernized distribution firms and, secondly, a large proportion of old-fashioned firms using traditional methods of distribution still remain.

These diverging trends have had repercussions in the commercial world which must not be overlooked and may well have political consequences. This is why the Commission has devoted particular attention to trade problems this year.

The main reason for this process of change is undoubtedly that industry is switching over to mass production. The pressure now exerted by the volume of mass-produced goods on the market has influenced the pattern of trade and has brought into play forces which are striving to meet consumer requirements by using more and more up-to-date methods of distribution. If trade is to keep pace with general economic development and become an active element in the flow of economic activity, it must plan for the future by increasing the size of its constituent firms still further and adjusting its selling methods to mass distribution.

<sup>1</sup> SOEC: *Statistical Studies and Surveys* No. 6/1968.

The Commission believes that a healthy combination of small, medium, and large enterprises is essential if the consumer is to be supplied under optimum conditions. A prerequisite for this is that independent traders should run their businesses along efficient lines. They must be encouraged in this so that they will be able to seize future opportunities. The Commission is actively studying the problem of promoting small and medium-sized commercial firms. It has recognized the importance of co-operation between these firms and is now preparing a report on the steps that the Member States have taken so far to help traders. This report will be discussed in detail with national experts so that the Commission can decide which type of measure is most effective and draw conclusions to guide future action.

#### TRADE IN GOODS FOR PRIVATE CONSUMPTION

##### *General*

78. Generally speaking, importers in all Community countries were able to reap the benefit of increased supplies of goods of Community origin in 1968. They did their purchasing on a Community-wide basis, buying where prices and qualities best suited their requirements. The completion of the customs union in 1968 created a large European market for importers, although a number of obstacles to trade still persist.

TABLE 14  
Imports of products for private consumption in 1968

(in million u.s.)

Origin	Germany (FR)	France	Italy	Netherlands	BLEU	Community
Community	2 981	1 754	861	1 469	1 163	8 228
Non-member countries	1 726	1 195	707	501	356	4 485
<i>of which :</i> Associated overseas countries	29	272 <sup>1</sup>	29	11	5	346
Total	4 707	2 949	1 568	1 970	1 519	12 714

<sup>1</sup> Mainly foodstuffs.

Because of the existence of this large market, traders were able to meet to the full the growing demand from consumers in 1968 and managed to contain or attenuate the upward push of domestic prices resulting from excess demand. It was the consumer who benefited from all this in the last analysis.

Community imports of goods for private consumption in 1968 were therefore rather high, reaching 12 700 million u.a., against 11 200 million u.a. in 1967. This is equivalent to a 13% increase.

The low (3%) growth rate of 1967, which was essentially due to recession, is therefore a thing of the past. The general revival of economic activity experienced by the Member States in 1968 gave a special fillip to intra-Community trade. At 8 200 million u.a. (an increase of 22%) this trade accounted for 65% of all imports. Imports from non-member countries showed no change, remaining stable at 4 500 million u.a.

The picture of Community imports given in Table 15 pinpoints differences between the six countries which clearly reflect their economic position in 1968. French and German imports rose by 17 and 16% respectively, France having stepped up imports from other Community countries by as much as 35%. The Benelux countries showed an increase of 13%, whereas the rise in Italian imports was a mere 2%.

TABLE 15  
Growth of imports of consumer goods in 1968

(1967 = 100)

Origin	Germany (FR)	France	Italy	Netherlands	BLEU	Community
World	116	117	102	113	113	113
Community	121	135	120	116	120	122
Non-member countries	108	97	87	104	99	100
<i>of which:</i>						
Associated States	138	90	100	100	166	94

This poor growth rate in Italy is due to a 14% decline in imports from non-member countries, exclusively accounted for by a 19% drop in purchases of foodstuffs from these countries.

*Effect by commodity group*

79. In 1968 foodstuffs accounted for approximately 40% of all Community imports, and manufactured goods for 60%. Intra-Community trade accounted for 50% of the foodstuffs and 75% of the manufactured goods imported.

Growth rates in 1968 were as follows:

	Foodstuffs	Manufactured goods
All imports	+ 2%	+ 22%
<i>of which:</i>		
Intra-Community trade	+ 18%	+ 25%
Non-member countries	- 9%	+ 14%

*Foodstuffs*

80. The expansion of incomes continued to stimulate demand for foreign foodstuffs in all Community countries in 1968. To meet this consumer demand traders made an even wider range of foods available, often at stable prices.

For products such as cheese, eggs, chocolate and biscuits, the comments in last year's General Report hold good. Consumers did not have to face any price increase for these products in 1968; indeed prices were on the whole steady and some even tended to decline. Consumers became even more demanding as regards fruit and vegetables. Throughout the year traders were able to supply them with a very complete selection of produce; far wider than the range that local harvests in each country could provide, and at steady prices. In this connection traders have indicated that there was a steady improvement in quality and presentation in 1968. This was only possible because importers made their selection in the light of produce on offer on the European market as an entity. The fact that traders found it easier this year to conclude long-term agreements with growers was considered an appreciable advantage.

The Community consumer was again able to procure pigmeat and poultrymeat at stable prices. Indeed prices even tended to decline and there was a further shift from beef and veal to these two types of meat. The considerable increase in the number of stores with meat departments boosted trade in beef and veal between the Member States. Consumers today expect every modern foodstore to have a meat department capable of supplying large quantities of the required quality. Tastes

vary considerably within the Community. Hindquarters (prime quality) are popular in France and Belgium, whereas German and Dutch consumers prefer forequarters, which are cheaper. This has led to the growth of a brisk wholesale export trade in meat, helping to supply Community consumers with their favourite type.

It is worth noting that, in Germany, the growth of supermarkets, often offering beef and veal as loss-leaders, means that the full increase in production costs is not passed on to the consumer.

### *Manufactured goods*

81. The main increase in intra-Community trade in 1968 was in manufactured goods, where the rise was 25%. The sharpest increases were in clothing (including footwear), domestic electric appliances and cars. The trend towards greater specialization and co-operation in the different countries, already mentioned in last year's General Report, was even more marked in 1968. Imports continued to exert pressure on prices; there were genuine price reductions, the main influence of imports being as a brake on internal price increases.

Integration in the household goods market was particularly marked. France, for example, imported approximately 35% of its water heaters, 38% of its television sets, 40% of its radio sets, and 50% of its refrigerators. Belgium imported 70% of its requirements of small household appliances, 75% of its electric washing machines and television sets and 92% of its refrigerators. Even in Germany, renowned as a major producer of domestic electric appliances, there was a relatively large increase in imports; refrigerators were up by 21%, washing machines by 15% and radio sets by 15%. Italy is in a unique position here. As the main producer of these appliances its imports are negligible, averaging less than 2% of consumption. The increases were not, however, solely due to straightforward trade in electrical appliances. An important contributory factor was that manufacturers made contracts with firms in other Community countries to produce goods which they then imported and distributed under their own brand name. The consumer can no longer tell from the manufacturer's brand in which Community country an appliance was actually made.

Motor-cars are a case apart. Here it is consumer preference rather than specialization which has stimulated trade and led to a high degree of interpenetration. Imported models represent something between 16 and

18% of all new registrations in Italy, 21% in Germany, 23% in France and 90% in the Netherlands.

With textiles too, interpenetration is very marked. In France, for example, 23% of underwear and 16% of stockings and socks are imported. In this field, too, Italy is an exception to the general rule. Its fashion goods have enabled it to achieve a position of supremacy on the European market. Because of this, its imports in this sector are insignificant. Generally speaking, imports in 1968 were largely determined by fashion and quality, price being a secondary consideration. Trade information indicates that consumers tend to be influenced by the general economic situation. They are particularly sensitive to price in periods of recession and cut down on textile buying. In periods of boom, consumer preferences are more conditioned by purely personal considerations and people are prepared to spend more on fashion goods.

#### *Comparison of prices in the various member countries*

82. The Commission once again asked its Statistical Office to carry out a survey of Community prices for some 250 items. The object is to show the extent of price differences for a range of goods in the six countries, to establish whether prices are tending to become more aligned in the long run<sup>1</sup> and, if so, in what direction.

The latest figures available (April 1969) show that prices were particularly keen for:

- (a) Foodstuffs, household goods, cleaning products, beauty and toilet preparations and pharmaceuticals in Luxembourg;
- (b) Photographic apparatus in Belgium;
- (c) Foodstuffs and textiles in the Netherlands;
- (d) Domestic electric appliances, radio and television sets, paper goods, books and toys, motor-cars and petrol in Germany.

On the other hand prices were relatively high for:

- (i) Textiles, household goods, domestic electric appliances, radio and television sets, paper goods, books and toys, motor-cars and petrol in France;
- (ii) Foodstuffs in Italy;

<sup>1</sup> *First General Report*, sec. 96.

- (iii) Photographic apparatus and supplies in the Netherlands;
- (iv) Cleaning products, beauty and toilet preparations and pharmaceuticals in Germany.

Generally speaking these figures give no indication of any movement towards price alignment. On the contrary, the price gap between member countries widened further between April 1968 and April 1969. The maximum price gap for all items considered increased from 54% in April 1968 to 58% in April 1969. This widening can be attributed to the price increases which followed the social unrest of May 1968 in France and the introduction of TVA in the Netherlands. As a result, in 1968 domestic influences were working against price alignment. It is too early to deal with the repercussions of French devaluation and German revaluation in the present Report, but it is probable that both these measures will lead to further changes in the price ratios between the member countries.

There is no need this year for a detailed examination of trends towards price alignment, since French and Dutch price movements dominated most of the time for virtually all groups of commodities. The only alignment noted was an upwards one for foodstuffs following an increase in meat prices in Luxembourg.

TABLE 16  
Mean price difference by product group<sup>1</sup>  
April 1969

Product group	Germany (FR)	France	Italy	Netherlands	Belgium	Luxembourg
Foodstuffs	106	101	115	100	102	100
Textiles	109	133	105	100	119	115
Household goods	105	120	104	103	108	100
Domestic electric appliances	100	145	108	120	123	118
Radio and television sets	100	147	113	125	128	114
Cleaning products	112	104	102	102	102	100
Paper goods	100	118	103	105	111	103
Photographic apparatus and supplies	102	113	111	121	100	113
Motor-cars	100	127	109	123	110	104
Petrol	100	142	139	107	113	107

<sup>1</sup> For methodology see *First General Report*, sec. 96, footnote 1.



*Reasons for the price gaps*

83. In 1969 the Commission asked the Gesellschaft für Konsum-, Markt- und Absatzforschung (Nuremberg) to conduct an inquiry in industrial and commercial circles to establish why there are large price discrepancies for 35 consumer goods in the Community. In doing this the Commission is complying with the wish of the European Parliament, which had called for research into the reasons for the marked price differences in the six countries.

The results of the initial phase of the survey (interviews with manufacturers, foreign subsidiaries and general importers) show that firms operating on an international scale tend on the whole to have a single distribution policy for the six countries and to regard the Community as a single market with uniform selling prices. However, it has not so far proved possible to apply this policy in practice. Each national market still has special features which cause manufacturers to vary their approach from country to country and allow or oblige them to fix different selling prices for each country. Some of these peculiarities are due to national rules and regulations which have an incidence on competition, for example different tax systems. But most of them are attributable to structural differences which still exist for the products on the individual markets.

In this connection it might be well to mention:

- (a) Differences in the relative importance of individual items on the six markets (e.g. whether a product is maintaining its position or being launched for the first time);
- (b) Different conditions of competition for suppliers in the six countries (alignment on existing price levels);
- (c) Differences in the structure of producers' distribution agencies and downstream marketing circuits in the six countries.

It is to be expected that the completion of economic union and the creation of a single internal market will cause these structural differences to disappear and provide producers with the uniform market conditions they desire.

## CHAPTER III

## GENERAL ECONOMIC POLICY

## 1. Interpenetration of markets

## DEVELOPMENT OF INTRA-COMMUNITY TRADE IN 1969

84. The exceptionally rapid growth of economic activity and the acceleration of domestic demand in the Community gave a particularly strong impetus to trade between the member countries in 1969. This growth was all the stronger owing to the emergence in all the countries of marked economic strains indicated by a gradual loss of production elasticity. This being so, each member country obtained more of its needs from other Community countries, whenever the ability to supply given products differed from one country to another.

Intra-Community trade thus constituted a factor favouring internal equilibrium in each of the member countries and stimulating the spread of boom conditions throughout the Community.

The 1969 results clearly show the cumulative effects of these various factors. On the basis of the customs import statistics, the rate of increase in trade between member countries was 26% by volume, the highest recorded since the Treaty of Rome came into force, as against 17.5% the previous year; the absolute trade figure of 36 500 million dollars represents an increase of nearly 30% on 1968.

85. In Germany the expansion of purchases from the Community quickened not only as a result of economic "overheating", but also of exceptional factors, namely the 4% import rebate introduced in November 1968, the discounts on forward transactions in certain important currencies, the devaluation of the French franc in August, and the temporary application of a virtually floating rate for the mark and its subsequent

revaluation. For the full year, imports into Germany from the Community are likely to have been up more than 30% by value on the previous year.<sup>1</sup> In France, where certain factors, by their effect on the behaviour of transactors, prolonged the excess of total demand in the face of relatively inelastic domestic supply, the flow of imports swelled rapidly during the greater part of 1969. Despite a slowdown in expansion in terms of volume observed at the end of the year, mainly because of devaluation, purchases from non-member countries will have increased by something like 30% between 1968 and 1969.<sup>1</sup> In Italy, after a hesitant trend at the beginning of the year—partly due to accidental factors—intra-Community imports made rapid progress under the influence of more rapidly expanding demand and of production bottle-necks due in part to strikes; in the aggregate, the growth rate in 1970 is likely to have been more than 30% by value, as against 9.5% in 1968. In the same way, and contrary to the trend in 1968, imports by BLEU from the Community increased more than from non-member countries; in all, the growth rate by value of BLEU purchases in 1969 (nearly 30%) was twice that for 1968. In the Netherlands the expansion of Community imports, which was moderate at the beginning of the year, later recovered at a rapid rate. However, for the year as a whole, their growth rate by value, of the order of 20%, was appreciably lower than that of the other Community countries.

86. The Community countries increased their deliveries to other member countries to a fairly uniform extent. First of all, demand from France, which represents for all the countries with the exception of the Netherlands about a third of total sales to other member countries, was very firm. Italy, which increased its deliveries to France nearly 50% by value compared with 1968, was the main beneficiary. Since sales by Italy to Germany were also very buoyant, Italian exports again increased in significantly higher proportions than those of the other member countries. In the Netherlands growth of sales was helped by the relative production elasticity of recently-established industries, notably in energy and chemicals. Similarly, BLEU sales to the Community showed a marked increase over 1968; they were stimulated not only by the lively expansion of exports to France, which became the second-largest customer of BLEU in 1969, but also by the recovery in deliveries to Italy, which increased more than 40%, compared with 8% the previous year. The dynamism of German exports appears to be attributable mainly to the growing disparities observed

<sup>1</sup> The rate of variation has been calculated on the basis of figures converted into dollars.

in the costs and prices trend compared with certain other member countries and to speculations on changes in certain monetary parities. Although there was an appreciable slowdown at the end of the year, the annual growth rate of German sales was probably of the order of 27% by value from 1968 to 1969. Finally, despite the very lively pressure of domestic demand, deliveries by France progressed at a rapid rate, which even accelerated somewhat during the final months of the year.

87. Inflationary strains did not appreciably deform the structure of intra-Community trade balances. However, the imbalances which built up in 1968 continued to make themselves felt. Thus, for the fourth consecutive year, the French trade balance showed a sharp deterioration. The deficit, which was already 1 200 million u.a. in 1968, was probably close on 2 000 million u.a. in 1969. On the other hand, the improving trend in the BLEU trade balance observed since 1966 was amplified in 1969, mainly because of the increase in its trade surplus with France, which doubled in comparison with 1968. In the aggregate, BLEU's surplus probably exceeded 1 000 million u.a. in 1969. Germany's, at 600 million u.a., was not as high as in 1968. In the Netherlands, the deficit was slightly reduced, while in Italy the surplus on the trade account seemed hardly to have changed.

88. On the basis of incomplete data for the first nine months of the year, it may be noted that the trend in intra-Community trade by commodity group was relatively uniform. As in 1968, the lively business conditions encouraged trade in manufactured products. In particular, in 1969, unlike the previous year, the exceptional development of fixed investments was reflected in a very lively growth of trade in capital goods, which was probably up nearly 35% on 1968. In addition, the acceleration of private consumers' expenditure caused a particularly marked rise in trade in consumer goods. However, the most remarkable fact is undoubtedly the considerable development of trade in foodstuffs, attributable partly to movements of a speculative nature. Trade in raw materials and semi-finished products also expanded greatly, while energy products continued to benefit from the development of new sources of supply in the Community.

89. The exceptional upswing in intra-Community trade is a further indication of the continuing progress towards the interpenetration of markets, involving a sharp increase in the proportion of such dealings in the total imports and exports of each member country. In 1969 the

amount of intra-Community trade will have been five and a half times what it was in 1958.

However, the Community's heavy import demand was also a determining factor in the active world business conditions throughout the year, because of its stimulating effects both on trade between the industrialized countries and on world trade as a whole. Thus, the growth rates for imports from non-member countries (18% by value from 1968 to 1969) was more than twice the average for the last ten years. Similarly, despite very great pressure on internal supplies, Community exports to non-member countries have maintained an appreciable growth rate. For the full year, they probably increased more than 11% by value over 1968. Since the creation of the Common Market, the contribution of the Community's total trade to the expansion of world trade has never been so great and its share in that trade (including intra-Community) is now nearly one-third.

## 2. The current situation and short-term economic policy

### THE COMMUNITY'S ECONOMIC SITUATION

90. Economic growth in the Community was unusually vigorous in 1969. The gross Community product, up by 5.8% in 1968, rose by 7.5% in 1969, a rate never before achieved since the Common Market was established.

In Germany, the gross national product in terms of volume expanded by 8%, growth having been 7.6% the previous year. The increase was much the same in France, where the 1968 growth rate—affected by the events in May and June—had been 4%. In Luxembourg, the real gross national product in 1969 was 7% up on the previous year, compared with a 4% rise in 1968. Growth was not much lower in Belgium, at 6%, or in Italy, where it was 5.5% despite a large number of industrial stoppages. Even in the Netherlands, where at 5% the 1969 figure was the lowest in the Community, growth was still very satisfactory.

The unusual vigour of economic growth was mainly a result of the spurt in private consumer spending, which was chiefly attributable to the distinctly faster rise in wages and whose impact was all the more marked as investment activity did in fact increase as sharply as had been suggested by the upsurge in investment plans at the beginning of the year. Developments in the several member countries were very similar in this respect. France was the only country where the trend of consumption appears to have slowed down somewhat towards the end of the year as a result of the controls introduced by the authorities.

With external demand still running at a high level, the Community's growth reserves were gradually used up and there were occasionally severe strains in the business situation in all the member countries. Towards the end of 1969, the bottlenecks had narrowed to the point of slowing down the pace of production.

91. On the labour market more than anywhere else, the trend was gradually towards pronounced disequilibrium in most member countries. The average number of persons in employment rose slightly, the recruitment of wage and salary earners having more than offset the fall in the number of self-employed persons. The increase in the average number of persons in paid employment in the Community can be estimated at 2%, compared with 1% in 1968.

Despite heavier net immigration of foreign workers, which more than offset the decline in the activity rate, the average number of unemployed fell by about 15% for the whole of the Community, compared with 3% in 1968. This reduction in unemployment led to the emergence of an acute labour shortage in several countries. Additional problems were posed by the fact that the workers still available did not have the right skills or did not live in the right places. Similarly, firms found it increasingly difficult in the course of the year to recruit foreign workers.

92. The standard of living rose at a rate that had never been as high since the Treaty of Rome came into force. For the Community as a whole, private consumption per head of population was 6% up in real terms on 1968. The advance was fastest in France and Germany, while the rate of increase in the Netherlands was below the Community average because of the sharp price increases at the beginning of 1969, following the introduction of the tax on value added.

93. The price climate deteriorated throughout the Community as a result of the growing disequilibrium between supply and demand and because the favourable business situation made it easier for firms to pass on cost increases. These increases resulted from higher prices for imported raw materials and semi-manufactures and an appreciable rise in wage costs per unit of output, particularly in the second half of the year, when there was a faster increase in wages at the same time as productivity gains diminished.

The advance of consumer prices from one year to the next was particularly appreciable in the Netherlands and France, where factors which were to a greater or lesser extent autonomous added to the trends which were strictly due to the business situation. In the Netherlands the increase was 7.5%, despite the institution of a general price freeze in April, following the introduction of TVA in what were unpropitious circumstances, given the general business situation. The increase was not much lower in France, where the price trend was influenced more particularly by the delayed effects of higher costs in 1968, the adjustment of the TVA system, and the first effects of devaluation. Price stability was threatened in the other Member States too, though in varying degrees.

94. The balance of payments trend was disturbed in several member countries. Trends were divergent, particularly between Germany and France, mainly as a result of the behaviour of transactors in the face of

the uncertainties surrounding the external purchasing power of certain currencies. Several bouts of speculation produced considerable outflows of capital from France and a substantial inflow of foreign exchange and capital into Germany.

At Community level, the balance of trade (cif-fob) closed with a deficit of \$250 million, compared with a surplus of \$1 748 million in 1968. The overall balance of payments in terms of net foreign holdings of the banking system (including the net position with the IMF) was badly in deficit in 1969, as it had been in 1968 too. Provisional estimates suggest that the gross gold and foreign exchange reserves held by the monetary authorities in the Community countries fell by about 3 000 million u.a. The Community's capital account showed conflicting tendencies during the greater part of the year, heavy net exports of long-term capital contrasting with a substantial inflow of short-term capital until September. The outflow of long-term capital gathered momentum until the summer but then slowed down because of a weaker propensity to invest on American securities markets and a fall in net exports of long-term capital from Germany. Short-term capital movements to Germany, by contrast, were stimulated by the repeated bouts of speculation, particularly in May and September, in anticipation of revaluation. After the German mark had been revalued, however, substantial outflows added to the deficit resulting from the exports of long-term capital, which is incidentally the reason why the deficit on the overall balance of payments was so large in 1969.

#### THE COMMUNITY'S ECONOMIC POLICY IN 1969

95. At the end of 1968, the chief problems facing the Community were those posed by the diverging trends of prices and balances of payments within the Community, the seriousness of these problems having been highlighted by the monetary crisis of November 1968. It was against this background that on 5 December 1968 the Commission submitted to the Council a memorandum on the policy which should be followed within the Community in order to deal with current economic and monetary problems.

The memorandum pinpointed three main needs: prevention of a revival of speculation, maintenance of rapid economic growth in the Community in 1969, and the promotion in the years ahead of a balanced development of prices and production costs in the Community.



The Commission made practical proposals to this end, advocating in particular efforts to mobilize production resources, continue a budget policy aimed at controlled expansion, and keep the trend of wages within the limits of what the economy will bear by pursuing an active incomes policy, combating restrictive practices and encouraging competition from abroad. In respect of the two countries particularly affected by monetary disturbances, the Commission recommended that Germany should encourage long-term capital exports and that France should pursue a stringent budget and financial policy and place strict limits on lending. Lastly, the Commission announced that it would submit to the Council practical proposals to help strengthen the co-ordination of economic policies and monetary co-operation between the Member States.

Discussion of short-term policy problems in the Council on 12 December 1968 showed that there was unanimous agreement on the need for greater convergence of economic policies and for an investigation of the scope for intensifying monetary co-operation.

To this end the Commission on 12 February 1969 submitted to the Council a memorandum on the co-ordination of economic policies and monetary co-operation in the Community, which formed the basis for a number of initiatives taken by the Community institutions in the field of co-ordination of economic and monetary policies.<sup>1</sup>

96. In mid-1969, however, it became evident that despite the measures taken in the various countries to restore the basic equilibria, the objectives proposed by the Commission had not been attained. More particularly, there had been fresh monetary disturbances in April and May. The business climate was at the same time changing, with inflationary pressures emerging that varied in strength from country to country.

In July the Commission therefore asked the Council to make a fresh examination of the economic situation and submitted to it a memorandum on the maintenance of balanced economic growth. In this memorandum it pointed to the need for the Member States and the Community to bring the inflationary process under control as rapidly as possible, by means of energetic and rapid action to prevent the imbalances from growing further.

At its session of 17 July the Council endorsed the conclusions drawn in the memorandum, which invite the Member States to mobilize their

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<sup>1</sup> See secs. 99, 100 and 102.

productive resources systematically and limit the growth of aggregate demand through a stringent budget policy.

97. When the French and German authorities realized that the measures which they had taken to remove the imbalances discernible since mid-1968 were not enough to ensure over the longer term economic developments consistent with the main objectives of the Treaty, the French franc was devalued by 11.11% on 10 August and the German mark revalued by 9.29% on 27 October.<sup>1</sup>

These parity changes in their turn gave rise to specific economic policy problems. It was for this reason that the Commission and the Council adopted special measures on agricultural policy with a view to ensuring that the objectives behind these monetary changes and the measures accompanying them could be attained under the best conditions possible. As the Council had decided on 12 August<sup>2</sup> not to change the unit of account for the common agricultural policy in the case of France, an automatic upward adjustment of farm prices in terms of French francs would have run exactly counter to the objectives pursued by the French authorities and would have jeopardized the chances of success of devaluation.

Acting on a proposal from the Commission, the Council therefore authorized France, for a period not extending beyond the end of the 1969/70 marketing year, to reduce the intervention or buying-in prices fixed in units of account by up to 11.11% and to take compensatory measures at the frontiers. Before the end of the marketing year, the Council, on a proposal from the Commission, will have to rule for each product how these prices are to be definitively adjusted to the common level. The Council's decision lays down that the French prices will in any case have to be aligned on the common prices no later than the beginning of the 1971/72 marketing year.

Following the revaluation of the German mark, the Council again decided not to change the value of the unit of account, but the repercussions of this decision on the objectives pursued by the German authorities proved not to be a mirror image of those observed in the case of France. A downward adjustment of farm prices in terms of the mark was consonant with the stabilization of the level of prices in Germany

<sup>1</sup> See secs. 104 *et seq.*

<sup>2</sup> See sec. 128.

encouraged by revaluation. In the end, the Council decided that part of the loss of income suffered by German farmers as a result of this adjustment would be offset from Community funds, the rest to be made up through measures taken by the German Government. A Commission decision authorized the Federal Republic to apply compensatory measures at the frontiers until the end of 1969, pending the adoption of the necessary legal arrangements.

98. The parity changes are likely to make it easier to attain the basic objectives of economic policy in Germany and France without major drawbacks for the other member countries; they also contribute to better payments equilibrium in the Community. While it is therefore reasonable to assume that the unsettling elements in the business situation in the Community will shortly disappear, the need to check inflation at the end of the year was as pressing as before.

The outlook for 1970 suggests that the expansion of demand in all Community countries will be excessive, given the limited opportunities for an increase in production. The world business climate, moreover, is liable to cool down in the course of 1970, chiefly because of a slackening of activity in the United States.

There is therefore a danger that the Community may before long be faced with a distinct slowdown in activity, and it has not been able to hold the inflationary pressures sufficiently in check.

In January 1970 the Commission intends to set out for the Community institutions the policy guidelines that should be followed to avoid such a situation.

#### IMPROVING THE INSTRUMENTS OF CO-ORDINATION

99. The disturbed equilibrium of payments between the Member States highlighted the pressing need, repeatedly stressed by the Commission, to arrange for effective co-ordination of the Member States' economic policies. Application of the relevant provisions of the Treaty of Rome is indispensable to the economic health of the Community. Failure to do so would make the customs union liable to be constantly circumvented by the introduction of special measures designed to help overcome difficult situations or by parity changes that in extreme cases become unavoidable.

The decision on the co-ordination of the Member States' short-term economic policies<sup>1</sup> which the Council, acting on a Commission proposal, adopted on 17 July 1969 takes account of this. Its main aim is to strengthen and effectively apply the consultation procedures before measures or decisions are finally adopted.

These prior consultations are to be held in respect of important decisions or measures envisaged by any member country in the field of short-term economic policy which would have a major impact on the economies of the other member countries or on its own internal and external equilibrium or which might lead to a marked divergence between economic developments in one country and the medium-term targets that have been jointly agreed. Consultations would also cover overall budget policy and tax measures designed to have a direct effect on external trade.

Any Member State or the Commission may ask that consultations be held if it feels that economic developments are likely to have effects such as those mentioned. This means that any authority concerned may call for an examination of the economic situation in a Member State if it considers that failure to take appropriate measures could create a situation that would be dangerous for another Member State or the Community as a whole.

Article 4 of the decision requires the Member States to adopt such decisions or measures only after consultations have been held, provided this procedure is not ruled out by circumstances.

Consultations should normally take place within the Monetary Committee, the Short-term Economic Policy Committee and the Budget Policy Committee; however, a Member State or the Commission may in cases of special importance ask for them to be held in the Council. At the beginning of 1970 the Council will adopt the relevant implementing procedures.

100. The examination of the Commission's memorandum on the co-ordination of economic policies and monetary co-operation within the Community by the appropriate committees provided an opportunity to improve the exchange of information on economic trends in the Member States and on economic policy measures. The Commission also submitted to the Council the Short-term Economic Policy Committee's Opinion of 8 July 1969 on the implementation of the Council recommendation of 28 July

<sup>1</sup> Decision No. 69/227/CEE, *official gazette* No. L 183, 25 July 1969, p. 41.

1966 concerning steps to be taken in an endeavour to improve short-term statistics. In this Opinion, the Committee welcomed the implementation of that part of the recommendation that called for the elaboration of a Community system of national accounts. It found, however, that in most countries information essential to short-term economic policy is not available on a monthly basis; it requested that the governments concerned should make good these deficiencies and stressed the usefulness of integrating the whole of the indicators into a simplified system of quarterly accounts.

101. The Commission continued its work in the field of business surveys. The necessary technical arrangements having been made with those concerned in the Netherlands, Dutch managements will now be taking a steadily increasing part in the business surveys. Studies were also made on the utilization and interpretation of the surveys, particularly the investment surveys. As regards the consumer survey, the Commission proposal on the launching of a pilot programme is still being examined in the Council. The Commission regrets that a final decision on this subject has not yet been reached.

102. Co-ordination of short-term economic policy must be based not only on adequate statistical information that is readily available but also on harmonized and mutually consistent forecasts at Community level. While the economic budgets drawn up by the Member States twice a year have proved very useful, there is a growing need for a more detailed study, based on quantified information, of the incidence which any major measure taken by a Member State can be expected to have on the economy of any other member country or the Community as a whole.

Knowledge of the interdependent factors which bind the economies of the six countries together needs to be improved. To this end the Commission, in close co-operation with the Short-term Economic Policy Committee, put in hand preliminary work on the construction of an overall econometric model expressing these links in quantifiable terms and using a greater number of monetary variables.

#### *Short-term Economic Policy Committee*

103. In the period under review the Short-term Economic Policy Committee met on nine occasions. It continued its studies of the business

situation in the Member States, both as part of its regular reviews and in the context of the Council decision of 17 July. The Committee examined the economic budgets for 1969 and the preliminary and final economic budgets for 1970, submitting its conclusions to the Commission and the Council in the form of Opinions. The Committee also drew up a report on the Commission's memorandum to the Council of 12 February 1969 and an Opinion on the implementation of the Council recommendation of 28 July 1966.

### 3. Monetary, financial and budget policy

#### MONETARY QUESTIONS

104. In 1969, inflationary strain increased throughout the world. Prices, which had already risen sharply in 1968, rose still faster, attaining towards the end of the year, in the major industrial countries as a whole, an average rate of increase almost twice that recorded from 1958 to 1967. This aggravation of inflation was especially great in the United States, where the economy has been overheated almost without remission since 1966. In order to restore internal and external equilibrium in the chief financial fields, the United States authorities maintained their policies for restricting monetary demand. In the budget field, the deficit of \$5 200 million recorded in fiscal 1967/68 was succeeded by a surplus of some \$5 000 million in 1968/69, and an even larger surplus could well be achieved in 1969/70. In the monetary field, a firmer policy was applied from the end of 1968, and measures taken included increases in the official discount rate—which was raised to 6% in April—and in the reserve ratio for sight deposits. There was a sharp increase in the rates of interest charged on the market. The monetary authorities underpinned the restrictive effects of the measures by maintaining, under “Regulation Q”, the maximum interest that the banks may pay on certificates of deposit at rates well below the return obtainable from other investments.

This policy also affected conditions in the Community. The rising trend in interest rates in the United States spread internationally through the Eurodollar market, on which the American banks drew very heavily in order to cover their liquidity requirements. To prevent the international money market from draining off too great a volume of capital, some Member States were forced, for balance of payments reasons, to take protective measures, including exchange control, and to accept increases in the rate of interest which their general economic situation did not always justify.

Admittedly, these divergences between internal and external exigencies tended to decrease towards the middle of the year, because the aggravation of inflationary strain in the Community rendered necessary the adoption of restrictive policies in all the member countries. But the fact remains that the international money market, because of its very existence, its links with the national money markets, and its sheer size (growing steadily over the last few years, the capital involved at the end

of June 1969 is estimated at \$37 000 million), is making it more and more difficult for the national authorities to control interest rates and to pursue monetary policies generally. In September, with a view to rendering their credit restriction measures more coherent, the United States monetary authorities extended the minimum reserve system to funds borrowed on the Eurodollar market by the American banks, and this undoubtedly did something to allay misgivings expressed at international level, chiefly within the Community, regarding the interest rate spiral. But the problem of regulating the Eurodollar market persists, since the existence of very large sums liable to be switched overnight from one country to another jeopardizes the equilibrium of balances of payments and hampers currency reserve policy.

Towards the end of the year the first signs of an improvement in the inflationary imbalances affecting the United States economy were observed, and it is generally expected that appreciable progress will be made in eliminating strain in the course of 1970. However, at the end of 1969 the signs of *détente* were only tentative: activity remained very firm, prices went on rising steeply (during the third quarter of the year, the annual rate of increase in consumer prices was still close on 6%), and balance of payments problems continued to cause concern. Hence, the United States authorities saw no reason to envisage relaxing the restrictions.

The renewed efforts made by the United Kingdom after the devaluation of sterling in November 1967 led to an appreciable improvement in the external balance of payments, though only after rather a long lapse of time and also at the cost of a lower growth rate. The country's pledges to the International Monetary Fund were thus honoured, and further redemption of external debts became possible.

105. Discussions which had been going on for several years in the International Monetary Fund and the Group of Ten culminated, in 1969, in the establishment of a system of special drawing rights and in the reform of certain IMF rules and practices. At the Fund's annual conference, held in Washington from 28 September to 3 October 1969, it was decided to create special drawing rights during three years starting on 1 January 1970 to an amount of \$9 500 million, of which \$3 500 million were to be allocated in the first year. In connection with the creation of these rights an important change was made to the IMF Articles of Agreement: henceforward, certain decisions important for the functioning of the international monetary system will be valid only if taken by a majority of at least 85%. The change merits special attention because it means that



the Member States of the European Communities will now be in a better position to assert their legitimate interests when such decisions are taken, provided they agree on a common position beforehand. The amendment to the Fund's rules brings out even more clearly than before the importance of Article 116 of the EEC Treaty in this field.

106. Within the Community, all the member countries have had to cope with inflationary strain, though to varying degrees. There have been appreciable divergences between the rates at which prices have risen, and external payments problems have been posed in terms which differed widely from one Member State to another. In particular, while France's current account showed a heavy deficit, that of Germany showed a very large surplus. Despite the efforts of the Federal Government to encourage exports of capital and thus to soften the impact on internal activities of the surplus on current account, the German economy suffered from overheating. This situation in the Common Market led on several occasions to large-scale speculative movements of capital. Measures to correct the imbalances could not stave off parity changes. When the French Government, on 8 August 1969, announced its decision to devalue the franc by 11.11%, the foreign exchange reserves of France had contracted sharply—monthly losses had averaged \$300 million during the first quarter of the year—while the franc was consistently quoted at a rate below the official one on foreign exchange markets abroad. The German Government's decision to revalue the mark by 9.29% was made on 27 October 1969, after a brief period in which the Government, having temporarily closed the foreign exchange market, had authorized the Bundesbank, on a proposal by the latter, to suspend provisionally its action to support the minimum and maximum limits of the exchange rate of the mark.

The economic situations of France and Germany when the decisions described were taken and the measures which accompanied those decisions were analysed in detail in the Commission's quarterly survey, *The Economic Situation in the Community*, No 3/4, December 1969. The parity changes have important implications for the functioning of the Common Market and the implementation of the economic union. On the one hand, the changes will help the Member States directly concerned to redress the imbalances in their economy and will thus contribute towards reducing the distortions which were affecting intra-Community economic relations. But they have also shown how such changes between the Member States can hamper the implementation and limit the scope of the common policies. In this connection it is sufficient to consider the problems which

the devaluation of the French franc and the revaluation of the German mark have engendered for the Community in the sphere of agriculture.<sup>1</sup>

107. The group of decisions referred to above has rendered less acute, for the time being, the difficulties which have been hindering the functioning of the international monetary system. However, these difficulties arise to a large extent from the fact that the external convertibility of currencies and the progress made towards the liberalization of capital movements lead to payments imbalances because economic policies are imperfectly harmonized, if at all. In order to reduce these imbalances it has sometimes been proposed that the present system of rates of exchange should be rendered more flexible. A comprehensive examination of the problems connected with this will be undertaken within the framework of the International Monetary Fund.

The matter is important because the authorities find it very difficult, in general terms, to implement the "adjustment process" in order to re-establish the equilibrium—without impairing freedom of transactions—of national economies affected by unequal imbalances or opposing imbalances. These difficulties, which are encountered even in the broadest international context, may become especially serious in a group like the Community which aims at economic union. For the increasing sensitivity of each of the economies composing it to changes in the rest of the area, together with the reduction in the number of economic policy instruments which can be used independently by each Member State, render the consequences of adjustment especially serious in the economic and social sphere. However, a relaxation of the system of rates of exchange is out of the question: the development of the common policies and the consolidation of the Community's achievements call for a system in which fluctuations in rates of exchange between the countries concerned would not be increased but reduced or even eliminated altogether. This means that the monetary cohesion of the Member States can only be strengthened through closer co-ordination of their economic policies.

108. Fuller monetary cohesion is the object of the proposals in the Memorandum on the co-ordination of economic policies and monetary co-operation within the Community which the Commission addressed to the Council on 12 February 1969. In conformity with the policy which it has defined and advocated for several years past, the Commission made the following principal recommendations:

<sup>1</sup> Cf. Ch. IV, 1: *The common agricultural policy*, and secs. 95-98 *supra*.

- (1) *Convergence of the national medium-term economic policy lines.* To achieve this, it would be necessary to take concerted action to define the basic aims of the Member States concerning the rates of growth of production and employment, the price trend, the current balance of payments and the overall balance of payments;
- (2) *Closer co-ordination of short-term economic policies* in order to ensure that they are sufficiently consistent at Community level to prevent the various economies from departing from the medium-term guidelines laid down. To this end, the Commission has asked for reinforcement and more effective application of the consultation procedures specified by the Council Decisions of 4 March 1960 and 8 May 1964 and intended to be used before the final adoption of economic measures envisaged by the Member States;
- (3) *Establishment of Community machinery for monetary co-operation,* in the context of the aims of medium- and short-term economic policy as jointly defined. This machinery, the object of which would be to prevent imbalances from getting worse rather than to cope with crises once they have taken place, would be composed of two parts:
  - (a) *Arrangements for short-term monetary support, consisting mainly in:*
    - (i) An undertaking by each participating country to place funds not exceeding a given ceiling at the disposal of the other countries;
    - (ii) Activation of the system through a mere request by a participating country to its partners, the resulting indebtedness of any participant towards the others not to exceed a certain ceiling;
    - (iii) Consultation within the appropriate Community bodies. The object of consultation—which should take place as soon as possible after a participating country has used the system—would be to “determine, in the light of an examination of the situation in the country aided, the measures rendered necessary by that situation on the part of both the country concerned and the other member countries. Failing an agreement on the steps to be taken by the deficit country, this country may not be indebted to the system for more than three months. If agreement is reached, the short-term aid could be renewed for a fixed period, or medium-term financial assistance could be granted, according to the situation in the deficit country”;

- (b) *The possibility of medium-term financial assistance.* Such assistance could be granted—on a recommendation from the Commission to the Council and after consultation of the Monetary Committee—if the examination procedure set in motion when an appeal is made to the short-term monetary support machinery leads to the conclusion that the situation in the country in question requires a medium-term loan. The conditions under which this medium-term assistance would be granted would be determined according to the circumstances; account would be taken, for instance, of the possibilities of mobilizing medium-term assistance from more extensive sources than the EEC. It would not be necessary to stipulate ceilings for borrowing, but it would be advisable to establish ceilings for commitments undertaken as a contribution to this machinery; these ceilings would be valid for a limited period and subject to revision.

In its Memorandum the Commission emphasizes that the proposals put forward take account of the fact that the Community may be enlarged. For “the concerting of the economic policies, consultation procedures, and machinery for monetary co-operation can constitute very useful ‘structures d’accueil’ and would, in any case, be even more necessary to an enlarged Community than to a Community of six”.

109. On the basis of the Memorandum of 12 February 1969, the Council took certain decisions as early as 17 July regarding:

- (i) Strengthening the co-ordination of medium-term economic policies: the Council agreed to hold a debate on the aims of medium-term economic policy. To provide a basis for this debate, the Commission forwarded to the Council on 12 December 1969 a Memorandum on general economic guidelines for the period from 1971 to 1975, which lists the problems raised for the Community by the medium-term development prospects in the member countries;
- (ii) Strengthening the co-ordination of short-term economic policies: the Council adopted a decision providing for preliminary consultations;<sup>1</sup>
- (iii) Short-term monetary support: the Council approved the idea of a Community system of short-term monetary support on the lines laid down in the Commission’s Memorandum, and asked the Committee of Governors of Central Banks in the European Economic Com-

<sup>1</sup> Decision No. 69/227/CEE of 17 July 1969 on the co-ordination of short-term economic policies of the Member States; *official gazette* No. L 183 of 25 July 1969, p. 41.

munity to continue its consideration of how such a system should work;

- (iv) Medium-term financial assistance: the Council instructed the Monetary Committee to report to it and to the Commission on implementing procedures for a system of assistance of this kind.

### *The Monetary Committee*<sup>1</sup>

110. The Monetary Committee held 17 meetings during the period covered by this Report, and the Committee of Alternates also met a number of times. In conformity with Article 105 of the Treaty, the Monetary Committee regularly examined the monetary and financial situations of the Member countries and reported to the Council and Commission, notably after the devaluation of the French franc in August and the revaluation of the mark in October. Furthermore, it examined the Commission's Mémorandum to the Council of 12 February 1969 on the co-ordination of economic policies and monetary co-operation within the Community and submitted its findings in an Opinion on 10 May 1969. In addition, in accordance with instructions given by the Council at its meeting of 17 July 1969, the Monetary Committee embarked upon an investigation of ways and means of applying a medium-term financial aid system. Finally, as regards international monetary relations, the Committee held regular discussions in order to harmonize the attitudes of the member countries in international bodies. The Working Party on securities markets set up by the Monetary Committee drew up a report on the policies of the Member States with regard to their fixed-income security markets from 1966 to 1969, and will submit this report to the Committee in the very near future.

### CAPITAL MOVEMENTS

111. Freedom of movement of capital is one of the basic objectives of the Treaty of Rome, and its effective mobility, under harmonious conditions, is one of the prerequisites for establishment of an economic union.

<sup>1</sup> The general activities of the Monetary Committee will be described in its 12th Annual Report.

Nevertheless, as the transitional period draws to a close, it must be admitted again that no progress has been made towards this for several years; in fact, the situation has deteriorated at some points.

Continuing its efforts to promote the interpenetration of capital markets in the member countries, the Commission submitted to the Council in March 1969 a Memorandum entitled "The case for measures concerning capital. Procedures to be adopted". In this Memorandum the Commission indicated various measures, some of which had already been proposed to the Council, while others could be put before it fairly quickly as soon as main guidelines had been laid down.

The suggestions include certain measures for liberalizing capital movements and for reducing discrimination, and measures for harmonizing the organization of the national capital markets and tax arrangements liable to influence capital movements. Adoption of the proposed third directive, submitted in its original form in 1964 and in revised form in 1967, is once again pressed for. The Council, having discussed this matter again, asked the Monetary Committee, on 17 July 1969, to give an opinion on the Commission's proposals.

During 1969 the Commission endeavoured to push ahead with certain technical activities, in collaboration with the experts of the Member States. For instance, the Working Party on securities markets, set up by the Monetary Committee, has analysed the development in recent years of the bond markets in the EEC and the part which the public authorities have played on these markets by using the various instruments of economic policy.

Furthermore, the Group of Experts on Information concerning Securities, set up in order to improve arrangements governing the flow of information to the public on securities and the conditions of transactions in them, has begun to work out a model prospectus for the admission of securities to quotation. The Group of Experts is at present engaged in examining the question of legal control of the model prospectus in the Member States.

Finally, at the beginning of 1969 the Commission forwarded to the Council the report drawn up by the group of experts on capital movements statistics. This report should enable the committees of the Council to resume examination of the proposed directive concerning communication to the Commission of statistics on movements of capital from and to non-member countries.

## BUDGET POLICY

112. The Budget Policy Committee stepped up its work, in close co-operation with the Commission's departments, keeping in view the fact that budget policy will become a more and more important instrument of economic policy owing to the constant increase in collective needs and the decline in the role of the other instruments with the advance of economic integration. As in the preceding years, in July 1969 the Committee studied the main lines of the Member States' budget policies for the following year. In the autumn it carried out a detailed examination of the draft budgets for 1970 and rendered opinions on them to the Council and the Commission. The Commission proposed, in its Memorandum to the Council of 12 February 1969, that the Ministers of Finance should hold an annual meeting to compare the main lines of their draft budgets for the coming year, in order to enable the Governments to take fuller account of the policies of the other Member States in working out the budgets. The Budget Policy Committee rendered a favourable opinion on this proposal.

The members of the Committee also agreed to keep each other informed, within the Committee, on the measures of budget policy taken in their respective countries. From April onwards they held a general discussion of the main budgetary problems at each of their meetings. The Commission's departments are responsible for the technical preparation of these discussions, which are to include consideration of the general object of any measures envisaged by individual Member States. In accordance with the Council Decision of 17 July 1969 to hold preliminary consultations on important decisions or steps by a Member State regarding short-term economic policy and overall budget policy, the Budget Policy Committee will organize such consultations when substantial changes of budget policy are contemplated during the financial year, in order to facilitate and strengthen co-ordination at Community level.

On the basis of the report on the improvement of the Community's budget procedures which the Committee drew up for the Ministers of Finance and Economic Affairs, the Council decided at its meeting of 3 and 4 March 1969 to ask the Commission to examine the financial repercussions of all proposals concerning the common agricultural policy and to quantify them, if possible, for a period of several years. The Committee carried out a detailed study of the possibility of making Community budget projections covering several years. In conformity with the resolution on regular examination of the Communities' budget, the Committee

analysed the budgets for the year 1969 and took the opportunity of extending the discussions to the trend during the period 1965-1969, so as to obtain a better general view of the structure of the budgets.

A Working Party on Public Finance Projections was set up in March 1969. It is concerned with work to be carried out on public finance as part of the preparation of the third medium-term economic policy programme, and will also take steps to ensure that the public finance projections to be used as a guide for financial policy are properly related to the overall projections of the programme. The experts adopted the work schedule proposed by the Commission's departments, under which outline financial projections for the years 1970 to 1975 should be established before the end of the year.

The Committee also continued its examination of the basic problems of public finance policy. On the basis of working documents drawn up by the Commission's departments it began a thorough exploration of the questions arising in connection with the introduction of methods of rationalizing budget policy decisions in the public administrations.

The Committee likewise considered how budget policy could be used as an instrument of short-term economic policy. In this context the Commission's departments submitted to it a study requested during discussion of the Opinion on the flexibility of central government expenditure.<sup>1</sup>

The Committee also began discussion of a report by experts on a short-term indicator to gauge the impact of public revenue and expenditure on the economic situation. It is intended to make use of this method of calculating effects on domestic demand during the periodic examinations of draft budgets.

113. On the basis of a common economic and functional breakdown of the national budgets, the Working Party for Comparison of the Budgets of Member States carried out an analysis of the development of public finances during the ten years from 1957 to 1966, extended, where possible, to 1967. This detailed report on the revenue and expenditure of all public administrations—central government, local authorities and social security—follows on a study which appeared in 1964. Through the information it provides on the varying structures of public finance in the Member States, it makes an important contribution to the co-ordination of

<sup>1</sup> *Official gazette* No. C 55, 30 April 1969.



the national economic policies and especially to fuller and more rapid co-ordination of budget policy.<sup>1</sup>

At the request of the Medium-term Economic Policy Committee, the Working Party also made a study of the burdens of public aid to enterprises and its distribution among industries. The results of this study were embodied in a report covering the period from 1965 to 1968.

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<sup>1</sup> The report on the development of public finance in the Member States of the European Communities from 1957 to 1966 will be published in the four official languages of the Communities.

#### 4. Medium-term economic policy

##### IMPLEMENTATION OF THE FIRST MEDIUM-TERM ECONOMIC POLICY PROGRAMME

114. In accordance with the Council Decision of 15 April 1964, the Medium-term Economic Policy Committee began at its meeting on 29 February 1968 to examine the way in which the first programme had been implemented by the Member States and the Community institutions.

This first review was devoted mainly to the economic policy measures adopted in the field covered by the first programme.

Each delegation (member countries and Commission) prepared a memorandum on the relevant economic policy measures adopted or envisaged since the first programme was established. The Committee then examined each national memorandum in order to ascertain how the guidelines of the programme had been applied in the member countries and to discover what problems were crucial for the medium-term development of the Community economy.

In this procedure, a particularly important place was reserved for examining the Commission memorandum describing the action undertaken by the Community institutions in the matters covered by the first programme. The memorandum dealt mainly with the structural problems indicated in Chapters III to VI of the first programme, with particular reference to the following subjects:

- (a) Elimination of legal and fiscal obstacles;
- (b) Competition policy and structures of the various industries;
- (c) Scientific and technical research policy;
- (d) Policy on employment and vocational training;
- (e) Regional aspects of Community action.

When discussing the memorandum, the Committee stressed particularly the need to establish certain priorities within the work to be done at Community level; it also urged that a thorough but more selective examination be made of the major problems which had already been met and which would have to be solved if an economic union were to be created among the Six. Three main themes were chosen for the future work of the Committee:

- (i) The scope, direction, efficacy and disadvantages of measures of aid for the regions or individual industries;
- (ii) The lack of multi-national concentrations of enterprises and measures to remedy it (encouragement of direct investment between Community countries);
- (iii) The lack of coherence in aid to individual industries at national or Community level and the need to work out co-ordinated guidelines.

### PREPARATION OF THE THIRD PROGRAMME

#### *The Commission's Memorandum on medium-term guidelines*

115. In the preparation of the third programme, particular attention must be paid to the need to prevent the recurrence during the coming years of divergences between national trends such as those which affected the development of the Community in 1968 and 1969.

The problems posed by such situations cannot be solved by merely juxtaposing autonomous national policies. In fact, the increased interdependence of the member countries no longer permits them to plan their economic policies without reference to the phenomenon represented by the Community. Moreover, incompatibility of policies and strategies could jeopardize the economic integration already achieved.

It is consequently necessary to ensure that, in the medium term, overall trends in the member countries shall converge.

This is the theme of the Memorandum the Commission recently submitted to the Council on medium-term guidelines for economic policy. The Memorandum, which puts into practical form the medium-term proposals submitted on 12 February 1969 to the Council on the co-ordination of economic policies and monetary co-operation, contains certain guidelines with figures for the overall trend in the member countries which, after elaboration, would be used as indicative standards for the third programme.

The Memorandum, and the debate which the Council has decided to hold during January on the basis of the proposals which it contains, will provide the political introduction to the third programme, on which preparatory work is in active progress.

*Medium-term economic projections*

116. The Study Group on Medium-term Forecasts appointed by the Commission to establish the quantitative bases for preparing the Community's medium-term economic programmes continued its work on projections for the period 1971-1975. This was in accordance with its plan of work, which provided for the establishment in successive stages of medium-term projection for the third medium-term economic policy programme. The events of 1968 and 1969 in certain countries led, however, to delays in the work on projections being done in those countries and consequently in the Study Group's timetable of work.

In the first phase of projection work, the Study Group produced alternative overall figures in an endeavour to pinpoint the area within which the Member States, working on a largely national basis, are endeavouring to attain the main objectives found in their guidelines. When in autumn 1968 these overall figures were submitted to the Medium-term Economic Policy Committee, attention was drawn to the dangers which in the medium term could result from incompatibility between the general trends, and more particularly price trends, in the various countries. The confrontation of these provisional figures gave rise in the Medium-term Economic Policy Committee to a discussion of the need to co-ordinate the basic medium-term guidelines. For each country, specific limits for medium-term price developments were agreed, in order to ensure a coherent development within the Community.

On the basis of this preparatory work done in the Study Group and by the authorities of the various countries, work began in summer 1969 on medium-term projections at constant prices and at current prices for the period 1971-1975, covering not only the origin and utilization of the national product but also the income stream, the redistribution of incomes and the national accounts. The establishment of these projections in the context of a uniform national accounting scheme for all member countries was hampered and delayed by developments in the economic field and by the revision of national accounting systems. The first results of this technical work did however constitute the basis for the quantitative determination, proposed for the first time by the Commission, of medium-term guidelines for aggregate economic growth, for employment and for the general trend of prices in the various member countries, as well as of their external balance.

The medium-term projections established for the member countries in 1969 to cover the period 1971-1975 do not for the moment take any

policy options into account; they result from calculations based as a rule on the assumption that the economic and political situation and the behaviour of technical factors will continue unchanged. In the coming months, the projection work of the Study Group will be revised to take into account further statistical data and changes in economic policy, the initial economic situation and information that is now available on basic lines of development in the various member countries.

During 1969, the Study Group also analysed the results of the projections covering the possibilities of developments in overall trade between the EEC and other parts of the world. This work was essential because of:

- (a) The need for the member countries to adopt common or consistent assumptions on developments in the volume of world trade and external trade with non-member countries, and
- (b) The growing importance of the EEC as a partner in world trade and the repercussions which the Community's measures of economic policy and its development are having on the rest of the world.

The relative importance of the broad subjects selected in the third medium-term economic policy programme and the angle from which they will be treated will depend both on the results of more detailed work still being done in the Committee itself, in its working parties and in the Commission's departments. The Commission will shortly adopt the detailed plan of the preliminary draft for submission to the Commission in the second half of 1970.

#### *Activities of the Committee's working parties*

117. During 1969 the efforts of the working parties were progressively concentrated on the search for conclusions which could be used by the Committee for preparation of the preliminary draft third programme.

The Working Party on Incomes Policy concentrated its activities on the following matters:

- (a) In accordance with the additional instructions received from the Medium-term Economic Policy Committee on 14 February 1969, it studied the main problems which the development of social security has raised for medium-term economic policy, principally in connection with incomes policy, public finance policy and social policy;

- (b) It completed and submitted to the Medium-term Economic Policy Committee a report on "Incomes policy in the EEC—the situation in September 1968"; the Committee has passed this report to the Council and the Commission;
- (c) It studied the problems raised by collaboration between the State and the two sides of industry over the elaboration and implementation of an incomes policy.

In addition, the Working Party began to discuss the problems of a non-wage primary incomes policy (including price policy).

In August 1969, the Working Party on External Trade Policy received extended instructions from the Committee to make a general study of all the problems posed by the external economic relations of the Member States and of the Community, and to work out medium-term economic guidelines for external trade. The Working Party's studies led to the drafting of "first common commercial policy conclusions" and "external economic guidelines for the agricultural sphere", which were submitted to the Committee. These two texts, together with the interim report of the October 1968 working party, will serve as a basis for drafting the corresponding chapters of the third programme.

The Working Party on Policy for the Structures of Individual Industries was asked for its opinion on a number of matters with which the Committee was dealing, in particular the EEC textile industry and the possibilities of co-ordinating public contracts.

Following the Council meeting of 10 December 1968, at which it was decided to implement by 1 July 1969 the Resolution of 31 October 1967, the Working Group on Scientific and Technical Research Policy resumed its work. First of all the Group made a report requested by the Council on the possibilities and desirability of scientific and technical co-operation between the Community countries in seven sectors: information, science, telecommunications, new means of transport, oceanography, metallurgy, nuisances and meteorology. The report was completed on 9 April 1969, after which it was examined and approved by the Medium-term Economic Policy Committee and passed to the Commission and Council. This first report was supplemented by a second document dated 9 July 1969, which dealt with the procedures for implementing the co-operative actions proposed in the initial report. In conjunction with this work, the Working Group on Scientific and Technical Research Policy, during the first half of 1969, started on other tasks set by the Council and proceeded with them in the second half of the year; the work concerned

confrontation of the scientific and technical plans and programmes of the member countries, scientific and technical documentation and information, the training of research workers and the exchange of scientists. This programme requires the establishment of 27 specialized working parties during 1969. The results of work done by the Working Group on Scientific and Technical Research Policy were examined by the Council on 30 June 1969 and 28 October 1969. At the second of the Council meetings it was decided that the proposals for co-operation drafted by the Group were to be addressed to nine non-member countries: Britain, Ireland, Norway, Denmark, Sweden, Switzerland, Austria, Spain and Portugal.

#### OTHER BASIC DOCUMENTS

##### *Study on the Community's competitive ability*

118. After ten years of the common market, and with the customs union nearing completion, the Commission decided in May 1968 that a survey should be made of the situation reached by the Community economy, and invited M. Pierre Uri, M. F. Bobba, M. J.W. de Pous and M. W. Langer to make a detailed study of its ability to compete with its principal rivals on the world market. This group of experts submitted an interim report to the Commission on 12 January 1969.

Throughout 1969 the group, working under the chairmanship of M. Pierre Uri, held a number of meetings with the Commission's departments to complete the documentation needed for the various parts of the study and to discuss the subjects which appeared decisive from the point of view of the Community's competitiveness. Among these subjects were:

- (a) The structures of production and external trade;
- (b) The disparities between sectors, regions and enterprises;
- (c) The relation between wages and salaries, size, and the profitability of enterprises;
- (d) The availability of raw materials and energy, and of infrastructure;
- (e) Reserves of capital, its concentration in the various countries, the age of plant and machinery, etc.;
- (f) The procedures and effects of public intervention in the structure of the economy (agricultural policy, industrial policy);

- (g) The relationship of prices and costs in the Community and in non-member countries.

The finished study by M. Uri will be submitted to the Commission at the beginning of 1970.

*The study on investment by non-member countries in the EEC*

119. When the Commission was examining certain infringements of Community rules on freedom of establishment and freedom of direct investment, it noted the close links which existed between the problems raised by direct intra-Community investment and by direct investment from non-member countries; consequently it decided on 5 November 1968 to relaunch the drive to co-ordinate national policies concerning investment and the movement of capital from non-member countries. As a start, steps were taken to collect the information needed for discussions on investment in the EEC from United States sources. Four independent experts were asked to contribute information and analyses concerning:

- (a) Causes of the recent expansion of investment by non-member countries in Europe;
- (b) Consequences and probable future trend of these investments, from the point of view of integration of the Six;
- (c) Operational strategy of Americans investing abroad.

In addition, the Commission's departments collected such information as was available on:

- (i) Statistical evaluation of the scale of the phenomenon and the impact on the Community economy of investment by Americans;
- (ii) Ways and means by which direct investment by non-member countries in the Community is financed.

A summary is being prepared on the basis of these various contributions. It will attempt to show the nature of the general problem confronting the Community and to indicate possible ways of co-ordinated and effective action in the matter (procedures of co-ordination and information, strengthening of the economic union).



## 5. The European Investment Bank

120. The activities of the Bank for the financial year 1969 will be described in detail in its annual report.

In accordance with the provisions of the Treaty of Rome, and the association agreements or conventions, the Bank's operations have concerned projects within the Community and in the Associated States.

Between 1 January and 1 November 1969, the Bank signed 32 loan contracts for a total of 266.2 million units of account.<sup>1</sup> It also arranged with a credit institution in Sardinia a grouped loan totalling 3.6 million u.a. for sub-lending to small and medium-sized enterprises.

The loan total breaks down into 222 million u.a. in 24 ordinary loans and 44.2 million u.a. in 8 loans under the Special Section for projects in Turkey and the AASM; the Special Section enables the Bank to grant loans on favourable terms on the instructions of either the Community or the Member States, at their sole risk and with funds supplied by them.

Between its foundation and 1 November 1969, the Bank signed 249 loan contracts totalling 1 388.4 million u.a., of which ordinary operations represented 1 204.2 million spread over 208 loans, while the Special Section accounted for 184.2 million in 41 loans. The Bank also signed two contracts for grouped loans totalling 13.6 million u.a.

121. During the first ten months of 1969, 11 loans were concluded for a total of 116 million u.a. for projects in Italy, 5 for 72.7 millions for projects in France, 3 for 10.6 million for projects in Germany, 1 for 10 millions for a project in the Netherlands, 1 for 1 million for a project in Cameroon, 1 for 9.1 million for a project in Ivory Coast, 1 for 0.5 million for a project in Gabon and 1 for a little over 2 million u.a. for a project in New Caledonia.

Under the special Section, 4 loans in Turkey, including a grouped loan to be broken down among small and medium-sized enterprises, were concluded for a total of 31.4 million u.a.

In addition, 4 loans on special terms totalling 12.8 million u.a.—drawn from EDF funds but administered by the Bank—were concluded for investments in Cameroon, Ivory Coast and Mauritania.

<sup>1</sup> The amounts given here take into account the changes in the parity of the French franc and the German mark in August and October 1969.

As regards the ordinary loan contracts signed by the Bank during the first 10 months of 1969, 16, for 81.5 million u.a., concern industrial investment and 8, for 140.5 million u.a., will help to finance economic infrastructure.

122. The Bank continued its traditional work of helping less-developed regions in the Community countries, particularly in the South of Italy and the Italian islands (9 loans for 87 million u.a.). In addition, it provided aid in the Trentino-Alto Adige region in the North of Italy, where development problems are arising and where it financed a project for a total of 25 million u.a. In France aid was provided in the peripheral regions: in the West (1 loan for 17.4 million u.a.), in the Southwest (1 loan for 14.4 million u.a.), in the Southeast (2 loans for 33.7 million u.a.) and the East (1 loan for 7.2 million u.a.). In the Trier district of Germany (Rhineland-Palatinate), which is part of one of the country's main development areas (Bundesausbaugebiete), a loan for 2.45 million u.a. was accorded. The Bank also granted two loans (8.2 million u.a.) for projects in Lower Saxony and Schleswig-Holstein. Finally, in the Netherlands, aid was provided in the Delfzijl area of Groningen province, which is one of the regions scheduled as primary development centres (financing of a project for 10 million u.a.).

Under Article 130(b), the Bank granted a loan of 4 million u.a. for repairs to an industrial plant damaged by the floods which ravaged the Northeast of Piedmont in November 1968.

With regard to resources, at 1 November 1969 the Bank had floated 7 loans totalling 112.4 million u.a.; six of these were denominated in German marks and one in US dollars.

Loans floated by the Bank and still outstanding at 31 October 1969, plus the relevant redemption premiums, are shown in the balance-sheet at 842.8 million u.a.

## CHAPTER IV

## TOWARDS ECONOMIC UNION

## 1. Common agricultural policy

## GENERAL INTRODUCTION

123. The year under review was a particularly disturbed period for the common agricultural policy. Four main issues dominated the agricultural scene as the common market's transitional period drew to a close:

- (a) monetary problems and their incidence on the single agricultural market;
- (b) discussion of the Memorandum on the Reform of Agriculture in the European Economic Community;
- (c) mounting surpluses of the main farm products;
- (d) definitive arrangements for financing the common agricultural policy.

At the same time, preparations for the opening of negotiations with the States which have applied for membership of the Common Market and discussions on the introduction of common rules for tobacco, wine, and fruit and vegetables assumed considerable importance.

The main factor affecting price policy was a further increase in stocks. By the end of 1969, butter stocks were estimated at 320 000 tons and stocks of skim milk powder at 350 000 tons. At the beginning of the 1969/70 marketing year wheat surpluses stood at 8 million tons and sugar surpluses at 2 million tons.

## FARM PRICE POLICY

124. The inclusion of price policy among the declared aims of the Memorandum on the Reform of Agriculture, changes in the monetary field and the pressure that market disequilibrium puts on certain products added to the complexity and emphasized the political aspect of the annual farm price review. As a result, the normal timetable could not be adhered to, and this in turn helped to aggravate the situation on a number of important agricultural markets.

125. At its March 1969 session, the European Parliament rendered an Opinion on the price proposals for 1969/70 which had been submitted by the Commission to the Council in December 1968. Although it agreed with the general tenor of these proposals, the Parliament could not approve the measures suggested for implementing some of the Commission's proposals. With particular reference to the ratio between the intervention prices for butter and skim milk powder, it did not agree with the proposed measures for reducing butter production and butter stocks.

At its April 1969 meeting, the Council fixed grain, rice, sugar and oilseed prices for the 1969/70 marketing year (see Table 17). Decisions on milk products and beef and veal were held over for the Council's June meeting.

126. The Commission presented its price proposals for 1970/71 to the Council in June 1969. In doing so it was guided by the main lines of its Memorandum on the Reform of Agriculture and by the decisions taken by the Council when fixing prices for 1969/70.

Pending examination of the problem of structural reform by the Council, the Commission based its proposals on the price policy criteria set out in the Memorandum. These link any price increase to the supply situation or to the demand trend for the product in question. Some changes or adjustments were made partly for purely technical reasons associated with the special characteristics of the market concerned and partly because a change in the price ratios might improve the balance between supply and demand, thus reducing the cost of market support.

As can be seen in Table 17, which compares the proposed prices with the 1969/70 prices, prices for a number of products—durum wheat, olive oil, oilseeds, sugar-beet and pigmeat—have been left unchanged. The Commission felt, however, that current prices for other grains and for

beef and veal called for some correction. The proposals for the milk sector make allowance for the special situation on this market, where action on the price front alone is incapable of producing a final solution to the problem of surpluses. The Council had a preliminary discussion of the 1970/71 proposals on 30 June.

TABLE 17

## Proposed prices for the 1970/71 marketing year

(u.a./ton)

Product	Type of price	Prices fixed for 1969/70	Proposed prices for 1970/71 <sup>1</sup>
Durum wheat	Target price	125.00	125.00
	Basic intervention price	117.50	117.50
	Minimum price (wholesale) guaranteed to producer	145.00	145.00
Common wheat	Target price	106.25	107.25
	Basic intervention price	98.75	97.75
Barley	Target price	95.44	96.50
	Basic intervention price	88.48	88.50
Rye	Target price	97.40	98.50
	Basic intervention price	91.00	90.00
Maize	Target price	95.94	97.50
Husked rice	Target price	189.70	197.10
Olive oil	Production target price	1 152.50	1 152.50
	Market target price	720.10	720.10
	Intervention price	648.50	648.50
Oilseeds	Target price	202.50	202.50
	Basic intervention price	196.50	196.50
Sugar	Minimum beet price	17.00	17.00
	Price for "half-lean" beet	10.00	10.00
	Target price for white sugar	223.50	228.50
	Intervention price for white sugar	212.30	219.40

Product	Type of price	Price fixed for 1969/70	Proposed prices for 1970/71 <sup>1</sup>
Milk	Target price for milk	103.00	103.00
	Intervention price for :		
	butter	1 735.00	1 110.00
	skim milk powder	412.50	712.50
	cheese : Grana padano		
	30 days	1 248.00	1 428.00
	6 months		1 668.00
Parmigiano-Reggiano	1 488.00	1 812.00	
Direct aid for skim milk :			
powder	182.50	382.50	
liquid	15.00	42.50	
Beef and veal	Guide price for mature cattle (live weight)	680.00	712.50
	Guide price for calves (live weight)	915.00	915.00
Pigmeat	Basic price (slaughtered pigs)	750.00	750.00

<sup>1</sup> Proposed in June 1969 (Document COM (69) 551).

In a resolution dated 3 July embodying its Opinion on the 1970/71 price proposals, the European Parliament recognized that the Commission had given a new direction to price policy and that this was now closer to the Parliament's own views than earlier proposals had been. The resolution points out, however, that the proposals do not take sufficient account of the need to improve farm incomes or of the trend of production costs. This basic concern was also evident in the Opinion rendered by the Economic and Social Committee's section for agriculture on 6 September.

Meanwhile, on 30 June, 17 July and again on 20 July, the Council decided to extend the marketing year for beef and veal and for milk and milk products to 27 July, then to 3 August and 2 November.

On 28 October the Council fixed olive oil and pigmeat prices for 1970/71 at the level which the Commission had proposed applying from 1 November 1969. At the same time it approved a final extension to 8 December 1969 of the 1968/69 marketing year for beef and veal and milk products and consequently the continued application of existing prices.

MONETARY PROBLEMS AND THE COMMON  
AGRICULTURAL POLICY

127. The parities of two Community currencies were changed during 1969, which meant that steps had to be taken to counteract the repercussions of such actions on agricultural markets. Generally speaking, the main effect of a parity change is an automatic adjustment of farm prices in the country making the change. Where a currency is devalued, farm prices are increased by a percentage corresponding to the rate of the devaluation; where a currency is revalued, there is a corresponding reduction.

There are Community procedures for dealing with cases of this kind (Regulation No. 129 and Regulations (EEC) Nos. 653/68 and 1134/68): following receipt of official notification that a Member State has changed the parity of its currency, the Commission suspends the value of the unit of account; the Monetary Committee meets immediately to render an Opinion; the Council, on a proposal from the Commission, decides within three days whether to change the value of the unit of account, to alter certain prices or to take any other appropriate action. This procedure was followed for each of the parity changes which occurred in 1969.

128. In the case of France, a regulation unanimously adopted by the Council on 11 August pursuant to Article 103 of the EEC Treaty made the following arrangements:

- (1) In France, the intervention prices, buying-in prices and direct aid to producers, which are fixed by the Community in units of account, would be 11.11% (the rate of devaluation) below those in the other five Member States—expressed in units of account. In other words, the prices and amounts applicable in France would be maintained at the pre-devaluation level—expressed in French francs—during 1969/70. France was, however, authorized to introduce price increases for certain products; this was done for milk and for beef and veal.
- (2) Before the end of the 1969/70 marketing year, the Council is to decide by unanimous vote on procedures for adjusting French prices and amounts for the various products. This adjustment must in any event be completed by the beginning of 1971/72 at the latest.
- (3) France was authorized to levy a compensatory amount on exports to non-member countries and to other Community countries of farm commodities and processed products which are the subject of

special provisions under Article 235 of the Treaty. It was to grant similar subsidies on imports. The level of these compensatory amounts and subsidies was to reflect the incidence of the special prices and amounts fixed for France.

- (4) The Commission was to report to the Council on the implementation of these measures before 1 December 1969. At the same time the Commission could, if necessary, suggest alternative solutions which might be considered. These would be based notably on Article 43 of the Treaty, and the Council would decide on them (by qualified majority) before 1 January 1970, after consulting the European Parliament.
- (5) The compensatory amounts and subsidies applied by France would not be an integral part of Community financing.
- (6) Implementing provisions by product, which might include further departures from existing market regulations, were to be adopted by the Commission using the Management Committee procedure. Until such time as these provisions were adopted, the unit of account was still to be suspended in France. The suspension period for the other Member States ended at the close of the Council meeting of 12 August.

This machinery made it possible to avoid jeopardizing, in the common interest, the effects of devaluation hoped for by the French Government and to prevent unfortunate repercussions on agriculture in the other Member States.

129. As regards the Federal Republic of Germany, the Community institutions intervened on two occasions. The first was when the German Government decided (on 29 September) to suspend Bundesbank intervention on the foreign exchange market, and the second was four weeks later (on 24 October) when the new parity for the mark was fixed.

While the exchange rate was floating, causing the DM to rise against other currencies, the German Government introduced safeguard measures for specified farm products; these took the form of countervailing charges levied at the frontier. At the same time the Government asked the Commission to authorize these countervailing charges under Article 226 of the EEC Treaty. On 1 October, however, the Commission decided to authorize the German Government to suspend imports of a range of products from both member and non-member countries, thereby excluding recourse to other measures constituting an exception to Com-



munity rules. The German Government immediately filed an appeal with the Court of Justice, seeking an injunction against the Commission's decision. At a sitting on 5 October the Court rejected this appeal but did not exclude the possibility that Germany should explore other avenues open to it under Community law.

In adopting its decision of 1 October the Commission asked for a special meeting of the Council to discuss the general issues raised by the introduction of a floating exchange rate for the mark and the specific problems this presented for the agricultural market. The Council met in Luxembourg on 6 October and drew certain conclusions regarding the new situation and its consequences for the Community. In view of the Council's attitude, the Commission decided on 8 October to rescind its decision of 1 October and to authorize Germany:<sup>1</sup>

- (a) to levy on imports of certain farm products for which an intervention price or buying-in price is paid in Germany a countervailing charge not exceeding 5% of the said intervention or buying-in price;
- (b) to fix, in the case of processed products, a countervailing charge equal to the incidence on the price of the processed products of the application of the 5% rate to the price of the basic product;
- (c) to refrain from fixing any countervailing charge for products for which it would be insignificant;
- (d) to grant special subsidies on exports of the products in question to non-member countries in exceptional cases.

If the disparity between the official parity of the mark and the average DM/\$ exchange rates for a week was less than 4% or more than 6%, the Commission had power to change the 5% rate.

A later Commission decision increased these frontier charges to 6% when it was found that the free rate for the DM was more than 6% above the old parity.

130. The German Government's decision of 24 October fixing the new parity of the mark set in motion a second Community procedure. The Council met in Luxembourg on 27 October and examined the Opinion rendered by the Monetary Committee on 24/25 October. It then adopted a series of measures, later confirmed at its meeting on 10/11 November,

<sup>1</sup> Commission Decision of 8 October 1969 authorizing Germany to adopt safeguard measures in the agricultural sector. *Official gazette* No. L 253, 9 October 1969.

and at the same time asked the European Parliament for its opinion in accordance with Article 43 of the Treaty. On 27 November the Parliament approved the Commission's proposal and called for immediate degressive Community participation in the financing of these measures.<sup>1</sup> On 9 December the Council adopted a regulation, the main provisions of which were as follows:<sup>2</sup>

- (i) The single price system for farm products, which means that prices fall after a revaluation, was to be reapplied in Germany from 1 January 1970.
- (ii) Farmers in Germany might be paid subsidies amounting to DM 1 700 million in each budget year from 1970 to 1973 inclusive.
- (iii) These subsidies might take the form of direct payments to the farmer provided the payment was not linked either to the price or to the quantity of the product. Part of the aid might, however, take the form of an advance on the sale of the farmer's produce provided it did not exceed 3% of the selling price.
- (iv) The Community would help to finance this aid with 90 million u.a. from the 1971 budget. Another 60 million u.a. would be provided from the 1972 budget, and the Community might make a further 30 million u.a. available from the 1973 budget.
- (v) The German Government should not offset the successive reductions in the amount of Community aid by providing direct aid; instead it would have to adopt appropriate structural and social measures.

Before the end of 1973, the Council is to examine the situation resulting from the application of these measures; if necessary, it will take appropriate action on a proposal from the Commission. This decision meant that the Federal Republic of Germany could continue to apply the frontier measures approved by the Commission in accordance with Article 226 until 31 December 1969.

131. Although the two parity changes which occurred in 1969 did pose a series of grave problems for the Community's agricultural policy, it has proved possible to solve these without compromising what has already been achieved.

There is no doubt that these monetary problems constituted a serious threat to the functioning of the markets and prices under the common

<sup>1</sup> *Official gazette* No. C 160, 18 December 1969.

<sup>2</sup> *Ibid.* No. L 312, 12 December 1969.

agricultural policy. The position is further complicated by the fact that the existence of surpluses for a range of major farm products and the difficult income situation in agriculture leaves little or no room for Community decisions in line with economic and financial requirements.

#### MEMORANDUM ON THE REFORM OF AGRICULTURE IN THE EUROPEAN ECONOMIC COMMUNITY

132. In the Memorandum it submitted in December 1968 the Commission hoped that the measures it was proposing would be widely discussed in all quarters, official and non-official.

Because of the importance and scope of the Memorandum, the ideas outlined in it and its suggestions for solving the agricultural problem were soon a topic of lively discussion throughout the Community. The Community institutions, the six Governments and farming circles all examined it carefully. It was also debated in many non-member countries, particularly in those which have asked to join the Community and those which are its immediate neighbours.

As might be expected, public reaction to such a fundamental issue varied enormously, ranging from complete acceptance to total rejection. Some critics had second thoughts, however, and have now modified their views. The debate continues, and the Commission hopes that when the European Parliament has rendered its Opinion the Council will lose no time in laying down a number of general guidelines on social and structural policy so that the Commission can submit appropriate proposals for definite action. This is all the more essential since a genuine solution to the price policy dilemma is urgently needed. Price policy has long since failed to carry out the twin functions assigned to it, namely, to adjust supply to demand and protect the level of farm incomes.

The Council, the European Parliament and the Economic and Social Committee began their examination of the Memorandum immediately following its publication.

#### *The Council*

133. Following a preliminary discussion held in December 1968, the Council during 1969 gave the Special Committee on Agriculture the task of examining the structural measures proposed in the Memorandum and,

more particularly, of estimating their financial implications and establishing whether the Member States were already acting along similar lines. The Special Committee set up an *ad hoc* working party, which based its proceedings on various Commission documents, including the Commission's Memorandum to the Council on the balance of the agricultural markets. This working party prepared a report which was given a first reading by the Council on 15 and 16 December 1969.<sup>1</sup>

### *The European Parliament*

134. Because of the implications of the issues raised in the Memorandum, which extend far beyond the sphere of agriculture proper, the European Parliament asked five of its committees—the Committee on Agriculture, the Legal Affairs Committee, the Economic Affairs Committee, the Committee on Social Affairs and Health Protection, and the Committee for Finance and Budgets—to examine the Memorandum.

The Committee on Agriculture designated M. Lücker as its rapporteur. The rapporteur for the Legal Affairs Committee, M. Armengaud, produced a lengthy report in which he examined the Memorandum from the angle both of Community and of municipal law. On 11 July 1969 the Legal Affairs Committee approved the draft report for submission to the Committee on Agriculture.

The Economic Affairs Committee appointed M. Spénale as its rapporteur.

The rapporteur appointed by the Committee on Social Affairs and Health Protection, M. van der Ploeg, addressed a series of questions to the Commission, to which the Commission replied in writing. M. van der Ploeg's report was presented to his Committee in November.

M. Cointat, the rapporteur appointed by the Committee for Finance and Budgets, addressed a further series of questions to the Commission. Most of these questions were answered personally by Vice-President Mansholt at two meetings of the Committee. M. Cointat submitted his report to the Committee at the end of November.

It looks therefore as if the European Parliament should be in a position to start drafting its Opinion early in 1970.

<sup>1</sup> See sec. 136.

*The Economic and Social Committee*

135. The Economic and Social Committee was the first Community agency to make an official pronouncement on the Memorandum. It formed an "Agriculture 1980" subcommittee to examine the Memorandum. This subcommittee, which was chaired by M. Genin (France), appointed M. Boon (Belgium) as its chief rapporteur, assisted by M. Kuypers (Netherlands), M. Rossi (Italy) and M. Clausen (Germany). The subcommittee met twelve times in the course of the year and went on a study tour in Germany. In October it adopted a draft Opinion and report, which it submitted to the Economic and Social Committee at its plenary session in November 1969.

Generally speaking, the Committee agrees with the Commission's diagnosis of the situation and recognizes that there is a need for concerted action to solve the problems facing European agriculture. It considers, however, that the "Agriculture 1980" programme will have a reasonable chance of succeeding only if its implementation is gradual and synchronized with developments in general economic policy, social policy, energy policy and transport policy in the various regions. As regards price policy, the Committee considers that this will have to be approached from a sounder economic angle in future; in other words, it will have to be based on production costs corrected if necessary to allow for considerations of market equilibrium. While the Committee would like to protect farm incomes, it feels that the best way of dealing with structural surpluses would be some arrangement whereby producers made a financial contribution to help cover the risk that the farming industry and the Community would be incurring if surpluses were maintained or increased.

As for the concrete measures suggested in the Memorandum, the Committee makes some comments which support the essence of the Commission's proposals but also supplement, improve and very often adapt them.

## THE BALANCE OF THE AGRICULTURAL MARKETS

136. Because of the deterioration of the situation on markets with surpluses, notably the milk products, wheat and sugar markets, the Commission submitted a memorandum to the Council at the end of November 1969 inviting it to take the necessary steps to remedy the situation.<sup>1</sup> This

<sup>1</sup> See *Bulletin* 1-70, Ch. III.

memorandum comprises three interlinked sections dealing with (i) agricultural prices and markets, (ii) the structure of agriculture and (iii) financial implications.

With particular reference to price and market policy, the Commission considers that circumstances are making the adoption of immediate measures more and more essential. These measures would:

- (a) adjust farm price ratios to the market situation;
- (b) reduce the absolute price guarantees for certain farm products under intervention arrangements;
- (c) make farmers shoulder a larger share than hitherto of the financial burden resulting from excess production.

These measures would cut down expenditure on market guarantees now financing production which is no longer needed, making more funds available for economically justified expenditure on social and structural measures.

These measures would admittedly lead to a reduction in farm incomes, but the Commission points out that they are inextricably linked up with the proposals in its Memorandum on the Reform of Agriculture. The Commission believes that if a lasting improvement is to be made in farm incomes and the living conditions of the agricultural population, a start must be made on the "Agriculture 1980" programme by the early adoption of a number of priority measures in the structural and social fields. These could, in particular, help to restore structural balance to the agricultural markets. It is important, the Commission feels, that the Council should couple a decision on these proposals with the defining of basic guidelines which would make it possible to find alternative sources of income for those now on the land and to improve the structure of agriculture. At the same time the Council should commit itself to adopting appropriate implementing provisions before a specified date.

As for the financial implications, the Commission's memorandum indicates that the implementation of the measures proposed for grain, sugar and milk products would mean a saving of some 3 500 to 4 000 million u.a. in expenditure by the Guarantee Section of the EAGGF over the years 1970/75. This lightening of the load on the Guarantee Section should be matched by increased expenditure by the Guidance Section of the EAGGF. The Commission therefore proposes establishing a forecast for the years 1970/75 of the financial repercussions of all the measures

covered by the common agricultural policy. This forecast would be reviewed and brought up to date every year.

This Commission memorandum was given a first reading by the Council on 15 and 16 December 1969. The Council agreed to resume its discussions during the following January and to take the necessary decisions.

The European Parliament was asked for its views on this formula, and various committees were given the task of preparing a report for Parliament.

#### CONSEQUENCES OF THE CHANGEOVER FROM THE TRANSITIONAL TO THE DEFINITIVE PERIOD OF THE COMMON MARKET

137. Although the Community is already operating most of the instruments of the common agricultural policy, particularly those relating to the single market organizations, prices, joint financing and so on, further rules have still to be worked out in connection with the changeover from the transitional to the definitive period.

Since it had proved impossible to introduce common market organizations for all farm products, and notably for those subject to minimum price arrangements, before the transitional period ended on 31 December 1969, the Council adopted a decision on 20 December extending the applicability of these arrangements for the short period necessary to adopt joint marketing rules but not beyond 31 December 1970.<sup>1</sup>

The Council also adopted regulations laying down conditions for implementing safeguard measures *vis-à-vis* non-member countries in the grain, rice, pigmeat, eggs, poultrymeat and olive oil sectors.<sup>2</sup> The regulations introduce a largely standardized system covering the measures which can be taken if the Community market for one or more products is seriously disturbed or threatened with serious disturbances because of imports or exports and the procedures for implementing these measures.

On 18 December 1969 the Council adopted a regulation retaining the Management Committee procedure instituted in the various sectors of the

<sup>1</sup> *Official gazette* No. L 328, 30 December 1969.

<sup>2</sup> *Ibid.* No. L 324, 27 December 1969.

single agricultural market beyond 31 December 1969, the date on which the transitional period expired.<sup>1</sup>

With regard to fisheries, the Council agreed to adopt en bloc before 30 April 1970 the basic regulations necessary for the implementation of a common policy in this sector. These cover the organization of the market, the structure of the industry and trade arrangements with non-member countries.

At the same time the Council, in its concern to supplement the common organization of the market in vine products, agreed to adopt all the necessary measures before 28 February 1970 and to liberalize intra-Community trade from 1 April 1970.

Lastly, the Commission submitted to the Council a proposal for a regulation on agriculture in Luxembourg. Article 1 of the Protocol concerning the Grand Duchy of Luxembourg requires the Council to decide, at the end of the transitional period, to what extent the exceptions made in respect of this Member State are to be maintained, altered or abolished.

In the first place, the Commission proposes the abolition of special measures such as quantitative restrictions on imports of farm products. This would be offset by Community financing (7.5 million u.a.) which would be used to improve the structure of Luxembourg agriculture. Secondly, it proposes that arrangements be made at a later date to harmonize the preferential treatment enjoyed by Luxembourg wines within the Benelux countries.

#### FINANCING THE COMMON AGRICULTURAL POLICY

##### *Commission proposals for definitive arrangements for Community financing*

138. In July 1969 the Commission transmitted to the Council three proposals for regulations dealing with:

- (a) definitive arrangements for financing the common agricultural policy,
- (b) own resources and
- (c) additional provisions for financing the common agricultural policy.

<sup>1</sup> *Official gazette* No. L 324, 27 December 1969.



The proposal on definitive financing arrangements provides for the application from 1 January 1971 of the provisions of Regulation No. 25, which involves direct Community responsibility, among other things. For the Guarantee Section, the Commission proposes the introduction of advance payments from Community funds to disbursing agencies in the Member States; advances would no longer be made from national budgets. It also proposes replacement of the present accounting period by the calendar year, more effective action to prevent fraud and tighter controls. The scope of the Guidance Section would be extended to cover future action in the structural field.

The second proposal, which would also take effect from 1 January 1971, provides for the direct allocation of own resources to the Community to cover its expenditure. Under Article 3(1) of the proposed regulation all agricultural levies would be converted into own resources; the same would gradually apply to customs duties.<sup>1</sup>

The third proposal is a logical consequence of the other two and of the delays which have been occurring in granting assistance from the Guarantee Section. Its purpose is to retain existing arrangements for 1970 expenditure and to cover the special case of Guarantee Section expenditure in the second half of 1969. It also contains provisions to facilitate the changeover from the present accounting period to accounts based on the calendar year.

Following an examination of these proposals by its Committee on Agriculture and its Committee for Finance and Budgets, the European Parliament endorsed them at its session of 10 December 1969 in a resolution on the definitive arrangements and additional provisions for financing the common agricultural policy. The Economic and Social Committee, to which these proposals were also referred, issued a favourable Opinion on the proposed regulation concerning additional provisions.

These proposals were examined at many meetings of the panel of financial experts—this called for the preparation of numerous working documents—and of the Permanent Representatives Committee and at several Council meetings. Since the last ministerial meetings of 1969 were mainly devoted to the own resources issue, it proved impossible to proceed with the definitive adoption of these two proposals.

<sup>1</sup> See Ch. IV, 8 *infra*.

*Application of existing financing arrangements**Guarantee Section*

139. In the field of Community rules and regulations, the Commission concentrated on defining procedures for the financing of intervention expenditure at the single market stage. To this end, in April 1969 the Council adopted Regulations (EEC) Nos. 786, 787 and 788/69 dealing with the oils and fats, cereals, and pigmeat sectors respectively. This was the first time that the Council had approved procedures of this kind, and the Commission decided to use them as a guide when arrangements were being made for other sectors. Thus, in November 1969, the Council adopted a similar regulation (Regulation (EEC) No. 2334/69) for sugar. A special case, covered by Council Regulation (EEC) No. 2113/69, was EAGGF financing of Italian expenditure to compensate for depreciation in the value of olive oil in stock when the common market organization was introduced in November 1966.

The Commission also adopted several regulations on the formulation of applications for payments on account and grants in aid.

140. The implementation of Community financing of expenditure on agricultural markets during 1969 was primarily based on Regulation No. 741/67/CEE, which introduced a system of payments on account and fixed a timetable for decisions to reduce delays in reimbursements from the Fund.

The Commission took the following decisions:

- (i) Payments on account for the second half of 1967/68 on 26 March 1969;
- (ii) Payments on account for the first half of 1968/69 on 27 June 1969;
- (iii) Payments on account for the second half of 1968/69 on 22 December 1969;
- (iv) Final payments for 1965/66 on 28 July 1969.

The amounts of the reimbursements were as follows:

- (a) 508 211 057 u.a. in payments on account for the second half of 1967/68, corresponding to 75% of the declared and eligible outlays by Member States;
- (b) 654 413 643 u.a. in payments on account for the first half of 1968/69, also representing 75% of declared and eligible expenditure;

- (c) 515 231 476 u.a. in payments on account for the second half of 1968/69, also representing 75% of declared and eligible expenditure;
- (d) 238 635 476 u.a. for 1965/66, of which 180 089 250 u.a. under decisions taken in December 1967.

141. Decisions on aid for the period 1965/66 were taken following verification of the applications for refunds addressed to the Commission by the Member States during the second half of 1968. The totals, which include payments on account amounting to 75% of the budget estimates, are given in Table 18.

The Commission found it impossible for administrative reasons to meet the deadlines for the final closing of accounts for 1966/67 (October 1969) and for 1967/68 (December 1969). In the proposed regulation on additional provisions submitted to the Council in July 1969 the Commission suggested that a new timetable be fixed. Considerable delays are therefore still occurring.

#### *Guidance Section*

142. During February and July 1969 the Commission approved assistance from the Guidance Section of the Fund under tranches 1a and 2 for 1968. If assistance granted under the first tranche in December 1968 is included, the total for applications lodged in 1968 amounts to 94 897 375 u.a. benefiting 438 schemes in all. Schemes to improve the structure of agricultural production received 60.7% of this aid; these were mainly concerned with land tenure, irrigation and drainage. Schemes to reform the structure of marketing received 37.3% of the total; the main schemes financed here were designed to rationalize distribution channels for milk products and to improve storing and packing facilities for fruit and vegetables. Mixed schemes accounted for the remaining 2% (Table 19).

A total of 160 million u.a. has been earmarked to finance Guidance Section schemes for 1969. The difference between this figure and the 285 million u.a. in the Guidance Section budget is to be used to finance special schemes approved by the Council or special structural reform measures to be decided on in connection with the Commission's Memorandum on the Reform of Agriculture in the EEC. Decisions on the first tranche for 1969, totalling 8 472 837 u.a. for 34 schemes, were approved in October 1969. Applications for 1969 total a little over 850, including 124 schemes carried forward from 1968.

TABLE 18  
Aid from the Guarantee Section of the EAGGF  
(1965/66)

	Refunds		Contributions		Debit balances	Credit balances
	u.a.	% ( <sup>1</sup> )	u.a.	% ( <sup>1</sup> )		
Belgium	13 621 848.77	5.71	18 971 520.35	7.95	5 349 671.58	—
Germany (FR)	18 547 560.81	7.77	75 575 855.28	31.67	57 028 294.47	—
France	139 115 289.83	58.30	77 747 438.11	32.58	—	61 367 851.72
Italy	4 898 557.01	2.05	42 954 385.70	18.00	38 055 828.69	—
Luxembourg	127 378.51	0.05	524 998.05	0.22	397 619.54	—
Netherlands	62 324 841.17	26.12	22 861 278.61	9.58	—	39 463 562.56
Community	238 635 476.10	100	238 635 476.10	100	100 831 414.28	100 831 414.28

<sup>1</sup> Added for information.

TABLE 19  
Aid from the Guidance Section of the EAGGF  
1968

	Schemes to improve the structure of production		Schemes to improve the structure of marketing		Mixed schemes		Total	
	u.a.	Number financed	u.a.	Number financed	u.a.	Number financed	u.a.	Number financed
Germany (RF)	13 855 291	43	12 714 655	52	—	—	26 569 946	95
Belgium	1 669 176	18	5 427 632	26	57 551	1	7 154 359	45
France	16 097 687	43	4 472 096	19	307 070	3	20 876 853	65
Italy	21 941 379	103	8 706 598	80	1 341 128	5	31 989 105	188
Luxembourg	—	—	800 000	1	13 700	1	813 700	2
Netherlands	4 102 454	17	3 270 958	25	120 000	1	7 493 412	43
Community	57 665 987	224	35 391 939	203	1 839 449	11	94 897 375	438

Commission Decisions dated 18 December 1968, 5 February 1969 and 28 July 1969; official gazette Nos. C 6 (22 January 1969), C 23 (22 February 1969) and C 102 (4 August 1969).

143. The Council adopted several regulations dealing with the Guidance Section of the Fund. Special mention must be made of Regulation (EEC) No. 1534/69 which, following the 1969 pattern, divides the 285 million u.a. available to the Section in 1970 into 160 million u.a. for structural improvement schemes, a second sum for special expenditure and a third to cover special measures to be adopted in the structural field. Under this regulation assistance from the Fund may amount to 45% of total investment in certain cases.

The Council also adopted Regulation (EEC) No. 2542/69, which postpones to 31 July 1970, with the possibility of a further three-month extension, the date by which the Commission must take a basic decision on applications for assistance from the Guidance Section for 1969, and Regulation (EEC) No. 1975/69, which provides for the financing from this Section of the Fund of 50% of the subsidies for slaughtering cows and withholding milk and milk products from the market.

144. With reference to special appropriations, the Commission decided to pay out approximately 3 million u.a. for damage caused by swine fever in Italy, 900 000 u.a. for the census of pig population, almost 3 million u.a. for fruit and vegetables in Italy and another 15 million u.a. for tobacco in Italy.

#### *Special sections*

145. Under Council Regulation No. 742/67/CEE of 24 October 1967, the Commission established clearing arrangements for the compensatory payments deriving from the fall in grain prices since 1 July 1967 and payable, under the 1969 budget, to Germany, Italy and Luxembourg in two instalments—one in January and the other in June 1969.

#### *Food aid*

146. Regulation (EEC) No. 2052/69 on Community financing of expenditure incurred in implementing the Food Aid Convention, adopted by the Council in October 1969, provides that food refund expenditure shall be defrayed by the Guarantee Section of the Fund and that the value of the goods, provided they are gifts made under a Community programme, shall be refunded from a special section of the budget.

THE FUNCTIONING OF THE COMMON ORGANIZATIONS  
OF AGRICULTURAL MARKETS*Common organization of the grain market*

147. The main features of the Community market in 1969 were the large supplies of home-grown grain and the monetary disturbances. These two factors made a decisive contribution to an abnormal increase in intra-Community trade, support buying and stocks during the first half of the year. The Commission was forced to adopt a series of special measures to counteract this trend.

The steady increase in flows of Community grain to Germany, Belgium and the Netherlands led, in May 1969, to the introduction of safeguard measures based on Article 226 of the Treaty. These authorized the three Member States concerned to confine support buying to grain harvested on their own territory and to reduce the compensatory allowance in respect of common wheat imported from other Member States. These safeguard measures were not, however, enough to eliminate the dangers which were threatening the German grain market and which had their source in the monetary sector. To prevent massive support buying during the early months of the 1969/70 marketing year, Germany was authorized to take special intervention measures for common wheat, barley and rye to provide an incentive for private stock-building.

148. To the same end the Commission adopted measures with regard to the compensatory allowance for common wheat and rye of bread-making quality held by retailers and processors at the end of the 1968/69 marketing year. It also approved special intervention measures for barley in France.

The large stocks held by intervention agencies at the end of 1968/69 jeopardized the normal marketing of the new harvest in certain areas of Germany and Italy. A number of decisions were adopted with a view to creating conditions for the transport and storage of grain held by intervention agencies in areas with adequate storage facilities.

A special effort was made to reduce stocks held by intervention agencies—which were considerably in excess of those held in 1967/68—by stepping up sales within the Community and on the world market. The measures adopted with this end in view included two increases in the denaturing premium for common wheat, the fixing of minimum prices for a number of export tenders for common wheat and barley from intervention

agency stocks and a slight reduction in the minimum prices to be observed when grain held by the intervention agencies is placed on the Community market.

The provision of grain for national and Community food aid programmes offered further opportunities of disposing of stocks held by the intervention agencies.

149. Large surpluses were also available for export to non-member countries in the course of the year, and these were partially disposed of, notably in the early months of 1969/70. The Commission allowed for this situation by adjusting to fluctuations on the world market; it extended the period of validity of export licences.

There was no significant change in existing rules and regulations on cereals-based products and compound feedingstuffs during 1969.

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

150. The measures adopted or proposed by the Commission concerned the management of the rice market and the price review which takes place at the beginning of each marketing year.

As regards market management and the short-term measures to be taken in this connection, the Commission, in the light of experience gained in 1968 and on the weekly advice of the Management Committee for Cereals, began by keeping export refunds within limits which would prevent prices rising on the internal market and hence facilitate sales of home-grown rice in the north of the Community. But in April, after six months of the marketing year had elapsed, the Commission found that home-grown rice was being offered to the intervention agencies without any improvement in the fluidity of the market. It therefore decided to change its tactics and to facilitate increased exports by introducing refunds adjusted to circumstances on domestic and world markets. As in 1968, these refunds applied to husked, milled and broken rice; world prices for these have been lower than European prices since December 1968.

In July 1969, faced with the problem of surpluses which could not be disposed of either in non-producing areas of the Community or on the world market, the Council decided to pay a compensatory allowance in respect of home-grown rice in stock on 31 August 1969, this payment



being designed to offset the difference between prices at the beginning and the end of the marketing year.

151. With regard to annual decisions and more general business, the Commission adopted measures raising the quality standards for rice which can be accepted by the intervention agencies before the 1969/70 marketing year started. For this same marketing year, the Council fixed threshold and intervention prices at the same levels as those for 1968/69; it made a slight upward adjustment in the monthly increases added to the threshold price throughout the marketing year. The special arrangements under the Yaoundé Convention for reduced levies on rice and brokens imported from the African associated countries and the overseas dependent territories expired on 31 May 1969, but were then extended to 30 June 1970 to allow preparatory work and consultations to proceed on the new system provided for under the Convention renewed in July 1969. To this end the Commission proposed to the Council that import arrangements for rice and broken rice from these countries and territories be improved.

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

152. The common organization of the market in pigmeat continued to operate in 1969 and was improved in certain respects. As in the past, the Commission continued to adjust levies and sluicagate prices in the light of differences between feed-grain prices in the Community and on the world market. Export refunds were also adjusted to allow for the situation on the pigmeat market. The census of pig population and the survey of monthly slaughtering statistics were carried out on a common basis throughout the Community in 1969. An analysis of the figures made it possible to improve assessments of short-term trends on the pigmeat market.

The Commission examined the piglet market within the Advisory Committee on Pigmeat and sought, in conjunction with trade representatives, to find a way of stabilizing piglet prices so as to adjust pigmeat supplies to market requirements. Prices for slaughtered pigs were high in 1969; the cyclical price curve reached its peak in late spring.

This sharp increase in prices for slaughtered pigs was further accentuated by seasonal price fluctuations in the autumn, and this brought prices past the point at which a shortage is indicated. In early October, therefore, the Commission reduced the levies on live and slaughtered

pigs and on fresh meat and bacon by 50 %. Furthermore, with a view to harmonizing export arrangements for certain products, including lard, at Community level, the Commission laid down special procedures for refunds on lard and preparations based on pigmeat.

153. The Commission submitted a report to the Council on intervention on the pigmeat market during the 1968/69 marketing year and analysed the expenditure which had been incurred with a view to determining the standard amounts referred to in Regulation (EEC) No. 788/69. These should make it possible to work out the EAGGF's contribution to intervention expenditure in 1968/69.

\*Under the provisions of Regulation No. 121/67/CEE, the Commission decided not to levy the additional amount on live and slaughtered pigs imported from Rumania since that country, like Austria, Poland and Hungary, had given an undertaking not to undercut the sluiceway price.

154. The Council kept the 1969/70 basic price for slaughtered pigs at its earlier level—75 u.a./100 kg for the standard quality. As against this, the list of representative markets was extended to include producing areas, notably in Germany, France and Italy. In conjunction with experts from the Member States, the Commission produced an improved version of the Community scale for grading pig carcasses. This new scale is to be used throughout the Community to establish quotations for slaughtered pigs by the beginning of the 1972/73 marketing year at the latest.

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

155. The beef and veal marketing year begins on the first Monday in April and ends on the preceding day of the following year unless the Council decides otherwise. This year the Council agreed to several extensions of the 1968/69 marketing year: it was finally extended to 7 December 1969, the guide price continuing to apply. For the 1969/70 marketing year, beginning on 8 December 1969 and ending on 5 April 1970, the Council decided to retain the 1968/69 guide prices.

For the 1970/71 marketing year, the Commission proposed to the Council that the guide price for mature cattle be fixed at 71.25 u.a./100 kg liveweight and the guide price for calves at 91.50 u.a./100 kg liveweight. One of its reasons for proposing a higher guide price for mature cattle was to channel production away from milk towards beef.

In connection with the special import arrangements for certain types of frozen beef and veal, the Council worked out processors' requirements for the period from 1 January to 31 December 1969 and estimated the Community's frozen meat deficit at 110 000 tons. Meat used to manufacture preserves containing no essential ingredients other than pure beef and jelly was not included in this estimate since it is not subject to an import levy. This total tonnage was subsequently allocated by the Commission on a quarterly basis (first quarter 1969: 30 000 tons; second quarter 1969: 55 000 tons; third quarter 1969: 30 000 tons) until the provision for the year was exhausted.

No tonnage was therefore available for allocation in the fourth quarter. As market prices in the Community had developed favourably since the beginning of the year, the Council decided to increase the annual estimate by 16 000 tons to supplement supplies to processors during the closing months of the year.

156. During the 1968/69 marketing year, intervention agencies in three Member States (Germany, France, Belgium) bought in a total of 26 000 tons of beef and veal. By mid-February, however, beef and veal prices had recovered sufficiently to allow the meat held by these agencies to be gradually disposed of on satisfactory terms on the Community market.

The Council's regulation of 16 January laying down general rules for the marketing of frozen beef and veal bought in by intervention agencies led the Commission to adopt numerous implementing regulations. This meat was put on the market gradually, and marketing will continue until stocks have been exhausted.

Given the downward seasonal trend of prices in September, it looked as if prices for mature cattle on representative markets in the Community would fall below the level which triggers off optional support buying before the end of the year. Because of this, the Commission adopted the necessary provisions to allow support buying to begin in Germany and France once prices reached that level. The requisite conditions for optional intervention were fulfilled in Germany, and the Commission therefore authorized that Member State to apply intervention measures from 22 September to 1 December. Approximately 7 500 tons were bought in.

Finally, in the context of the medium-term measures to normalize the present situation in the milk and milk products sector, the Council on 6 October adopted a regulation introducing a system of subsidies for

slaughtering cows and withholding milk and milk products from the market. The Parliament commented on these measures in March in its Opinion on the 1969/70 price proposals as a whole.<sup>1</sup>

*Common organization of the market  
in eggs and poultry*

157. The single market for poultry products was introduced in July 1967; and in the course of 1969 the gradual interpenetration of national markets continued. Intra-Community trade expanded, egg and poultrymeat prices in the six countries moved appreciably closer together, and cyclical fluctuations too were along somewhat similar lines from country to country. The new conditions created by the Community's production and trade regulations, combined with the opening of markets, are undoubtedly the main factors behind the speed-up in the reorganization of the poultry industry—largely in the form of concentration and improved distribution. The monetary problems which arose in certain countries during the year under review did not cause any significant change in these trends.

158. The Commission proposed to the Council that the sluicagate prices and import levies applying in trade with non-member countries be reduced. In the course of the year the Commission itself adopted a regulation on certain marketing standards applicable to eggs in shell. This regulation, which came into force on 1 July, should have a favourable effect on production, trade and consumption. A similar proposal on marketing standards for egg products is before the Council.

The Commission applied the provisions of Article 8 of Regulations Nos. 122/67/CEE and 123/67/CEE to Austria and Rumania; both these countries had undertaken not to undercut the sluicagate prices when exporting certain products in the egg and poultrymeat sector. Lastly, a series of bilateral and multilateral talks took place within GATT in 1969 to further the policy of dismantling obstacles to world trade and to consolidate measures to support export prices on the world market.

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<sup>1</sup> Opinion on the proposals for medium-term measures to establish balance on the milk market and to encourage a new pattern of cattle-farming. *Official gazette* No. C 41, 1 April 1969.

*Common organization of the market  
in milk and milk products*

159. The dominant themes of 1969 were the search for market equilibrium and the new milk policy introduced by the Council to achieve this end. Measures adopted during the year had two main aims: to halt the growth of milk production and to increase consumption of butter and skim milk powder.

To stabilize production, the Council adopted Regulation (EEC) No. 1975/69<sup>1</sup> in October, introducing a system of subsidies to encourage farmers to abandon milk production and to market less milk. This should make it possible to reduce the cow population and curb increased deliveries to dairies in future.

To increase butter consumption, cut-price sales were organized. The difficulty here is that sales must be arranged in such a way that the normal market is affected as little as possible. This is true both of the internal market and of exports. Prices on the world market are already under pressure, and care must be taken not to increase this pressure further. This is why a cautious policy was followed with regard to exports of butter which had not been subjected to further processing. It did prove possible, however, to adopt a less restrictive attitude to sales of butter exported after processing into products which are in demand and which could not disturb the market in butter as such. Cut-price butter was made available to virtually all categories of consumer and to any industrial user where it was felt that the lower price would lead to increased consumption. The food industry, special categories of consumer such as non-profit organizations and institutions, the armed forces of the Member States and lower-income groups all benefited. Concentrated butter for cooking was made available to all consumers, and towards the end of the year butter from cold stores was sold without further processing in most Member States. At present it is difficult to say what exactly the additional tonnage marketed was. These measures are still being implemented and in most cases are still at the experimental stage. Nevertheless, it can be estimated that an additional 60 000 tons of butter were consumed during the year.

On the skim milk powder market there was a build-up of stocks following support buying. In the second half of the year, an additional

<sup>1</sup> *Official gazette* No. L 252, 8 October 1969.

outlet was found by selling denatured skim milk powder at a reduced price as pig feed. It is estimated that an additional 40 000 tons were disposed of in this way.

160. Despite what has been achieved or what it is hoped to achieve, and although production increased less than had been forecast, milk production in 1969 exceeded consumption by more than 4 million tons. By 31 March 1970, when the milk year ends, approximately 300 000 tons of butter and 300 000 tons of skim milk powder will be in stock.

Given this state of affairs, action taken so far is no more than a beginning. Further measures are needed to restore a balance between supply and demand since it is not merely a question of disposing of accumulated stocks but of adjusting production to demand so that expenditure in this sector can be kept within reasonable limits.

The Council will therefore have to reach a decision on the Commission's proposals. In these the Commission deals with both aspects of the problem: production to be stabilized by a sustained effort to reduce the cow population and the quantity of milk marketed, and consumption—particularly butter consumption—to be increased by lowering prices.

### *Common organization of the market in fruit and vegetables*

161. With a view to improving the common organization of the market in this sector and to ensuring that it functions properly, the Community took further action in respect of quality standards and the application of the provisions of Regulations Nos. 23 and 159/66/CEE (market intervention, the role played by growers' organizations and the treatment of imports from non-member countries).

With regard to standards, the Council postponed from 1 January to 1 July 1969 the date for the application of common quality standards in intra-Community trade to such fruit and vegetables as were not already subject to such standards<sup>1</sup> and introduced an additional quality class<sup>2</sup> (Class III) for lettuces, endives, onions, witloof chicory, cherries, strawberries, asparagus and cucumbers.

<sup>1</sup> *First General Report*, sec. 127.

<sup>2</sup> Regulation (EEC) No. 1194/69, 26 June 1969. *Official gazette* No. L 157, 28 June 1969.

The Council also revoked Article 5 of Regulation No. 23 on quality control in intra-Community trade. The Commission supplemented arrangements on quality control for fruit and vegetables marketed in the Community by making provision for an inspection before the produce leaves the territory of the consigning country.<sup>1</sup>

162. In implementation of Regulation No. 159/66/CEE, the Council, as in previous years, fixed basic and buying-in prices for cauliflowers, tomatoes, sweet oranges, mandarins, lemons, dessert grapes, peaches, apples and dessert pears for 1969/70.

Furthermore, to alleviate difficulties on the Italian orange market the Council allowed the temporary introduction of preventive intervention measures.

With regard to the introduction of intervention machinery in general and the creation of growers' organizations in particular, the Council adopted a regulation<sup>2</sup> on the repayment of aid accorded growers' organizations by the Member States.

The Commission also transmitted a report to the Council on the application of certain market organization measures for fruit and vegetables. It used the conclusions of this report as a basis for a group of proposed regulations which were adopted by the Council during its end-of-year meetings. A special report was submitted on the situation on the orange market. This led to the drafting of a Commission proposal to the Council dealing with special measures to improve the production and marketing of Community-grown citrus fruit.

163. The arrangements for imports from non-member countries were applied without any major difficulty. During its end-of-year meetings the Council adopted a regulation standardizing and co-ordinating the treatment of imports from non-member countries. It also approved new provisions dealing with the application of the reference price system introduced by Article 11(2) of Regulation No. 23 and exports refunds.

164. With regard to the application of the intervention machinery by the Member States during the period under review, Belgium and the Netherlands fixed their national buying-in prices at the level laid down

<sup>1</sup> Regulation (EEC) No. 1229/69, 30 June 1969. *Official gazette* No. L 159, 1 July 1969.

<sup>2</sup> Regulation (EEC) No. 449/69, 11 March 1969. *Official gazette* No. L 61, 12 March 1969.

by the Council, whereas France and Italy fixed theirs at a higher level in many cases. Although Belgium, France, Italy, and the Netherlands intervened on the market, Germany and Luxembourg continue to refrain from doing so.

*Common organization of the market  
in processed fruit and vegetable products*

165. No major difficulties were encountered in applying the regulation on the common organization of the market in processed fruit and vegetable products.

The only provisions which called for amendment were those on the charging of an import levy on the added sugars contained in these products. In the first place, the Council approved an amendment, which took effect on 1 January 1970, designed to obviate too many fluctuations in the levy. To ensure that imports of fruit juices and plum purées and pastes containing no sugar are not caught by the "sugar" levy, a slight change had to be made in the tariff nomenclature of these products. The Council adopted two regulations to this effect.

To ensure that the Member States accord uniform treatment to imports from non-member countries, the Commission submitted proposals to the Council for the liberalization of imports of processed fruit and vegetable products throughout the Community. The proposals also make provision for a minimum price system for certain sensitive products.

*Live plants and cut flowers*

166. The regulation on the establishment of a common organization of the market in live plants and cut flowers was applied without any major difficulty in 1969.

In implementation of Article 7 of this regulation, the Commission fixed minimum prices, valid for 1969/70 and 1970/71, for exports of certain flowering bulbs, corms and tubers to non-member countries. The Commission also submitted a proposal for a Council regulation on quality standards for potted ornamental plants other than those for transplanting or forcing.



*Common organization of the market in oils and fats**Oilseeds*

167. By the end of the 1968/69 marketing year, thanks to a relatively high level of aid to oilseeds, the Community's bumper harvest of colza (642 600 tons) had been marketed in its entirety—and this despite the existence of large surpluses in non-member countries in Europe, for which the Community market is virtually the only outlet.

There was some difficulty, however, in disposing of the sunflower-seed harvest (29 900 tons); selling prices were very close to the intervention price, and 450 tons of seed were offered for intervention.

The difficulties which affected the Community's oilseed-crushing industry in 1968 and led to a drop in oil prices—though without causing a corresponding fall in seed prices—persisted in the early months of 1969. The situation then began to improve gradually, particularly in the edible oils sector, so that in early October the Commission decided to abolish the countervailing charge on imports of sunflower-seed oil originating in and imported from certain countries of Eastern Europe.

A number of provisions were amended at the changeover from the 1967/68 to the 1968/69 marketing year. In particular, the coefficients of equivalence used to fix aid to oilseeds had to be adjusted, as had the price increases and reductions for seed offered for intervention. Since Italian oil mills were still experiencing difficulties, the Council decided to retain, for 1969/70, the additional aid arrangements for Community-grown oilseeds processed in Italy. The target and basic intervention prices were kept at the levels which have been maintained since the market organization was introduced.

Estimates indicate that the 1969/70 harvest will be a record-breaking one, with approximately 690 000 tons of colza and 35 000 tons of sunflower seed. At the beginning of 1969/70 world prices for oilseeds were appreciably higher than they had been at the beginning of the previous marketing year. Consequently, the level of aid fell below that of the early months of 1968/69. The harvest is being disposed of at a satisfactory pace. Prices to growers seem, on the whole, to be close to the target price.

*Olive oil*

168. With the exception of the production target price, olive oil prices for 1968/69 were fixed by the Council at 8 u.a./100 kg or 10% lower than in the previous years. Because of abundant supplies, the price to producers for refining qualities was very close to the intervention price, showing a sharper drop than the reduction in single prices approved by the Council. The price for good qualities produced in small quantities was close to the market target price and at times above it. The price ratio between seed oil and olive oil shifted and was more in olive oil's favour than in the previous marketing year: it looks as if consumption may have picked up—without returning to former levels, however. The Council therefore decided to retain in 1969/70 the prices approved for the previous marketing year. The Commission adopted appropriate procedures to facilitate the sale of 13 000 tons bought in by the Italian intervention agency at the end of the previous marketing year. This meant that approximately 50% of existing stocks was sold during the summer of 1969.

Arrangements for the advance fixing of export refunds and levies were adopted by the Commission in January 1969; the Commission twice altered the intervals between the fixing of levies in the light of experience gained. The coefficients of equivalence were also changed on two occasions.

Following the coming into force of the Association Agreements with Morocco and Tunisia on 1 September, the Commission adopted the necessary procedures for determining the offer price of Moroccan and Tunisian olive oils so that it can be established whether in fact they fulfil the conditions laid down in the Agreements.

In November the Commission adopted procedures for the payment of aid to olive oil for the 1969/70 marketing year in accordance with the guidelines which had been laid down by the Council. During the same month procedures for the buying-in of olive oil by the intervention agencies were amended.

*Common organization of the market in sugar*

169. In the light of experience gained during the 1968/69 marketing year, the first with a single price for sugar, a series of regulations were adopted to supplement existing implementing provisions during the period under

review. These new regulations amend the basic sugar regulation and the regulations adopted to implement it.

They cover arrangements for paying compensation for storage costs, the price at which sugar bought in by the intervention agencies can be sold, possible exports of sugar produced in excess of the Community quota, and additions to the annex to the basic regulation. Other amendments introduced intervention arrangements for unrefined beet sugar until 1973 and laid down conditions for payments in respect of sugar-beet.

To counteract difficulties encountered in marketing sugar produced in the French overseas departments, the Council adopted various transitional measures for degressive aid to enable refineries processing sugar from these departments to reorganize their production.

170. During the period under review the main feature of the common market in sugar was the existence of a surplus of approximately 1.1 million tons.

Sugar produced within the Community quota but in excess of the basic quotas allocated to sugar-producing plants or firms amounted to 700 000 tons in 1968/69. Beet growers only received 10 u.a./ton for this sugar, which was produced in the north of the Community. Special arrangements apply in Belgium and the Netherlands, however: these two Member States opted for a price system which does not differentiate between various segments of production, and the maximum quotas are subject to stricter rules than in other Member States.

The growers themselves are responsible for the cost of marketing sugar produced over and above the maximum quota on the world market. This quantity came to 35 500 tons, of which 32 500 were produced in the Netherlands.

In the 1968/69 marketing year 700 000 tons of surplus sugar, including sugar in the form of processed products, were exported. A further 350 000 tons were used for animal feed thanks to the payment of a denaturing premium. About 23 000 tons went to the chemical industry and qualified for a production refund.

Since the bulk of the 1968/69 surplus had been earmarked in the first part of the marketing year by applications for export licences or denaturing premium certificates, there was, generally speaking, a balance between supply and demand on the Community's sugar marketed during the first nine months of 1969.

171. Since production forecasts for 1969 indicate that sugar surpluses will be higher than in 1968/69, sugar prices in the Community will probably lie relatively close to the intervention price.

One of the advantages of the tendering system which was recently introduced is that refunds and premiums can be fixed at a level which is in line with the market situation.

### *Common organization of the market in vine products*

172. Compilation of the vineyard register had already been completed in Germany, France and Luxembourg; Italy should have finished work on its register by 31 December 1968, but since it failed to meet this deadline the Commission opened infringement proceedings against it.

The Commission produced a provisional supply and demand balance sheet for the 1968/69 marketing year<sup>1</sup> based on estimates for the 1968 harvest and stocks on hand at the end of 1967/68.

On 14 March 1969, pursuant to the Council's decision of 4 April 1962<sup>2</sup> fixing quotas to be opened by Germany, France and Italy for the import of wines, the Commission transmitted a proposal to the Council increasing these quotas for 1969.

The Commission's proposal for a regulation on quality wines from specified areas, submitted to the Council on 15 April 1964, is still being discussed by the Special Committee on Agriculture.

173. On 24 June 1967<sup>3</sup> the Commission submitted proposals for additional provisions on the common organization of the market in vine products. These proposals were supplemented on 18 April 1969<sup>4</sup> by another on oenological definitions and practices. These texts were intended to lead to the liberalization of trade in these products not later than 1 November 1969.

On 25 September, as part of the examination of these proposals, the Commission in a draft resolution proposed the adoption of a timetable for the decisions to be taken by the Council in connection with the common

<sup>1</sup> *Official gazette* No. C 32, 12 March 1969.

<sup>2</sup> *Ibid.* No. 30, 20 April 1962.

<sup>3</sup> *Ibid.* No. 201, 21 August 1967.

<sup>4</sup> *Ibid.* No. C 74, 14 June 1969.

vine products policy. It proposed that the Council should undertake to adopt, before 1 September 1970, a number of definitions and provisions on alcoholic strength, enrichment (this would include listing the areas in which sugaring would be authorized) and wine-blending. The Council would also agree to a general ban on planting subsidies from 1 November 1969, new plantings being authorized in special circumstances only.

Intervention arrangements, applicable from 1 November 1969, would apply both to private storage and to distilling should storage prove inadequate.

Arrangements at the Community's frontier would include the abolition of quantitative restrictions and the application of CCT duties. A Community price, plus a countervailing charge where necessary, would have to be respected, and provision is also made for the application of a safeguard clause. Arrangements for imports of wine from associated countries would be covered by another text.

Acting on this resolution, the Council at its 15-22 December meeting agreed to the introduction of a common organization of the market in vine products before 28 February 1970 so that intra-Community trade in these products can be liberalized from 1 April 1970. Certain restrictions may, however, be retained in trade between specified producing member countries.

## NEW BASIC REGULATIONS

### *Tobacco*

174. The Council continued its examination of proposals for a series of measures in the tobacco sector submitted by the Commission on 4 July 1967. These dealt with a common market organization for unmanufactured tobacco, taxation, and national monopolies in manufactured tobacco.<sup>1</sup> Since the period suggested for the first stage of the original national monopolies proposal had almost expired, the Commission approved and submitted to the Council on 16 July 1969 an amended proposal based on the abolition of exclusive importing and wholesale distribution rights for manufactured tobacco. This was to be achieved by 1 January 1970.

<sup>1</sup> See *First General Report*, secs. 135-38 and *Second General Report*, sec. 185.

At its July 1969 session<sup>1</sup> the European Parliament rendered a number of Opinions on the Commission's various proposals on tobacco. As regards unmanufactured tobacco, the Parliament had before it a report from its Committee on Agriculture. Although this approved some features of the Commission's proposal, it disagreed with its general orientation and recommended the abolition of the compulsory intervention system. This would prevent tobacco which does not meet the quantitative and qualitative requirements of Community users being produced. It was supplemented by special measures and conversion measures to help planters who would abandon tobacco-growing following the introduction of the common market organization. Lastly, the Parliament recommended that a number of provisions on trade arrangements with non-member countries be relaxed.

Similarly, as regards excise duties on manufactured tobacco, the Parliament made substantial changes in the Commission's proposal and asked, in particular, that these duties be harmonized by means of a directive rather than a regulation.

The Parliament approved the Commission's proposals on national monopolies in manufactured tobaccos but asked for a simultaneous liberalization of retail trade. Lastly, as regards the proposed arrangements for imports of unmanufactured tobacco from the Yaoundé countries and from the Member States' overseas territories, the Parliament asked that these be admitted duty-free, thus going further than the Commission, which had proposed an 85% reduction in customs duties.

### *Spirits, liqueurs and other spirituous beverages.*

175. The Commission is preparing a draft proposal for a Council regulation on ethyl alcohol of agricultural origin and a number of provisions on spirits.

It is also working on a draft proposal for a Council regulation on vinegar.

### *Fisheries*

176. On 6 June 1968 the Commission submitted to the Council a number of proposals for regulations on measures to be taken in the fisheries

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<sup>1</sup> *Official gazette* No. C 97, 28 July 1969.

sector. These dealt with the common organization of the markets and structural policy.<sup>1</sup> The Council continued its examination of these proposals in 1969. The European Parliament and the Economic and Social Committee examined these proposals and rendered formal Opinions on 24 October 1968<sup>2</sup> and 26 March 1969<sup>3</sup> respectively. Both institutions approved the main lines of the Commission's proposals but suggested a number of amendments concerning structural policy and the guarantees which fishermen's organizations would enjoy under the common regulations. On 19 December 1969 the Council approved a resolution in which it agreed to adopt the basic regulations on organization of the markets, on the structure of the industry and on trade arrangements with non-member countries before 30 April 1970.

#### ESTABLISHMENT OF CONDITIONS PERMITTING FREE COMPETITION

##### *Aids*

177. In accordance with Article 93(1) of the EEC Treaty, the Commission continued its discussions with Member States on the activities of—and where appropriate on aids paid from public funds by—certain semi-state bodies such as the Stabilisierungsfonds für Wein in Germany, the Office national du lait and Office national pour les débouchés agricoles et horticoles in Belgium, the Fonds d'orientation et de régularisation des marchés agricoles in France and the Istituto per il commercio estero in Italy. These discussions also covered two economic committees for fruit and vegetables in France.

178. Mention must be made here of the continuing review of certain subsidies for fruit and vegetables, oils and fats, eggs and poultry, and pigmeat with a view to their harmonization. This supplements an earlier survey of production and marketing aids for these same products plus grain.

Again under the provisions of Article 93(1), the Commission, in conjunction with the Member States, examined the possibility of reviewing

<sup>1</sup> *Second General Report*, sec. 188.

<sup>2</sup> *Official gazette* No. C 116, 8 November 1968.

<sup>3</sup> *Ibid.* No. C 76, 17 June 1969.

certain investment aid, notably in the eggs and poultry, pigmeat, and fruit and vegetables sectors. It also studied the subsidies for planting and grubbing fruit trees other than those for fruit like pears, apples, peaches, citrus and grapes which are giving rise to special difficulties.

The Commission also had preliminary talks with the Member States on the incidence that any implementing measures adopted by the Council within the framework of the Memorandum on the Reform of Agriculture might have on the examination of agricultural subsidies.

179. In accordance with Article 93(3) of the EEC Treaty, the Commission ruled on various aid measures of which it had been notified by the Member States. It had no special comments to make about a number of these, notably the subsidies paid to account-keeping farmers in Germany, aid in the form of vouchers for the purchase of butter in France and various aids granted by Italy. The Commission expressly reserved the right, however, to re-examine certain Italian measures when common market organizations for the products in question have been introduced.

The Commission did, however, have some comments to make on other measures. These included a German bill to off-set the incidence of DM revaluation on German agriculture (aid granted through the TVA system); a draft Val d'Aoste regional law on the payment of subsidies to co-operatives and groups of co-operatives; and two draft Sicilian regional laws, one dealing with subsidies for buying seed and fertilizers, the other amending Law No. 14 (which supplements and co-ordinates agricultural legislation in Sicily).

The Commission initiated proceedings under Article 93(2) in the case of German aid for exports of pedigree animals to other Member States for breeding purposes. Since the German authorities agreed to suspend this aid after 1 July 1969, the Commission was able to terminate these proceedings.

With regard to the payment in Germany during 1968/69 of the compensation which the Council agreed to finance from Community resources in December 1964, the Commission had no particular comments to make with regard to that portion of it paid in the form of subsidies per tilled unit under grain, but held that additional compensation for quantities of brewers' barley marketed was incompatible with the common market. It therefore initiated proceedings under the first subparagraph of Article 93(2) of the Treaty.



*Taxation in agriculture*

180. During the year under review there was no noteworthy change in the conditions of competition in agriculture in so far as these are influenced by tax provisions. The Netherlands introduced the TVA system on 1 January 1969, becoming the third Community country to do so. Farm products are covered by the system, and one consequence of its introduction was that the corrective amount in the price system for milk products had to be changed in that country. It is difficult to say when exactly common measures for applying turnover tax to operations involving farm products will be introduced in the Community. The proposal for a directive presented to the Council on 26 February 1968<sup>1</sup> has not yet been adopted. The Commission has entrusted a group of experts with the task of drafting reports on existing tax provisions affecting co-operation between farms and farm amalgamation in the Member States. A study of these national provisions should make it possible to pinpoint the extent to which they hinder co-operation and amalgamation.

## HARMONIZATION OF LEGISLATION

*Veterinary legislation*

181. During 1969 the Commission transmitted to the Council:

- (i) a proposal for a regulation on health standards for fresh meat transported across the territory of one Member State to another Member State;
- (ii) a proposal for a regulation on veterinary inspection standards for animals of the bovine and porcine species transported across the territory of one Member State to another Member State;
- (iii) a draft resolution on Community measures to combat exotic foot-and-mouth viruses;
- (iv) a proposal for a decision on action to protect Community herds against the foot-and-mouth virus;
- (v) a proposal for a directive extending the time limit laid down in Article 7(1C) of the Council's directive of 26 June 1964 on intra-Community trade in livestock.

<sup>1</sup> *Official gazette* No. C 48, 16 May 1968.

On 6 October the Council adopted a directive amending its directive of 26 June 1964 on health problems associated with intra-Community trade in fresh meat. This new directive is the first Council text to refer to the procedure to be followed by the Standing Veterinary Committee when it is asked to give an urgent opinion. This procedure, which had only been agreed to within the Council, has now been given statutory form.

On 18 March the Commission adopted a decision amending its decision of 29 July 1966 appointing veterinary experts responsible for preparing opinions on slaughterhouses and cutting rooms.

### *Food legislation*

182. On 28 May the Council adopted the general programme for the elimination of technical obstacles to trade resulting from disparities between the laws and regulations of the Member States.

On 13 November the Council adopted a decision setting up a Standing Committee on Foodstuffs. On the same date it also adopted a resolution laying down procedures governing action by this Committee.

During the year, the Commission submitted to the Council a number of proposals for regulations and directives on the harmonization of Member States' legislation on:

- (a) the manufacture and marketing of fruit juices and similar products;
- (b) emulsifying/stabilizing, thickening and gelling agents for use in foodstuffs for human consumption;
- (c) dietetic foods.

### *Plant health legislation*

183. On 8 December the Council adopted directives on the campaign against potato root eelworm, potato wart and the San José scale.

### *Regulations concerning agricultural, horticultural and forestry seeds and seedlings*

184. On 18 February the Council adopted directives amending earlier directives on the marketing of beet seed, forage crop seed, seed grain, seed potatoes, and forestry reproductive material.

On 30 June the Council adopted a directive on the marketing of seeds of oleaginous and fibrous plants.

On 28 July the Commission dispensed Germany, the Netherlands and Luxembourg from applying the Council Directives of 14 June 1966 on the marketing of forage seed and seed grain to certain species which are of no interest on their territory.

A Commission Decision of 1 December authorized the Netherlands to market non-certified seed or "Manella" winter wheat on its territory until 31 January 1970. This seed is subject to less stringent conditions (see Article 17 of the Council Directive of 16 June 1966 on the marketing of seed grain).

On 22 December the Commission adopted decisions:

- (i) dispensing France from applying the Council's Directives of 16 June 1966 on the marketing of forage seed and seed grain to certain species;
- (ii) dispensing Germany and Luxembourg from applying the Council's Directive of 30 June 1969 on the marketing of seed of oleaginous and fibrous plants to certain species.

As regards forestry legislation, the Commission submitted to the Council on 17 March a proposal for a regulation laying down external quality standards for forestry reproductive material.

#### FORESTRY PROBLEMS

185. The implications of the Commission's Memorandum on the Reform of Agriculture for forestry aroused great interest among those directly concerned—both forest owners (central and local government, private individuals) and industrial users of timber (particularly the paper industry). A study of long-term trends for timber consumption and production indicates that there may be a substantial raw materials deficit which will be difficult to bridge in a few years' time.

The Member States are gradually implementing the June 1966 directive designed to limit marketing to forestry seeds and seedlings of high genetic quality. Other proposals for regulations in this sector are either under discussion (external quality of reproductive material) or in course of preparation (poplars, certified reproductive material).

Work is also in progress on the preparation of regulations on the organization of the seed market (including forestry seed) and of the market in natural cork—both of these being products listed in Annex II to the Treaty.

Lastly, the financing of thirteen schemes for the afforestation of marginal land from the Guidance Section of the Farm Fund has been approved. This should make an effective contribution to the agricultural reform programme.

#### INFORMATION FOR THE COMMON AGRICULTURAL POLICY

##### *Information network on farm accounts*

186. The information network on farm accounts has now been in operation throughout the Member States for two consecutive years.

Farm accounts for the first accounting period (1968/69) were closed in the normal way. There was some delay, however, in transmitting the data to the Commission because the accounting offices were using unfamiliar forms and definitions for the first time.

In accordance with Article 23 of Regulation No. 79/65/CEE the Commission reported to the Council on how the farm accounts network was operating. The Commission indicated the progress made in implementing the system and referred to the problems which have still to be tackled.

Since all the results for the first accounting period were not to hand when this report was due for submission, the Commission was unable to draw any overall conclusions on the working of the network or to propose any necessary changes in Regulation No. 79/65/CEE.

It is to be hoped that the delays in furnishing data for the first accounting period will be made good in the second and that the Community authorities will soon be in a position to rely on data collected through the farm accounts network in their task of guiding and administering the common agricultural policy.

*Survey on the structure of agriculture*<sup>1</sup>

187. This survey was carried out in the field in Germany, the Netherlands, Belgium and Luxembourg in 1966/67 and in France and Italy in 1967/68. The basic data produced by the survey for each Member State have been put on punched cards or magnetic tapes. Some of the data for Germany, Belgium, Luxembourg and the Netherlands have already been analysed.

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<sup>1</sup> See *Second General Report*, sec. 206.

## 2. Industrial structure policy

188. Although the year 1969 was characterized by an exceptionally rapid growth of industrial production—12% for the Community as a whole, i.e., the highest rate since the establishment of the Common Market—the Commission, in response to wishes expressed on several occasions by the European Parliament, intensified its work on the preparation of a comprehensive document concerning the problems affecting Community industry. The Commission will be able to present this document at the beginning of 1970.

### POLICY FOR INDIVIDUAL INDUSTRIES

189. In accordance with ideas set out in the second medium-term economic policy programme, the Commission attempted to work out more explicit guidelines concerning the development of and changes in industrial sectors. It tried to define certain lines of action with regard to the promotion of industries in a strong competitive position on the world market, and to foster the revival and, where necessary, the reorganization and rehabilitation of the less profitable branches of industry.

With the aim of determining methods of securing a sound industrial equipment policy, the Commission analysed several branches of the mechanical and electrical industries, and in particular the non-electric machinery and process computer sectors. More precisely, it studied the machine-tools branch and the development of numerical controls in this field. This key technique forms the basis of much of the manufacturing industries' equipment and, like process computers, is essential to the automation of industry as a whole. However, the introduction of this technique comes up against financial and psychological obstacles, which, moreover, are due to the state of technical and economic knowledge. It is for this reason that the Commission referred the matter to the Medium-Term Economic Policy Committee, suggesting that it should recommend Member States to take measures to remove these obstacles and to encourage research in this field.

The Commission has the impression that supplies and engineering for industrial complexes will account for an ever-growing proportion of the mechanical and electrical industries' exports. In its initial contacts on this subject with the industrial circles concerned, the Commission found

that the latter have to contend with financing and insurance problems, the industrial aspects of which ought no doubt to be studied at Community level.

The Commission played an active part in ensuring the implementation of the "clocks and watches agreement" concluded between the Community and Switzerland as part of the Kennedy Round. This agreement proved particularly useful during 1969, both in increasing "Community-mindedness" among clock-making industries in the various member countries and in obviating further impediments to exchanges between Switzerland and the Community. In this context the employers' federations formed, on the Commission's initiative, a "liaison committee" at Community level, not only to assist the Commission in its task of supervising the proper implementation of this agreement, but also to serve as a forum for all questions relating to the necessary structural adaptations in this sector.

As far as the aerospace industries are concerned, the Commission duly received the study entitled "The Community's Aircraft and Space Industries Compared with Those of Britain and the United States". This very well-documented study was based mainly on numerous interviews with representatives of public bodies, industry and airlines. It is in course of publication.

In the field of shipbuilding, the work which the Commission requested the employers' organizations and trade union circles to undertake has reached the end of its first stage. Reports have been sent in, the findings of which agree on the necessity of carefully following the structural changes in demand resulting from ever-growing but increasingly differentiated sea traffic. A relative shortage of manpower will compel the shipyards to make considerable efforts to step up the productivity of labour and, while maintaining a fairly constant level of employment, to reduce the average age of their labour force. These efforts can be undertaken in the light of a distinctly improved situation, since the Community's shipyards are about to regain some of the ground which they had lost on the world market. However, the rapidity of technological progress and the possibility of sudden changes in the economic situation call for constant vigilance on the part of the shipbuilders if they are to maintain their position successfully at the international level.

With regard to "miscellaneous" industries, the Commission has carried out, together with European employers' organizations (ceramics, leather and hides, footwear, glove-making, wood-base panelling, etc.),

periodical surveys of the situation in these sectors and of the problems arising for them from European integration and the development of trade with non-member countries.

On the basis of a study concerning several key products, the Commission investigated the competitive position of the Community's chemical industry in close co-operation with the appropriate government departments and employers' associations in Member States. The supplying of this sector and the rubber industry with raw materials on competitive terms has continued to figure among the Commission's preoccupations, as also has the development of applied research.

In deference to the trade's concern that the problems affecting the agricultural and food industries should be taken into account in the drawing-up of the "Agriculture 1980" programme, the Commission initiated, in close co-operation with the CIAA and the COGECA,<sup>1</sup> a study assessing from the economic aspect the structures, trend and pressures in this sector in order to outline, in a document distinct from but complementary to the "Mansholt Memorandum", the prospects and options at European level. The proposed creation of a European agricultural and food industries committee to study industrial questions specific to this sector, in which the idea of and initial projects for European research can be put forward, will go a long way to determine progress in these activities.

In the case of the textile industry, the Commission has extended, in co-operation with the Medium-Term Economic Policy Committee, the scope of analytical study on this sector and has continued its work on determining the main lines of the Community's industrial policy. In the context of this work, the Paris Centre for the study of modern economic techniques drew up, at the Commission's request, a report on the analysis of and the prospects (1975) for the EEC's textile sector. This document was the subject of consultations with government representatives and both sides of the industry. In view of the close ties between the textile processing industry and the garment trade, the Commission engaged a firm of industrial consultants to carry out a thorough analysis of the development and structures of the latter sector, a task which should be completed in April 1970. The problems of the carded wool industry continued to occupy the Commission's attention. The requests submitted by several

<sup>1</sup> CIAA : UNICE Committee for the Agricultural and Food Industries.  
COGECA : General Committee for Agricultural Co-operation in the EEC Countries, Brussels.



Member States for safeguards were refused. Also, after a fact-finding unit had been sent to the chief production centres, the Commission had a comprehensive report prepared on the situation of the industry in the Member States. This report was forwarded to the administrative authorities of the various countries, accompanied by a comparative analysis of the cost structures.

As regards the non-ferrous metal industry, the Commission prepared proposals forming an integral part of the common industrial and commercial policy in the lead and zinc sector. The common policy should in the normal course be adopted by the Member States in 1970. The Commission likewise conducted preliminary studies on a common policy for supplies of raw materials.

## INDUSTRIAL POLICY IN THE STEEL SECTOR

### *State of the iron and steel market*

190. A feature of 1969 was the full utilization of production capacity in the steel-making and steel-using sectors. This situation was one of the chief causes of the steel shortage, and consequently of the rise in prices of many of the industry's products. The shortage led to difficulties in several steel-consuming sectors of industry.

The output of crude steel in the Community rose from 98.6 million tons in 1968 to 107.3 million in 1969, an increase of 8.8%. This is all the more remarkable in that steel production in 1968 had already been raised by 9.8% (8.8 million tons). The plant utilization factor rose from 86.5 to 91%.

This above-average growth is principally due to the exceptional degree of activity in the steel-using firms, who stepped up their steel consumption in 1969 by about 10.5 million ingot tons, i.e., by 13.5%. Exports to non-member countries fell off slightly. Although still relatively insignificant, imports from non-member countries increased considerably. Intra-Community trade rose by about 14% over the 1968 figures, but not as steeply as the disposals on the countries' own markets, which increased by 18.5%. Consumer stocks accumulated owing to the lengthening of delivery times.

World steel production expanded strongly, led by Japan (79 million tons as against 67 million in 1968). World market prices rose even more steeply than Community prices.

The steel shortage prevented the currency adjustments from exerting a perceptible influence on the pattern of trade in steel products.

### *Measures to stabilize the market in steel and raw materials*

191. In order to slacken the strain on the steel market, the Commission and a meeting of the Member States' representatives at the Council took steps to increase imports of steel products.<sup>1</sup> The Community iron-mines were able to expand their ore deliveries to the plants in 1969 (77.8 as against 68.9 million tons in 1968) and improve their operating conditions. As a whole, however, they continued to lose ground to ore imports. Pig-iron production increased in step with that of crude steel, reaching 79.4 million tons. Output of foundry pig-iron rose faster (35%) than that of the other types of pig-iron. Owing to the mounting demand, pig-iron producers were able to raise their prices by 6-10%.

In spite of the specific protection rate of 5 dollars a ton, imports of foundry pig rose again. The quotas for special grades were exhausted by the middle of the year. In December 1969, the Commission decided to set relatively low quotas for 1970.<sup>2</sup>

The general ban on exports of scrap to non-member countries, in force since 1953, was maintained. In order to alleviate the difficulty of disposing of certain grades of scrap, however, a Council meeting of government officials from the Member States set the 1969 figure for scrap export permits at 80 200 tons, as against 39 500 tons in 1968. This authorization was only used in part. The higher demand for scrap in all the Community countries led to maximum utilization of all grades of scrap, together with a noticeable rise in prices. Scrap requirements imported from non-member countries for 1969 will amount to 2 000 000 tons out of a total of over 44 million tons. The average specific consumption was about 400 kg, taking all processes together.

<sup>1</sup> Secs. 448 et seq.

<sup>2</sup> See also sec. 448 (end).

*Structural policy for steel*

192. In regard to the structural policy advocated by the ECSC Treaty, it is not simply a matter of writing into a medium- and long-term policy the measures to be taken by the public authorities within their fields of competence; it also means providing guidance for firms in their economic decisions, more especially by encouraging a well-co-ordinated pattern of capital spending.

The chief instrument furnished by the ECSC Treaty for this purpose is the "General Objectives" referred to in Articles 5 and 46. The Commission is still endeavouring to have the General Objectives for the period up to 1975 established as soon as possible, since the last General Objectives, published at the end of 1966, for the most part cover a period which expires at the end of 1970. Within the context of these General Objectives (ECSC Treaty Article 46), which form the broad lines of the investment policy, the Treaty conferred on the Community organs powers of intervention of three kinds: surveys of investment and of investment financing (Article 47 of the ECSC Treaty); compulsory prior declaration of investment programmes exceeding a certain cost, namely, 500 000 u.a. in the case of new plant and 1 000 000 u.a. in the case of replacements or conversions (Article 54, third paragraph)<sup>1</sup>; and the issuing by the Commission of reasoned opinions on such programmes (Article 54, fourth paragraph). Although the opinions are not binding on the firms to whom they are issued, the Community appraisals can and do on occasion cause enterprises to revise or even scrap certain projects in view of parallel schemes elsewhere. Conversely, the Community can facilitate the carrying-out of projects of Community interest by actually granting loans to the firms or by guaranteeing the loans they contract with other parties.<sup>2</sup>

193. According to the last annual survey, the steel industry expects to keep up a fast rate of expansion over the next few years, which could generate a production potential of 132 million ingot tons in 1972, with pure oxygen-blown steel accounting for 52%, as against 33% in 1968.<sup>3</sup>

The declared expenditure in 1969 under the head of new investment projects, in accordance with Decision No. 22/66, was about 1848 million

<sup>1</sup> See also Decision No. 22/66, *official gazette* No. 219, 29 November 1966 (corrigendum to the French text, *official gazette* No. 227, 7 December 1966).

<sup>2</sup> Ch. IV, 8.

<sup>3</sup> See "*Les investissements dans les industries du charbon et de l'acier dans la Communauté - Situation au 1<sup>er</sup> janvier 1969*", Luxembourg, July 1969.

u.a., a sum even higher than the figures for the boom years 1960 and 1961. Of this total, the Benelux countries accounted for 515, Germany for 850, France for 384 and Italy for 99 million. The projects relating to rolling mills represent about 60% of the declared total outlay, with the flat products sector accounting for a substantial proportion.

Irrespective of the time required to carry out the investment programmes, the total value of declarations received in 1969 compares as follows with the values declared in previous years:

	1969	Average 1968/62	1961	1960	Average 1959/58
Iron and steel industry (including iron mines)	1 848	363	1 371	1 808	347

Generally speaking, firms often justify their projects for extensions or new plants by the need to improve their internal balance. Then again, the introduction of new processes often goes hand in hand with an increase in size. Whilst recognizing the soundness of such arguments, the Commission considers that it has a duty to introduce the factor of the Community's best interests into the firms' calculations. This is the purpose of the reasoned opinions, and it explains why the Commission has several times expressed a favourable view of projects involving the joint use of certain equipment, by means of specialization agreements or a reduction in the number of decision-making centres. The Commission has also aimed at achieving an overall balance between foreseeable resources and requirements at the various production stages, and notably at the coking stage. It considered that, whatever trading arrangements might be adopted at the Community level, this objective above all calls for increased investment efforts.

Apart from the opinions expressed on individual programmes, the Commission felt it expedient to adopt certain general attitudes. Thus, in spite of the pressures observed on the cold-rolled sheet market, an opinion from the Commission dated 15 March 1969 asked the enterprises not to take final decisions on investments without first noting that the foreseeable demand for 1972/73 can apparently be met by the mills already in existence or declared at the date of the opinion.

194. The Commission has continued its research effort, with an eye to the present and future needs of the Community steel industry. It renewed for one year its aid to the research in progress in the experimental blast-furnace at Liège and financed a new three-year programme of research on the structure of flames of various fuels and on heat transfer (tests to be carried out at the IJmuiden pilot plant). The Commission also assisted Community research designed to improve the quality of cast crude steel products and control of steel manufacture and to standardize methods of gas analysis in steels and pig-iron throughout Europe.

The Commission continued its general policy, started in 1962, of promoting the automation of steelworks and extended its effort on behalf of research projects to develop continuous-measurement methods and instruments, the essential preliminaries to automation. In the rolling-mills sector, the Commission financed research on end-rolling and cooling in wire-rod mills. In the field of metal physics, it encouraged fundamental research with a view to the production of steels with improved mechanical properties and particularly with high strength. On top of this, the Commission carried on the aid which the ECSC has given since 1959 to ASELT (European association for exchange of technical literature on steel), which promotes the utilization and circulation, for the benefit of the Community steel industry, of technical literature from the East European countries (chiefly the USSR), the Far East (chiefly Japan), the Scandinavian countries and Latin America.

## INDUSTRIAL POLICY ON NUCLEAR QUESTIONS

### *General aspects*

195. The overall situation of the Community market in 1969 was slightly better than in previous years. Orders were placed for six nuclear power plants using light water reactors and representing a capacity of about 4 750 MWe; two of these plants will be set up in Belgium, one at Doel (780 MWe) and the other, for a Franco-Belgian consortium, at Tihange (870 MWe); two will be built in West Germany, at Biblis (1 150 MWe) and Brunsbüttel (800 MWe); one (750 MWe) is to be constructed in Italy by Ansaldo Meccanico Nucleare with the assistance of General Electric; the sixth is a 450 MWe power plant which the NV Provinciale Zeeuwse Electriciteitsmaatschappij (PZEM) has ordered from Kraftwerk-Union and is to be erected at Borssele. Other noteworthy orders

are for a 250 MWe fast-neutron prototype (Phénix) power plant in France, a 25 MWe direct-cycle high-temperature test reactor (Geesthacht-2) in West Germany and a 40 MWe prototype fog-cooled heavy-water reactor (Cirene) in Italy.

In France, where the only new move in power plant construction concerned participation in the Tihange project, a decision of major industrial importance was announced: since the gas-graphite system shows no promise of competing successfully with conventional oil-fired plants, EdF came out in favour of building plants using light-water reactors. This switchover is dictated more by economic results than by technological factors. It confirms that a technological breakthrough can only produce economic benefits if there has been sufficient pooling or concentration of resources at the R&D level, if the "new product" can be launched on a wide market and, lastly, if it is developed and marketed by a technically and financially powerful industry.

There is now, for the first time, a *de facto* agreement among the six Community countries on the type of reactors to be built during the coming years. In view of the essential requirements as regards markets and industrial structure, so often underlined by the Commission, it is to be hoped that this development will enable the Community's nuclear and electrical engineering industry to reorganize itself in the direction of cross-frontier groupings, the only method by which it can stand up to foreign competition.

196. The fact must nevertheless be faced that during 1969 the restructuring of industry, generally speaking, continued to be carried out on a national basis. In West Germany, Siemens and AEG set up two subsidiary companies, Kraftwerk-Union AG and Transformatoren-Union AG, which started operating on a commercial scale on 1 April 1969. Kraftwerk-Union's field covers the development, manufacture and sale of steam turbines, turboalternators, complete turbosets and gas turbines, together with design and construction in the thermal power plant field, including nuclear power plants, and the sale of power plant components. "Trafo-Union" is concerned with the development, manufacture and sale of large transformers. In addition, Siemens acquired a share in the capital of the Interatom company and, jointly with Nukem, set up Reaktorbornelemente GmbH. In France, a uranium marketing group (Uranex) was set up, in which the CEA (French Atomic Energy Commission), the Péchiney company and the Banque Rothschild have participations through their subsidiaries Mokta-Péchiney and Penarroya-CFMU. In France again,

Alsthom and the Compagnie Générale d'Electricité decided to combine their activities. At the international level, the firms of AEG, Siemens, Interatom, Demag and Deutsche Babcock associated with Belgonucléaire and Neratoom to construct a prototype fast-neutron reactor, and Alkem and Belgonucléaire joined forces to co-ordinate research and investment in the field of plutonium fuel fabrication.

### *Action taken by the Commission*

The Commission continued its action in the nuclear sector along five lines:

1. *Elaboration of principles and criteria for a co-ordinated industrial policy in the nuclear field*

197. In its paper on "Euratom's Future Activities", dated 23 April 1969, the Commission, pursuant to the Council's Resolution of 20 December 1968, devoted a whole chapter to defining the underlying principles and criteria for an industrial policy in the nuclear field and suggested a number of measures which it considered likely to improve the present market situation for nuclear firms in the Community.<sup>1</sup>

After drawing attention to the fact that the analysis of this situation given in the White Paper of October 1968 shows hiving-off of the various countries' markets and piecemeal scattering of industrial resources, and comparing this with the conditions afforded by the American market with its vastness and its concentrated industry, the Commission suggested a number of forms of action designed to open up the market and bring about a reorganization of the Community's industry.

These forms of action are as follows:

*Periodical meetings of electricity producers with the object of improving and comparing forecasts for power plant construction in the Community*

198. Power plant constructors and manufacturers of components ought to be as accurately informed as possible on the electricity producers' inten-

<sup>1</sup> See Supplement to *Bulletin* 6-69.

tions as regards the placing of orders; they could then make more efficient arrangements and improve their production capacity by investments which they may justifiably hesitate to embark on without specific, reliable indications concerning future orders.

It would be very helpful to industry if electricity producers would agree to hold annual meetings at which they could publish, in addition to their medium- and long-term forecasts, their intentions as regards the placing of orders for nuclear or conventional power plants during the coming months; without being formal commitments, such intentions would nonetheless be very close to firm decisions. At these annual meetings the electricity producers might be interested in comparing the orders which they intend to place in the near future. This system of comparison, which already exists in other industrial sectors within the framework of standardization committees, could also facilitate rationalization of types and standards in the field of nuclear and non-nuclear power plants, such as has been achieved in the United States. Furthermore, regular comparisons of the electricity producers' plans might lead to the grouping of certain orders and enable the constructors to lower their production costs, while at the same time encouraging them to reorganize themselves on a Community basis.

*Measures to encourage the opening-up of the market and cross-frontier regrouping of the industry*

199. Community action to stimulate industrial reorganization and the opening-up of the market could take the following forms:

- (i) The Commission considered that for the time required to strengthen the Community's industry it might be necessary to provide nuclear electricity producers with financial assistance in the form of partial guarantees, conditional upon Community-level grouping of orders and restructuring of industry. At the present stage, it does not appear that the guarantee should extend to reactors ordered later than three or four years hence.
- (ii) The opening-up of the market might be facilitated if the electricity producers were asked to undertake certain commitments, and more especially to reserve a percentage of their nuclear orders for firms in other Member States.
- (iii) The research carried out hitherto in the Community on future reactor types is not inferior, and sometimes even outstrips that done outside



the Community. In the absence of decisions with regard to large-scale production, the Community may lose part of its lead, at any rate as regards advanced converter reactors. In order to spread the technological risks involved and also for reasons of supply, the Commission considered it reasonable to widen the range of the Community's industry and find the funds for the construction of an initial heavy-water unit and an initial high-temperature unit. These two projects might conceivably be in the form of two joint enterprises in which some or all of the Member States would participate and which would award the construction contracts to an industrial consortium comprising the principal companies concerned. The financing of the joint enterprise could be carried out in a number of ways. If it consisted of one or more electricity producers, it or they could reasonably be expected to pick up the tab for that portion of the investment which a reference power plant of equivalent capacity would have represented. It also appears reasonable that the Community should provide limited financial backing for such a joint enterprise, the experience to be acquired from which would be of value to all Community countries. Lastly, there appears to be a sound case for asking those Member States whose industries were most interested in the construction of the initial commercial unit to make an additional contribution.

As regards fast breeder reactors, all the Member States favour a regrouping of efforts (see memorandum of the German, Belgian and Netherlands governments dated 7 June 1968 and note from the French delegation to the Working Party on Atomic Questions dated 16 May 1968).

At its meeting of 6 December 1969 the Council decided to take in 1970 "initial decisions for as broad a co-operation as possible in the field of advanced reactors, and in particular fast reactors".

UNIPEDE, UNICE and CEEP,<sup>1</sup> for their part, stated in 1969 that they were in favour of the principle of joint construction of a single prototype. The Commission is watching current moves in this context with great interest.<sup>2</sup>

<sup>1</sup> UNIPEDE : International Union of Producers and Distributors of Electrical Energy.

UNICE : Union of Industries of the European Community.

CEEP : European Centre for Public Undertakings.

<sup>2</sup> See also Ch. IV,3.

*Various measures designed either to reduce the risks inherent in the development of new techniques or to improve market transparency*

200. These measures concern technical assistance to nuclear power plant operators, concerted activities on behalf of component manufacturers, and harmonization of technical and safety standards.

Under sub-heading 3 below, details are given of steps taken by the Commission in this field in 1969.

201. In establishing these guidelines, the Commission has taken stock of the difficulties in the way of the implementation of a joint policy of industrial development in the nuclear sector. Such a policy implies a renunciation by the Member States of some of their ambitions for the sake of a grouping of their efforts in a field in which considerations of politics and prestige are often decisive. Nonetheless, the Commission must emphasize that a better co-ordination of efforts would avoid considerable wastage of talent and resources and also cut down the risks involved.

At its meeting of 30 June 1969, the Council acknowledged the desirability of periodical comparisons of the electricity producers' views, intentions and technical experience and invited the Commission to encourage and facilitate such comparisons.

## *2. Implementation of Euratom Treaty Articles 41 et seq. concerning notification of investment projects*

202. Five nuclear power plant investment projects were notified to the Commission this year as required by Article 41 of the Euratom Treaty. They relate to the Phénix (France), Borssele (Netherlands), Tihange (France and Belgium), Biblis, Brunsbüttel and Geesthacht (Germany) and Cirene (Italy) plants.

The Commission is preparing opinions on these investments.

In the near future, the Commission is to submit to the Council a proposal designed to increase the efficiency of the investment notification procedures whilst simplifying the requests for information from the investors.

### 3. Implementation of Euratom Treaty Articles 45 et seq. concerning Joint Enterprises

203. Under the terms of Article 45 of the Euratom Treaty, the SEMO company applied to be granted joint enterprise status; the file is being examined by the Commission. SEMO proposes to build an 870 MWe nuclear power plant jointly with EdF and an association of Belgian producers.

Pursuant to Articles 47-50 of the Euratom Treaty, the amended articles of association of the Lingén, Obrigheim and SENA joint enterprises were submitted for the Council's approval on a proposal by the Commission. The reasons for these amendments are an increase of capital in the case of Lingén and Obrigheim and, as regards SENA, harmonization of the articles with the new French law on *sociétés anonymes* (limited liability companies).

### 4. Safety of nuclear installations

204. The Commission continued its activities, described in the last General Report, concerning safety in the nuclear industry. The discussions held with the electricity producers (UNIPÉDE) and constructors (UNICE) during 1968 and 1969 confirmed that those circles are in favour of an increased Community effort to harmonize systems and methods more closely and to standardize certain plant items.

Studies on the technical safety aspects of individual nuclear installations in the Community were carried out as before, in fulfilment of government requests, basic contracts with certain companies operating nuclear power plants, or agreements with the authorities of certain Member States. During the period concerned, these studies related mainly to safety aspects of the nuclear power plants at Chooz (France), Dodewaard (Netherlands), the NS "Otto Hahn" marine reactor, and the KWL Lingén, Stade and Würgassen power plants (West Germany).

In regard to the studies on working methods and co-ordination of supplementary experimental and theoretical research programmes, discussions with those concerned, i.e., operators, constructors and safety and control authorities, continued through multilateral contacts and through active participation by the Commission in projects launched by the International Atomic Energy Agency (IAEA) or the European Nuclear Energy Agency (ENEA).

### 5. Promotion of industrial uses of radiation and radioisotopes

205. The Commission pursued its efforts to stimulate the use of radiation and radioisotope techniques. Its intervention was basically aimed at introducing existing techniques into the most suitable sectors of industry. The Commission's Eurisotop Office selected and pursued specific industrial promotion activities which pass on acquired information and knowhow as directly as possible and generate the requisite non-technical conditions to facilitate the adoption of these techniques by industry.

Thanks to growing interest on the part of firms and close co-operation from industrial federations, it has been possible to transfer information and knowhow to industry more effectively. A series of information meetings, with practical demonstrations on prestressed and reinforced concrete structures, highlighted the exceptional value of gamma radiography in civil engineering.<sup>1</sup> The specific drive to promote the use of activation analysis in the steel industry<sup>2</sup> was extended to the non-ferrous metals sector for the purpose of standardizing oxygen assays in copper, zirconium, lead, silicon, germanium and selenium. The information and demonstration campaign known as "IRAD"<sup>2,3</sup> is the springboard for concerted projects publicizing irradiation methods for use in the manufacture of wood-plastic composites,<sup>4</sup> food preservation<sup>5</sup> and inhibition of germination in potatoes. The leather and footwear industries, following the textiles sector, are looking to isotope and radiation techniques to modernize their inspection, diagnosis and manufacturing methods. Contacts established for the purpose with the CLEIC (footwear industry's liaison and study committee) and the national footwear centres are to be pursued and extended.

The introduction of nuclear processes into industry continues to encounter many obstacles, which are due to the diversity of the present economic and social conditions and the lack of harmony with respect to the regulations in this field. The Commission is having the various aspects of the use of isotopes and radiation examined in order to prepare recommendations that will speed up expansion of the isotope industry and allied sectors and at the same time make it easier for industry to adopt isotope techniques. The study on non-technical conditions governing the use of

<sup>1</sup> Working Documents, secs. 81, 98.

<sup>2</sup> *First General Report*, sec. 401.

<sup>3</sup> Working Document No. 88 "Rapport général de l'action IRAD".

<sup>4</sup> Cahiers d'Information Nos. 21-24.

<sup>5</sup> Working Document No. 94.

radiometric devices<sup>1</sup> has been extended to cover gamma radiography.<sup>2</sup> A dozen technical and economic studies of particular cases of a practical nature have been completed; they provide a critical assessment of the technical, social, economic and administrative reactions produced by the use of radiometric devices in various sectors of industry.<sup>3</sup> In the same context it should also be mentioned that the radioisotope nomenclature, statistics and market are being studied in order to improve the characterization of the radiation and isotopes sector from a statistical and economic standpoint.

This concise list of the principal specific activities in industrial promotion would not be complete without reference to the technical consultant services and the extensive distribution of Eurisotop publications,<sup>4</sup> which consistently help to spread information on the technical or economic aspects of the application of isotopes and radiations in industry.

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<sup>1</sup> *Second General Report*, sec. 236.

<sup>2</sup> Working Document No. 95.

<sup>3</sup> Cahiers d'Information, "Etudes de cas" series.

<sup>4</sup> *Nouvelles du bureau Eurisotop* No. 8.

### 3. Scientific, technical and nuclear research policy

#### GENERAL ASPECTS

206. In 1969, the upward trend of national research expenditure already observed during previous years continued in all Community countries. The average rate of growth was 7.7%. Appropriations made by public authorities to research and development rose to 4 200 million u.a., i.e., about 1% of the gross domestic product.

However, it does not follow from these data that the Member States are giving research and development any such clear-cut priority over certain other policy aims as their importance as an economic growth factor might lead one to expect. The fact is that in most countries the rate of increase in public expenditure on research and development, which has averaged 8-9% during the last few years, has not exceeded the corresponding rate for overall expenditure by the public authorities. Thanks to comparative studies undertaken by the Working Group on Scientific and Technical Research Policy concerning national research programmes and budgets, comparable data on the structure and appropriation of national expenditure in the research sector are available for the first time. These data show that the organization and guidance of scientific policy varies considerably from country to country. Table 20 provides general pointers regarding public financing of research in 1969.

Table 20 naturally offers a different picture if private expenditure on R&D is taken into account. In France in particular, the proportion of private expenditure is relatively small compared with other countries (31% against 53-60%),<sup>1</sup> and it is the Netherlands that occupies first place as regards total R&D expenditure, at least for 1967, the only year permitting a valid comparison at the time of going to press. However, it cannot be deduced from the foregoing that the differences in public financing are due to different systems of apportioning funds between the public and private sectors. Moreover, these differences are gradually decreasing, as emerges from both the trend during the past few years and the predictions for 1970, which show a decrease in expenditure for France and an increase of about 40% for Italy.

The past year may, indeed, be regarded as a year of reflection on the possibilities of a partial reorientation of research policy in Member States.

<sup>1</sup> OECD statistics for 1967.

Almost all the countries concerned attempted to base their research policies on new foundations, clearly defining and comparing the possible and desirable aims of state intervention. The reports published in 1969 by the French Consultative Committee on Research Policy and the West German Ministry for Scientific Research, and in 1968 by the Netherlands Consultative Committee on Scientific Research, are characteristic in this respect. Similar ideas have been expressed in Belgium and Italy.

TABLE 20

**Central government expenditure on research and development  
in the Community  
Financial year 1969**

	Germany ( <sup>1</sup> )	Belgium	France ( <sup>1</sup> )	Italy	Nether- lands	Com- munity
1. Expenditure in 1969 (in millions of u.a.)	1 439	106	2 008	334	271	4 158
Proportion devoted to civil aims	1 166	104	1 391	320	256	3 236
International contri- butions	143	15	247	50	17	473
2. Annual average growth rate of expendi- ture (in %)						
1967/69	8.5	9.5	8.5	8.0	15.3	8.7
1969/70 <sup>2</sup>	13.0	16.8	— 5.8	37.2	13.7	6.0
3. R&D expenditure for 1969 per capita, in u.a.	24	11	40	6	21	22
4. R&D expenditure for 1967, in % of gross domestic product	1.0	0.5	1.4	0.4	1.0	1.0
5. R&D expenditure for 1967, in % of total central govern- ment expenditure	3.8	1.7	6.9	1.9	3.7	4.3

<sup>1</sup> Taking account of the average exchange rate for 1969.

<sup>2</sup> Based on the currently available estimates.

Source: Calculation of the "Statistics" sub-group of the Working Group on Scientific and Technical Research Policy.

NB: Because of the improved investigation methods used by the "Statistics" sub-group, it is impossible to compare these figures directly with the data published in previous General Reports.

There is particular cause for satisfaction in the fact that efforts are being made everywhere to rethink and to rationalize the extremely complex subject of scientific research in compliance with the resolution of 31 October 1967 calling for a reinvigoration of research and development.<sup>1</sup> It is fortunate that in the present case the comparison of national research policies is being initiated at a time when the lines of action followed hitherto are being re-examined. This may serve to facilitate the determination of a common attitude.<sup>2</sup>

In this context, the comparison of programmes must be considered one of the essential means of securing effective action in the field of Community research policy, which should also be taken into account during the negotiations on the entry of new Member States, as the Commission emphasized in its Opinion of 1 October 1969.<sup>3</sup>

207. Previous years have shown how necessary it is to develop a common research policy in order to ensure scientific co-operation. In three of the five sectors commonly considered leading sectors, i.e., space research, aeronautics and nuclear research, it was clear at the beginning of 1969 that the pursuit of a European research policy was beset by considerable difficulties. As is shown below, some of these were subsequently eliminated, but a number of important long-term problems are still unsolved:

- (i) In the field of space research the budgetary problems<sup>4</sup> of ELDO and ESRO were solved at the beginning of 1969 in a way which will enable them to complete the programmes in hand. Meanwhile, the preliminary work decided on during the Third European Space Conference with a view to forming a single organization and drawing up a new multiannual space research programme was continued.
- (ii) In the field of high-energy physics, no final decision has yet been taken on the CERN 300 GeV proton accelerator project. The question of its location is still unresolved. However, the financing of the project seems to be assured, as six countries, including three Community countries, have given their general agreement on the subject.

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<sup>1</sup> *Second General Report*, sec. 240.

<sup>2</sup> *Ibid.*, sec. 244.

<sup>3</sup> See also sec. 376.

<sup>4</sup> *Second General Report*, sec. 243.



- (iii) The go-ahead for the Airbus project was given on 29 May 1969 by the signing of an agreement between France and Germany. Other decisions taken on certain joint projects (MRCA and Mercure) show that the idea of co-operation is gaining ground in the aircraft field, where the Concorde's first test flights warrant mention.
- (iv) Also in 1969, an agreement was signed between twelve countries, including four Community Member States, setting up a European Molecular Biology Organization, and the Dragon Agreement was extended for three years.<sup>1</sup>

208. In spite of some setbacks, such as the refusal of the Member States of the EBU<sup>2</sup> to accept the proposal for setting up a European communications satellite network, which weakened the European countries' position in the current Intelsat negotiations, co-operation in R&D has improved since the end of 1968. This new atmosphere is also due largely to the result of the Hague summit conference, the final communiqué of which emphasizes both the importance of research and development and the Community's essential role in this field, favours the drawing-up of a new research programme for Euratom, and expresses interest in the creation of a European University.

"9. As regards the technological activity of the Community, they (i.e., heads of state or government) reaffirmed their readiness to continue more intensively the activities of the Community with a view to co-ordinating and promoting industrial research and development in the principal advanced sectors, in particular by means of common programmes, and to supply the financial means for the purpose.

"10. They further agreed on the necessity of making fresh efforts to work out in the near future a research programme for the European Atomic Energy Community designed in accordance with the requirements of modern industrial management, and making it possible to ensure the most effective use of the Joint Research Centre.

"11. They reaffirmed their interest in the establishment of a European university."

<sup>1</sup> Secs. 215 and 233.

<sup>2</sup> European Broadcasting Union.

## NUCLEAR PROBLEMS

*General situation*

209. Initial evidence of the improvement in the political climate was provided by the Council meeting on 6 December 1969, the agenda of which included the reorientation of Euratom's activities. Though it was not yet possible to draw up a detailed multiannual programme, the Council was able to take the following decisions:

- (i) The Joint Research Centre provided for by Article 8 of the Euratom Treaty should be made an efficient and suitable instrument for carrying out the tasks to be entrusted to it in the nuclear sector in the form of joint programmes, special projects or work performed to order and against payment.
- (ii) The facilities of the Joint Research Centre may be used for scientific and technological research other than nuclear activities. In keeping with this decision, the Council agreed to enter without delay into close co-operation with the Commission on the study of the prospects and the choice of subjects in this field.
- (iii) The Permanent Representatives Committee was instructed to draw up without delay, in close co-operation with the Commission, and without prejudice to the responsibilities assigned to the latter by the Treaty, proposals designed to strengthen the organization of the management of the JRC, with a view to ensuring better co-ordination of nuclear activities within the Community, increased flexibility in the drawing-up and implementation of Euratom's research programmes, and greater efficiency in the management of the JRC.
- (iv) Pending solution of these problems, the Euratom 1969 research and training programme is to be extended for one year, or two if necessary, during which the present capacity of the JRC will be maintained. During this period, the Council will adopt a new multi-annual programme, based on the principles set out above.
- (v) During the same period, the Council will take, on the basis of proposals and suggestions made on this subject, the first decisions for the widest possible co-operation in the field of advanced reactors, and in particular fast reactors, and will give a decision on the Commission's proposal with regard to the long-term supply of enriched uranium.

The Council's decisions confirm that the Joint Research Centre may be considered an outstanding instrument of European co-operation in the field of research.

### *Long-term supply of enriched uranium*

210. The creation of a uranium enrichment capacity would appear to be an essential factor in fulfilling the aims of the energy policy. This was the considered opinion of the Council of Ministers when, during their meeting on 8 December 1967, they decided to set up a special working party within the Consultative Committee on Nuclear Research to investigate the long-term supply of enriched uranium and asked the Commission to put forward suitable proposals based on the resultant study.

The special working party brought two reports to the attention of the CCNR. The first, dated 23 October 1968, dealt with the conditions governing the supply of nuclear fuels from external sources. The second, dated 14 March 1969, provided data concerning the pattern of the Community's enriched uranium requirements and the supply situation in the Western world, with particular reference to American capacities, and also discussed the basic economic parameters for a European enrichment facility in the light of the various techniques entering into consideration.

On the basis of this study, the Commission submitted its proposals to the Council on 22 May 1969, together with the special working party's two reports. The Euratom Scientific and Technical Committee examined these proposals during its meetings on 24 June and 11 September 1969, and on the latter date forwarded its opinion. The Atomic Affairs Group, for its part, carried out a preliminary examination of the Commission's document on 30 September and prepared a report which the Permanent Representatives Committee passed to the Council. During its session of 28 October 1969, the Council held an exchange of views of a general nature. Meanwhile, by the end of 1968, two Community countries had opened negotiations with a non-member country with a view to preparing the way for the construction of enrichment plants for peaceful purposes on the basis of the ultracentrifugation process. These negotiations continued throughout 1969 and resulted in a draft agreement which was forwarded to the Commission on 29 December 1969 in accordance with Article 103 of the Treaty.

211. The aim of the Commission's proposals is to secure, by comprehensive preparatory work and a series of appropriate decisions, firstly, the creation of an enrichment capacity in the Community, and, secondly, better conditions as regards supplies from the United States.

During a first phase, up to 30 June 1971, the Commission proposes that a technical and economic file should be compiled from which the characteristics and performance of the gaseous diffusion and ultracentrifugation enrichment processes could be evaluated. This file is to be backed up by technical and economic experimental data on the performance of pilot and demonstration plants which are in operation or under construction in various member countries and in which it is proposed that the Commission should participate. The necessary information should be supplemented by a provisional joint research and development programme.

During the second phase of the preparatory work, ending on 30 June 1973, the Commission proposes that a study be made of the firm choices on the technical level, the detailed plans of the facilities, the organization of the construction and operation of enrichment units by a jointly incorporated enterprise, and the measures necessary for the marketing of production. The undertaking in question could be a joint enterprise within the meaning of the Euratom Treaty, having as its objects the performance of preparatory work on the creation of an enrichment capacity and responsibility for the construction and operation of the plant, if decided upon.

Later phases include the final decision on construction, to be taken before 30 December 1973, and the actual construction period, leading to the starting-up of the plant by 31 December 1978. During the two phases of preparatory work, it will in the Commission's view be necessary to explore, by appropriate enquiries, the possibility of co-operation between the Community and non-member countries.

212. It is the Commission's wish that an exhaustive examination of this problem, which is essential to the development of nuclear energy in the Community, should take place as soon as possible at Council level. As the joint action which it recommends is calculated to integrate the initiatives planned by various Community countries, it does not consider that these initiatives in themselves warrant delaying such an examination. Moreover, it can be argued that the trilateral negotiations on the ultracentrifugation process should have been conducted from a common viewpoint, which is precisely what would emerge from such exhaustive discussions.

The Commission once again emphasizes the importance which it attaches to the Council's evidencing its political will to implement the measures which it has advocated, i.e., co-ordination of the present piecemeal project; arriving jointly at the decisions necessary for the creation of an autonomous enrichment capacity; laying down a procedure and a timetable for obtaining the information necessary to take these decisions.

### *Technological problems*

#### *Construction of reactor prototypes*

213. Both fast reactor and advanced converter systems have reached the critical point at which development is conditioned mainly by the adoption of an industrial target involving the construction of an initial high-power unit. After construction of experimental reactors of a few tens of thermal megawatts to demonstrate the viability of the concept, the next stage consists in testing the technology of the major components specific to the prototype in units of several hundred MWe, or several thousand in the case of breeder reactors, before undertaking the construction of a series of high-power reactors.

#### *Fast breeders*

214. The necessity of eventually adopting fast breeder power plants, the only type in which the fertile material resources can be utilized to the full, is universally recognized. Moreover, these power plants have excellent economic prospects, particularly on account of the very low cost of the fuel cycle.

In contrast to thermal reactors, several different types and variants of which are still under consideration, there is at the present time virtual unanimity on the type of fast-neutron power plant to be adopted and developed. After the abandonment in Germany of the steam-cooled variant, efforts are now being concentrated on the sodium-cooled type. However, the benefit which the Community could derive from such unanimity in the choice of the variant which holds the key to the future of breeder reactors is attenuated by the fact that three distinct fast reactor programmes are being carried out simultaneously, one in France, one in

Italy, and one jointly by Germany and the Benelux countries. This scattering is proving very costly to the Community—more, indeed, as regards long-term R&D of general interest than because of the proliferation of reference models.

The persistence of this compartmentalization would be extremely harmful to the Community and, because of the resultant fragmentation of efforts, would be liable to lead to a dead-end where industrial use is concerned. The extent of the sums allotted to breeder reactors and the time needed for the development of this pioneering technique warrant a rationalization of the Community's efforts. Moreover, these considerations prompted Community electricity producers, during a meeting of the UNIPEDE "Committee of the Six" on 9 June 1969, to declare themselves unanimously in favour of a pooling of efforts to build a first 600-1 000 MWe prototype on a joint basis in the Community. They considered it unreasonable to build more than one prototype of this size at the same time.

The Community's constructors immediately approved UNIPEDE's standpoint, without glossing over the difficulties inherent in the formation of a multinational consortium. In order to overcome these difficulties, contacts have already been established between interested firms in the Community, and negotiations are to be actively pursued so that a final answer on the setting-up of an industrial consortium may be given in the near future. This course was favoured by private enterprises meeting on 27 June and 24 September within the framework of UNICE, and by public enterprises meeting at the end of June under the auspices of CEEP.

Talks are in progress between producers and constructors with a view to determining satisfactorily precise procedures for concerting efforts to achieve this aim. UNIPEDE is of the opinion that the general principles to govern these procedures could be finalized around May 1970. The Member-State governments and the Commission will then be in a position to define their attitude on the objective to be attained, which, since this could be effected by means of a joint enterprise, would call for all kinds of direct and indirect support (contributions from public research centres, financing, tax relief, etc.).

Following the basic decisions adopted by the Hague summit conference, the Council, during its "nuclear" session of 6 December 1969, took the first decisions for securing the widest possible co-operation in the field of advanced reactors, and in particular fast reactors. It called for a report on the proposals made by the Commission and the suggestions

put forward by the associations of the branches of industry concerned. The Commission hopes that the political difficulties inherent in the co-ordination of nuclear activities will henceforward diminish and that the aspirations of industrial circles towards more active co-operation between Member States will be put on a firmer basis.

The arguments contained in the Commission's proposals concerning future activities and the drawing-up of a programme are still impregnable. Apart from the activities of the JRC itself and the proposed co-ordination both in the field of research of general interest and in that of research for industrial purposes (Phénix, SNR, PEC), indirect action in the form of appraisal of general concepts is seen to be both useful and necessary, as it helps towards defining the principal characteristics of the 600-1 000 MWe prototype.

#### *High-temperature gas reactors*

215. Like fast breeders, high-temperature gas reactors have reached such an advanced stage of development in the Community that three small- or medium-scale reactors are at present being built or are planned. As part of the German national programme, a 20 MWe direct-cycle prismatic-fuel prototype is under construction at Geesthacht and development of the THTR 300 MWe steam-cycle pebble-bed prototype is planned. Industrial promoters within the Community, together with a British firm, have submitted a tender within the framework of Internuclear for the construction of a 400 MWe HTGR steam-cycle reactor using prismatic fuel.

While unanimous in affirming that they are already interested in high-temperature gas-cooled reactors as a technical back-up to sodium-cooled breeders, the Community's electricity producers have not yet come out unanimously in favour of the construction of a large-scale HTR power plant, having preferred to give priority to the breeder problem. This wait-and-see attitude should have the effect of speeding up the development of HTGR reactors in the Community if it is confirmed that a major HTGR programme is to succeed the AGR generation in the United Kingdom.

This being the case, it is to be regretted that the Commission's co-ordinated R&D action during the past ten years has not yet been followed up by sufficiently co-ordinated action on the part of Community manufacturers. In order that the Community may not lag far behind in world competition, the Commission considers it desirable for a high-

power plant to be built by a joint enterprise and in accordance with the basic procedures described elsewhere in this report.<sup>1</sup>

However, the chances of achieving this aim are still conditional upon a large-scale regrouping of the constructors concerned in the near future. For the immediate future, the Commission proposes that, over and above the extension of the Dragon Agreement until 1973, accepted by the Council because of its orientation towards research of general interest, development of this system's potential should be stimulated by a co-operation agreement relating to the activities of the JRC itself and to the long-term basic research carried out in the national centres. The Council's basic decision of 6 December concerning advanced reactors goes a long way towards fulfilling the Commission's intentions.

#### *Heavy-water reactors*

216. After the considerable dispersal of development effort due to the number of variants, it would appear that there are only two possible ways in which progress with heavy-water reactors can be achieved. One is that followed by Canada with the CANDU variant (and also with a 750 MWe reactor study undertaken by a French constructor in co-operation with Canada); the other is that followed by a German supplier interested in the integrated heavy-water cooled and moderated variant, one of which has been sold to Argentina (300 MWe Atucha power plant). On the constructors' side, there has been a noticeable reduction in the dispersal of efforts, as they are now concentrating mainly on these two heavy-water cooled variants.

In the opinion of the Community's electricity producers, as emerged from a preliminary exchange of views on 22 September between the Commission and the UNIPEDE "Committee of the Six", without prejudice to UNIPEDE's official opinion, which has not yet been given, the argument that such reactors could operate with natural uranium is in the case of some of them refuted by the existence of gas-graphite proven-type reactors which have the same property, but whose commercial advantage is, as with heavy-water reactors, determined by competition with light-water reactors.

Where others are concerned, the use of natural uranium might possibly, at some time in the vague future, play a useful role in the

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<sup>1</sup> See secs. 195 et seq.



event of difficulties arising in connection with the supply of enriched uranium. Thus, in Italy's case, the pursuit of the Cirene programme beyond construction of the small 30 MWe prototype is also a matter of uncertainty. Finally, with regard to carbon dioxide and organic liquid cooled heavy-water reactors, the public authorities would appear to have withdrawn support for their development. In the case of the Orgel type, examination of the tender submitted by the GAAA-Interatom-Montecatini-Edison group in reply to the Orgel prototype invitation did not provide the Commission with data warranting the construction of a prototype in the Community.

All in all, heavy-water reactors cannot be said to have a really assured future, despite the fact that considerable resources in the form of research facilities, design offices and experimental prototypes have been mobilized during the past ten years. Should this system fail to attract firm interest among users in the Community, the Commission believes it desirable for the public authorities to take the lead in promoting the construction in the near future of a high-power heavy-water cooled and moderated power plant by a joint enterprise and on the lines of the procedure also described in the present report.<sup>1</sup> Here, as in the case of high-temperature gas reactors, this project should involve a revamping of the activities of the Community's constructors. In anticipation of this regrouping the Commission has proposed that its research and development programme be confined to backing up water-cooled variants and to the resources necessary for operating the Essor complex.

### *Nuclear power plant technology*

217. The technological promotion projects launched by the Commission in the field of nuclear electricity production originated from the long-term provisions included in the first five-year plan. The aim of these provisions was to encourage the building of prototype nuclear units at the pre-commercial stage.

This range of projects<sup>2</sup> has at the time of writing produced the following results:

(i) *Participation in five nuclear power plants and the granting of joint enterprise status to four nuclear power plants:* It should be remembered

<sup>1</sup> Secs. 215 et seq.

<sup>2</sup> *First General Report*, sec. 398, and *Second General Report*, sec. 272.

that one of the aims of the participation programme is to promote the manufacture of fuel elements by firms within the Community. This aim was fully achieved in 1969, having regard to the orders placed at the beginning of that year; the corresponding deliveries will extend beyond 1972. The seconding of engineers to the seven plants enjoying either Commission participation<sup>1</sup> or the advantages inherent in the granting of joint enterprise status continues to be highly appreciated by firms and organizations in the Community. Under these arrangements, the latter were able in 1969 to second 46 engineers, 31 of whom have almost completed their training for the purposes of assignment to the operation of nuclear power plants now under construction. Altogether, 296 engineers and students from organizations, firms and colleges in the Community have been seconded to the seven aforementioned plants since 1962.

(ii) *Transfer of information and experience concerning new nuclear power plant projects:* In its memorandum of March 1969, in which several nuclear power plant operators have shown interest, the Commission outlined agreements relating to the transfer of information and experience in the field of nuclear power plants.<sup>2</sup> The first agreement of this type has been signed between the Commission and the Kernkraftwerk Stade GmbH (KKS). In return for the information received from this firm, the Commission is taking active measures to facilitate the communication and utilization of the information and experience which is at the disposal of its various departments and which could have an important part to play in the construction of the Stade nuclear power plant (a 630 MWe pressurized-water reactor).

(iii) *Systematic exchange of technological experience with nuclear power plant operators:* This scheme consists in a direct and unrestricted exchange—that is, independently of any contractual or other type of commitment—of information acquired by all electricity producers in the Community who are actively engaged in the nuclear field. The Commission has extended the relatively limited range of seven power plants referred to above (“participation, joint enterprises”) to include practically all the nuclear power plants in the Community, and at the same time has increased the degree of specialization involved in the exchange of the experience acquired, which is processed by nine working groups. The Commission also held a one-day study conference in Brussels during May on the technological problems being experienced at the present time with turbines

<sup>1</sup> Garigliano, Latina, Chooz, Gundremmingen, Dodewaard, Lingen, Obrigheim.

<sup>2</sup> *Official gazette* No. C 30, 7 March 1969.

at nuclear power plants. In this case the number of participants was increased by inviting not only plant operators but also constructors and representatives of specially qualified institutes in the Member States. In June, there was a special meeting at Formia on "Maintenance, inspection and repairs in controlled areas of nuclear power plants". Finally, in October 1969, the third symposium for the purposes of exchanging experience took place in Brussels. Like the first two, this symposium took the form of a general meeting of all those taking part in the scheme. It enabled the experience acquired in the course of the year to be collated, as well as affording a better knowledge of the various problems, and notably those of a technological character, encountered by customers and power plant operators.

(iv) *Operating technology*: Also in the context of assistance to nuclear power plant operators, certain joint schemes have been started between, on the one hand, the appropriate departments and establishments of the Commission and, on the other, the groups concerned in the Member States, with the aim of reducing technological difficulties experienced during plant operation.

(v) *Construction and components technology*: The second international information meeting was held in Brussels on 18-20 November 1969 and attended by more than 300 European and American specialists from 14 different countries. Here the various achievements and development programmes in the field of prestressed concrete pressure vessels and their thermal shielding, in particular fibrous or porous insulants, were subjected to a wide-ranging comparison.

### *Applications not concerned with electricity production*

#### *Marine propulsion*

218. The growing use in commercial shipping of very-high-power propulsion systems is now bringing about a revival of general interest in the development of marine reactors. This being so, and in view of the fact that the projects comprised in the second Euratom five-year programme were completed in 1969, the Commission has worked out, in collaboration with those groups in the Community which are concerned with marine propulsion, the principles of a new form of co-operation. The Member States have been notified of these principles and have been requested to

lend their support to a scheme which will make it possible, within the framework of the new multiannual programme, to harmonize efforts in this field and to turn to account the information acquired in the course of the preceding programmes.

With regard to the activities which terminated in 1969, namely, the contract of association with Fiat and Ansaldo and the contract of participation with the Gesellschaft für Kernenergieverwertung in Schiffbau und Schifffahrt mbH concerning the construction and operation of the research ship "Otto Hahn", the scientific and technological results obtained have proved highly promising. More particularly, operation of the vessel during ten ocean voyages lasting several weeks has shown that the first nuclear propulsion system to be constructed in Europe functioned faultlessly right from the time of its being put into service.

*Studies on the applications of nuclear energy in high-temperature chemical processes*

219. Two exploratory technological studies completed in 1968 had shown the potential of nuclear energy applications in the metallurgical industry and in the processing of fossil fuels. In 1969, two working groups composed of experts from organizations and bodies concerned in the Member States were set up and undertook to conduct more searching studies and to examine the possibilities of Community-wide collaboration in these two fields. A "Steelmaking" processes sub-group was first of all given the task of examining in a complementary study the effect on such processes of being able to obtain cheap reducing gas and electricity from a nuclear source. Furthermore, a "Nuclear Reactor" sub-group is studying the effect these new applications would have on the design of the nuclear part of an industrial plant.

*Third-party liability and insurance in the nuclear field*

220. Work has been continued on the draft skeleton third-party liability policy in respect of the transportation of nuclear substances with a view to its finally being adopted as a skeleton policy in respect of fixed installations at the fifth colloquium on nuclear insurance, which has been arranged for 1970.

In 1969, several studies were initiated on the problems raised by insurance against material damage to nuclear installations, as well as by

third-party liability and insurance relating to the use of radioisotopes. Furthermore, an examination is being started, following the recommendations in the Maréchal Report of July 1967, on the scope of insurance and third-party liability in the field of research and technology. Just as special "industrial insurance" has been developed, the idea of creating special "technology insurance" is worth highlighting in this connection. Finally, the Commission has turned its attention to the problem of tax exemption on long-term technical reserves, these being peculiar to nuclear insurance.

## NUCLEAR PROGRAMMES

### *Preparation of the new multiannual programme*

221. At the end of its session on 20 December 1968, the Council had adopted a one-year research and training programme. This comprised a joint programme and also complementary programmes in which not all the Member States were to participate. The Council had also decided to adopt a new multiannual programme before 1 July 1969 and, as a guarantee that this time-limit would be observed, had blocked the funds which were to have covered expenditure in the second half of 1969. During the early part of the year, the Commission drew up proposals for the activities to be undertaken in the period from 1 January 1970 to 31 December 1974, which included measures to be taken regarding industrial policy and a research and investment programme. It submitted the document to the Council on 25 April 1969.<sup>1</sup> These proposals marked a change in guidelines compared with previous programmes.

The new guidelines entail the dropping of Euratom's own Orgel reactor type, coupled with increased support for the development of the advanced converter and breeder systems, the intensification of public service projects, the introduction of a procedure for carrying out paid work at the request of outside organizations, the commencement of non-nuclear activities and the indication of several new research subjects.

Other activities have not been incorporated in the proposals either because in the Commission's opinion they should not be continued on a Community scale, but should be taken over by national organizations,

<sup>1</sup> Euratom's Future Activities, Supplement to *Bulletin* 6-69.

public or private, or because it was found to be more rational to transfer them to a context other than that of the research and training programme. The first category included in particular the development of light-water reactors, nuclear marine propulsion and direct conversion. In the second category are certain activities concerning industrial back-up or promotion, which are thus part of the "joint operations" field of industrial policy, as well as those activities which it was considered should be financed by the operating budget, such as the promotion of industrial applications of radiations and radioisotopes and the dissemination of information.

222. This nuclear programme covers three important areas:

- (a) aiding reactor development, including the study of the fuel cycle;
- (b) public service activities in the nuclear field;
- (c) basic nuclear research.

For the first time, the Commission proposed, in compliance with the Council's resolution of 10 December 1968, that a non-nuclear programme also be undertaken.<sup>1</sup> The choice of objectives had been influenced by a number of considerations, predominant among which were (a) the desire to complement the Member States' own efforts, (b) the ultimate economic, scientific and social applications of the projects, and (c) the optimum utilization of the available potential. The number of personnel needed to execute the programme was slightly lower than in 1969, it being understood that anyone released by virtue of a gradual reduction in activity in certain sectors would be assigned to non-nuclear work or to the intensification of certain nuclear work now in the process of development. This mainly involved the transfer of personnel employed in the nuclear field, on studies concerning heavy-water reactors, reactor physics and materials and direct conversion, to activities relating to fast and high-temperature reactors and, in the non-nuclear field, to nuisance abatement, data-processing and the Community Bureau of Standards.

With regard to reactor development back-up activities the Commission's proposals were based on the findings of its general survey of Community nuclear policy.<sup>2</sup> These proposals were supplemented by the information meanwhile acquired in the course of various consultations with manufacturers and electricity producers. The aim of the activities planned

<sup>1</sup> Secs. 244 et seq.

<sup>2</sup> See Supplement to *Bulletin* 9-68.

in this field was to boost the development of the three reactor families adopted in line with a coherent overall policy. These activities included:

- (i) co-ordination of all the various Community efforts in reactor development;
- (ii) implementation of a research programme to be carried out both at the Joint Research Centre establishments and at the national nuclear centres and the industrial laboratories concerned;
- (iii) participation in the financing of and the granting of certain advantages, as laid down in the Euratom Treaty, to industrial projects embodied in the Community's overall plan;
- (iv) pursuance of a policy of technical assistance to nuclear power plant operators, the aim being the acquisition, processing and utilization of technical information and experience.

The fast reactor family has also benefited from much of the work being done by the European Institute for Transuranium Elements.

Public service activities included the programmes for the Central Bureau for Nuclear Measurements, the European Scientific Data Processing Centre, the HFR and BR-2 reactors, as well as studies in the field of fissile material inspection, plant safety, biology and radiological protection. To these activities were added programmes on the application of radioisotopes and the dissemination of information; these two items were to be transferred to the central budget, together with training and instruction.

The fundamental research programme comprised research on fusion and on plasma physics, condensed-state physics and the construction and start-up of the SORA pulsed reactor.

223. The funds requested for conducting this programme totalled 344.2 million u.a., to which may be added 12.9 million u.a. for work on the application of radioisotopes and the dissemination of information. This made a total of 257.1 million u.a., which was a considerable reduction in comparison with the actual commitments for the second five-year plan (442.7 million u.a.). Allowing for the steady rise in prices, this amounted to a 40% reduction on the 1963/67 period. The apportionment of funds showed a marked increase for direct action in relation to indirect action, the relevant percentage changes being from 53 and 47% in the second plan to 69 and 31% in the proposals for the third plan. Discussion

of these proposals by the various Council authorities started in May. It soon became apparent that the Council could not arrive at a decision by the date laid down, i.e., 1 July 1969. The chances of reaching a unanimous agreement had not improved since the session of 20 December 1968. The main change in the positions taken by the Member States concerned the adoption of the special programme principle.

Under these circumstances, the Council meeting of 30 June 1969 consisted merely in an initial exchange of views, after which the Ministers instructed the Committee of Permanent Representatives to carry out a study of the Commission's proposals in order to produce a joint programme, which was to be as comprehensive as possible, and on which a decision was to be taken before 1 November. The Council also decided to continue studying the content of the special programmes and the procedure for applying them, the principle of such programmes thus being officially recognized, and also the question of work against payment and the proposal to finance infrastructure expenditure on a Community basis.

The discussions were therefore resumed after the Council session, but, in view of the impossibility of arriving at any agreement complying with the resolution of 30 June on the basis of the Commission's proposals, the President took the initiative of putting forward a compromise solution which consisted in a three-year interim programme, involving a staff of 1 990 and appropriations totalling 154 million u.a. This compromise was not accepted at the session of 28 October 1969, which ended with the Council agreeing to postpone its decision to a new session, to be held at the beginning of December. All the proposals remained under study.

224. On 6 December, the Council finally adopted a resolution stating that, in the nuclear field, the Joint Research Centre could carry out a joint programme, special programmes and work on request and against payment, and that its facilities could be used for non-nuclear research activities.<sup>1</sup> The organization of the JRC management was to be strengthened to ensure better co-ordination of nuclear activities in the Community, more flexibility in drawing up and executing research programmes and greater efficiency in the management of the Centre.

Pending solution of these problems, the Council agreed to extend the 1969 research and training programme by one year; a new multiannual programme would be adopted during 1970.

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<sup>1</sup> See also sec. 209.



*Implementation of the research and investment programme**Activities of the Joint Research Centre*

225. The research programme for 1969 had to enable current projects to be continued without prejudicing the choice of subject-matter for the future multiannual programme. The total volume of commitments represented about half of the annual rate of commitments under the second five-year programme. A new factor was the introduction of complementary programmes, in which not all of the Member States are to participate, the appropriations for these projects accounting for approximately half the total amount. A considerable proportion of the Joint Research Centre's manpower was unused, no new investment was planned and indirect action, especially in the fields of biology and fusion, was on a more limited scale.

*Ispra Establishment*

226. In the field of heavy-water reactors, the first half of the year saw the Essor reactor reach full power. The organic-cooled MK-5 loop was gradually brought into service, after having remained shut down for the first six months. The CART loop successfully kept pace with the reactor power run-up tests.

The experimental fast reactor studies deal with sodium technology and fuel reprocessing. Work on high-temperature gas reactors continued in the fields of physics and thermodynamics, some of it in liaison with the Dragon project.

The nuclear plant safety programme gave rise to research on three classes of problem, i.e., those connected with cooling accidents, with the behaviour of materials and structures during an accident, and with the reactor and neutron physics of accidents.

In regard to control of fissile materials, there has been a series of studies on theoretical models to stimulate, first, the fuel cycle, and, secondly, a fabrication or reprocessing plant.

Research on fuels is still chiefly concerned with uranium carbide and with its preparation, properties and irradiation behaviour. Various zirconium alloys were investigated with a view to their use in heavy-water reactors. Further work was done on the development of impregnated graphites for high-temperature or water reactors.

In the field of reactor physics, mention should be made of the nuclear strategy and econometry studies which formed part of the ground-work for the Community's second target programme (Treaty, Article 40). Measurements for the shielding studies were performed with the aid of the Euracos fast neutron converter in the Ispra-1 reactor.

Work in the field of direct energy conversion related to the development of thermionic converters and heat pipes.

At the CETIS, the digital computer operating time had to be cut back owing to the departure of a large number of operators. The tenders received for replacement of the IBM 360 computer were scrutinized. Major activities included the development and introduction of automated processes for the administrative work and management of the Essor complex and the establishment's scientific library. Co-operation in the field of automatic translation with external organizations, notably the European Translation Centre, Delft, was intensified.

The work on condensed-state physics took the form of fundamental studies to gain understanding of phenomena that affect technological applications.

#### *Central Bureau for Nuclear Measurements*

227. The linear and Van de Graaff accelerators were employed to measure numerous neutron parameters. The joint working parties (CNEN and CEN) pursued their studies on the resonance spin of stable or fissile isotopes. Preparing and standardizing radioactive standards and measurement samples still forms a large proportion of the work requested of the CBNM.

Special mention should be made of the work on the standardization of californium-252, which will permit determination of the number of spontaneous fissions.

Because of the numerous requests for supplies, development work, though essential to maintain the Bureau's leading position, had to be restricted.

Eighteen of the Commission's grant-holders and trainees and nine visitors worked at the CBNM during the year. Six of them were preparing their doctor's thesis.

*Institute for Transuranium Elements, Karlsruhe*

228. The fundamental studies on plutonium oxide which had been initiated in previous years—phase diagrams, thermodynamic properties at very high temperature, thermal conductivity and optical properties—were continued or completed. Similar work was begun on the carbides, and this effort will be expanded in the future.

Research continued on the behaviour of plutonium fuels under irradiation in a high flux; the observations effected in the previous year were rounded off by the hot cell examinations of the oxides irradiated in the Dounreay reactor.

Oxides with various characteristics, irradiated at high burn-ups, will be used for the systematic study of swelling and the other phenomena that affect fuels under irradiation.

The methods employed for the isotopic analysis of irradiated fuels have been further improved and were applied in particular to the study of a Garigliano reactor assembly and to samples from the Rapsodie fast reactor.

In the field of transplutonium elements, a study is in progress on the phase diagram of americium oxide. In addition, the preparation of high-purity metallic americium is now being finalized. This substance is an intermediate for the synthesis of certain compounds scheduled for study in the Institute's programme.

*Petten Establishment*

229. The raising of the HFR reactor's power rating from 30 to 45 MW, with the object of obtaining higher fast-neutron fluxes, entailed new studies on heat extraction, pressure variations and vibrations in the primary circuit, and on the characteristics of the irradiation sites.

Utilization of the reactor during the year amounted to 55-65% of its total capacity. Income from neutrons supplied to external customers was appreciably higher than in 1968.

The introduction of new irradiation devices and improvements to existing units have greatly broadened the range of utilization of the HFR.

As regards materials, the establishment's activities mainly cover three areas: the preparation and development of carbon-based materials; the

mechanical properties and irradiation behaviour of carbon; and structural analysis of materials based on carbon and vanadium, adopted as the model for refractory metals.

The experiments on levitation melting, in which, for the first time, the levitation and heating can be controlled independently, are noteworthy, as is the development of a prototype infrared pyrometer which measures temperatures in the 200-3 000°C range to within 0.1°C. This instrument was displayed recently at the Nuclex Fair at Basle.

Work on the evaluation of materials and components for high-temperature gas reactors has been mainly concerned with the quality control of coated fuel particles and with coolant chemistry.

#### *Fast reactors*

230. The personnel seconded under association agreements concluded in 1962 and 1963 respectively with the French Atomic Energy Commission (CEA) and the Gesellschaft für Kernforschung, Karlsruhe (GfK, Germany) continued in 1969 to take part in the work conducted by these organizations, more especially in the following fields:

- (i) operation of the large-scale facilities: Rapsodie test reactor, SNEAK and Masurca fast-neutron critical assemblies, SNEAK coupled fast/thermal critical assembly, and SUAK pulsed subcritical assembly;
- (ii) studies on theoretical neutron physics reactor physics and biological shielding, and experimental studies;
- (iii) studies on operation of the SEFOR experimental reactor for transients and on experiments to be carried out in it;
- (iv) general studies on high-power sodium reactors and gas-cooled fast reactors;
- (v) studies on fission product migration in irradiated fuel;
- (vi) theoretical and experimental studies in mechanics, thermodynamics and hydraulics, with reference to neutron irradiation properties.

#### *Heavy-water reactors*

231. The activities in this field are reported in the section on the Ispra establishment.

### *High-temperature gas reactors*

232. The 1969 programme included further participation in the Dragon Project and work in the Ispra and Petten establishments, on fuels, graphite, pyrocarbon, technology and physics. The work on graphite and on physics was a follow-up to the studies begun in 1968, but action in the other fields could not start until May, when the funds allocated by the Council of Ministers were made available.

### *Dragon Project*

233. Among the chief aims that will be pursued during the fourth extension of the Dragon Agreement, from 1 April 1970 to 31 March 1973, are core materials and irradiation effects, the fabrication of experimental fuels and make-up elements, and the development of general HTGR technology.

As regards materials, the irradiations in the Petten HFR reactor enabled the reference graphite to be selected for the first HTGR reactors. Mechanical and physical tests on this graphite are being performed under contract at Sud-Aviation.

The production line was used to manufacture the Dragon fuel and for coated particles to be employed in physics experiments undertaken by the UKAEA in collaboration with Dragon. Post-irradiation tests on the second-load elements served to confirm the validity of the mathematical models devised for studies of the migration, vaporization and deposition of fission products in the primary circuit. Work was also carried out for the core corrosion study. The reactor returned to normal operation after a period of irregular functioning due to corrosion of the heat exchangers. The experimental programme has grown so large and complex that the Project's Board of Management decided to set up a sub-committee of the General Purposes Committee to assist the Project Leader with the planning.

### *Materials irradiation*

234. The BR-2 reactor and its ancillaries were operated under the same conditions as in 1968. The Commission, as co-owner of the installations, left its personnel on site and bore the relevant cost.

In order to ensure the best utilization of the reactor, the CEN and the GfK, Karlsruhe, signed—with the Commission's consent—an agreement

on use of the reactor, under which it is to be utilized equally by the GfK, the KFA Jülich and other German experimenters on the one hand, and by Belgium and Euratom on the other. This five-year contract came into force on 1 January 1969.

235. The reactor operated without incident for about 210 days at its rated power of 65-70 MW. In order to meet the demand for high neutron flux positions, the core was enlarged. The average number of channels occupied was raised to 48. A substantial uprating of the reactor power is under consideration.

The BR-2 reactor was chiefly used to irradiate fuels and structural materials for the SNR fast reactor project and for the gas reactors (THTR).

#### *Thermonuclear fusion and plasma physics*

236. The year 1969 was marked by the renewal of six contracts of association between the Commission and the member countries' leading bodies in the field of thermonuclear fusion.

In addition to the contracts which are continuations, after a year's break, of those dating from the first and second five-year plans, namely, with the CEA (Fontenay-aux-Roses and Saclay), the CNEN (Laboratorio dei Gas Ionizzati, Frascati), the IPP (Garching), the FOR (Amsterdam and Jutphaas) and the KFA (Jülich), a new contract was signed between the Commission and the Belgian laboratories of the Ecole Royale Militaire and the ULB (Free University of Brussels).

237. A Commission-sponsored conference on closed configurations was held at Rottach from 18 to 21 March 1969 and afforded a wide-ranging comparison of the various completed or projected activities in the Community.

The main lines that emerged concern machines of the Stellarator, Tokamak and Screwpinch type, with high density, high beta factor and high frequency. Other laboratories are concentrating more particularly on evaluated techniques of diagnostics or heating (ERM) and theoretical problems (ULB).

The intermeshed activity of the Community laboratories, brought about through the Commission's financial participation, does not appear to have been appreciated at its true value by the authorities responsible

for budget decisions. This is undoubtedly a matter of anxiety for all the heads of Community laboratories, coming as it does just at the time when the advances in science ought to lead to closer-knit Community activity.

### *Biology and health physics*

238. The year 1969 was marked by a resumption of part of the programme of contracts which was interrupted in 1968. The programme was divided into two sections: a joint programme, with all six Member States participating, for research into radiation protection, and a complementary programme on the adaptation of nuclear techniques to agricultural research, in which three countries—Germany, Italy and the Netherlands—participated. The projects adopted all come under the research subjects defined by the ad hoc group of the Consultative Committee on Nuclear Research, with the result that certain programmes have been abandoned. The Commission has, even more than in the past, consolidated multidisciplinary and multinational co-operation by combining formerly separate programmes in wider-scale contracts. This has resulted in a reduction in the number of contracts and an improvement in co-ordination.

The study of the contamination of man and his environment was continued, with special emphasis on the contamination of the food cycle and the consequences of inhaling radioactive isotopes. With regard to hereditary effects, new advances have been made in the understanding of the spontaneous repair mechanisms of genetic material which has suffered radiological damage. Among the short-term effects on which research was continued were the haematological, biochemical and chromosomal changes induced by radiation. The study of the epidemiology of groups of irradiated humans and the effects of radiation on embryos was continued. In addition, particular attention was paid to microdosimetry and the study of the primary effects of radiation at the level of nucleic acids.

239. The biology group at Ispra studied the processes involved in the transfer of radioelements in media characteristic of the Ispra region, such as Lake Maggiore and the irrigated rice-fields. Radioactive contamination studies were also carried out under a co-ordinated programme with the Euratom-CEA association, on "levels of contamination in the food chain", and with the Euratom-ITAL (Netherlands) association.

The Ispra group continued its work on the toxic effects of products used in reactor technology, on biological dosimetry at the cellular and subcellular level, and in the field of radiobiological physics.

*Training and instruction*

240. The training and instruction of scientific and technical personnel proceeded further in 1969. As in the past, it consisted mainly in organizing training periods for students, awarding grants to young researchers and making arrangements for their acceptance in research laboratories, and training the Commission's scientific and technical personnel.

The funds appropriated for 1969 enabled activities in the field of training schemes and grants to be maintained at a level comparable to that of previous years. A total of 43 university students and 27 student technicians were accepted, either at the JRC or under contracts of association; 21 training periods were extended. In October 1969, there were 68 scientist grant-holders carrying out research work either in JRC establishments or under contracts of association. In addition, 31 new grants were awarded and 22 grants were extended. In the course of the year, 21 grant-holders presented their doctorate theses to the academic authorities of their countries of origin and nine others completed their period of specialized training in the nuclear field.

The molecular biology and radiobiology courses were continued. This year, they took place from 8 to 30 September, first at Saclay, France, and then at Lunteren, in the Netherlands. Seven interdisciplinary training grants were awarded under the same scheme.

The Commission went further ahead with the training of its own scientific and technical personnel, both by organizing courses and by encouraging enrolment for courses held elsewhere and participation in scientific events.

## NON-NUCLEAR PROBLEMS

*Possibilities for co-operation in seven chosen sectors*

241. As mentioned above, the Council reached an important decision on 28 October 1969 regarding the implementation of concrete co-operation schemes in seven fields of non-nuclear research. This decision marked the completion of the first stage of the work started as a result of the Council's resolution of 10 December 1968, more particularly a resumption of activity by the Working Group on Scientific and Technical Research



Policy, which on 9 April 1969 submitted a synthesis report concerning 47 proposals for concrete action and on 20 June a complementary document on the procedure for implementing these proposals. Examination of the proposals by the Council authorities led to the submission of a report on 24 October 1969 which adopted 30 of the proposals in question and approved the proposed implementation procedure with regard to:

- 1) initial studies which, depending on their nature and the degree of commitment of the Member States, can be broken down into forward and design studies;
- 2) schemes concerning fundamental research or public services;
- 3) industrial projects.

In its resolution of 28 October 1969, the Council adopted the findings contained in the report of 24 October 1969. At the same time it decided to send these findings, together with the Working Group's reports, to certain non-member countries in Europe, drawing their attention to the fact that the Community Member States would warmly welcome their participation in the planned scheme for co-operation. In the meantime, all the countries invited, namely, Austria, Denmark, Ireland, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom have intimated that they are interested in such a scheme.

242. The results of this work, originating from a resolution of 31 October 1967, are only a first step towards European-scale co-operation in the field of research and development. The total expenditure envisaged in principle for the proposals considered will amount to only 12 million u.<sup>a</sup> per annum for a period of three years.

In two cases, only four Member States gave their general agreement. The attitude of the different delegations may well change as progress is made on the forthcoming studies by experts and the negotiations with the non-member countries.

Nevertheless, the decision of 28 October 1969 is calculated to increase the Member States' interest in the implementation of the various projects. Their eventual attitude will be fundamentally conditioned by the chances, in future discussions with non-member countries, of finding a satisfactory solution to the problem of scientific and technical programmes as well as to the economic, legal and budgetary problems. There can be no doubt that this point will demand a great deal more hard work

during the negotiations. Considerable uncertainty persists, especially as to the ways and means of implementing all those schemes which can be financed jointly, i.e., more than half of them, to judge from predictions. A further problem to be resolved is the co-ordination of all the schemes planned and the role of the Commission in such co-ordination. To sum up, the Commission emphasizes the fact that the Council's decision of 28 October 1969 is to be seen as an important turning-point. In making this decision, the Member States have put into concrete form the first measures towards implementing their basic decision of 31 October 1967 on the need to give a fresh impetus to scientific and technical research. The Council too, as is confirmed in the terms of the letter which it sent to the European non-member countries, regarded this decision as marking the start of a much broader and more coherent scheme of co-operation in the scientific and technical field and heralded new proposals for the future in this context.

243. The present proposals themselves relate mainly to data-processing, environmental hygiene, meteorology and metallurgy. The schemes adopted by the Council in these fields can be considered as initiating close-knit programmes, while in the other fields—telecommunications, new means of transport and oceanography—they are more fragmentary in character.

In the field of data-processing, the most important project is concerned with the construction of a high-power information-processing system. The aims of this scheme are threefold:

- (a) from a commercial viewpoint, to cater for the future needs of the European market;
- (b) from a technological viewpoint, to promote a highly-developed European technology; and,
- (c) from an industrial viewpoint, to smooth the way for the necessary restructuring of the European data-processing sector. So far, the Council of Ministers has given its approval to the implementation of a design study which will be put into the hands of a group of European firms, as will the eventual execution of the aforementioned scheme, including the development of the necessary hardware. The results of this study will to a large extent influence operations in a field which is vital for European technology.

Other important data-processing projects relate to the creation of a European program library with the aim of gathering information

on existing programs, the setting-up of an experimental liaison system between research centres so as to make it possible to study organizational problems arising from the establishment of a teleprocessing network, and the study of a plan relating to the creation of a European data-processing institute designed principally to meet the growing need for specialized teaching personnel. These, then, are the first proposals formulated in an attempt to resolve the problems facing Europe in the data-processing field.

With regard to telecommunications, it has been decided in particular to carry out a study which will make it possible to determine both foreseeable needs for 1985 and the feasibility of meeting these needs with existing or new techniques. This constitutes the preparatory work necessary for drawing up a European research programme worthy of the name. It will also be necessary in this study to evaluate the services required in the field of data transmission, taking 1972/73 as the reference year. Pending the results of this study, it has at the time of writing been possible to act on only one concrete research proposal, namely, the improvement of present transmission systems as a result of research on microwave propagation.

Of the eight projects submitted in the field of new means of transport, which covered all the major aspects of technological development in this sector, only three proposals were adopted in October 1969. The reason is that the very short time available had not been sufficient for the preparation of a schedule of the research undertaken by industry in this field or for an analysis of all the possibilities of co-operation. This means that the schemes envisaged are still incomplete. The most important project is the carrying-out of a technical and scientific study on the advantages to be gained from the construction of a 1 000-2 000 ton hovercraft. Another study approved by the Council relates to the development of passenger transport between large conurbations. In the field of research proper, it is planned to develop electronic aids to road traffic which would be used on main roads and in towns to prevent traffic congestion and accidents.

In the field of metallurgy a number of concrete schemes have been worked out. These, however, are only stepping-stones to a large-scale programme forming part of the concerted European project which has been approved by the Council. The aim of this concerted scheme is to co-ordinate industrial research on a European level and to set up an exchange of information between the firms concerned. This is to be made possible

by a new form of European co-operation for joint action, not in financing, but in drawing up programmes which are to be funded and implemented at the national level. If this type of concerted scheme proves effective in the field of metallurgy, it could be applied to other sectors where the research to be carried out is normally apportioned.

With regard to oceanography, which is a new field of research, the Council has not yet been able to approve an overall European programme dealing with the exploitation of marine resources. This is due in particular to the fact that in the course of the preparatory work by the Aigrain Group it was not possible to map out certain national programmes, and this has prevented any general conclusions from being drawn regarding a European programme. The proposals accepted by the Council relate to two classes of subject which necessitate European co-operation irrespective of the determination of any subsequent European programme in the field of exploitation of marine resources. It is a question, on the one hand, of the struggle against sea pollution and, on the other, of improving basic knowledge of marine phenomena through the development of a network of oceanographic measurement stations in European waters. This network could also provide important meteorological information and can be seen as a contribution to the setting-up of a world-wide network of measuring stations, as proposed by IGOSS.<sup>1</sup>

Being aware of the importance which the problems of nuisances are assuming in the world today, the Council of Ministers has made provisions for a permanent scheme which will cost 2.5 million u.a. each year. The first nine research programmes approved by the Council are concerned with the fight against air and water pollution and with noise control. They are to be supplemented by a general programme including without exception all existing information and the schemes planned or already being carried out by different countries and international organizations in connection with the abatement of nuisances of all kinds (including xenobiotic substances). The Commission made proposals to this effect within the framework of Euratom's new multiannual programme.

As far as meteorology is concerned, the most important project approved by the Council concerns the establishment of a European meteorological computer centre, the constituent elements of which will be examined in a preliminary project. The problem of developing weather satellites will be examined within the framework of ESRO.

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<sup>1</sup> Integrated Global Ocean Station System (UNESCO).

*The Commission's proposals concerning  
non-nuclear activities in the Joint Research Centre*

244. The nuclear sector's general development, particularly in the field of reactors, is urging it towards industrial maturity. This is reflected in the shift of activity from public research institutions to user industries. In the case of the Community installations, this development will very shortly call for the conversion to other activities of that part of the research potential which can no longer be used for nuclear purposes. In resolutions passed in 1967 and 1968 (12 December 1967 and 20 December 1968) the Council had already decided to have a study conducted into the possibilities of carrying out non-nuclear research activities in the Joint Research Centre.

In its draft Euratom multiannual programme dated 21 April 1969,<sup>1</sup> the Commission presented a series of proposals on this subject, while emphasizing the necessity of specifying the Joint Research Centre's role. In the Commission's opinion, non-nuclear tasks should remain closely linked to the essential tasks of the Economic Community and be based from the outset on existing knowhow, taking into account the PREST Group's proposals.

In line with these criteria, the Commission chose the following fields from among the countless possible research areas.

Firstly, it decided on environmental hygiene, believing that the application of measures on a purely national basis in this sphere might hamper trade relations. To solve the problems arising, the Commission advocated drawing up a vast European-scale plan to combat nuisances. This programme should be based, at European level, on an administrative structure and research facilities in the form of a European public service in the field of health protection, which would act in the field of food and drugs on lines similar to those of the American Food and Drug Administration. The Commission proposed that a group be set up within the Joint Research Centre to form the first scientific nucleus of this "European Health Protection Office". The Commission defined a number of tasks which could be entrusted to this group, the formation of which should be carried out in close co-operation with the Commission's specialized departments and the national research centres concerned, after a thorough examination of the results already obtained and of programmes in hand.

<sup>1</sup> Euratom's Future Activities, Supplement to *Bulletin* 6-69.

In addition to the proposals detailed above, the Commission envisaged two different ways in which the Joint Centre could back up research in the field of data-processing:

- (i) development of software with a view to making full use of existing computer capacity and to encourage its application in new fields of human activity;
- (ii) development of materials and components in the field of advanced research for high-power computers.

Thirdly, the Commission proposed the creation of a Community Bureau of Standards with the task of contributing to the efforts for the co-ordination of technical standards and regulations in the Community with a view to removing technical obstacles to trade. It should provide the necessary data for drawing up texts having a direct effect on goods traffic, make sample standards available to interested firms and institutes and work out standardized measurement methods—in short, perform a task similar to that of the National Bureau of Standards in the United States. The role of the latter body is incomparably greater than that of its European counterparts, whose activities are fragmentary and sometimes confined to particular fields. The Bureau proposed by the Commission would be incorporated into a European network made up of similar institutions whose activities should be co-ordinated. The definitive programme of European-scale action in this field should, in the Council's opinion, be drawn up by a committee composed principally of the representatives of national organizations.

Following the Hague summit conference, the Council expressly agreed, during its session of 6 December 1969, to the using of JRC facilities for non-nuclear scientific and technical research activities. It also decided to examine without delay, in close co-operation with the Commission, possible research subjects, and more particularly those matching the personnel's skills. The Council's decision put an end to the legal objections which had sometimes been advanced against extension of the JRC's activities.

#### THE COMMISSION'S ACTIVITIES IN OTHER FIELDS

245. In the field of coal and steel, extension of the work of the PREST Group will serve to integrate the promotion of research as provided by Article 55 of the ECSC Treaty within the wider framework of general research policy. The Commission has also been asked on several occasions

by the Consultative Committee for details of the medium-term research policy it intends to follow in fields covered by the ECSC.

Although no specific measures have so far been proposed or adopted, the study of economic and legal factors in the promotion of research and innovations has been actively pursued, with particular attention to obstacles to technical exchanges, the problems affecting government contracts and orders, the alignment of regulations governing competition and the structure and organization of firms carrying out R&D, and state aids and taxation.

## CO-ORDINATION PROBLEMS

### *Comparison of Programmes*

246. In accordance with the instructions it received from the Council on 31 October 1967, the Working Group on Scientific and Technical Research Policy undertook the task of comparing the Member States' methods, programmes and budgets in the field of scientific research. This action is designed gradually to align the Member States' various standpoints in the field of research policy, and at the same time to determine new sectors of co-operation with a view to arriving by degrees at a common research policy. The Working Group formed a sub-group for research statistics, which embarked on a survey of the present trend of research investment in the light of the Commission's proposal for improving the "Frascati" nomenclature. This nomenclature, used by the OECD, is the first to relate objectives and expenditure clearly and thus enables comparisons to be made between the various countries.

The Council's instructions to the Working Group on Scientific and Technical Research Policy (31 October 1967) also included studying suitable ways of achieving the creation of a Community system for the dissemination and processing of technical information or the co-ordination of national information systems.

During 1968, the Commission carried out, with the help of agents in the Member States, a first study of this subject. On resuming its activities, the PREST working group set up an expert group which included the Member State agents already appointed by the Commission for the purposes of its first study. This group is responsible for:

- (i) analysing the scientific and technical documentation requirements of the Community countries, with due regard to the state of develop-

- ment and organization achieved in each country and the national or international measures currently under consideration at government or private level;
- (ii) proposing for each sector the measures to be taken at national, European and international level;
  - (iii) deciding on the relevant procedures and on the degree of co-operation at European level and with non-member countries.

The work of the expert group has clearly demonstrated the complexity of these problems. In addition to the overall study of the problems of information and scientific and technical documentation, it has proved necessary to select four sectors which might lend themselves to European-scale joint action, namely, agriculture, metallurgy, medicine and the use of automatic documentation methods for the patents sector. The results of this work, together with fundamental concepts with regard to the implementation of a joint Community policy in this field, were submitted to the PREST working group for consideration at its meeting on 26 and 27 November 1969.

The PREST working group has also given its attention to the problems inherent in the training and exchange of scientists, to which reference was made in the decision of 31 October 1967.

Here it is faced with an extremely complex situation, the salient feature of which is the necessity for stepping up specialization in scientific training, increasing differentiation in educational forms and in standards at university level, greater emphasis on interdisciplinary training in educational programmes and the need for constant refresher courses.

In view of these various trends, the Commission has set about determining the instruments to be created in the educational sector in order to ensure Community-level co-ordination of national efforts in the field of university education, to encourage mobility of scientific personnel and to foster co-operation.

#### DISSEMINATION OF INFORMATION

##### *Transfer of information and industrial property*

247. Whereas in 1968 there had been a further increase in the volume of Euratom programme results disseminated, the slackening in the activities



of the JRC, the expiration of most of the research contracts and the suspension of certain associations reversed this tendency in 1969. The volume of information disseminated, which had been maintained during the first few months, decreased towards the end of the year.

The introduction by the Council in the 1969 programme of complementary programmes financed entirely by certain Member States had given rise to doubts as to the feasibility of distributing all research results to persons and firms in the Community under the same system. After a searching legal study of this problem, the Commission and the Council both concluded that the results of the complementary programmes should be circulated without restriction, in accordance with Articles 12 and 13 of the Euratom Treaty, the reason being that the complementary programmes, like the joint programme, form part of the Community's research programmes adopted pursuant to Article 7 of the Treaty.

The number of persons and firms in the Community entitled to receive "communications"—non-patented information of benefit to industry and restricted as regards circulation—increased from 387 on 31 December 1968 to 407 on 31 December 1969.

248. Dissemination was concentrated mainly on the industrial exploitation of the information acquired by Euratom. Considerable progress was made in the conclusion of licence, knowhow and technical assistance contracts relating to nuclear or non-nuclear applications of processes, products and equipment. The number of licence contracts on patents increased from 37 on 31 December 1968 to 48 on 31 December 1969, and that of knowhow and technical assistance contracts from 9 on 31 December 1968 to 12 on 31 December 1969; a total of 19 contracts coming within one or other of these categories are in the course of negotiation.

The circulation of Technical Notes was continued. They contain a brief description of patented inventions or of non-patented information which may lend itself to industrial application. A start has been made on the compilation of an inventory of industrially exploitable information and patents resulting from research and association contracts. This will enable the Commission to discover the gaps in the development of such information and patents by contractors and to set up licence application procedures to fill these gaps. Apart from publications, other means have been employed to further the transfer of technical information. The display of instruments and equipment at specialized fairs and exhibitions has proved particularly efficacious. The Commission has set on foot a study on the creation of a permanent exhibition of technical innovations.

However, uncertainty regarding the continuance of the JRC's activities has sometimes prejudiced negotiations for licences. Most of the applicants wished to benefit from the technical assistance of the departments in which the inventions and information made available under licence originated, and from the results of their subsequent development. The guarantees which the Commission was able to give them were insufficient.

The number of inventions in respect of which first applications for patents were filed in 1969 was 101, a total of 56 of these inventions being the direct result of Euratom activity. To have thus maintained such a high degree of activity despite the reduction of research in 1968 and 1969 is considered satisfactory.

In 1969 the Commission set about extending dissemination of information to the results of the various Community research programmes. Efforts were made to intensify the application of Article 55 of the ECSC Treaty concerning the placing of the results obtained at the disposal of interested parties. An information meeting on "Strata pressures and support" was held at Luxembourg in November 1969.

### *Scientific information and documentation*

249. The semi-automatic nuclear documentation system developed by the Centre for Information and Documentation (CID) functioned satisfactorily. Its regular use was restricted by the process of transferring the CID to Luxembourg.

On 31 December 1969 all the scientific and technical information stored in the computer's memory represented more than 950 000 scientific and technical documents in the nuclear field. This data store constitutes the source for replies to requests submitted by the users of the system. At the end of 1969, almost 3 000 requests sent in both by the Commission and by researchers and industrial circles in the Community had been dealt with. In addition, the selective dissemination of information programme (SDI) regularly provided subscribers with new scientific and technical information in their particular fields. More than 350 "interest profiles" corresponding to various fields were programmed for the customers who subscribe to this service.

With a view to improvement and greater automation of its document retrieval methods, the CID developed a new process based on the automatic

processing of partial results. The processing methods evolved by the CID, and in particular the thesaurus of keywords, the indexing manual and user software, will be employed under a contract concluded between the Commission and the IAEA, and, after a suitable adaptation, as a basis for the world-wide nuclear information system planned by the IAEA. This contract will also ensure a link-up between the development work carried out in previous years by the CID and the projects proposed by the IAEA.

In the same context, a contract providing for the exchange of nuclear information was concluded between the USAEC on the one hand and the Commission and five of its Member States on the other. It will serve to span the period required for developing the above-mentioned IAEA system until it becomes operational and translates the Community's scientific effort into concrete terms through the medium of the journal *Nuclear Science Abstracts*, published by the USAEC.

In connection with the work of the Medium-Term Economic Policy Committee, and in particular of its Working Group on Scientific and Technical Research Policy, the CID participated in the development of an improved information infrastructure.

250. During 1969, the CID continued to publish, in co-operation with the Kernforschungsanlage at Jülich, the *Transatom Bulletin*, a monthly review in each issue of which are listed the documents of Slavonic or Oriental origin acquired by the Eastatom Centre, together with the translations available in Western languages of documents published in Eastern countries. The Brevatome company continued to supply the CID under contract with the texts of patents of nuclear interest and with index cards which allow their retrieval according to subject matter.

The monthly bibliographical journal *Euratom Information* continued to set out, in the form of abstracts, the main lines of research programmes, the subject matter of contracts concluded and the publications and patents arising out of them. *Euratom Review* which, following the merger of the Executives, had to cover a wider field of techniques, has become *Eurospectra* and is therefore no longer obliged to limit its scope to nuclear energy.

The number of scientific and technical reports on the research carried out in the establishments of the Joint Research Centre and under contracts and associations totalled about 7 500 by the end of 1969; for budgetary reasons, three-quarters of these reports are now simply microfilmed, only those of sufficiently general interest being published.

#### 4. Energy policy

##### PROPOSALS FOR A COMMUNITY ENERGY POLICY

251. At the end of 1968, the Commission forwarded to the Council a communication setting out the main guidelines for the Community's energy policy.<sup>1</sup> In 1969 this communication was examined by the appropriate Community bodies. The Commission, taking into account the different views expressed, made concrete proposals on various points.

252. The European Parliament kept careful track of energy questions. As a result of the work of its committees, and in particular the Committee on Energy, Research and Atomic Problems, a detailed report was drawn up on the problems encountered in the energy sector. The purpose of this work is to prepare the ground for a full-scale debate in the Parliament.

253. On 19 June 1969, the ECSC Consultative Committee made known its position on the Commission's communication. Its opinion dealt principally with questions relating to coal policy; questions which concern other sources of energy were approached from the point of view of how the other fuels compete with coal. The main aim should be to make the consumer "indifferent" to the origin of the primary source of energy, and this should be done, as far as coal is concerned, by temporary subsidies designed to adapt the decline of coal to social and regional requirements.<sup>2</sup> The need to diversify supplies while keeping them as cheap as possible entails retaining a nucleus of Community production, the volume of which should be a function of prices and the reliability of other sources. As far as the instruments of energy policy are concerned, the Committee fears that the Commission's proposals will not be adequate to enable them to exert the necessary influence. While emphasising that a final appraisal can only be made on the basis of more concrete proposals, the Committee is particularly concerned with the problems involved in commercial policy and the orientation of investments. Without ignoring the reservations which some of the Commission's proposals may prompt, the Committee concludes that the "First Guidelines" may indicate a middle way along which it is possible to make progress.

<sup>1</sup> "First Guidelines for a Community Energy Policy", see *Second General Report*, secs. 292-295.

<sup>2</sup> See *Bulletin* 8-69, Ch. IX.

254. In its Opinion dated 25 September 1969 the Economic and Social Committee reaffirmed its agreement on the energy policy objectives defined in the 1964 Protocol and expressed its satisfaction that the Commission had decided to give special weight to some of them. It concurs in the idea that the twofold aim, i.e., security of supply and prices which are both relatively stable and as low as possible, can be achieved in the long term, provided a step-by-step approach is adopted, taking into account the particular characteristics of each energy sector. The Committee also agreed with the Commission's statement that "as the role of the energy policy is to serve the interest of the consumers, the fundamental guiding function should be assigned to competition" while emphasizing that "this will have to be achieved in the light of the prospects for a concerted Community energy policy".

The Committee approved in general the Commission's proposals concerning the instruments of energy policy. However, it wonders whether, before the merging of the Treaties, the Commission will have sufficient means to implement a truly Community policy, but realizes that this problem will assume more clear-cut form during the formulation of the concrete proposals.

255. The Council finally examined the Commission's communication during its session of 13 November 1969 (devoted to energy problems) and approved its fundamental principles. It asked the Commission to let it have the most urgent concrete proposals without delay and undertook to examine them as quickly as possible in order to be able to work out a Community energy policy.

#### THE ENERGY MARKET IN 1969<sup>1</sup>

256. The year 1969 was characterized by an increase in power consumption which, at 7.5%, exceeded the average for the previous few years, although there were no material changes in the supply and demand situation. Internal power consumption amounted to 722 million tons hce, while total requirements, which include, apart from internal consumption, bunker fuel, exports and non-energy products, reached 902 million tons hce. In terms of primary energy, these needs were met as to 23% by coal, 4% by lignite, 62% by oil products, 6% by natural gas, and 5% by hydroelectricity and nuclear energy.

<sup>1</sup> Every year the Commission publishes a document entitled „La conjoncture énergétique dans la Communauté”.

## ACTION TAKEN BY THE COMMISSION IN 1969

For the sake of convenience, these activities are presented in the same order as the subjects in "First Guidelines for a Community Energy Policy". The proposals shown between parentheses refer to the numbers and the corresponding passages in this document.

*Framework of action*

257. In its communication to the Council, the Commission proposed that medium-term forecasts and policy lines should be worked out for the various forms of energy. In 1969 it undertook preliminary studies for the purpose of drawing up a second nuclear target programme in accordance with Article 40 of the EAEC Treaty (Proposal 2). This programme will relate to the period 1975/85, but account will be taken of the outlook as far ahead as 2000. Like the first programme, it will have the aim of determining the optimum production target for electricity from nuclear sources and the investments necessary for the construction and operation of nuclear power plants to achieve this.

As in previous years, the Commission, in order to keep abreast of the trend of the energy market, published a report compiled with the help of experts from Member States on the energy situation in the Community, giving the 1968 situation and outlining the prospects for 1969 (Proposal 3).

Continuous examination of supply possibilities open to the Community, of risks of interruption in the case of certain sources of supply and of means of coping with them is a course which should be taken prior to taking preventive measures against supply difficulties (Proposal 5). With the same end in view, the Commission supervised the implementation by Member States of the Council's directive of 20 December 1968 requiring them to maintain certain minimum stocks of crude petroleum and/or petroleum products.<sup>1</sup> Article 6 of this directive stipulates that, within the framework of special intergovernmental agreements, stocks may be built up in the territory of a Member State for the account of firms in another Member State. The Commission was notified of an agreement of this nature which had been concluded between two Member

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<sup>1</sup> *Official gazette* L 308, 23 December 1968.

States in the course of the year, and two draft agreements have been announced.

### *Establishment of the Common Market*

258. The EEC Treaty provides that, on the expiration of the transitional period, quantitative restrictions on exchanges between Member States and all other measures with equivalent effect will be abolished. In addition to the arrangements already introduced in previous years, the Commission has taken measures—two of general application and one relating to the hydrocarbons sector—to ensure the free movement of goods, including petroleum products.<sup>1</sup>

On 30 December 1969 the Commission issued a recommendation to the French Government concerning its oil policy to the effect that, in accordance with Article 37(6) of the EEC Treaty, there should be no discrimination between the nationals of Member States as regards conditions of supply and marketing of goods (Proposal 8). Among other things, this recommendation calls for the abolition of any system of quotas for imports of crude oil and petroleum products from other Member States, and the offsetting of all finished products offered for sale on the French market against the rights granted by special authorizations to each company. On the same date the Commission issued a directive based on the provisions of Article 33(7) of the EEC Treaty concerning the abolition of measures which have an effect equivalent to quantitative restrictions on imports and which are not covered in other arrangements made under the terms of the EEC Treaty. This directive aims at removing all remaining obstacles in such a way that, from the date of its application, equality of treatment between domestic and imported products becomes effective.

On 5 November 1969, the Commission adopted a directive, based on the same provisions of the EEC Treaty, concerning goods supplied to the State, local authorities and other legal entities incorporated under public law. This directive is aimed at eliminating arrangements by which all or some of the goods supplied to the State or other public authorities have to be domestic products, or all or some imported products are excluded from supplies to the public sector, or the supplying of imported goods is rendered more difficult or costly than the supplying of domestic products.

<sup>1</sup> Sec. 26.

It was on account of the position of energy products in a commercial policy context that on 22 December 1969 the Commission, in order to prevent or at least contain diversions of trade, availed itself of the provisions of Article 115 of the EEC Treaty to authorize Member States which impose restrictions on imports of petroleum products to exclude from Community treatment products originating in or directly imported from non-member countries and circulating freely in other Member States. This authorization does not apply to products which the importer can prove were obtained exclusively from a Member State or originated in or were directly imported from a non-member country and on which the importing Member State imposes no controls or quantitative restrictions. In the case of products subject to restrictions, the permitted level of imports into one Member State from another must be stepped up in at least the same proportion as for the previous year in relation to the year before that. The decision is applicable from 1 January 1970 to 31 December 1971. During this time the Commission will investigate whether there is a case for modifying this decision or extending the period of its validity.

As far as the achievement of freedom of establishment and of freedom to supply services is concerned, the Council adopted on 15 March 1969 a directive covering self-employed activities in the field of research (prospecting and drilling) on oil and natural gas,<sup>1</sup> supplementing the directive of 7 July 1964 concerning the extractive industries<sup>2</sup> (Proposal 11).

### *Establishment of a policy for dependable low-cost supplies*

#### *Commercial policy*

259. Commercial policy problems assume different aspects according to the Treaty governing the particular form of energy.

The "First Guidelines" shows that the absence from the ECSC Treaty, on account of its sectoral nature, of any provision for the establishment of a common commercial policy could impede the achievement of a common market for energy. In particular, the differences in the Member States' coal import systems can prevent the free movement of products imported from non-member countries, and can indirectly hamper exchanges

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<sup>1</sup> *Official gazette*, L 68, 19 March 1969.

<sup>2</sup> *Ibid.* 117, 23 July 1964.



of coal products of Community origin. The Commission has sent the Member States a letter notifying them of its intention to initiate exchanges of information on programmes for coal imports from non-member countries in connection with the compilation of quarterly forecasts pursuant to Article 46, paragraph 3(2), of the ECSC Treaty. The first of these is scheduled to take place at the beginning of 1970 (Proposal 19).

As regards petroleum products, the Commission put forward in December 1969 a proposed Council regulation concerning the communication of hydrocarbon import programmes, in order to prepare the way for implementation of the common commercial policy provided for in the EEC Treaty (Proposal 20). Under this regulation, any person or firm wishing to import crude oil or petroleum products into the Community would be required to inform the Commission each year of its plans for the following year. The information given, which will be of a confidential nature, will concern quantities, origin and grade. The procedure laid down should, by establishing an overall picture, make it possible to keep track of the Community's oil supply and to ensure that import programmes fulfil the essential supply conditions, i.e., diversification and security. Thus, with the communication of investment programmes, which will be discussed further on, the Community will possess the necessary information for the application of a supply policy. Petroleum products are the subject of special clauses in certain association agreements (Proposal 21). The Commission proceeded with the application of Article 7 of the Protocol on the importation of refined petroleum products from the Netherlands Antilles. The Member States' imports have not exceeded the scheduled limits and, as no difficulties have arisen on the market, neither the Commission nor the Member States have been obliged to take safeguarding measures. Problems liable to arise in connection with petroleum products under the agreements concluded with Tunisia and Morocco in 1969<sup>1</sup> and through the renewal of the Yaoundé Convention<sup>2</sup> were settled by means of safeguard clauses.

The Commission drew up a report analysing the Communities nuclear fuel supply and outlining the structure of the market for these fuels. This document, which was compiled with the help of experts from the Member States and sent to the various national delegations, provided the basic data necessary for the mapping out of a Community supply policy (Proposal 20).

<sup>1</sup> See Ch. V, 3.

<sup>2</sup> See Ch. V, 4.

In connection with the proposals concerning the supply of enriched uranium, the Commission asked the Council to give a ruling on the possibility of obtaining a more liberal system for enriched uranium deliveries from the USA currently operating as a result of certain provisions of American internal legislation—the Atomic Energy Act, 1964—certain clauses of the Additional Agreement for Co-operation between Euratom and the United States and supply contracts concluded under this Agreement.<sup>1</sup>

### *Guidance of investments*

260. In accordance with Article 54 of the Paris Treaty, the Commission assessed, as in previous years, the situation regarding investments in the coal industry. The annual survey showed that the Community collieries' production potential is likely to decrease from 195 to 185 million tons for the period 1968/72. The bulk of foreseeable demand will continue to come from the steel industry and the power stations.<sup>2</sup> The projects declared in 1969 under the regulations in force were mainly concerned with the construction of large pithead power plants. Their aggregate value was 65 million u.a., of which Germany accounted for 51 and France for 14 million. Giving its reasoned opinion for the purpose of the ECSC's General Objectives, the Commission considered that, whatever commercial measures may be taken at Community level, the principal requirement for achieving an overall balance between requirements and coking capacity is an increased investment effort. With regard to thermal power plants, the Commission declared itself in favour of the construction of high-power units capable of converting products for which there is little demand into electric current, thus helping to spread the planned reduction in output over a longer period of time.

As far as investments in the nuclear sector are concerned, the Commission issued favourable opinions on the projects communicated to it under Article 41 of the EAEC Treaty.<sup>3</sup>

In the case of products covered by the EEC Treaty, i.e., oil, natural gas and electricity, the Commission, acting on the suggestions made in "First Guidelines", put forward in December 1969 a proposed regulation

<sup>1</sup> The Commission's proposals were submitted to the Council in May 1969 (see Ch. IV, 3).

<sup>2</sup> Sec. 193.

<sup>3</sup> Sec. 202.

concerning notification by firms of investment projects of Community interest. The projects in question relate to the production, transport, storage and distribution of hydrocarbons and electricity, and have to be communicated to the Commission in two stages before they are put into effect. The communications, which will be of a confidential nature, must state the technical aim of the work, the planned capacity, the markets to be served, the construction time, the estimated cost of the work and the expected output. On this basis, the Commission will produce an annual report which will form the subject of an exchange of views with the Member State governments and other interested parties (Proposals 22-24).

### *Structure of the Community energy industry*

In its "First Guidelines", the Commission laid emphasis on the need to adapt the structure of the Community's industry so as to enable it to meet expanding demand in the required conditions as regards cost and security of supply; it should also ensure the maintenance of a healthy competition on the market (Proposals 25-33).

261. The Community's action in the coal sector is based on the measures provided for in Decision No. 3/65, which expires at the end of 1970, and Decision No. 1/67, which was extended until the end of 1969.<sup>1</sup> Direct support by Member States, under Articles 3 and 5 of the former High Authority's Decision of 17 February 1965, totalled 485 million u.a. in 1969, i.e., 13% more than in 1968. The Commission investigated the compatibility of these measures with the provisions of Decision No. 3/65, in particular with regard to their effect on the proper functioning of the common market. On 26 November 1969, the Commission, after consulting the Council, adopted four decisions authorizing the financial aid granted by Belgium, France, Germany and the Netherlands to the colliery companies for the year 1969. This aid is subdivided into aid relating to social security charges and direct or indirect financial support for the coal industry.

The practical purpose of the High Authority's Decision No. 1/67, which was extended to the end of 1969, is to stimulate the supplying of the Community's iron and steel industry with coke and coking coal of Community origin. At the request of the Council, the Commission

<sup>1</sup> *Second General Report*, sec. 297.

adopted a detailed report on this question. This document examines the long-term aspects of the external supply possibilities and the significance of the Community's coke and coking coal production for the Member States' iron and steel industries. With particular regard to its exchanges of views on this report with experts from the Member States, the Commission forwarded to the Council on 15 October 1969 a communication concerning the aid system to be brought into force from 1 April 1970. On 15 December 1969, the Council unanimously endorsed and on 19 December the Commission adopted a decision relating to the new aid system. Under the terms of this decision, the effectiveness of which is limited to three years from 1 January 1970, the Member States will be authorized to grant aid designed to facilitate production and marketing to collieries under their jurisdiction which deliver coke and coking coal to the blast furnaces in the Community's iron and steel industry. Subsidization for production is permissible up to 1.50 u.a. per ton of coking coal. Within this limit, governments will fix the rate for each coalfield annually, taking into account the coalfield's average production costs, the price of coking coal in the main sales area and the long-term supply conditions; the cost of this aid will be borne by the governments of the producer countries. Subsidies for marketing, applicable in the case of deliveries to areas at some distance from the centre of production or exchanges between Community countries, are payable at a standard rate on an annual maximum of 17 million tons. The rate is fixed at 0.70 u.a. for the first year 0.55 u.a. for the second year and 0.40 u.a. for the third year. Such subsidies are financed from a special fund administered by the Commission and made up of contributions from the Member States and from the European Coal and Steel Community.

On 27 November 1969, the Commission authorized the merging of 26 collieries in the Ruhr coalfield to form the Ruhrkohle AG company. The aim of this merger is to promote the rationalization of the coal industry in Germany.<sup>1</sup>

262. The Commission was informed of a state aid programme for the German oil industry, designed to assist the latter to acquire crude petroleum resources of its own outside the Community. It noted that this programme, which is in line with the aim of achieving diversification of supply as advocated in the "First Guidelines", satisfied the conditions specified in Article 92, sec. 3(c) on aids.<sup>2</sup>

<sup>1</sup> See also sec. 38.

<sup>2</sup> Sec. 42.

263. The discussions relating to the revision of Chapter VI of the Euratom Treaty, governing nuclear fuel supplies, were resumed with the appropriate Council authorities in July (Proposal 32). This had been requested by the Commission in December 1968.

The Commission was anxious that these discussions should be based on proposals made by the Euratom Commission in 1964 and approved by the Parliament in 1965, and on the amendments suggested during the examination of these proposals, which had been broken off at the end of 1967. It also urged that the discussions should not be conducted purely from the short-term policy angle, but should be directed towards drawing up a legal framework appropriate to the various situations which might arise in the field of supply.

The setting-up of a uranium enrichment facility in the Community before 1980, when existing capacities will have become inadequate, would help to achieve one of the aims of a Community energy policy, i.e., security of supply at stable prices. The fact that the Community is dependent on a single outside supply gives cause for concern, whatever guarantees may be attached to current deliveries (Proposal 33). The Commission submitted a proposal on this subject to the Council in May 1969.<sup>1</sup>

#### *Technical research on coal*

264. In 1969, the Commission reorganized technical research on coal, thus creating the conditions necessary for drawing up a medium-term research policy, which will be submitted to the Consultative Committee and the Council in 1970. In order to encourage technical research on coal, pursuant to Article 55 of the ECSC Treaty, the Commission granted aid totalling 4.6 million u.a., which represents a considerable increase over previous years.

In the mining techniques sectors, three research projects concerning mining techniques and the study of supports, one in the field of firedamp, two in the field of remote control and underground telecommunications and three relating to roadway drivage were accorded financial backing. The Commission is also participating in two research projects on the underground use of low-inflammability hydraulic fluids. In the coal processing sector, the Commission lent its financial assistance to two projects entitled "Manufacture of special cokes from coal" and "Manufacture of special cokes from lignite".

<sup>1</sup> Ch. IV,3.

## SUPPLY AGENCY

265. In the field of the natural uranium supply, the "simplified" procedure was due to expire on 31 December 1969. The Supply Agency, having noted that the natural uranium market is characterized by a palpable excess of supply over demand, decided with the Commission's agreement to extend the simplified procedure until 31 December 1973.

Supplies of enriched uranium continued to be obtained under the Agreement for Co-operation with the USAEC,<sup>1</sup> namely:

- (i) In 1969, the Agency imported for its research requirements 2.15 million dollars' worth of enriched uranium under lease contracts, and 0.08 million dollars' worth under sale contracts. These amounts include material to the value of 0.05 million dollars imported for non-member countries and toll-enriched in the Community before being re-exported.
- (ii) During the year, the Agency negotiated, and signed on 31 October 1969, a new multilease contract with the USAEC which includes improvements on the previous one, in particular with regard to the possibility of blending materials.
- (iii) The Agency also concluded with the USAEC, on 13 August 1969, a multisale contract for special fissile materials which simplifies administrative procedures and makes it possible for users to buy small quantities of special fissile materials directly from the USAEC.
- (iv) Under contracts concluded previously, 1.3 million dollars' worth of enriched uranium was imported for power reactors.
- (v) During the year, the USAEC raised its leasing rate, which is now 7.5% of the value of the material.
- (vi) Most enriched uranium supplies are now obtained through toll enrichment contracts.

To the five contracts of this kind which were signed at the end of last year must be added those concluded this year for the GfK, KWL, KKN, Würgassen and Stade reactors in Germany and for the CEA in France. These new contracts have a total value of 90 million dollars.

With regard to plutonium, 110 kg was purchased from the USAEC and an equivalent quantity from a private American producer for the

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<sup>1</sup> United States Atomic Energy Commission:

German fast reactor programme. A sale contract concerning 200 kg of plutonium for the development of the German fast reactor programme was also concluded with the UKAEA.

#### SAFEGUARDS AND CONTROLS

266. The Community's requirements of nuclear materials, in particular enriched uranium and plutonium, have been continuously increasing during recent years. On account of the growing nuclear market, and in order to maintain their efficacy, controls have had to be reinforced and adapted to new circumstances. Safeguards and controls are mandatory and apply without exception throughout Community territory to all installations possessing, using or producing nuclear materials.

267. Controls are exercised on two levels, firstly, by checking technical documents and accounting data provided by installations at the Commission's head office, and secondly, by on-the-spot inspections. Examination of accounting data enables a continuous and reliable check to be kept of both stocks and the use of all nuclear materials in the Community.

Because of the constant expansion of communication facilities, and in anticipation of future developments, new methods of accounting have been devised. At present, 348 installations, including mines, subject to control send in every month about 2 700 materials balances and inventories, containing some 10 000 items of information to be entered up and checked. They concern 13 950 tons of natural uranium, 17 146 kg of uranium enriched in  $U^{235}$  and 1 020 kg of plutonium.<sup>1</sup>

With regard to supervision, on-the-spot checks, the procedure for which is now well established after ten years' experience, are still carried out by the conventional system of periodic inspections and spot checks. The inspection system introduced at Eurochemic in 1967, where a team of inspectors carries out checks night and day, was continued. It will doubtless be possible to draw useful conclusions from the results obtained by this new control procedure.

268. During the year, the Commission decided to set up a stricter control system in fuel element fabrication plants using large quantities of

<sup>1</sup> Figures expressed in terms of actual U or Pu content and rounded off as at 31 August 1969.

plutonium and highly enriched uranium. Inspection procedures were adjusted to this new kind of safeguard and gradually put into practice. This type of inspection proved to be justified. New scientific control techniques were also developed and gradually brought into operation. Non-destructive measurement methods were used in these processes. Several control experiments using non-destructive methods on fuel elements manufactured in the Community yielded encouraging results. In this context, the Commission continued its efforts to increase the number of specialized technical personnel in the field concerned, and acquired for the appropriate department additional measuring equipment for safeguarding purposes.

Technical consultations under the agreements for co-operation concluded by the Community with non-member countries took place regularly in 1969, notably with the United States and Canada. They provided an opportunity to discuss many points of common interest, and to compare and improve safeguard procedures. Contacts of a similar nature were kept up with various national and international organizations.



## 5. Transport policy

269. At its March 1969 session the Council adopted certain measures proposed by the Commission for harmonizing the conditions of competition and the organization of the transport market. Some measures having already been adopted in 1968, the greater part of the programme set by the Council in 1967<sup>1</sup> is thus completed. During the past two years the common transport policy has in this way begun to be implemented, the early years of the common market having been devoted mainly to the elaboration of the broad principles of the policy.

However, as indicated below, in other important sectors of the common transport policy on which the Commission long since submitted proposals and on which the European Parliament and the Economic and Social Committee have rendered Opinions, there has been no progress and the proposals in question are still before the Council.<sup>2</sup>

In view of the termination of the transitional period, and in accordance with the recommendation of the European Parliament when it examined the Second General Report, the Commission has tried in the present Report to describe the general lines on which Community action in transport matters is based and the function and scope of the various measures adopted or proposed. To this end, it seems profitable first to review the results achieved since the implementation of the common policy began and the developments called for in the light of the measures proposed by the Commission, and then to give essential additional information on the Commission's activities during 1969.

### COMMUNITY ACTION ON TRANSPORT: RESULTS AND OUTLOOK

#### *Results achieved*

##### *Road transport*

270. Road transport has progressed further and in a more balanced way than the other modes of transport, with respect both to the organization

<sup>1</sup> Council Decision No. 67/790/CEE of 14 December 1967 on certain measures connected with the common transport policy. *Official gazette* No. 322, 30 December 1967, p. 4.

<sup>2</sup> See also oral question No. 11/69 by the European Parliament to the Council on the reasons for this delay (sitting of 12 December 1969).

of the market and to the harmonization of conditions of competition. During 1969 three sets of interdependent measures, mainly concerning international traffic, were adopted or implemented. These were the creation of a system of Community licences (Community quota),<sup>1</sup> the introduction of a standard rate system<sup>2</sup> and the harmonization of certain social provisions.<sup>3</sup>

This priority given to international goods transport arises from EEC Treaty Article 75, which provides for the establishment during the transitional period of common rules for this class of transport. This action, which is essential for the integration of the market and the establishment of a Community transport system, in fact concerns all modes of transport. However, since the structure and organization of road transport are more sensitive than railways and inland waterways to the effects of independent, and sometimes even divergent, national policies, it was necessary to give it first consideration.

These measures are important both because of their possible economic effects on the market and because they are based on the principles of complementarity and coherence and thus permit a balanced development of the common transport policy.

271. The Community quota came into force on 1 January 1969. The Commission made the necessary arrangements to observe the functioning of the new system closely in order to obtain the necessary information for drafting proposals on the final system which it is to submit to the Council when the validity of the regulation in question expires. The collection and processing of statistical data is in progress; this information will show how far Community licences are used in transport services between Member States and in particular on itineraries known as "triangular" or "polygonal".

<sup>1</sup> Council Regulation (EEC) No. 1018/68 of 19 July 1968 on the establishment of a Community quota for road haulage between the Member States. *Official gazette* No. L 175, 23 July 1968, p. 13.

<sup>2</sup> Council Regulation (EEC) No. 1174/68 of 30 July 1968 on the introduction of a system of bracket rates applicable to road haulage between the Member States. *Official gazette* No. L 194, 6 August 1968, p. 1.

<sup>3</sup> Council Regulation (EEC) No. 543/69 of 25 March 1969 on the harmonization of certain social provisions in the field of road transport. *Official gazette* No. L 77, 29 March 1969, p. 49. This regulation also applies to national transport.

The implementation of the Community quota means an increase of transport capacity in intra-Community traffic. Although its precise incidence is not known at the time of writing, it may be estimated that the quota has made possible an increase in capacity of some 15%. Moreover, the Community quota system encourages a better utilization of transport equipment, since it allows international transport services to be operated throughout the whole Community territory.

In adopting this regulation the Council to some extent departed from the Commission proposal,<sup>1</sup> which was to the effect that the current bilateral quotas be gradually replaced by a Community system and the number of Community licences adapted annually to the requirements of transport assessed in accordance with intra-Community trade. For this reason, without waiting for the establishment of the definitive system scheduled for 1 January 1971,<sup>2</sup> the Commission, in 1968, submitted a proposal for a Council decision providing for the adaptation of the bilateral quotas currently in force.<sup>3</sup>

While stressing the importance it attaches to the early implementation of such a decision, the Commission considers that a true Community system will, however, exist only when the bilateral quota system has been completely replaced by one based on Community licences. This idea has, moreover, found support among those concerned with the matter in the European Parliament.<sup>4</sup>

272. It is thanks to the simultaneous entry into force of the rules on transport rates and conditions that it was possible to begin the process of liberalization of intra-Community road traffic and that it will be possible to develop it further. These rules were necessary mainly because of the appreciable differences which continue to exist in the structure and organization of transport markets in the Member States and which can be eliminated only gradually.

<sup>1</sup> Proposed Council regulation on the institution and operation of a Community quota for goods transport by road within the Community (doc. VII/COM (63) 169 of 10 May 1963). See also *Seventh (EEC) General Rapport*, sec. 200.

<sup>2</sup> Council Decision No. 67/790/CEE of 14 December 1967 on certain measures connected with the common transport policy. *Official gazette* No. 322, 30 December 1967, p. 4.

<sup>3</sup> Proposed Council decision on the adaptation of the bilateral quotas and of the number of transit licences for road haulage between the Member States. *Official gazette* No. C 123, 26 November 1968, p. 2.

<sup>4</sup> See also debates of the European Parliament (annex to *official gazette* No. 116, June-July 1969, p. 30).

In this connection the Commission deplors that the negotiations on tariffs between Member States were not completed by 30 June 1969 as scheduled by the regulation. The tariffs could not come into operation on 1 November 1969, so that the various measures have been implemented with a certain unevenness.<sup>1</sup> The Commission has several times drawn the attention of the Governments to this gap in the implementation of Community legislation.

273. In 1968 the Council noted its approval of the text of a regulation on the harmonization of certain social provisions in the field of road transport;<sup>2</sup> the regulation was adopted by the Council at its March 1969 session.

The entry into force of this regulation, which provoked very long discussions, has made considerable progress possible:

- (a) In the alignment of conditions of competition, which was also one of the basic factors in the process of liberalizing intra-Community road traffic;
- (b) In social policy, since it enables a first step to be taken in the application to this sector of basic principles governing the Treaty of Rome, namely the improvement of living and working conditions and their equalization in an upward direction;
- (c) In road traffic safety, which it will enhance by reducing the risk of accidents due to excessive fatigue of drivers.

So that its implementation can be supervised more efficiently and simply, the regulation requires the installation of a mechanical monitoring device in road vehicles. The Commission submitted a proposal for this purpose to the Council at the appropriate time.<sup>3</sup>

Negotiations are in hand in other international organizations for an agreement applicable to as many European States as possible.<sup>4</sup>

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<sup>1</sup> See sec. 285.

<sup>2</sup> See *Second General Report*, sec. 311.

<sup>3</sup> See sec. 288.

<sup>4</sup> AETR (European Agreement concerning the Work of Crews of Vehicles engaged in International Road Transport).

*Rail transport*

274. In 1969 the Council adopted measures on State intervention in rail transport. These measures concern the action of Member States with regard to obligations inherent in the concept of public service in rail, road and inland waterway transport<sup>1,2</sup> and the standardization of railway accounts,<sup>3</sup> and, for the first time, they reflect in their normative texts criteria previously applied in the Member States only in a fragmentary and pragmatic manner.

The first of these regulations requires the Member States to re-examine the public service obligations imposed on railways and to eliminate these where they are not essential to the provision of services in the general interest. Should these obligations be maintained, the relevant costs are to be compensated in accordance with common methods.

The second regulations provides for the compensation of costs resulting from a number of other obligations imposed on railways owing to their nature and the variety of conditions to which they are subject.

The Council did not go as far as the Commission had proposed with regard to the scope of application of these regulations and the categories of costs subject to compulsory standardization. For some cost categories, on the other hand, it went further than the Commission proposals, thus accelerating the process of eliminating the shackles on railway administration, and provided for their abolition as from a specific date.

These two regulations clarify the economic and financial situation of railways and the results of their operations. They also make an appreciable contribution—which varies however according to the system—to the improvement of this situation. Finally, they make it possible better to delimit the function of railways in the transport sphere and represent a significant contribution towards a better adaptation of public enterprises to the economic conditions of today.

<sup>1</sup> Council Regulation (EEC) No. 1191/69 of 26 June 1969 on action by the Member States with regard to obligations inherent in the concept of public service in the field of transport by rail, road and inland waterway. *Official gazette* No. L 156, 28 June 1969, p. 1.

<sup>2</sup> Although the regulation on obligations of public service is general in scope, the railways may be considered as most concerned by it because of their operational features and the structure of their service.

<sup>3</sup> Council Regulation (EEC) No. 1192/69 of 26 June 1969 on common rules for standardizing railway accounts. *Official gazette* No. L 156, 28 June 1969, p. 8.

*Transport by inland waterway*

275. The Council has not yet pronounced on the proposed regulation on access to the market in goods transport by inland waterway.<sup>1</sup> To prevent even greater distortions than those already existing from being caused by unco-ordinated actions of the Member States, the Commission sent them a recommendation on the structural improvement of the inland waterway goods transport market.<sup>2</sup> Its purpose is to help reduce structural excess capacity, to encourage at the same time the scrapping of the oldest vessels and to harmonize at Community level and on the basis of uniform criteria the relevant measures which the Member States adopt at national level.

Certain Member States have already adopted the measures recommended by the Commission or plan to do so shortly. As soon as the action thus undertaken has been completed, a narrowing of the often very appreciable differences in the structure of national fleets, a higher average pay-off from equipment and a healthier market through the reduction of structural overcapacity may well result. The implementation of the Community rules on access to the market in goods transport by inland waterway currently before the Council will also be facilitated.

In addition, there are problems resulting from the various obligations towards non-member countries which arise for certain Member States from the Rhine Navigation Convention arrangements. Discussions are currently in progress with these countries.

*End of the transitional period*

276. The results achieved have also to be examined in the light of the provisions of Article 75(2) of the Treaty, which stipulates certain measures to be taken by the end of the transitional period. These concern international transport and the conditions for the admission of non-resident carriers to national transport services within a Member State.

In Annex IX to the memorandum of 19 February 1969,<sup>3</sup> the Commission indicated what measures had been and remained to be implemented

<sup>1</sup> Proposed Council regulation on access to the market in the transport of goods by inland waterway, of 29 November 1967. *Official gazette* No. C 95, 21 September 1968. Amendments submitted by the Commission on 28 April 1969 (doc. COM(69) 311 final of 25 April 1969).

<sup>2</sup> Commission Recommendation No. 68/335/CEE of 31 July 1968. *Official gazette* No. L 218, 4 September 1968, p. 10.

<sup>3</sup> Commission Memorandum on considerations of a legal nature and technical information clarifying the scope of EEC Treaty Article 8(7) (doc. SEC(69) 546 final of 19 February 1969).

in the transport field under Article 75. Certain proposals in this annex have meanwhile been submitted to the Council. They concern the common rules applicable to international scheduled services<sup>1</sup> and general conditions for their application, including a standard goods nomenclature and a standard classification<sup>2</sup> to be used in connection with Regulation No. 1174/68 of 30 July 1968.

In addition, the Commission has adopted a regulation<sup>3</sup> fixing the conditions and procedures of publication of special contracts with rates outside the tariff.

### *Future developments in the common policy*

277. A certain number of important proposals are pending in the Council. They concern access to the market in transport by road and inland waterway, the system of transport rates and conditions, the harmonization of certain conditions of competition and the first measures for implementing a system of allocating infrastructure costs.<sup>4</sup>

<sup>1</sup> Proposed Council regulation on the establishment of common rules for ordinary and specialized scheduled bus and motorcoach services operated between Member States. *Official gazette* No. C 123, 19 September 1969, p. 1.

<sup>2</sup> Proposed Council regulation laying down the general conditions for the application of the rates in Council Regulation (EEC) No. 1174/68 of 30 July 1968 on the introduction of a system of bracket rates applicable to road haulage between the Member States. *Official gazette* No. C 99, 30 July 1969, p. 9.

<sup>3</sup> Commission Regulation (EEC) No. 358/69 of 26 February 1969 fixing the conditions and procedures of publication of transport rates and conditions which depart from the published tariffs, pursuant to Article 9 of Council Regulation (EEC) No. 1174/68 of 30 July 1968 on the introduction of a system of bracket rates applicable to road haulage between the Member States. *Official gazette* No. L 53, 4 March 1969, p. 1.

<sup>4</sup> Access to the market:

*Official gazette* No. 254, 20 October 1967, p. 3, and *Bulletin* 8-69, p. 66;  
*Official gazette* No. C 95, 21 September 1968, p. 1, and *Bulletin* 6-69, sec. 40;  
*Official gazette* No. C 95, 21 September 1968, p. 38;  
*Ibid.* No. C 123, 26 November 1968, p. 2;  
*Ibid.* No. C 123, 19 September 1969, p. 1.

System of transport rates and conditions:

*Bulletin* No. 12-65, sec. 33;  
*Official gazette* No. 66, 7 April 1966, p. 964; amendments submitted 30 July 1968 (doc. COM(68) 289 final);  
*Official gazette* No. C 99, 30 July 1969, pp. 9 and 24.

Harmonization of conditions of competition:

*Bulletin* No. 3-68, sec. 61;  
*Official gazette* No. 185, 17 October 1966, p. 3192.

System of allocating infrastructure costs:

*Official gazette* No. C 95, 21 September 1968, p. 34;  
*Ibid.* No. C 95, 21 September 1968, p. 41;  
*Ibid.* No. C 123, 26 November 1968, p. 1.

The Commission is of the opinion that the early adoption and implementation of these interdependent measures is essential for a balanced development of the common policy in the three modes of transport. This tallies moreover with the outline procedure which the Council itself sketched for following up the Community's action in the matter, in its agreement of 22 June 1965,<sup>1</sup> its resolution of October 1966<sup>2</sup> and its decision of 14 December 1967.<sup>3</sup>

Among these measures, those concerning control of capacity and extension of the rules on rates to all traffic in the three modes of transport are of particular importance. As the European Parliament said in its report of January 1966,<sup>4</sup> effective rules on capacity would permit successive relaxations of the rate system.

In 1967 the Commission submitted two proposals for regulations along such lines, one on access to the road haulage market<sup>5</sup> and the other on access to inland waterway transport.<sup>6</sup> It also modified its original position concerning the rules on rates, by stipulating a compulsory rate system for some traffic and a reference system together with effective publication arrangements for others.<sup>7</sup>

The Commission considers that the rules in question should be adopted quickly to enable work to continue on the gradual and simultaneous implementation of a system of capacity control and a relaxation and alignment of the rate systems for the three modes of transport.

<sup>1</sup> Agreement of the Council on the organization of the transport market, of 22 June 1965. See *Ninth (EEC) General Report*, secs. 207 and 208.

<sup>2</sup> See *Tenth (EEC) General Report*, sec. 209.

<sup>3</sup> Council Decision No. 67/790/CEE of 14 December 1967 on certain measures connected with the common transport policy. *Official gazette* No. 322, 30 December 1967, p. 4.

<sup>4</sup> Report by M. De Gryse on the organization of the transport market, doc. 115 of 17 January 1966.

<sup>5</sup> Proposed Council regulation on the introduction of Community rules for access to the occupation of road haulage contractor in national and international transport and rules on capacity in the field of national road haulage. *Official gazette* No. 254, 20 October 1967, p. 3. Amendments submitted by the Commission (doc. COM(69) 452 final of 6 June 1969) on 16 June 1969.

<sup>6</sup> Proposed Council regulation on access to the market in the transport of goods by inland waterway. *Official gazette* No. C 95, 21 September 1968, p. 1. Amendments submitted by the Commission on 28 April 1969 (doc. COM(69) 311 final of 25 April 1969).

<sup>7</sup> Proposed regulation on the introduction of a system of bracket rates applicable to the transport of goods by rail, road and inland waterway of 20 May 1963 (doc. COM(63) 168); supplement to *Bulletin* 6-63. Amendments submitted by the Commission on 29 October 1965 (doc. COM(65) 415).



To supplement the Community action thus begun, other measures are envisaged concerning the arrangements for railways, the social security of transport workers, the co-ordination of investments in infrastructures and rate-fixing for their use, and road safety.

278. Concerning railways, the measures adopted with regard to public service obligations and standardization of accounts are calculated to improve the situation of these enterprises. Nevertheless, they can be regarded<sup>1</sup> as only a preliminary to more extensive Community action under Article 8 of the Council Decision of 13 May 1965.<sup>2</sup> This action should give the railways greater administrative independence and permit them to achieve better financial balance in their operations. The railways should, however, provide certain essential services in the general interest for the costs of which they must be compensated.

The measures planned for railways are consequently bound to have a bearing on problems of the structure and legal personality of the administrations concerned, and the limits and nature of state supervision. A corpus of measures will have to be adopted in the following three fields:

- (a) The division of responsibilities between the enterprises and the public authorities;
- (b) Ensuring availability of the financial resources which would enable enterprises to fulfil their tasks;
- (c) The maximum possible independence of commercial management.

The freedom of action thus conferred on railways cannot come all at once. The proposed measures will be introduced gradually, and it is not at present possible to indicate what each successive stage will entail. As the various measures are implemented, comparisons will have to be made to determine the progress achieved and the further arrangements necessary. The freedom of action proposed cannot be allowed, however, to jeopardize the character of the railways as a public service—which must be maintained as far as necessary—or the economic and social provisions for their personnel.

<sup>1</sup> Within the meaning specified in sec. 274.

<sup>2</sup> Council Decision No. 65/271/CEE of 13 May 1965 on the harmonization of certain provisions affecting competition in rail, road and inland waterway transport. *Official gazette* No. 88, 24 May 1965, p. 1500.

279. In the context of the action to eliminate disparities in the conditions of competition between the modes of transport and transport enterprises within these, other social proposals are in preparation, notably on the subject of working conditions and vocational training. These measures will need to cover inland water and rail transport. In addition, following the first regulation on road transport,<sup>1</sup> a second one on working hours, overtime, annual and public holidays in that sector is being drafted. The object is not merely to eliminate the distortions which affect the smooth running of the transport market or are likely to hamper trade, but also to promote the harmonization of social systems in an upward direction.

280. The harmonization of taxes on transport<sup>2</sup> already begun will also have to be continued with the same aim of aligning conditions of competition. However, the whole question of the general adjustment of this taxation now falls within the wider field of rate-fixing based on common principles for the use of infrastructures. This objective will, however, only be reached in successive stages, owing both to the complexity of the problems and the importance of the relations between these measures and taxation in general, and to the repercussions which the relevant measures may have on both the transport market and public finances.

The first real proposal on rate-fixing for the use of infrastructures concerns the road sector; its object is to determine the structure of taxes on commercial vehicles in accordance with common rules based on considerations of infrastructure costs. In this phase, the rates of the taxes will not be directly affected; they will not be determined until a later phase. It is proposed to introduce for all modes of transport uniform and permanent methods of accounting for infrastructure costs. This will provide the essential means of obtaining information needed to prepare a general plan of action in this field. A gradual approach of this kind is necessary because of the very great diversity currently existing in the various systems of the Member States, and so the standardization of structures in itself represents an important step forward. The Commission is at present preparing draft measures on fixing rates for the use of inland waterways.

281. As for infrastructure investment, action should also be continued and should go considerably further than the generally modest results so far achieved. The procedure of consultation on infrastructure investment

<sup>1</sup> See sec. 270.

<sup>2</sup> Proposal for a first Council directive on the adjustment of national systems of commercial vehicle taxation. *Official gazette* No. C 95, 21 September 1968, p. 41.

currently in operation<sup>1</sup> will in future need to develop towards co-ordination in the light of Community criteria for transport infrastructure investments to improve the conditions under which choices are made. The Commission is currently investigating methods and procedures for Community action to this end.

282. The Commission shares the concern expressed at various times by the European Parliament with regard to traffic safety and considers that the time has come to prepare planned action at Community level on safety in general and road safety in particular. Measures are in preparation on the basis of a detailed analysis of the present situation: these will enable specific action in the three fields of intervention—persons, vehicles, infrastructures—to be defined and classified.

The main work of the Commission concerning the application of EEC Treaty Articles 79 and 80 and ECSC Treaty Article 70 is described below, together with the results of checks made on discrimination and support tariffs.<sup>2</sup> As the Court of Justice stated in its judgment of 9 July 1969,<sup>3</sup> the Commission has considerable discretion in this matter, as regards not only the tariffs authorized but also the conditions of the licence granted. In this setting, the Commission will use the possibilities offered by Article 80 of the EEC Treaty to buttress the simultaneous action it is taking on regional policy.

283. In conclusion, the situation at the end of the transitional period may be summarized as follows.

Certain quite well planned and balanced measures have been adopted: in road transport co-ordinated compulsory measures of general scope on economic organization have been brought into operation for the first time at international level; in railways it is also the first time that measures have been adopted on public service obligations and the standardization of accounts. Experience will show the extent of their effects and enable their functioning to be improved; all progress in these matters will in future have to be in the context of the common policy. The Commission considers that the results achieved should not be underestimated.

<sup>1</sup> Council Decision No. 66/161/CEE of 28 February 1966 establishing a procedure for consultation concerning investment in transport infrastructure. *Official gazette* No. 42, 8 March 1966, p. 583.

<sup>2</sup> Secs. 286, 287 and 296.

<sup>3</sup> Judgment of the Court in case 1-69: *Italy v. Commission of the European Communities*.

However, the implementation of the common policy is only in its first stages. Appreciable imbalances exist between the systems of the three modes of transport; the situation and requirements of each of them and the general conditions of the transport market require further rapid progress by the implementation of other measures giving the whole system greater efficiency and more coherence.

The contribution of each of these measures, the function they have to perform, their order of priority and their step-by-step introduction are not yet unanimously accepted and their adoption is therefore held back. The differences of opinion remaining in this respect ought to be rapidly settled so that the work may be fraught with less uncertainty. This would also facilitate the submission of further proposals by the Commission.

#### ADDITIONAL INFORMATION ON ACTIVITIES IN 1969

284. In the matter of access to the market and capacity control the Commission, on 9 June 1969, addressed a recommendation to the Member States concerning the harmonization of the measures implementing the Community quota, notably with respect to control and penalties.<sup>1</sup>

With regard to rules of competition in transport the Commission, on 3 August 1969, adopted Regulations (EEC) No. 1629/69 and (EEC) No. 1630/69. These lay down the implementing provisions stipulated in Article 29 of Council Regulation (EEC) No. 1017/68 regarding the form, content and other particulars of complaints, applications and notifications, and concerning hearings.<sup>2</sup>

Discussions with non-member countries signatories to the Revised Convention for Navigation on the Rhine, stipulated in Article 31 of Regulation (EEC) No. 1017/68, began on 22 May 1969 in the Central Commission for the Navigation of the Rhine. The aim was to determine

<sup>1</sup> Commission Recommendation No. 69/191/CEE of 9 June 1969 to the Member States concerning the implementation:

- (i) of Article 6 of Council Regulation (EEC) No. 1018/68 of 19 July 1968 on the establishment of a Community quota for road haulage between the Member States, and
- (ii) of Article 5 of Commission Regulation (EEC) No. 1224/68 of 9 August 1968 establishing *pro formas* for Community licences and the questionnaire for obtaining the statistical information on the use of these mentioned in Articles 2(2) and 5(1), second paragraph, of Council Regulation (EEC) No. 1018/68. *Official gazette* No. L 165, 5 July 1969, p. 7.

<sup>2</sup> *Official gazette* No. L 209, 21 August 1969, pp. 1 and 11.

whether problems of compatibility arose between the EEC regulation and the Convention.

### *Transport rates and conditions*

#### *Rules on rates*

285. In accordance with Regulation No. 1174/68/CEE the Commission, in its Regulation (EEC) No. 358/69 of 26 February 1969, adopted the conditions and procedures for publication of special contracts comprising rates which depart from the published tariffs<sup>1</sup> in road haulage between the Member States. It proposed to the Council that the provisions of Regulation (EEC) No. 1174/68 concerning the admission of special contracts with rates differing from the tariffs should be amended to permit the operation of certain transport services with special technical characteristics justifying the application of rates higher than the tariffs.<sup>2</sup> There was some delay in the negotiations between the Member States, with the result that the tariffs could not come into operation by the closing date of 1 November 1969 specified in Regulation (EEC) No. 1174/68. The Commission is continuing its work to ensure implementation of this regulation.

#### *Discrimination and support tariffs (application of EEC Treaty Articles 79 and 80)*

286. Having regard, among other factors, to the European Parliament's recommendation, the Commission has amended its proposal for a Council regulation on discrimination in transport charges and conditions.<sup>3</sup> It also continued examination of 471 published and unpublished schedules of transport rates and conditions to check that they conform to the EEC Treaty. This examination has led to the cancellation or amendment of 88 tariff measures. An annual report is made on this matter to the European Parliament.

<sup>1</sup> *Official gazette* No. L 53, 4 March 1969, p. 1.

<sup>2</sup> Proposed Council regulation amending Article 5 of Council Regulation (EEC) No. 1174/68 of 30 July 1968 on the introduction of a system of bracket rates applicable to road haulage between the Member States. *Official gazette* No. C 99, 30 July 1969, p. 24.

<sup>3</sup> Proposed Council regulation on the abolition of discrimination in transport charges and conditions. *Official gazette* No. 66, 7 April 1966, p. 964. Amendments submitted by the Commission on 30 July 1968 (doc. COM(68) 289 final).

On several occasions the Commission has approached the Governments of the Member States to obtain adjustment of certain national rules to bring them more into line with the Treaty provisions. Thus, the new German inland waterway tolls tariff effective from 1 January 1970 has been purged of certain discrimination in the previous tariff.<sup>1</sup>

Noting that Germany, Belgium, France and the Netherlands had failed to meet the obligations incumbent on them under Regulation No. 11/60 with respect to inland water transport in the Rhine basin, the Commission initiated against them the procedure in EEC Treaty Article 169, second paragraph.

On 18 February 1969 the Belgian Government promulgated the "law on implementing measures pursuant to international treaties and conventions on road, rail and inland water transport". It is therefore now in a position to implement the Royal Decree communicated to the Commission on 31 May 1969<sup>1</sup> concerning the implementation of Regulation No. 11/60 on inland water transport.

287. The special tariff No. 251-Section A applicable to transport of agricultural produce from the south of Italy for export, was abolished on 1 January 1969.

On 31 October 1968 the Commission authorized the amendment by the Italian State Railways of special tariff No. 201-C.<sup>2</sup> Because this authorization did not extend beyond 31 December 1970, the Italian Government filed a suit contesting the Commission decision. The suit was rejected by the Court of Justice in its judgment dated 9 July 1969.<sup>3</sup> On a further application by the Italian Government to obtain 18 months' extension of the authorization decision of 31 October 1968, the Commission decided to authorize until 30 June 1971 special tariff No. 201-C for the transport of citrus fruit only.

With regard to the special German Federal Railway tariffs applicable to certain traffic to and from the Saar or Rhineland-Palatinate, concerning which the EEC Commission had initiated against Germany the procedure under Article 169 of the EEC Treaty, the German Government abandoned its argument of potential competition following the judgment of the Court of Justice on 8 February 1968 concerning ECSC High Authority Decision No. 14-66 of 20 July 1966. It asked the Commission for authorization

<sup>1</sup> See *Second General Report*, sec. 322.

<sup>2</sup> *Official gazette* No. L 281, 20 November 1968, p. 18.

<sup>3</sup> See sec. 282.

to maintain these special tariffs as support tariffs. However, following consultations in accordance with EEC Treaty Article 80(2) with all the Member States, they were abolished on 31 July 1969.<sup>1</sup>

### *Social harmonization*

288. On 25 March 1969 the Council adopted Regulation No. 543/69 on the harmonization of certain social provisions in the field of road transport.<sup>2</sup> This regulation applies to international transport between Member States as from 1 October 1969. From 1 October 1970 onwards it is to apply to all road transport for journeys or parts of journeys inside the Community.

In accordance with Article 16 of the regulation, the Commission, on 21 May 1969,<sup>3</sup> submitted to the Council a proposal for a regulation determining the characteristics, standardizing procedures, use and inspection of a mechanical monitoring device on board road vehicles. With particular concern to improve road safety, the Commission stipulated that this device should record certain vehicle running conditions, notably speed, as well as the driver's various working and rest times.

### *Co-ordination of investments*

289. No consultation meetings on transport infrastructure investments under the procedure introduced by the Council decision of 28 February 1966<sup>4</sup> have been necessary because the projects notified by Member States to the Commission did not call for joint examination.

The Commission has continued to follow attentively the state of advancement of the projects notified to it under this procedure and concerning which commitments had been undertaken in previous years by the national administrations represented, or requests made by the Commission.

Following a request from the Italian Government, the Commission was instructed under the above-mentioned procedure to make a general examination of the various schemes concerning communications across the Alps.

<sup>1</sup> ECSC tariffs, see sec. 296.

<sup>2</sup> *Official gazette* No. L 77, 29 March 1969, p. 49.

<sup>3</sup> Proposed Council Regulation (EEC) on the introduction of a mechanical monitoring device in road transport. *Official gazette* No. C 82, 27 June 1969, p. 15.

<sup>4</sup> *Official gazette* No. 42, 8 March 1966.

*Taxation and rates for the use of infrastructures*

290. The Commission has pushed forward actively with its work on the introduction of a system of rates based on economic criteria for the use of infrastructures, which it considers a basic element of the common transport policy. The three reports stipulated by Council Decisions No. 64/389/CEE of 22 June 1964<sup>1</sup> and No. 65/270/CEE of 13 May 1965,<sup>2</sup> supplemented by Commission Decisions No. 64/449/CEE of 10 July 1964<sup>3</sup> and No. 65/258/CEE of 27 April 1965,<sup>4</sup> have been submitted to the Council. They are:

- (1) The report on the pilot study to determine and verify the conditions of application of the various possible ways of fixing rates for the use of infrastructures;<sup>5</sup>
- (2) The report on the results of the survey on transport infrastructure costs. This report comprises a statement of expenditure on infrastructures in 1966 and a study on how the costs of these infrastructures were covered;<sup>6</sup>
- (3) The report on the results of the censuses and sample surveys carried out in 1966 on the use of transport infrastructures in connection with the survey of infrastructure costs.

These three reports provide statistical and methodological information of wide scope and thus represent a first stage in the introduction of the rates system. The results have enabled the Commission to propose to the Council that the programme of surveys provided for by Decision No. 65/270/CEE of 13 May 1965 be limited. A proposal has been put forward that the special studies to be undertaken by the Member States be confined to road infrastructure in urban areas.

The Commission hopes that the progress thus achieved will help to solve certain outstanding problems, in particular that of eliminating double taxation.<sup>7</sup>

Of the other matters outstanding, that of weights and dimensions of vehicles, for which the Commission put forward a proposal in 1964,

<sup>1</sup> *Official gazette* No. 102, 29 June 1964, p. 1598.

<sup>2</sup> *Ibid.* No. 88, 24 May 1965, p. 1473.

<sup>3</sup> *Ibid.* No. 123, 30 July 1964, p. 2084.

<sup>4</sup> *Ibid.* No. 82, 12 May 1965, p. 1405.

<sup>5</sup> Doc. SEC(69)700 final of 12 March 1969.

<sup>6</sup> Doc. SEC(69)2169 final of 16 June 1969.

<sup>7</sup> *Official gazette* No. 20, 6 February 1965, p. 268, and amendments submitted by the Commission on 30 January 1968; *Bulletin* 3-68, sec. 61.



should be mentioned.<sup>1</sup> The Commission has followed developments in this matter attentively and has revived work on the subject with further meetings of experts in view of certain new factors which have arisen in the meantime. The above-mentioned surveys and studies have also yielded new factors of evaluation in this matter.

### *Traffic safety*

291. The provisions agreed under Regulation No. 543/69 of 25 March 1969 on social matters,<sup>2</sup> the adoption of a mechanical device for monitoring driving and rest time and speed,<sup>2</sup> and the directives submitted to the Council under the General Programme for the elimination of technical obstacles to trade resulting from disparities between the laws and regulations of the Member States,<sup>3</sup> may well help to improve traffic safety. However, in view of the growing interpenetration of traffic between Member States, technological development and the ever heavier cost to the Community of further increases in traffic, the time seems ripe to prepare concerted and planned action at Community level on safety in general and, more particularly, on road safety. On certain fundamental aspects of road safety, special action needs to be considered in fields where it is clear that the efforts made in other international organizations have not achieved the required results or are not likely to do so within a reasonable time.<sup>4</sup>

### *Technical harmonization*

292. Work on the standardization of equipment and components used on board inland waterway craft continued in the Working Party—under Commission chairmanship—on standards for inland waterway vessels. During 1969, this work resulted in the establishment of 16 new draft standards which, as in previous cases, will be submitted to the national standards institutions with a view to international registration, while 37 standards drafted by this group of experts have already been adopted by the European Committee for Co-ordination of Standards (CEN).

The Working Party also drafted standards on electrical installations for inland waterway vessels. The draft will be submitted for approval

<sup>1</sup> See *Bulletin* 7-64, sec. 67.

<sup>2</sup> See sec. 288.

<sup>3</sup> See *Second General Report*, secs. 9 and 10.

<sup>4</sup> See also reply to written questions Nos. 169/69 (*official gazette* No. C 141, 30 October 1969, p. 6) and 258/69 (*official gazette* No. C 147, 17 November 1969, p. 13).

to the "Conseil européen de coordination des normes électriques" (CENEL).

*Consultations and Opinions (application of the standstill clause)*

293. In accordance with the Council decision of 21 March 1962,<sup>1</sup> the Commission has rendered Opinions addressed to the Governments of Germany,<sup>2</sup> Belgium,<sup>3</sup> France<sup>4</sup> and the Netherlands.<sup>5</sup>

By order of the German Ministry of Transport, dated 21 May 1969, a regulation on the allocation of inland waterway cargoes<sup>6</sup> was abrogated. The Commission accordingly decided, on 23 July 1969, to drop this procedure for infringement.

*The Consultative Committee on Transport*

294. At the request of the Commission, the Consultative Committee on Transport rendered Opinions on the following matters:

- (a) Drafts of conventions on combined international transport of goods drawn up by the International Institute for the Unification of Private Law (Unidroit) and the International Maritime Committee;
- (b) Harmonization of the conditions of access to auxiliary transport occupations;
- (c) Capacity rules in road haulage by container;
- (d) Rules on restrictive agreements in container transport.

*Application of the ECSC Treaty*

*Price formation and transport conditions in the coal and steel sector—  
General tariffs*

295. Certain railway systems in the Community apply minimum charges and chargeable distances which, because of their scale, hamper the correct

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<sup>1</sup> *Official gazette* No. 23, 3 April 1962.

<sup>2</sup> *Ibid.* Nos. L 110, 8 May 1969, and L 152, 26 June 1969.

<sup>3</sup> *Ibid.* No. L 110, 8 May 1969.

<sup>4</sup> *Ibid.* No. L 138, 10 June 1969.

<sup>5</sup> *Ibid.* No. L 13, 19 January 1970.

<sup>6</sup> See *Second General Report*, sec. 328.

application of the agreement of 21 March 1955.<sup>1</sup> This agreement provided for the introduction of international through rates for rail transport of ECSC products, with the elimination of "breaking bulk" at frontiers, which had previously penalized international transport.<sup>2</sup>

In accordance with Article 17 of the agreement of 21 March 1955, the Commission has therefore proposed negotiations with the Governments meeting in the Council to find a satisfactory solution to this problem.

### *Special tariff measures*

296. Following contacts between the Commission and the German Government after the Court judgment of 8 February 1968,<sup>3</sup> the special rates of the German Federal Railways for certain consignments of ECSC products between seaports and the Saar were abolished on 31 July 1969.

Since the German Government has announced supplementary measures in favour of the Saar, the final assessment of the other special tariffs which the German Government wished to maintain will depend on the general situation of the Saar. In order to have available all the necessary information, the Commission therefore adopted, on 9 July 1969, Decision No. 69/238/CECA, based on Article 70, fourth paragraph, of the ECSC Treaty, authorizing these tariffs until 31 December 1970.<sup>4</sup>

Continuing in the footsteps of the High Authority,<sup>5</sup> the Commission authorized under ECSC Treaty Article 70, fourth paragraph, certain special domestic tariff measures adopted by the French National Railways in their own interests.<sup>6</sup>

### *Disclosure of rates and conditions of carriage for coal and steel*

297. The Commission remains convinced that adequate disclosure of rates and conditions of carriage for ECSC products is essential for healthy competition in the coal and steel markets.

<sup>1</sup> See *ECSC official gazette* No. 9, 19 April 1955.

<sup>2</sup> See *Third (ECSC) General Report*, secs. 124 to 129.

<sup>3</sup> See *Second General Report*, sec. 331.

<sup>4</sup> *Official gazette* No. L 192, 5 August 1969, p. 1.

<sup>5</sup> See *Eleventh (ECSC) General Report*, sec. 369.

<sup>6</sup> ECSC Decisions Nos. 69/267, 268, 273, 274. *Official gazette* No. L 220, 1 September 1969.

It is therefore continuing its efforts to achieve adequate disclosure of rates and conditions of carriage in fields where transparency of the transport market is still insufficient or even non-existent.<sup>1</sup> In particular, it has proposed to the Governments that they should begin negotiations in the Council concerning a system of disclosure of rates and conditions of carriage of ECSC products in international transport between Community ports by inland waterway.

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<sup>1</sup> See *Second General Report*, sec. 334.

## 6. Regional policy

298. On 15 October 1969 the Commission submitted to the Council a draft decision, under EEC Treaty Article 235, to provide the Community with the instruments it needs to promote the regional measures dictated by the requirements and consequences of establishing the common market and gradually approximating the Member States' economic policies. At its session of 10 and 11 November 1969, the Council referred this proposal to the Parliament for the consultation specified in Article 235. It also decided to consult the Economic and Social Committee.

The proposal is analysed below, after which the Commission's other activities in the field of regional policy are also described.

### THE ORGANIZATION OF COMMUNITY INSTRUMENTS

299. The proposal for a decision on the organization of Community instruments for regional development is based on an analysis of the main regional policy problems in the Community. These problems are revealed by an analysis of regional development in the Community and by an account of the need for Community-level action and of the Community's approach in the matter of objectives.

#### *The proposal for a decision*

300. To enable the Community to stress the urgent need for measures to be taken in certain regions, it is proposed that the Commission should regularly examine, with each Member State, the situation of the regions for which development plans should be drawn up, or amplified, and implemented without delay.

Such urgency is presumed to exist for the following regions:

- (a) regions lagging behind in development, mainly because of the predominance of agricultural activities;
- (b) regions which are declining because of the trend of the predominant economic activities;

- (c) frontier regions, where the need for co-ordination between Member States is felt particularly strongly;
- (d) regions where there is structural unemployment.

These plans should contain sufficiently comprehensive and precise information and would be examined by the Commission and the Member State concerned according to a jointly agreed order of priority. Where such plans did not exist, the Commission would recommend their compilation. If they appeared inadequate, the Commission would recommend that they should be worked out in more detail. If the Commission or the Member State concerned so requested, the regional development plans would be discussed in a Standing Regional Development Committee, composed of representatives of the Member States and with a member of the Commission or his representative in the chair. The European Investment Bank would appoint an observer to the Committee.

Besides these development plans, the Committee would examine the regional policy forecasts and general programmes prepared by the Member States, and more generally the regional problems arising because of the common market. The Committee would be able to formulate opinions on the subject.

The Commission would, in the light of discussions it had with the Member States or which had been held in the Standing Regional Development Committee, direct to the Member States concerned, within a period of time to be agreed upon, any opinions or recommendations regarding regional development plans, the main purpose of which would be to take account, from the economic and social angle, of:

- (a) the need for better co-ordination of measures adopted by the Member States, especially in frontier areas;
- (b) Community needs where improvements are made to infrastructure, in particular communications, oil or gas pipelines, ports, airports, and where natural sites and resources are developed;
- (c) the implications of policy on agricultural structure;
- (d) the demands of industrial policy in the common market and the need to avoid uneconomic production;
- (e) vocational training and guidance needs.

The Commission's opinion might take the form of approval pure and simple of the regional development plan submitted.

301. To facilitate implementation of the plans submitted to the Standing Committee and approved by the Commission, Community aid might be granted in the form of interest rate rebates or guarantees for loans made by the European Investment Bank or other financial institutions.

A Regional Development Rebate Fund, managed by the Commission and replenished by budget contributions, would be set up. A guarantee system for regional development, managed by the Commission and backed by the Member States, would also be set up. On a proposal from the Commission, the Council would lay down the rules on the operation of the Rebate Fund and the guarantee system, together with the principles regarding allocation of interest rate rebates and guarantees.

In order to assess the financial backing for regional development action in the Community, the Commission would examine regularly with the Member States the extent of the funds they contemplated allocating to regional policy action over a period of years.

302. With a view to keeping private and public investors who might make a contribution to the implementation of regional development plans better informed, the Commission would organize Community-level co-operation between institutions and other bodies pursuing this aim in the Member States.

The Commission would place at their disposal, subject to Article 214 of the Treaty, the requisite information on such regional development schemes, programmes, plans and measures in the Community as had come to its knowledge.

The Commission could promote the establishment or development of such institutions and other bodies where the existing information network was insufficient to cover more particularly those regions referred to in Article 1 of the decision—i.e. the four categories listed in section 300 above.

303. In this way a limited but consistent set of instruments would be established, enabling the Community institutions to promote a harmonious development of economic activities throughout the Community by joint action with the Member States and in accordance with the requirements and implications involved in establishing the common market and gradually approximating the Member States' economic policies.

## REGIONAL DEVELOPMENT STUDIES

*Study of regional development in the Community*

304. As with any other policy, management of regional policy at Community level presupposes a detailed knowledge of actual development. Community regional structures and their changes have been studied systematically by the Commission. These studies were initially carried out for large geographical areas and large socio-economic regions, and then extended to smaller regional units which are easier to compare at Community level.

Special attention was paid to major demographic trends, to the evaluation of the total labour force and of the labour force by sectors, to specialization by sectors in the regions, and to correlations between agricultural employment and the trend in the total working population. Systematic processing of the returns of the 1963 Community census has been undertaken in order to provide homogeneous data from which to obtain a better knowledge of the regional location of industry. In addition, an analysis has been made of productivity in the various regions of Germany.

While providing a picture of actual developments, these studies also helped towards the preparation of an outline set of economic, social and demographic indicators which can be used to keep overall track of changes in the regional structures of the Community.

305. The Commission further expanded exchanges of information with the national and regional authorities of Community and non-member countries. In response to the wishes of the European Parliament and more particularly a recommendation made by the Bersani report of May 1966, the Commission also began to issue a regular bulletin which is to be a medium for ideas and reflection as well as a forum for comparing notes and exchanging ideas. This bulletin is intended for circles concerned with regional development at the various levels in Community countries and regions.

*General studies*

306. Work continued under the long-term research programme, mentioned in the previous General Report, on urban concentrations, points of entry



and exit by sea in the Community, and centres of quaternary activity. The final reports on these three surveys are to be the subject of consultations with the experts of Member Governments.

### *Special studies*

307. Special studies, undertaken at the request of Member Governments, are preparing the ground for solving urgent or specific problems in certain regions. The following studies were begun or continued in 1969.

A study on the Loire region started in 1968 with a view to promoting industrial development of the Nantes-St. Nazaire conurbation.<sup>1</sup> The section of the study which has since been completed has made it possible to determine the specific features of this region and to select new activities, matching these features, for building up under a development programme.

The general study on the economic development of southern Belgium was put in hand at the beginning of 1969. The first part of the study has been completed, together with a first interim report on the social and economic analysis and development prospects of the region. It is planned to establish a regional development programme in line with Belgian and Community economic development.

The year 1969 saw completion of work on the general study of the Liège/Belgian Limburg/Maastricht/Aachen frontier region<sup>2</sup> which had been commissioned from three institutes, one German, one Belgian and one Dutch. An *ad hoc* committee consisting of persons in the Member States and Commission with responsibilities in the matter has been set up to further preparations for co-ordinating practical development measures in this region. The committee began work in December 1969.

At the request of the German and Dutch Governments, the Commission helped to analyse the structures and problems peculiar to the Westmünsterland/Grafschaft Bentheim/Twente/Oostgelderland region, which is an economic unit. The Governments and the Commission have instructed two specialist institutes to carry out the study, which is to rough out a development plan for the entire region. Work is to be finished by the end of 1970.

<sup>1</sup> See *Second General Report*, sec. 362.

<sup>2</sup> See *First General Report*, sec. 254 and *Second General Report*, sec. 360.

In December 1966 the Commission had decided to participate in a study which was to analyse and forecast the economic structure of Land Schleswig-Holstein, with a view to the selection of growth centres and the proposal of measures, more particularly certain infrastructure projects.<sup>1</sup> The final report was terminated in September 1969. This study was used to prepare the regional action programmes which have recently been adopted by the Federal German Government and by the Schleswig-Holstein Government.

The Commission has contributed to a study which is to outline a development plan for the Friuli-Venezia Giulia region and to estimate the costs of the measures envisaged. The Italian Government and the Commission entrusted this study to two Italian institutes. The findings should be available at the end of 1970.

In 1968 it was decided to facilitate reconversion of a steel plant in the Amberg region of Bavaria, under ECSC Treaty Article 46, 4, by carrying out studies in order to provide this enterprise with production guidelines which are new, economic and sound. The studies were completed in October 1969; it is for the enterprise to turn their findings to good industrial account.

Under ECSC Treaty Article 46, third paragraph, fourth subparagraph, the Commission collaborated with the Regional Government of Val d'Aosta in studies on the development of this region.<sup>2</sup> The studies were completed in 1968 and have been approved by the Committee for the industrialization of Val d'Aosta.

The Italian Government and the Commission reviewed work done in 1968 in the first phase of the study to promote development of the tourist industry in Calabria. This work made it possible to specify the tourist potential of various areas which are to be helped by tourist development projects. Preparation of these projects was begun by the institutes responsible for the study.

#### HARMONIZATION OF NATIONAL AND COMMON POLICIES

308. The Commission has already stressed the need to harmonize common and co-ordinated policies with regional policy.<sup>3</sup> It has laid down the

<sup>1</sup> See *First General Report*, sec. 255 and *Second General Report*, sec. 358.

<sup>2</sup> See *Fifteenth (ECSC) General Report*, sec. 436.

<sup>3</sup> See *Second General Report*, secs. 336 *et seq.*

principles and guidelines for this harmonization in the proposal to the Council referred to above.<sup>1</sup>

The Community's main activities in this field during 1969 were as follows.

### *Sector changes and regional problems*

309. On 16 July 1969 the Commission rejected an application by the Italian Government for authorization to apply a safeguard measure under EEC Treaty Article 226 to help the Italian lead and zinc industry, but at the same time it expressed its willingness to examine any measures which the Italian Government might consider taking to resolve the social difficulties liable to appear at regional level. These measures would be assessed in the context of a general plan for development of the region to be submitted by the Italian Government.

In pursuance of ECSC Treaty Article 70, the Commission authorized the application by the German Federal Railways of special freight rates for coal and steel enterprises in the Saar.<sup>2</sup> The authorization is valid till 31 December 1970, which should give the German Government time to finalize the measures already announced for reorganizing the Saar coal and steel industry and the economy of the region as a whole. In this connection, initial contacts have taken place between the German authorities and the Commission. Acting under the same provision of the ECSC Treaty, the Commission has authorized the application till 31 December 1970 of some other special transport tariffs, in particular for consignments of ECSC products from Lorraine, the Decazeville area and the Centre Midi region in France.<sup>3</sup>

Regional economy problems are raised by the application of Council Regulation (EEC) No. 1191/69 of 26 June 1969, on action by the Member States with regard to obligations inherent in the concept of public service in transport by rail, road and inland waterway.<sup>4</sup> The Member States are required to abolish public service obligations (obligations to operate and to carry, and tariff obligations). The obligations can be maintained in so far as they are essential to guarantee the supply of adequate transport services. Costs to transport undertakings arising from retention of public

<sup>1</sup> See secs. 299 to 303.

<sup>2</sup> *Official gazette* No. L 192, 5 August 1969, p. 1.

<sup>3</sup> *Ibid.* No. L 220, 1 September 1969.

<sup>4</sup> *Ibid.* No. L 156, 28 June 1969.

service obligations will be compensated by common methods. The supply of adequate transport services is assessed in the light of:

- (a) the general interest;
- (b) scope for using other transport techniques and the ability of these to satisfy the transport requirements in question;
- (c) transport rates and conditions which can be offered to users.

In practice, many problems with regional implications will be raised by interpretation of the criterion "supply of adequate transport services". Moreover, as the regulation only applies for the moment to the rail transport activities of the six national railway companies of the Member States and, in the case of other modes of transport, to carriers not engaged mainly in local or regional transport, the Council will have to determine by 1 July 1972 the steps to be taken regarding public service obligations for transport services which do not come under this regulation. In addition, the Commission has included provisions enabling allowance to be made for regional requirements in its proposal for a regulation on the establishment of common rules for ordinary and specialized scheduled bus and motorcoach services operated between Member States.<sup>1</sup>

The Memorandum on the reform of agricultural structures in the Community provides for regional differentiation of its proposals. An examination has begun of how the five million farmers who, according to the Memorandum, are expected to remain on the land will be divided between the various regions of the Community. When the statistical work is far enough advanced, it is to be examined and amplified with the help of Member State experts.

### *Relations between regional policy and social policy*

310. In the Opinion on the reform of the European Social Fund which the Commission has submitted to the Council,<sup>2</sup> particular stress has been laid on the need to make the Fund a more active and effective instrument and to provide it with resources which ensure that it can contribute to the implementation of a dynamic employment policy. Employment difficulties are further aggravated by structural changes, whether due to decline, reorganization or development, in regions which are vulnerable

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<sup>1</sup> Document COM (69) 485, 17 July 1969.

<sup>2</sup> Document COM(69) 347 final, 4 May 1969.

because of their inadequate development, their dependence on a single industry or their outlying location.

The reformed European Social Fund will be in a position to do more, in particular, to help resolve the problems raised by the regional changes which are essential if the Community's economic growth is to be balanced and by the requirements of optimum employment of the labour force.

#### THE CREATION OF NEW REGIONAL ACTIVITIES AND MEANS OF DEVELOPMENT

311. The Community has helped with the re-employment of workers discharged from the coal and steel industries; to this end it has facilitated the financing of several schemes in pursuance of ECSC Treaty Article 56.

Acting under EEC Treaty Article 130, the European Investment Bank has granted loans to schemes for improving less developed regions in the Community.

#### *Redevelopment*

312. Following the confirmatory opinion of the Council, the Commission formally approved 12 schemes for which loans totalling more than 14 million u.a. had been requested. The loans in question are to facilitate investments totalling more than 147 million u.a. These schemes will make it possible to re-employ some 3 500 workers.

Approval was given in principle to 7 other schemes, for which loans totalling more than 43 million u.a. had been requested. These loans are to facilitate investments totalling some 206 million u.a. The Commission has asked the Council to endorse the grant of the loans.

Government applications have been made to the Commission for 29 schemes. The loans involved are to facilitate investments totalling close on 500 million u.a.

Schemes scheduled for Community financial aid and now in progress are as follows, according to region.

The Community has participated in the policy for industrial reorganization of the Ruhr (North Rhine-Westphalia) by granting 5 redevelopment loans totalling more than 9 million u.a. Several of these projects have

a sufficient industrial content to further the diversification desired by the Federal German authorities. The Community loans have helped to encourage industrial investments enabling more than 1 900 new jobs to be created.

The economy of the Lower Saxony region is mainly geared to agriculture, and the increasing demand for jobs is intensified by the drift from the land. Furthermore, the last iron-ore mine was definitively closed in 1967. The Federal German Government and the Land have provided assistance, with a view to encouraging the establishment of a genuine industrial structure in the region. The Community has decided to support this effort by lending 150 000 u.a. at a low interest rate towards the cost of an industrial scheme.

TABLE 21  
Redevelopment schemes scheduled for Community  
financial aid in 1969

Location	Amount of loan		Estimated number of new jobs
	National currency	u.a.(rounded figures)	
<i>North Rhine-Westphalia</i>	DM		
Voerde	6 000 000	1 500 000	610
Voerde	3 750 000	937 500	120
Rheinberg, Kreis Moers	6 150 000	1 537 500	180
Herten	3 500 000	875 000	300
Essen	28 550 000	4 372 000	700
	47 950 000	9 222 000	1 910
<i>Lower Saxony</i>			
Damme	600 000	150 000	50
<i>Dutch Limburg</i>	Fl.		
Geleen	6 000 000	1 657 450	280
Maastricht	3 620 000	1 000 000	550
Heerlen	2 376 000	660 000	300
Roermond	1 737 600	480 000	100
Susteren	1 500 000	414 400	75
Linne-Herten	2 000 000	550 000	70
	17 233 600	4 761 850	1 375
		14 133 850	3 335

The Commission has decided to contribute 4.8 million u.a. towards the cost of 6 new industrial schemes in Dutch Limburg which will enable some 1 400 new jobs to be created. Mining in this coalfield is scheduled to stop almost completely in 1975. Closures will continue to be made in accordance with re-employment opportunities. An information memorandum has provided a provisional review of the redevelopment of the coalfield.

*EIB loans to regions which are in difficulties or backward*

313. In 1969 the Commission rendered a favourable opinion on 26 schemes for improving less developed regions; of these 26 schemes, 14 were in Italy. In addition, the aggregate loan granted in 1968 to the Cassa per il Mezzogiorno has made it possible to finance 20 industrial schemes. The Commission approved 7 schemes in France. As regards the other Member States, the Commission gave opinions in particular on 3 schemes in Germany and 2 schemes in the Netherlands.

## 7. Social policy

### GENERAL

314. In the social field the Commission's primary care is to assure the continuity and consistency essential to the effective performance of its highly diversified tasks. Nevertheless, certain problems that seem to it to merit priority have to be given more attention than others. The Commission's main concern during 1969 has been to continue the lines of action undertaken in the previous years to improve treatment of the social aspects in the various common policies, and to co-ordinate the efforts being made to deal with employment problems in the widest sense.

The Commission's predominant interest in these matters has been shared by the Council, which in March listed a number of tasks to be carried out by the Commission. In June the Commission forwarded to the Council an Opinion on the reform of the European Social Fund which had to do primarily with employment policy; in this document consideration is given to ways of permanently ensuring better adaptation of manpower to the trend in demand, through radical renovation of the Fund.

315. The social questions in which the Commission is directly concerned continue to grow steadily in number and size. But, quite apart from this, the record of activities for 1969 undoubtedly shows that the social aspect of problems is tending to come more and more to the fore at Community level, as is evidenced by the two Council meetings devoted to social matters and by the relations with the two sides of industry, which have been given special attention through Commission endeavours to increase contacts and discussions with them. Here, mention should be made of the Council decision to organize at Community level a conference on employment, to be held in March 1970.

In this same context the Commission took action to follow up the symposia at Menton in February 1966 and Turin in October 1966 by organizing, jointly with the ICFTU and WCL, a third symposium on the prospects of European integration, which was held at Luxembourg on 6 and 7 March 1969. The trade union organizations have formally adopted a memorandum expressing their views on what should go into the future single treaty.



## THE SOCIAL ASPECTS OF THE COMMON POLICIES

316. A first report by the Commission on the correlation between social policy and the other Community policies<sup>1</sup> was examined by the Council on 13 March 1969. The Commission has since drawn up a second report.

Social aspects continued to be given consideration in the work on general economic policy, especially in the draft of the third medium-term economic policy programme, which will contain a special chapter on social security problems. As regards short-term economic policy, priority is being given to problems of employment and the measures to be taken.

In the field of monetary policy, the Commission turned its attention to the effects of the devaluation of the French franc on the freedom of movement and social security of Community workers. The social consequences of the German Government's decision to revalue the German mark, on 28 October 1969, were also examined.

The Memorandum on the Reform of Agriculture in the European Economic Community, submitted by the Commission to the Council on 21 December 1968, provides for certain social measures, notably the creation of new jobs, vocational training and readaptation, and the grant of financial aid and compensation.

On transport, the Council in March 1969 adopted a regulation concerning action by the Member States on obligations inherent in the concept of public service in transport and another regulation on the standardization of railway accounts. The Commission is now preparing a proposal for a regulation on gradual harmonization of the rules governing financial relations between the State and the railways, so as to ensure the financial autonomy of the latter. All three measures have pronounced social aspects, especially as regards employment, working conditions and industrial relations.

In February the Commission forwarded to the Council a first memorandum on social aspects of coal policy in the context of a Community energy policy. The memorandum has since been published. It is designed to promote a European mining manpower policy which would offset the adverse consequences of the coal recession, ensure modernization of the industry and make it possible to maintain a nucleus of production in Europe. With a view to elaborating the measures pro-

<sup>1</sup> See *Second General Report*, sec. 368.

posed in the memorandum, the Commission on 12 June obtained the opinion of the European Parliament's Committee on Social Affairs and Health Protection, on 19 June the opinion of the ECSC Consultative Committee, and on 25 September that of the Economic and Social Committee; on 31 October 1969 the matter was put before the Joint Committee for the Coal Industry.

The social aspects of the work being done on company law also received attention from the Commission. This work concerns a draft convention on international mergers (employment contracts and rights acquired by the workers employed by the companies merging), a draft directive on domestic mergers (inclusion of employment forecasts in the report of the merger), and a study on workers' representation on the organs of the European company. In addition, opinions were obtained from the relevant trade associations concerning the harmonization of Member States' law on certain aspects of commercial representation (commercial travellers and representatives).

Finally, mention should be made of the place given to the social aspects, and particularly to questions of vocational training and adaptation of manpower, in the Commission's draft on the organization of instruments for regional development.

The following pages will be devoted to discussion of activities in the fields of employment, vocational training, wages and salaries, living conditions, health protection, and industrial health and safety—fields which, for various reasons, impinge on one or more of the common policies.

#### ACTIVITIES IN CONNECTION WITH EMPLOYMENT

317. Employment continued to occupy a dominant position in the Commission's schedule of activities.

At the beginning of 1969 the Commission drew up a memorandum on trends in the labour market to facilitate the discussion of the matter which took place in the Council on 13 March. It was agreed that at future meetings certain problems will be discussed, particularly those arising from vocational training and adaptation and from the employment of foreign manpower.

The Commission drew up its tenth report on manpower problems in the Community, which gives more detailed information than the previous

reports. It presented its first annual report on developments in the work done by employment services, and has completed a report on placement methods. These last two documents are the result of the priority jobs put in hand under the plan for collaboration between the employment services of the Member States.

In order to meet wishes expressed by various bodies, including the Council, the Commission paid special attention to methods of improving knowledge of the labour market. Employment service officials were given a period of in-service training in the use of computers. The Statistical Office of the European Communities published the results of a Community sample survey of the labour forces in 1968 (*Statistiques sociales* No. 6, 1969). This survey of employment and unemployment was repeated in 1969. A paper was prepared on current methods of forecasting the working population and employment. In response to a request for information received from the Council, the Commission is also preparing a list of forecasting activities carried out at national and Community level, to which the document on methods will be attached. Within the Commission, the decision was taken to set up an inter-departmental working party that will prepare proposals in the field of employment forecasting.

Finally, a co-ordination group linking the Commission and the two sides of industry has been set up for the purpose of associating management and labour more closely in the establishment of a comprehensive view of all the Commission's activities in the field of employment.

#### ACTIVITIES IN CONNECTION WITH VOCATIONAL GUIDANCE AND TRAINING

318. The Commission has published its second annual report on vocational guidance activities in the Communities. It organized two collective in-service training periods, one in the Netherlands, the other in France, for officials of the government departments concerned.

319. As regards vocational training, in June 1969 the Commission submitted to the Council a proposal for a Council recommendation to the Member States on the use of a European career brief for the training of skilled machine-tool operators. The decision the Council will take on this prototype will determine the method used for alignment of training levels and also for reciprocal recognition of the diplomas and certificates of dependent workers. The Commission has also drawn up a draft Council

directive on the minimum skills necessary for drivers of road vehicles transporting goods and passengers; this directive should come into force on 1 April 1970. The new demands of the common policy on vocational training have caused the Joint Advisory Committee on Social Problems of Paid Agricultural Workers to compile a proposed list of operations that should be given priority. This is also to be the central theme of a symposium which the Liaison Committee for Young Farmers' Organizations and the Committee of Agricultural Organizations in the EEC (COPA) have prepared with the help of the Commission.

The Commission continued its efforts to help with the adaptation of structures and methods of vocational training in the Community countries. The first problems tackled with help from the Advisory Committee on Vocational Training concerned future vocational and technical training and the retraining of workers for other jobs. During 1970 studies will be available on the reforms of vocational training in progress or planned in the Member States and on the multi-skill aspect of training programmes;<sup>1</sup> there will also be a list of legislative provisions on vocational and technical training, and the first statistical survey on the vocational training of adults.

In November 1969, on the basis of a scheme prepared by the Commission, the Council examined current problems connected with adult vocational training as an instrument of an active employment policy. It was agreed that the Commission should submit draft conclusions to the Council and that at its next session on social affairs the Council would decide on the line it should adopt.

New work on the training of teachers and instructors was brought to a satisfactory conclusion. For instance, a report on teaching methods and aids was completed and a first seminar on the common vocational training policy was held in December 1969 at the International Labour Office's Advanced Technical Training Centre in Turin; this seminar was attended by some 40 executives responsible for training and by representatives from the trade organizations. The periodical bulletin of training documentation<sup>1</sup> appeared in a new enlarged form, covering all economic sectors, and documentation is being prepared on the results of programmed instruction in vocational and technical training.

320. The ECSC Subcommittees<sup>2</sup> continued activities along the lines laid down in their Fourth Action Programme. The second volume of the Com-

<sup>1</sup> *Second General Report*, sec. 385.

<sup>2</sup> *Ibid.*, sec. 384.

munity manual on new technical processes in the steel industry and the report on changes in personnel patterns and training in the steel industry have been published. A report on the corresponding studies for the coal industry is in the press. In connection with the social aspects of coal policy, the Subcommittee on Training (Coal) gave its opinion to the Commission on training problems and, in particular, the question of a short career for miners.

A third seminar on training policy and organization at enterprise level<sup>1</sup> was held at the Advanced Technical Training Centre, Turin, for some 15 executives from mines and iron and steel plants in Africa and Latin America. In addition, about fifteen individual scholarships were granted for other courses at the Centre.

321. As in previous years,<sup>2</sup> the Commission made a contribution towards a number of developments in the field of vocational training, notably the European congress on vocational training organized in Rome by UNITESA<sup>3</sup> in February 1969, and the first European competition for craftsmen, held in April 1969 in Munich.

Exchanges of young farmers and craftsmen for in-service training have been organized; exchanges of young people in various other sectors of industry are being studied, and the first Community exchange programme is in process of revision.

With the Commission's support, a meeting of experts responsible for exchanges of young farmers was organized in Rome by the Liaison Committee.

## THE SOCIAL FUND, READAPTATION AND RECONVERSION

### *Re-employment and readaptation*

322. Despite the general improvement on the Community labour market in 1969, serious disruptions of employment continued in several sectors of economic activity and several regions, notably those which are especially sensitive to structural changes or the effects of economic interpenetration,

<sup>1</sup> See *First General Report*, sec. 267 and *Second General Report*, sec. 384.

<sup>2</sup> See *Second General Report*, sec. 386.

<sup>3</sup> Unione Nazionale dell'Istruzione Tecnica e Professionale.

or where conditions for the location of industry are not favourable. Thus, the Community's measures to promote re-employment and readaptation increased still further by comparison with the preceding years.

Furthermore, the Commission endeavoured to improve and even to remodel the instruments at its disposal, in order to render them more effective. In particular, it submitted an Opinion to the Council on recasting the European Social Fund. In the field of ECSC activities it endeavoured to obtain better guarantees for the readaptation of manpower, notably by the use of more stringent measures for transferring workers to new jobs and by increasing facilities for vocational training.

Finally, it continued to study the manpower aspects of changes in progress or expected in agriculture and various industries<sup>1</sup> (energy, textiles and others), and the possibilities of re-employment in certain regions,<sup>2</sup> with a view, in particular, to preparing the operations it might be called on to undertake within the framework of a reformed European Social Fund.

### *European Social Fund*

323. Refunds made in 1969 by the European Social Fund totalled some 36.6 million units of account, distributed as shown in Table 22.

At the end of the financial year, the accounts of the Member States with the Social Fund showed a transfer of slightly more than 12 million u.a., almost all of which went to Italy.<sup>3</sup>

The total amount applied for in 1969 was some 33.4 million u.a., of which only 0.4 million u.a. relate to resettlement projects.

The estimates submitted by the Member States for aid which they expect to apply for during the financial year 1970 total 42 million u.a.

324. Viewed as a whole, the Social Fund's activity has increased considerably since 1966. This increase is due to many factors.<sup>4</sup> Besides the rise

<sup>1</sup> See Ch. IV, 2.

<sup>2</sup> See *Etude de développement régional* No. 15 (studies under Article 46, third paragraph, fourth subparagraph, of the ECSC Treaty).

<sup>3</sup> Application of Articles 16 and 17 of the Financial Regulation on the methods and procedure whereby the Member States' contributions are made available to the Commission. *Official gazette* No. 22, 30 March 1961.

<sup>4</sup> See preceding General Reports and *Bulletin* 11-69, Ch. II.

in prices, there has been the adaptation of national legislation to the conditions for the grant of assistance by the Fund, and also the efforts made by the Commission, with support from the Fund Committee, to eliminate certain technical difficulties and broaden, as fully as permitted by the Treaty, the interpretation of certain concepts such as unemployment and underemployment. The increase mainly relates to Italy and Germany, whose annual volume of requests for aid grew substantially between 1965 and 1969 (from 1.6 million u.a. to 14.7 million for Italy and from 3.4 million u.a. to 8.2 million for Germany). The volume of requests from the other Member States has remained more or less unchanged.

TABLE 22  
Aid from the Social Fund in 1969

	For retraining		For resettlement		Total	
	Amount (u.a.)	Number of workers	Amount (u.a.)	Number of workers	Amount (u.a.)	Number of workers
Germany (FR)	11 347 541	6 457	526 462	7 208	11 874 003	13 665
Belgium	959 641	1 127	—	—	959 641	1 127
France	2 625 977	3 030	974 647	13 183	3 600 624	16 213
Italy	19 295 881	142 865	17 495	155	19 313 376	143 020
Luxembourg	—	—	—	—		
Netherlands	843 840	789	367	2	844 207	791
Community	35 072 880	154 268	1 518 971	20 548	36 591 851	174 816

Considerable as the growth in the Fund's activity has been for some years past, the shortcomings in its operation, which have often been referred to, nevertheless persist:<sup>1</sup> the repayments have a certain stimulating effect at national level, but they have no real impact on the economic

<sup>1</sup> See *Bulletin* 8-69, Ch. III.

and social life of the Community. This arises, in particular, from the impossibility of co-ordinating them, concentrating them on the most important problems, and guiding them along lines consonant with the Community's requirements and priorities.

On 11 June 1969 the Commission submitted to the Council, under Article 126 of the EEC Treaty,<sup>1</sup> an Opinion in which it proposed a radical renovation of the structure and operation of the Fund with the object of making it a flexible instrument which the Community could use to help the Governments of Member States when they take the measures necessary for the good functioning of the common market and the implementation of the common policies and of guidelines on medium-term economic policy.

325. As regards Community aid for redundant Italian sulphur-mine workers (application of Council decision of 22 December 1966, Commission decision of 24 July 1967, and Italian law of 1 March 1968), the Commission has settled the first requests for repayment presented this year by the Italian Government and has approved an amount of 1.6 million u.a.

### *Readaptation of workers*

#### *Readaptation operations*

326. Reduction of manpower in the ECSC industries was accompanied by considerable expansion in readaptation operations in 1969. Credits granted reached the highest figure since activities began in this field. Between 1 January and 31 December 1969 an amount of 26 462 300 u.a. was allocated for the readaptation of 30 978 workers.

Table 23 shows the foreseeable number of workers concerned and the amount of credit made available, broken down by country and industrial sector.

The coal industry was the one to which the Community gave most readaptation assistance. In Belgium, 2 mines were concerned, in Germany 5, in France 6 and in the Netherlands 1.

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<sup>1</sup> *Official gazette* No. C 131, 13 October 1969.



TABLE 23  
 Readaptation assistance approved under Article 56(2) of the ECSC Treaty  
 (1 January 1969—31 December 1969)

	Coal industry		Iron and steel industry		Iron-ore mines		Total	
	Workers aided	Amount furnished (in u.a.)	Workers aided	Amount furnished (in u.a.)	Workers aided	Amount furnished (in u.a.)	Workers aided	Amount furnished (in u.a.)
	Germany (FR)	3 447	13 224 532.12	10 498	1 943 654.37	459	97 500.00	14 404
Belgium	2 620	1 380 000.00	1 512	509 000.00	—	—	4 132	1 889 000.00
France	2 817	3 451 244.26	1 502	498 114.73	573	316 810.37	4 892	4 266 169.36
Italy	—	—	—	—	—	—	—	—
Luxembourg	—	—	—	—	—	—	—	—
Netherlands	7 550	5 041 436.46	—	—	—	—	7 550	5 041 436.46
Community	16 434	23 097 212.84	13 512	2 950 769.10	1 032	414 310.37	30 978	26 462 292.31

Readaptation operations in the iron and steel industry, begun in 1968, increased in 1969: the number of beneficiaries here, which was 10 024 in 1968, or 23% of all beneficiaries from readaptation aid, rose to 13 512 in 1969, or 44% of the total. The process of reorganizing the iron and steel industry required the complete or partial closing of 19 plants in the Community, viz. 4 in Belgium, 12 in Germany, 3 in France.

In iron-ore mining, readaptation measures were taken for the personnel of 2 mines in Germany and 1 in France.

#### *Readaptation arrangements*

327. The readaptation systems underwent few or no important changes in 1969. The efforts made by several countries for the vocational training of workers affected by closures took the form of agreements concerning payment by the Commission of its agreed share of the costs of such training.

#### *Conversion of enterprises and re-employment*

328. By making loans under Article 56(2 a) of the ECSC Treaty towards the financing of 19 investment projects, the Community has helped to create some 25 000 new jobs.<sup>1</sup> These posts, which have already been filled or will be filled by subsequent phased recruiting, are all located in the main areas of ECSC industry—the Ruhr, 2 725; Dutch Limburg, 13 000; Nord/Pas-de-Calais, 4 850; Lorraine, 4 200.

The provision of this alternative employment will help to counteract the losses of manpower in these areas caused by the fundamental changes which continue to affect the ECSC enterprises, and it will also serve the purposes of regional development by helping to diversify the pattern of employment (which, being in many cases confined to one industry, is too vulnerable), to slow down emigration flows and, more generally, to maintain or restore a prosperous social environment. The loans also contribute towards achievement of the main object of Article 56 of the Treaty of Paris by ensuring direct re-employment of a large number of ex-miners or steelworkers.

<sup>1</sup> For further details of the credits involved, the location of the projects, and the number of new jobs envisaged, see Table 21.

The re-employment obligations under the investment projects mentioned guarantee priority re-employment in the new plants of some 10 000 ECSC workers.

The proportion of new jobs for ex-ECSC workers in the total number of new jobs varies considerably from one enterprise to another—in particular according to the nature of the enterprise and the amount of manpower already on the spot and the skills available. It also depends on whether or not the transfers are regulated.

329. With regard to the manpower available on the spot, a large proportion of the unemployed, which had become most numerous in the regions undergoing redevelopment, were relatively quickly reabsorbed into the economy as a result of the new life breathed into it by boom conditions. However, there still remains the problem of reintegrating groups of workers who are more difficult to re-employ, such as the handicapped and older persons.

The Commission has taken advantage of the investment boom by continuing to assist, through its industrial conversion loans, the replacement of existing structures by others better able to counterbalance the adverse consequences of decline in the ECSC sectors and to offer steady employment in the years ahead.

The Commission checks to make sure that the enterprises benefiting from loans do in fact use the machinery available in the various countries for facilitating transfers of workers to new activities. It also endeavours to follow closely the various stages of recruitment of personnel, for instance by means of the six-monthly or annual reports made to it by the firms and of on-the-spot inspections.

#### *Re-employment of redundant agricultural workers*

330. The inquiry<sup>1</sup> which the Commission is making into the conditions under which redundant agricultural workers are redeployed and into the search for possible ways and means of meeting quantitative and qualitative requirements in this field during the years ahead, led in the first six months of 1969 to the compilation of a report relating to France. On the basis of lessons learnt from this report, further reports on Germany,

<sup>1</sup> See *Second General Report*, sec. 397.

Benelux and Italy were compiled during the second half of the year. A summary of the results is in course of preparation.

#### FREE MOVEMENT OF WORKERS

331. Free movement of workers, within the meaning of Articles 48 and 49 of the EEC Treaty, was achieved<sup>1</sup> in 1968 by Regulation (EEC) No. 1612/68 and Directive (EEC) No. 68/360 of 15 October 1968. The latter was notified on 16 October 1968 to the Member States, which took the measures necessary to implement it during the first seven months of 1969. The Commission supplemented these arrangements by a draft regulation on the right of workers to continue to reside in a Member State after having been employed in it. This draft was submitted to the European Parliament and to the Economic and Social Committee for their views.

On 13 March 1969 the Council, in the conclusions it reached on employment problems, considered that the Member States should compare their policies for recruiting manpower in non-member countries, in order to take account of their common interests.<sup>2</sup> The Commission is closely following this question, especially from the angle of the bilateral agreements concluded by the Member States with non-member countries for the recruitment of labour in those countries.

In collaboration with the Member States, the Commission has continued to try to improve the techniques for obtaining and circulating information concerning the situation on the labour markets, and so to facilitate the work of matching offers of and requests for employment.

In a report on the free movement of workers and labour markets in the EEC in 1967, the Commission surveyed movements of manpower, application of the principle of equality of treatment as between workers who are nationals of other Member States and nationals of the host country, and changes in the ratio between spontaneous immigration and organized immigration into a labour market suffering from fairly substantial shortages of manpower. On 10 November 1969 the representatives of the Member States approved the conclusions of this report, which

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<sup>1</sup> *Second General Report*, sec. 398.

<sup>2</sup> See also the First Medium-term Economic Policy Programme, in which it is pointed out that the demand for non-Community workers to fill vacancies has increased. *Official gazette* No. 79, 25 April 1967, p. 1554, par. 8.

emphasize the priority to be given to the machinery for exchange of information on manpower required and available, and the need to achieve a better balance between supply and demand, in particular by action to provide suitable training for migrant workers.

The Advisory Committee on Freedom of Movement for Workers met on 2 December 1969 and discussed what had been done to implement the new regulation and the new directive. The Committee examined the Commission's reports on manpower problems and migratory movements in 1969 and also the implications for migrant workers of the devaluation of the French franc and the revaluation of the German mark.

The Technical Committee met on 23 January, 10 February and 8 October 1969 to examine the means of implementing certain special provisions of the regulation on freedom of movement for workers and the directives connected with it. The Committee took requisite decisions concerning the harmonization of residence permits for nationals of Member States, the designation of employment services of adjoining regions empowered to carry out vacancy clearance operations direct between themselves, and further action to establish a register of occupations eligible for international clearance measures.<sup>1</sup> The Technical Committee also studied ways and means of measuring movements of manpower and the volume of employment for Community workers after the abolition of employment permits for nationals of the Community countries, as these permits had previously served as a basis for statistics.

## HARMONIZATION OF SOCIAL SECURITY ARRANGEMENTS

### *General problems concerning social security*

332. Studies on the economic impact of social security and the financing of social security in agriculture were submitted to the Council in February 1969. A study on the financial problems of social security, with projections for 1965/70, the period covered by the First Medium-term Economic Policy Programme, has been completed and will also be forwarded to the Council shortly. To follow up this study, preparatory work has begun on the trend in social security receipts and expenditure in the Community for the period 1971/75. A first study of social security

<sup>1</sup> See *Second General Report*, sec. 398.

indicators (typical figures and characteristic relative values in this field) was also completed. A summary of the results of the three studies and of certain supplementary work was put before the Council in November 1969, together with a survey of the German social security budget.

The fifty information memoranda concerning occupational diseases on the European list, provided for in the Commission's recommendation of 20 July 1966,<sup>1</sup> have been finalized, and the memoranda will now be published. Memoranda on the diseases on the list annexed to the European list are being prepared. In the near future a questionnaire will be addressed to the Governments for the purposes of the biennial examination of the action taken by the Member States to implement the two Commission recommendations concerning the European list of occupational diseases and the conditions of compensation for them.

333. As in preceding years,<sup>2</sup> the financial aid furnished by the Member States in 1969 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.

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 Governments are having to pay out larger 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, 11.4% in 1967, 5% in 1968 and 9% in 1969.

At its meeting on 9 July 1969 the Joint Committee on Terms of Employment (Coal) drew up two statements, one on occupational diseases and the other on unemployment. In accordance with the Joint Committee's request, the two statements were forwarded to the Governments of the Member States by the Commission, which asked them to inform it of the action subsequently taken in these matters.

As decided by the Coal Committee of the UK/Commission Council of Association, two studies will be carried out jointly by the National Coal Board and the Commission's departments. One of these studies will concern flat-rate social security benefits, and the other will deal with the implications for pension schemes of the reductions being made in the personnel of the coalmining industries in the Community and in the United Kingdom.

<sup>1</sup> *Official gazette* No. 147, 9 August 1966.

<sup>2</sup> See *Second General Report*, sec. 404.

*Social security for migrant workers*

334. In September 1968 the Council began its discussions of the proposed Council regulation on the application of social security schemes to workers and their families moving from one Community country to another to take up paid employment. These discussions, which were attended by representatives of the Commission, continued in 1969. Certain aspects of the proposed regulation were examined by the Council on 13 March. The Council decided on a number of guidelines and referred the question to its specialist organs for further consideration. The Ministers for Social Affairs met again on 24 and 25 November 1969 and came to decisions regarding the substance of certain questions which had been held in abeyance until then, viz. the scope of application of the new regulation, the chapters on sickness and maternity insurance, family allowances and unemployment, and the creation of a tripartite advisory committee on the social security of migrant workers. In addition, the Council gave guidance for completion of the work which the Permanent Representatives Committee was doing on invalidity, old age and survivor's insurance.

Once this proposed basic regulation and the proposed regulation covering the annexes to be attached to it<sup>1</sup> have been finally adopted by the Council, the Commission will submit the proposed regulations for implementing them. These new provisions will considerably improve the texts at present in force.

335. Attention should be drawn to the important part which the case law of the Court of Justice has come to play during the last few years in the field of social security, both for application of the regulations in force and for the shaping of the revised regulations, mainly as regards pensions.

In 1969 the Court handed down its judgments in case 27-69 and case 34-69. In the first of these cases the Court decided that "Article 52 of Council Regulation (EEC) No. 3 is also applicable when the institution responsible for paying the benefits files a suit in one of its own country's courts." In the second case it laid down that "provisions in the laws of a Member State under which benefits are reduced or suspended when one social security benefit is drawn concurrently with another are applicable, under Article 11(2) of Regulation No. 3, to insured persons only if those persons are drawing benefits on the basis of rights acquired under this regulation".

<sup>1</sup> See *Second General Report*, sec. 407.

336. The Administrative Committee responsible for settling any administrative problem or question of interpretation that arises from the provisions of the relevant regulations gave priority in 1969 to discussion at Council level of the proposed revision of the basic regulation. The Committee also dealt, however, with day-to-day matters and a number of important questions such as the consequences of the entry into force of the new Dutch laws on disability insurance, the general applicability of insurance against special costs due to sickness, and the technical repercussions of the devaluation of the French franc and the revaluation of the German mark on the application of the regulations, especially the effects on pensions and family allowances. The Administrative Committee concluded that the social consequences of the alterations in exchange rates lay outside its terms of reference as fixed by Regulation No. 3.

Following the Administrative Committee for the Social Security of Migrant Workers, the Audit Committee examined ways and means of improving the methods of establishing the flat-rate amounts to be repaid when benefits in kind are granted by a social security institution in one Member State for the account of a social security institution in another Member State. Furthermore, the Audit Committee resumed its investigations in to the possibilities of electronic processing of social security data concerning workers and their families moving from one Community country to another.

### *Wages and terms of employment*

337. In the field of wages and incomes, the study on wage drift and the study on information concerning incomes and assets in the six Community countries have been completed.

The Statistical Office of the European Communities published harmonized data on hourly wage-rates and the working week in industry, and on employment, (for April and October 1968).<sup>1</sup> It also issued the detailed results obtained from a survey, made in 1966, of labour costs in the industries of the Community.<sup>2</sup> This is the first time that a body of Community statistics has covered the entire field of mining, manufacturing and building industries for one and the same year.

<sup>1</sup> *Statistiques sociales*, Nos. 2 and 5/1969.

<sup>2</sup> *Ibid.*, No. 4/1969.



The Statistical Office also began to publish the results of the survey of the structure and distribution of industrial workers' wages in October 1966, the first survey of this type to be carried out at international level.

Concurrently with these activities, the Statistical Office has endeavoured to extend the Community wage surveys to further sectors. It plans to carry out, in co-operation with the national statistical offices, a first inquiry into labour costs in the retail trade, banking and insurance,<sup>1</sup> on the basis of accounting figures for 1970. Furthermore, the Commission decided to set up a new tripartite Working Party on wage statistics in agriculture, whose task will be to ascertain the best ways of collecting and processing comparable data on wages in agriculture.

338. Research on comparative law continued, and a study on the courts exercising jurisdiction in labour and social security matters will be published in 1970.

For the protection of young workers, the Commission asked the Member States for information on the action they had taken to implement its recommendation of 1 January 1967.<sup>2</sup> A comprehensive report has been prepared.

The committees for non-manual workers for harmonization of the terms of employment in the coal and steel industries have started to examine the problems involved in classifying non-manual workers in these two industries.

The experimental collation of the collective agreements in force in the mechanical and electrical engineering industries has been completed.<sup>3</sup> The report on the experiment and its results will serve as basis for discussion with the relevant departments in the member countries and with experts from the employers' and workers' organizations; the Commission will submit to the Council the conclusions it draws from this study.

In addition, the Commission organized on 9 and 11 December 1969 a symposium on "The law and practice of collective agreements in the ECSC countries". This symposium was attended by government experts and by representatives of the employers' and workers' associations and specialist institutions, as well as by representatives of international organi-

<sup>1</sup> Regulation adopted by the Council on 17 October 1969.

<sup>2</sup> *Official gazette* No. 25, 13 February 1967.

<sup>3</sup> See *Second General Report*, sec. 414.

zations. The Commission intends to publish the proceedings of this symposium.

339. In agriculture the Commission consulted the Joint Advisory Committee on Social Problems of Paid Agricultural Workers concerning the repercussions of the Memorandum on the Reform of Agriculture in the European Economic Community. The Committee stressed the vital need for the re-employment of redundant agricultural workers. As regards vocational training and safety and health on the farm, the Commission, in close collaboration with the Advisory Committee, continued to carry out the priority tasks that the Committee had laid down. The Committee also rendered Opinions on the minimum standards for accommodation of seasonal workers in agriculture and on the problems of seasonal labour.

340. As regards transport, the first regulation on the harmonization of social provisions in road transport came into force on 1 April 1969. It applies from 1 October 1969 for transport between the Community States, and will take effect a year later for all road transport. In implementation of this regulation the Commission has submitted to the Council a proposed regulation for the installation of a mechanical monitoring device on road vehicles (a recording tachometer), and a proposal concerning a standardized type of the report on application of the social regulation that is to be submitted by Member States. Furthermore, it continued its consultations with the Joint Committee concerning a proposed second regulation.

The Joint Advisory Committee on Social Matters in Inland Water Transport, set up by a Commission decision of 28 November 1967, was installed on 25 February 1969. It was asked to give its opinion on the preparation of Community measures for harmonizing social provisions in inland water transport following the Council decision of 13 May 1965, which aimed at harmonizing certain provisions affecting competition in rail, road and inland water transport.

### *Industrial relations*

341. The Commission arranged several meetings with representatives of those trade unions and trade associations which are organized at Community level. On 30 and 31 January 1969 a meeting was held to obtain their views on the correlation between social policy and the other Com-

munity policies, and on problems of employment. Those taking part unanimously decided to give absolute priority to the formulation and implementation of a consistent employment policy.

342. A small working party was given the task of examining certain aspects of this matter. After it had done this, the representatives of the trade unions and trade associations met the Commission again on 18 November 1969, when they unanimously expressed their agreement with the proposals made by the working party on the priority to be given to certain problems of employment and vocational training, on the allocation of tasks between the various existing committees and on the establishment of a co-ordinating committee for these matters.

At this meeting the representatives of the trade associations also discussed the proposals for the reform of the Social Fund and certain aspects of the work concerning the working week and social security.

343. Following an approach to the Commission by the Standing Committee of the CGT-CGIL (French Confederation of Labour and Italian Federation of Labour), the Commission in April received representatives of this Committee in order to examine a request for recognition as workers' representatives at Community level. The Commission, which considers that whenever trade unions and trade associations seek to extend their relations with the Commission within the framework of the Treaties and with due respect for Community law and institutions it should establish whatever contacts can contribute to the social and economic progress of the Community, has given its assent. In consequence, the representatives of this Standing Committee were present for the first time at a meeting with both sides of industry which was held on 18 November 1969.

The International Confederation of Executive Staffs also expressed a wish for closer collaboration with the Commission, and so a contact group was set up in March 1969. As at present constituted, this group is a continuation of the group which existed in the framework of the ECSC,<sup>1</sup> and enables relations to be extended to all industrial sectors. The two first meetings of the group were concerned with the correlation between social policy and the other Community policies, vocational training and reform of the European Social Fund.

<sup>1</sup> See *Second General Report*, sec. 416.

344. The Commission also endeavoured to widen its contacts with individual industries. For instance, on 28 March it received the representatives of the ICFTU metalworkers' unions in the ECSC and with them it examined closely the social plan for the protection of workers in the event of loss of employment or income.

The two Joint Committees on Harmonization of Terms of Employment in the coal and steel industries gave most of their attention to the social effects of structural and economic developments in these two branches of industry. For instance, the Joint Committee for steel analysed the measures taken in the various Community countries to palliate the adverse social repercussions of structural developments, and the Joint Committee for coal examined those legal arrangements and collective agreements in the Community countries which deal with the readaptation and retraining of miners. Furthermore, sociological surveys were undertaken concerning the fluctuations of manpower in the coal and steel industries, and a report summarizing the findings was approved by both Committees.

The Joint Committee for coal devoted a special session to the social aspects of the coal policy (in the context of a Community energy policy), regarding which the Commission wished to ascertain the reactions of all the authorities and bodies concerned. The Joint Committee continued its examination of social security problems in mining and addressed two statements to the Commission, one on occupational diseases not yet recognized as such by all Community countries, the other on the system of compensation for partial unemployment. The Commission forwarded these statements to the Governments of the Member States.

## HOUSING

345. Commission financing of housing for workers in the ECSC industries, the aims of which are both economic and social,<sup>1</sup> was continued under Scheme VI, which provides for an amount of 20 million u.a. In Germany, France, Luxembourg and the Netherlands the funds from this source have been fully committed and almost entirely expended. In Belgium and Italy there are still decisions to be taken on the allocation of the credits.

In Belgium the Commission decided to allocate the first tranche of a credit of Bfrs. 32 325 000, in the form of a loan at 5% to the Société

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<sup>1</sup> See *Second General Report*, secs. 418 to 426.

nationale du logement, for the construction of 120 dwellings. While the dwellings being constructed under the ECSC special building scheme were completed at Wulfen and Salzgitter (Germany), Le Creusot-Torcy (France) and Heemskerk (Netherlands) and building work at Piombino (Italy) was still in progress at the end of the year, preparation of the Belgian scheme was stopped and, in agreement with all the parties concerned, the project has been dropped.

346. From the time the Community first began to provide assistance for the building of houses for workers in ECSC industries up to 31 December 1969 it contributed financially, under Experimental Schemes I and II and the six major loan-aided schemes, to the construction of 112 451 dwellings, 61% of them for renting, while the remaining 39% will be owner-occupied. At the latter date, 105 518 of these dwellings had been completed.<sup>1</sup>

347. The Commission examined the possibilities of carrying on with its financial help towards the provision of housing for workers in the ECSC industries by means of a further scheme. To assure the continuity of this aid it decided, on 22 October 1969, to launch Scheme VII, which will last from 1970 to 1974 and will be financed in two tranches. The sum of 10 million u.a. from the Special Reserve of the 1971/72 budgets, was approved for the first operational tranche. As special arrangements have been made to finance work on this scheme in 1970, the first part can be carried out in three years. For the second part of the scheme (1973/74), a further decision will have to be taken by the Commission before the end of 1971.

Establishment of Scheme VII, and the final choice of the building projects which will benefit from the loans at reduced rates of interest, will be carried out after the matter has been examined with the national and regional authorities and with the employers' and workers' organizations. This scheme will have to be drawn up in an even more selective manner than in the past, and based on the growth points. In the context of this Scheme VII the Commission has agreed to the execution of an experimental building programme. The subjects for research will be chosen after consultation with the Ministries concerned and the research institutes which belong to the ECSC International Council of Experts for Experimental Programmes.

<sup>1</sup> See Tables 24 and 25 and the graph. on p. 311.

*TABLE 24*  
**Operational position of Experimental Schemes I and II  
 and loan-aided Schemes I-VI at 31 December 1969**

	Dwellings financed	of which		
		in preparation	building	completed
Germany (FR)	77 563	2 152	1 713	73 698
Belgium	6 703	29	1 083	5 591
France	18 479	321	535	17 623
Italy	5 568	—	961	4 607
Luxembourg	811	14	25	772
Netherlands	3 327	100	—	3 227
Community	112 451	2 616	4 317	105 518

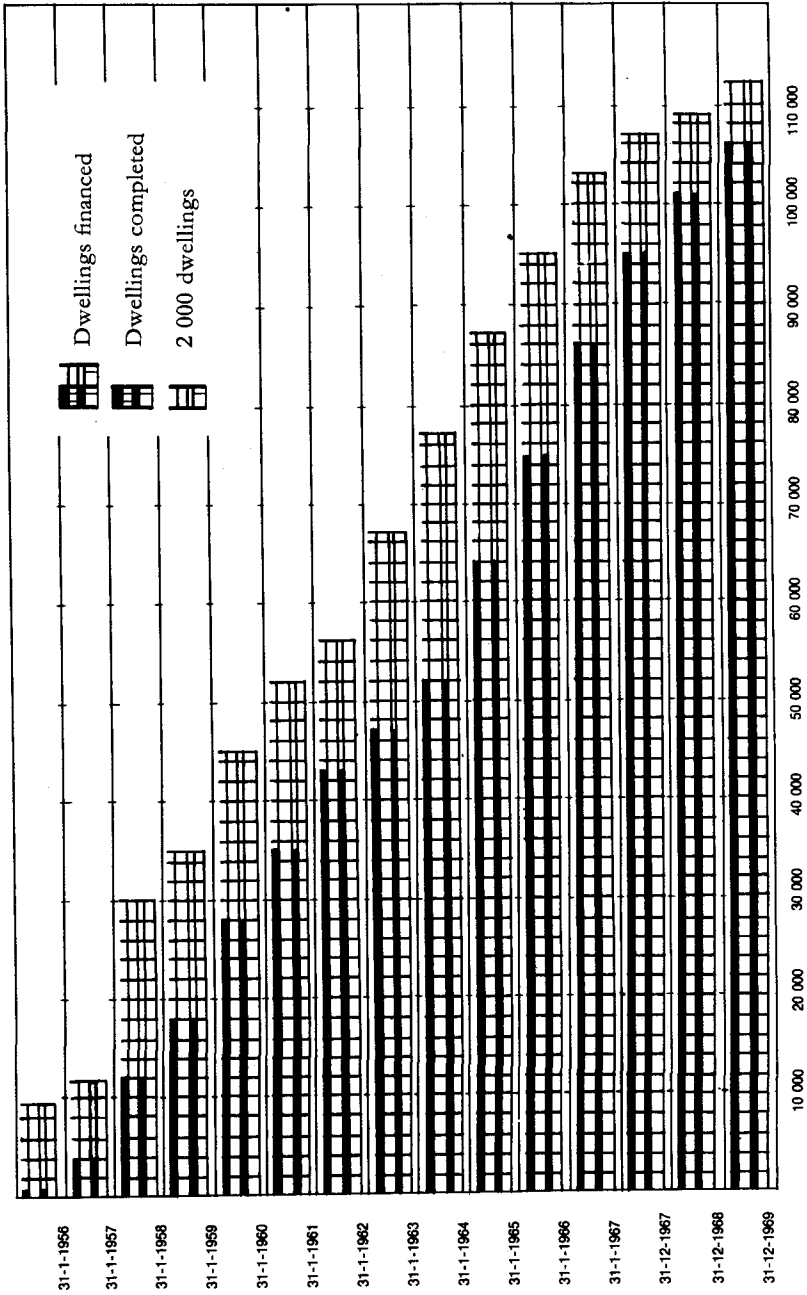
*TABLE 25*  
**Financial position of Experimental Schemes I and II  
 and loan-aided Schemes I-VI at 31 December 1969**

*(million units of account)*

	Commission advances		Additional funds mobilized at Commission instigation	Total amount advanced	Funds from other sources (housing associa- tions, etc.)	Total cost of dwellings built
	from own resources	from borrow- ings				
Germany (FR)	48.20	13.24	109.21	170.65	676.04	846.69
Belgium	4.11	18.59	2.30	25.00	25.33	50.53
France	25.53	—	5.06	30.59	125.45	156.04
Italy	6.54	8.04	2.06	16.64	25.21	41.85
Luxembourg	2.15	1.70	0.63	4.48	6.22	10.70
Netherlands	5.20	2.14	5.97	13.31	12.90	26.21
Community	91.73	43.71	125.23	260.67	871.35	1 132.02

ECSC subsidized housing financed and completed

Position at:



348. As regards housing for migrant workers, the Commission has obtained from the Member States information on the action taken by them to implement its recommendation concerning the housing of workers and their families who move from one Community country to another.<sup>1,2</sup> This information will make it possible to draw up a second report on the situation, for the period from 15 July 1966 to 15 July 1968.

349. The Commission has undertaken a study on recent developments and present trends in housing policy in the Community. The results of this study will help to guide the Commission's activities in the field of housing, notably the continuation of its financial aid for dwellings intended for ECSC workers.

#### SOCIAL SERVICES AND FAMILY QUESTIONS

350. The Commission, pursuing its efforts to improve the efficiency of social services for workers and their families moving from one Community country to another, asked the Governments of the Member States to make a third report on the steps taken in 1967 and 1968 to implement the 1962 recommendation on this subject.<sup>3</sup> A general report is being compiled from their replies.

On the Commission's initiative the Advisory Committee on Freedom of Movement for Workers decided, at its meeting of 2 December 1969, to set up a working party to deal with problems of assistance for migrant workers and their families, including social assistance and accommodation.

The Commission has also concerned itself with the further training of the people responsible for these social services. A period of in-service training was organized in Germany, geared in particular to social assistance for migrant workers, and was attended by some fifty leading officials in the social services of Germany and Luxembourg. Further courses of the kind are in preparation; the next is planned to take place in Belgium.

The Commission has continued to follow the development of the social services in the various countries. Notably in the matter of action to help old people. Furthermore, a start has been made with a study on public assistance benefits and their relation to social insurance benefits in the six member countries.

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<sup>1</sup> *Official gazette* No. 137, 27 July 1965.

<sup>2</sup> See *Ninth (EEC) General Report*, sec. 256 and *Second General Report*, sec. 427.

<sup>3</sup> *Official gazette* No. 75, 16 August 1962.



351. The Commission has compared measures recently taken in the Member States to help families. It called a meeting with the members of COFACE (European Communities' Committee of Family Organizations) and examined with them, in the light of the Community's activities, the main problems being faced by those responsible for family policy. In addition, the Commission participated in the eleventh Conference of European Ministers responsible for family matters; the theme of this conference, which was held in the Netherlands, was "Social and cultural infrastructure in the immediate environment of the family".

#### COMMON HEALTH AND SAFETY POLICY

##### *Industrial medicine and health*

352. The year 1969 was dominated by two main objectives: the search for a practical synthesis of the instruments peculiar to the ECSC Treaty and the EEC Treaty,<sup>1</sup> and the search for new ways of effectively ensuring the health and safety of workers.

The Commission endeavoured to make further use of the knowledge gained through the ECSC research programmes, to tighten the links between academic and business circles in the sphere of practical ergonomics, and to define more precisely present shortcomings in the prevention of accidents and disease.

353. Fresh efforts were made to standardize methods of diagnosing pulmonary diseases of occupational origin and to make these methods widely known.

The working parties of specialists concerned with industrial traumatology and rehabilitation met a number of times to collate the results of the research programme.

Ergonomic research has received greater support in industry, and ergonomic adaptation has been extended to a larger number of jobs. On 26 and 27 June the specialist advisory committees for industrial physiology

<sup>1</sup> See *Second General Report*, sec. 430.

and psychology held a meeting at which experts from the iron and steel industry were also present; the technological development and structural changes expected between 1970 and 1980 were examined for their possible effect on work.

The Commission published several studies, such as the summary results of the research work done between 1962 and 1966 on cardio-respiratory physiopathology, documentary studies on welding, intellectual work and automation. Furthermore, it disseminated brochures for workers concerning noise prevention and work under hot conditions.

### *Industrial safety*

354. The Commission's General Programme for the elimination of technical obstacles to trade<sup>1</sup> lays down, on the basis of Article 100 of the EEC Treaty, that national provisions on industrial safety shall be approximated. The only provisions to be aligned under this Programme are those of a technical nature on the *construction* of certain machines and certain apparatus or on the *manufacture* of certain substances, etc.; as, however, the Council explicitly stated on 12 March 1969, there should also be provisions covering the *use* of these machines or substances, and these provisions should be worked out in the framework of Article 118. In September 1969 the questions raised in this context, notably the method of co-operation between Member States, were discussed in detail with senior officials of the national industrial health services.

A start was made with the elaboration of technical safety rules for the use of agricultural machinery, in particular tractors. The object is gradually to raise the level of safety on farms to the level attained in the other branches of industry.

In addition, the national safety institutes worked together to harmonize the safety signals and warning signs and notices used in enterprises. Progress in this field should reduce the risks run by enterprises employing foreign workers.

Finally, it should be mentioned that the programme of traineeships for factory inspectorate officials also continued in 1969.<sup>2</sup>

<sup>1</sup> *Official gazette* No. C 76, 17 June 1969, and Ch. II, 1, *supra*.

<sup>2</sup> See *Second General Report*, sec. 437.

*Problems of industrial health and safety (ECSC)**Steel Industry Safety Commission*

355. The Safety Commission and its working parties have investigated a number of matters such as oxygen tubing, the insulation and degassing of gas pipes, pig-iron solidification processes, the establishment and equipping of casualty departments and first-aid posts, and systems for preventing collisions between travelling cranes.

Documents have been distributed concerning individual protective equipment for blast-furnace ladlemen, design specifications to ensure the maintenance and repair of gas mains, piping and appliances, access to the cabs of mobile cranes, and general principles of safety training.

*Industrial health**Coal and iron-ore mines*

356. On 25 July 1969 the Commission approved the commitment of 214 982.50 u.a., to finance five research projects; this would be drawn from the total credit of 6 million u.a. granted in 1964 for the second research programme (dust control in mines). The five projects will be carried out over a period of two years in two Community research centres. The financial assistance given since work started on implementation of the programme thus totals 4 710 580 u.a.

The research workers have been trying to find practical means of tackling the dangers presented by recent mining techniques, including counteracting dust production by the roadway tunnellers lately introduced in some Community coalmines.

The studies decided upon last year concerning the epidemiology of pneumoconiosis are in progress in three major coalfields.

*Iron and steel industry*

357. The second research programme on the prevention and control of air pollution caused by the steel industry has begun to take practical form. On 20 January 1969 the Commission approved the commitment

of 848 475 u.a., to finance 23 research projects, from the 4 million u.a. allocated to the programme. The work to be done has been distributed between 17 research institutes and organizations; in most cases it covers a period of two years.

On 4 July 1969 the Commission decided to grant 1 123 500 u.a. for two further important research projects under this programme. One deals with the prevention of air pollution caused by the discharge and quenching of coke, through the use on an industrial scale of a special quenching car. The other project deals with the industrial testing and application of a new process for the dry control of dust from residual gases with a high CO content which arise when steel is being worked in the oxygen converter.

Further projects submitted by the research institution have also been examined.

### *Mining*

358. Researches on the use of hygroscopic salts as a means of protection against dust explosions in coalmines have been completed, and the results are in course of distribution. The project has shown the advantages and limitations of the process in neutralizing dusts deposited in mine roadways.

On 9 July 1969 the Commission decided to support two projects— a collective research programme on rescuing trapped miners by means of large boreholes and a programme on trigger barriers.

The first of these programmes is to facilitate the rescue of miners trapped by an accident, and the second relates to the development of new means of containing coal-dust explosions where the conventional techniques are not sufficiently reliable.

The financial aid envisaged for the two projects amounts to 320 689.8 u.a.

### *Mines Safety and Health Commission*

359. In 1969 the Mines Safety and Health Commission studied the circumstances, causes and preventive measures connected with three group

accidents in the Community involving the loss of 28 lives in all. It also received initial data on a cave-in which caused the death of four people.<sup>1</sup>

It approved interim or final reports on the activities of its working parties on Rescue Arrangements and Mine Fires, Electricity, Winding Ropes and Shaft Guides, and Health.

The various groups of the Working Party on Combined Accident Statistics also continued operations.

On 20 June 1969 the Mines Safety and Health Commission adopted its annual report for 1968, which was submitted to the Member States and the European Parliament for examination.

In conclusion, the Secretariat took part in four fact-finding meetings on trade union matters.

### *Health and safety (Euratom)*

360. The provisions of the Euratom Treaty have enabled the Commission to implement a genuine Community policy to prevent and combat the hazards of radioactivity. Consequently, the Commission's efforts in the sphere of radiation protection have been concentrated on the elaboration of rules, harmonization, and the execution of its research and study programme.

In the field of rules and regulations, application of the directives fixing the Basic Standards of Euratom, adopted by the Council of Ministers in 1959 and revised in 1962 and 1966, has continued: in France, Italy and the Netherlands, new laws and administrative rules improving and supplementing existing legislation on radiation protection have come into force, and the Commission has given an opinion on two draft decrees, communicated by the Italian Government to the Commission under Article 33 of the Euratom Treaty, concerning a special field of application of the Basic Standards. Furthermore, progress has been made in the work of preparing a proposal for a general revision of the Basic Standards. Finally, an introductory study has been completed on harmonization of the regulations on irradiated foodstuffs for the protection of public health.

<sup>1</sup> Firedamp explosion at the Minister Achenbach mine, Brambauer, Germany (17 dead), on 4 October 1968; cave-in at the Gérard working, Provence, France (6 dead), on 25 February 1969; fall of a cage at l'Escarpelle, Douai, France (5 dead), on 24 March 1969; cave-in at the Emil Einschol working, Essen, Germany (4 dead), on 2 October 1969.

361. In conformity with Article 37 of the Euratom Treaty, the Commission was consulted on five schemes for the disposal of radioactive waste. Opinions were given on a project submitted by Belgium for the plutonium laboratories at Mol, and on German projects concerning the AVR experimental power plant at Jülich and the experimental nuclear ship Otto Hahn; an opinion on the fuel reprocessing plant of the Karlsruhe Nuclear Research Centre is in preparation. An opinion was also given on a project submitted by Italy for the CNEN-EUREX reprocessing plant for irradiated fuels. So far the Commission has given opinions, based on uniform criteria, concerning more than forty schemes for radioactive waste disposal, determining whether the implementation of these schemes is liable to contaminate the water, soil or airspace of another Member State.

In order to improve scientific and practical knowledge of the behaviour of radionuclides after discharge into surface waters, the Commission carried out various studies jointly with the national research institutes. The first conclusions of these studies were adopted in a rundown on the "principles and general methodology for determining the limit radiological capacity of a hydrobiological system".

As regards harmonization of technical provisions the Commission, in close co-operation with the national institutes and laboratories, continued the programme of comparisons of personal dosimetry, concentrating, in 1969 in particular, on the calibration of ionization chambers used in the member countries and the irradiation of film dosimeters by X-rays and gamma rays. Fresh advances were achieved towards quantitative improvement of dosimetric methods and instruments. The period under review also saw completion of the comparative study of measurements with whole-body counters intended to verify the precision of measuring techniques used by the national laboratories taking part in the programme.

The research programme, an indispensable support for standardization operations, concentrated on the following subjects: study of the radioactive contamination of man and his environment, physical and biological dosimetry, epidemiological investigations, studies on the long-term effects of irradiation on human beings, and investigations of the changes undergone by foodstuffs as a result of irradiation which affect their preservation.

A report is in course of publication on the comparative study of radioactive contamination of the total diet of adolescents, which was undertaken from 1965 to 1967. This study, carried out in co-operation with six educational establishments scattered throughout the Community,

has provided valuable information on the influence of dietary composition on the ingestion of radionuclides.

Regarding the particularly complex problem of internal and external medical decontamination, on 5 November a small symposium was held with specialists from the six Member States at the headquarters of the German Gesellschaft für Strahlenforschung, Munich.

To satisfy a need felt by the circles concerned, a symposium on information and training for radiation protection workers was organized from 16 to 18 December 1969 in Brussels. A broad exchange of views on the scientific, technical, human and social aspects of training in radiation protection took place between nearly 200 specialists (people responsible for medical and physical surveillance at nuclear plants, personnel training officers, industrial psychologists, ergonomics experts, and representatives of both sides of industry). This symposium demonstrated the need for stepping up the Commission's efforts to provide objective information and to harmonize the methods for training workers to cope with the radioactivity hazards to which they may be exposed.

In addition to the normal bibliographical work, a comparative study on the procedure of preliminary notification and authorization of radioactive substances, implemented by domestic laws in application of the Basic Standards, is in the press. Work has started on the compilation of a medical atlas of radionuclides used in medicine, biology and industry, especially intended for the use of industrial medical officers and radiation protection officers. A study is in progress on the emission of parasitic X-rays by electronic apparatus and the radiation protection aspects of this.

In conclusion, a study has been published on the biological consequences of the manufacture and use of radioactive lightning conductors.

## 8. Budgetary and financial problems

### OWN RESOURCES AND BUDGETARY POWERS OF THE EUROPEAN PARLIAMENT

362. On 16 July 1969 the Commission submitted to the Council a memorandum on replacing the financial contributions of the Member States by the Communities' own resources and on increasing the budgetary powers of the European Parliament.

In the introductory part of the document, which refers to the proposals it had already made in 1965, the Commission pointed out that it would be difficult to put through a reform of this magnitude in a single move and within a short space of time. It felt that the financial independence of the Community should be achieved by stages—in two phases, to be more precise. Each of the two phases should comprise a series of provisions, the main points being as follows.

- (a) In the first phase, resources which should logically accrue to the Communities after the attainment of customs union and the unification of agricultural markets (customs receipts, agricultural levies) would in fact be allocated to them. This first phase should begin on 1 January 1971 in order to make allowance for the time required for ratification by the several national parliaments of the decisions to be taken by the Council, as laid down in Article 201 of the EEC Treaty.

In this first phase, the financing, even if only partial, of the Community from its own resources immediately raises the problem of greater powers for the European Parliament, since large sums accruing directly to the Community would no longer be controlled by the national parliaments. It was therefore envisaged that the budgetary powers of the European Parliament be strengthened during this phase. This aspect of the question was dealt with in a supplementary memorandum to the Council dated 30 December 1969.

- (b) A second phase would begin on 1 January 1974, during which all the Community's expenditure would be financed from its own resources. From then on, full budgetary powers would have to be given to the European Parliament.

The Commission, after receiving the Opinion of the European Parliament, drafted supplementary amendments to the proposals it had



already put forward. The Economic and Social Committee also rendered an Opinion.<sup>1</sup>

363. The Council examined the Commission's proposals on several occasions with a view to adopting final decisions before the end of the transitional period. After a number of meetings during November and December, at which there was wide-ranging discussion of this group of proposals, the following decisions were adopted during the marathon sittings of 19 to 21 December: the Council approved the general idea of a two-phase system with a transitional period beginning on 1 January 1971 and lasting until 31 December 1974.

During this period the Community will be allocated the levies entirely and the customs duties gradually—in 1971 an amount corresponding to 50% of the total levies and customs duties collected for each Member State, then 12.5% more each year until 1 January 1975, when all customs duties will go to the Community. From the beginning of the transitional period these resources will be supplemented by any special charges which the Community has introduced or introduces in the future in accordance with Treaty provisions as part of the organization of common policies. The Community will refund to the Member States 10% of the sums collected and paid, in order to cover the cost of collection. Special arrangements are envisaged for 1970, when a new scale will apply to all EAGGF expenditure. The year 1970 will also serve as base for the transitional period, during which each Member State's annual share in financing total expenditure must not be 1% higher or 1.5% lower than its share for the preceding year. The balance of the expenditure not covered by the Community's own resources will be financed by contributions from the Member States paid according to a scale which is equal to the average of the old Treaty scales and a scale based on each Member State's GNP.

What has been termed the "normal" period begins on 1 January 1975, although until the end of 1977 a final limitation is envisaged in that the annual variation of each Member State's share must be no more than 2% up or down. In order to ensure that Community expenditure is financed 100% from its own resources, a new source of income is to be added to what had already been planned for the transitional period—receipts corresponding to at most one percentage point on the basic rate of TVA after its harmonization throughout the Community. Should any

<sup>1</sup> See also Ch. VI, 1 and 4.

Member State have failed to introduce TVA by the dates stipulated, or should the basis on which it assesses TVA not yet have been harmonized, this Member State will pay a contribution equal to its share in the Community GNP.

With regard to the powers of the Parliament, the Council examined a draft resolution providing for budgetary powers to be vested in the Parliament from the adoption of the 1975 budget on, but no decision had been reached by the end of the year.

## BUDGET QUESTIONS

### *Supplementary 1969 budget*

364. At its session of 30 June 1969 and in the light of the resolution adopted by the Parliament on 4 June, the Council adopted Supplementary Budget No. 1 of the European Communities for the 1969 financial year, creating 20 additional posts in the Safeguards and Controls Directorate:

- 4 grade A 4/5 posts (inspectors),
- 15 grade B 1 posts (assistant inspectors),
- 1 grade C 2/3 post.

These new posts were offset by the abolition of an equivalent number of supernumerary posts on the Euratom research and investment budget. The Council reserved the right to take a decision later concerning the other requests for transfer in Supplementary Budget No. 1.

### *1970 budget*

365. During its session of 19-21 December the Council adopted in its final form—in the light of the resolution passed by the European Parliament on 26 November and the amended draft budget—the budget of the European Communities for the financial year 1970.

The budget covers the period from 1 January to 31 December 1970 and totals 3 255 816 438 u.a., the expenditure authorized for each institution being:

10 377 850 u.a. for the European Parliament,  
 11 470 620 u.a. for the Council,  
 3 231 704 428 u.a. for the Commission,  
 2 303 540 u.a. for the Court of Justice.

The 3 231 704 428 u.a. allocated to the Commission comprises:

102 036 748 u.a. for administrative expenditure,  
 64 000 000 u.a. for expenditure by the European Social Fund,  
 3 049 224 680 u.a. for expenditure by the European Agricultural  
 Guidance and Guarantee Fund,  
 16 443 000 u.a. for expenditure on food aid.

### *Euratom programme and budget*

366. The second Euratom five-year programme ended on 31 December 1967. Since that date, it has proved impossible to adopt another multiannual programme for the Community. For 1968 there was a one-year programme and an interim budget which enabled expenditure relating to the direct activity of the Community to be met but ruled out all indirect activity (projects under contracts) except for participation in the Dragon project.

New features for the financial year 1969 included the following:

#### *Programme*

- (i) A programme confined to 1969 had been adopted by the Council on 20 December 1968. For the first time, however, this programme comprised a joint programme financed by all six countries and supplementary programmes in which only those countries directly involved participated.

The joint programme amounted to 24.09 million u.a. and the supplementary programmes to 24.60 million u.a.—a total of 48.69 million u.a.

- (ii) The 1969 programme as a whole ensured the continuation of the Community's direct activity and the resumption of its participation in indirect activity, though the latter is still limited to three fields only—Dragon, biology and fusion.

- (iii) With regard to direct activity—carried on in the Joint Research Centre—a very detailed definition of the targets to be attained in the establishments has led to an elaborate allocation of the different projects within each of the establishments (except for the CBNM, which constitutes a single target).

### *Budget*

- (i) The 1969 research budget, endorsed by the Council on 25 March 1968, comprised 53.217 million u.a. in budgetary commitments and 57.027 in payment authorizations.
- (ii) However, as a result of the introduction of supplementary programmes, the 1969 budget contains for the first time an additional section in which the appropriations made available for each objective in the programme are indicated separately.

At its session of 6 December 1969 the Council agreed to extend for one year the 1969 Euratom research and training programme and to maintain during this period the present capacity of the Joint Research Centre (JRC) pending the result of the work and studies on the reorganization of the JRC and its engagement in non-nuclear activities. On the basis of this resolution the Commission prepared a draft programme and a preliminary draft budget for 1970.<sup>1</sup>

### FINANCIAL CONTROL

367. The Commission is particularly concerned by the need to organize a financial control which can cope with a situation in which a growing number of its activities gives rise to expenditure. The reorganization of its departments which took place during 1968 had enabled the Commission to lay the foundations for more effective administrative action in this field. It was above all a question of ensuring, after the merger of the three administrations, coherence in the use which is made of the legal opportunities offered to Community servants and to regularize certain staff situations.

On the whole, in the light of the results obtained so far, the Commission considers that the development of the situation in general is satisfactory, in spite of the very delicate problems posed by the new

<sup>1</sup> *Official gazette* No. L 20, 27 January 1970.

structure of the research budget, which still needs to be improved. At the same time the Commission is doing everything it can to improve the provisions relating to financial control. The proposal on the revision and unification of the financial regulations, submitted to the Council on 11 June 1969, aims at unifying and, with regard to certain points, clarifying budgetary and accounting procedures. But the most important action to be taken is in respect of the funds managed by the Commission; the control systems must be better adapted to the requirements which have emerged in practice with regard to each of them.

The most pressing problems arise in the Guarantee Section of the EAGGF, where it must be ensured in all the Member States that the national administrations responsible for implementing the Community regulations setting up common organizations of the agricultural markets apply the complex provisions of this system uniformly and that mistaken interpretations are prevented as far as is at all possible. Each Member State must be guaranteed reimbursement of its expenditure on export refunds and support buying on the internal market on a strictly equal footing. More particularly, the implementing provisions made by the Member States and the practices developing in their administrations must be ascertained and scrutinized in order to ensure that they conform with Community rules and that there are no divergences between them. At the same time, checks of this kind will serve to guarantee that these provisions are complete and elaborate enough to prevent frauds by individuals. The Commission has had several checks carried out in the administrations of the Member States in order to establish how they implement Community regulations. The Commission is also having studies made of other measures to be taken to combat operations to defraud the EAGGF. These measures include improvements in the exchange of information between the national administrations and the Commission, and more extensive mutual assistance.

On 16 July the Commission submitted to the Council a proposal for a regulation on the financing of agricultural policy during the single market stage. On the principle that it is for the national administrations to implement the Community regulations applying to importers and exporters, this proposal makes it obligatory for the Member States to communicate to the Commission all their implementing provisions and regularly to inform it of administrative or court proceedings relating to irregular operations. The proposal also lays down certain principles intended to facilitate the controls which the Commission might consider it useful to effect in connection with the management of Community financing, including spot checks.

## IMPLEMENTATION OF THE ECSC TREATY

*The levy*

368. After consulting the appropriate committees of the European Parliament, in accordance with established practice, and receiving their endorsement of its proposals, the Commission decided to keep the rate of the ECSC levy at 0.30% for the financial year 1969. Its estimates of expenditure in the field covered by the ECSC Treaty may be broken down under the following main heads:

administrative expenditure	18 million u.a.
readaptation	25 million u.a.
research contracts	8 million u.a.
payments into the special reserve and subsidization of interest on redevelopment loans	7 million u.a.

The estimates for readaptation and research proved accurate (25 million and 7 million u.a. respectively); to these amounts should be added 2.2 million u.a., representing the effect of the parity changes in 1969, which was offset by the revaluation of the funds in hand. The expenditure was met by using the proceeds of the levy, which were above the estimated figure (38.5 million u.a.), other revenues (12.6 million u.a.) and a sum from the reserves (6.5 million u.a.). The estimated requirements for 1970, when further large sums will be needed for readaptation assistance, work out as follows:

administrative expenditure	18 million u.a.
readaptation	26 million u.a.
research	10 million u.a.

*Financial activities*

369. Under the Treaty of Paris, the funds needed by the Community for discharging its duties come either from levies on the production of coal and steel or from loans raised on the capital markets. The levies are intended chiefly to cover ECSC administrative expenditure (the share of the European Communities' budget to be covered from this source is fixed by the Merger Treaty), readaptation assistance, and promotion of technical and economic research; borrowings, on the other hand, must be used exclusively for re-lending.

*Financing of investment*

370. The Treaty of Paris empowers the Commission to "facilitate the carrying out of investment programmes by granting loans to enterprises or by giving its guarantee to other loans which they obtain" (Article 54, first paragraph). As well as making loans towards capital schemes on the coalmining and steelmaking sides proper, the Community may similarly lend towards projects and installations serving directly and primarily to increase the production, lower production costs or facilitate the sale of products under its jurisdiction (Article 54, second paragraph). Such operations (which require the unanimous endorsement of the Council) have been undertaken in the past to part-finance a number of major power stations and, this year, extensions to a shipyard. The same procedure is still being used to assist the building of workers' houses. Interest rates on the world capital markets rose steadily during 1969, and applications continued to come in from enterprises for ECSC aid with the financing both of industrial programmes and of programmes of the kind specified in Article 57 of the ECSC Treaty (redevelopment loans).

No applications for any fresh guarantees by the Commission, under either Article 54 or Article 56, were received in 1969. Repayments on the initial amount covered by earlier guarantees, 48.7 million u.a., brought the total still outstanding at 31 December 1969 down to 33.6 million u.a.

*Borrowing operations*

371. Between 1 January and 31 December the Commission floated four loans to a total value of 51.97 million u.a., bringing the number of its borrowing operations under the ECSC Treaty to date to 56 and the aggregate sum so raised to 892.56 million u.a. The 1969 operations consisted of one public loan of 60 million Swiss francs, placed on the Swiss capital market, and three private loans on the German market, one of DM 40 million and the other two of DM 50 million each.

*Lending operations*

372. Funds available in 1969 for lending to enterprises totalled 99.20 million u.a., including the year's borrowings and the sundry other items shown below:

(million u.a.)

(1) Borrowings			
In hand at beginning of year	32.68		
Proceeds of loans raised in 1969	51.97		
Repayments before due date	2.51		
		87.16	
(2) Own resources (special reserve)			
Balance carried forward from previous years	5.20		
In hand from allocation to special reserve in 1969	3.62		
Repayment of previous loans	3.22		
		12.04	99.20

The bulk of this was re-lent in 1969 at cost, i.e. at 6.75% down to 5 November 1969 and 7.25% thereafter, to help finance industrial investment under Article 54.

Loans towards redevelopment programmes under Article 56 of the ECSC Treaty, on the other hand, were in the main granted on more advantageous terms, made possible by using part of the funds derived from the management of liquid assets. As in previous years, only 4.5% was charged on these for the first five years, 6.75% from the sixth year down to 5 November 1969, and 7.25% thereafter. This reduced interest was in some cases charged on the whole and in some on only part of the principal—depending, for instance, on the number of new jobs the project was calculated to create.

The Community continued its financing of workers' housing in 1969. Its loans for this purpose are ordinarily granted out of the special reserve just referred to, at very low interest and on specially easy redemption terms; they are made in the currency of the payee's country to avoid any exchange risk to the borrower. Most of the sums advanced during the period under review were for the purposes of Building Scheme VI, the remainder for the special tranche of Scheme V. Disbursements under these two schemes during 1969 totalled 3.56 million u.a., paid from the special reserve and from borrowings.

373. Due allowance being made for all this, the share of industrial loans proper decreased and that of loans for redevelopment under Article 56 increased in the course of the year. For industrial projects the ECSC



set aside 40.65 million u.a., taken entirely from borrowings. The programmes assisted may be broken down among the types of investment given priority in the Community's General Objectives as follows.

### *Coal industry*

Pithead power stations taking low-grade coal:  
Charbonnages de France, Paris (Lorraine coalfield).

### *Iron and steel industry*

Oxygen steelmaking plant:  
Italsider SpA, Genoa (Taranto plant);  
Rheinstahl Hüttenwerke AG, Essen (Hattingen plant).

Continuous casting plant:  
Acciaierie e Ferriere Lombarde Falck SpA, Milan (Sesto San Giovanni plant).

Rationalization and specialization of rolled steel production:  
Cockerill-Ougrée-Providence SA, Seraing (Marchienne and Athus plants);  
Giuseppe e Fratello Redaelli SpA, Milan;  
SA Sidérurgique maritime ("Sidmar"), Ghent.

Plant calculated to help sell iron and steel products:  
Verolme Verenigde Scheepswerven NV, Rotterdam.

374. A total of 23.67 million u.a. was paid out in 1969 in redevelopment loans. These numbered 19, distributed geographically as follows.

### *Germany (FR)*

North Rhine-Westphalia:  
Aluminium Norf GmbH, Stüttgen b/Neuss;  
Pintsch-Bamag Apparatebau GmbH, Voerde;  
Deutsche Solvay-Werke GmbH, Solingen-Ohligs;  
Armco-Eurotec GmbH, Voerde;  
L. Schweisfurth, Inh. Karl Schweisfurth, Herten.

Lower Saxony:  
Maschinenbau Damme AG, Lemförde.

*Belgium*

## Limburg:

Crédit communal de Belgique SA, Brussels, for Association intercommunale pour le développement économique et l'aménagement du Centre et du Borinage (IDEA).

## Hainaut:

Caterpillar Belgium SA, Brussels and Gosselies.

*France*

## Lorraine:

Société d'équipement du bassin lorrain (SEBL), Metz

- Valmont, Saint-Avold,
- Creutzwald,
- Briey,
- Villers-la-Montagne.

*Italy*

## Brescia:

Industria Armi Brevettate SpA, Gardone.

*Netherlands*

## Limburg:

NV Bank voor Nederlandsche Gemeenten, The Hague, for NV Industriebouw Kerkrade;

Bouwstaal Roermond NV, Roermond;

NV Vereenigde Glasfabrieken, Maastricht;

Everts & van der Weyden NV, Heerlen;

NV Nederlandsche Staatsmijnen/DSM, Heerlen;

Internationale Beton Maatschappij ("Interbema") NV, Susteren.

375. Funds set aside for readaptation assistance in 1969 reached the record figure of 25 million u.a.

In addition to meeting the unusually large requirements in this respect, the Commission made available 7 million u.a. for technical and

social research. Research contracts to the following value were signed during 1969:

Technical research, steel and ore	3.8 million u.a.
Technical research, coal	3.7 million u.a.
Social research	1.4 million u.a.

These sums were duly paid into the corresponding reserve accounts.

As regards disbursements under all contracts to date, both those signed earlier and those signed in 1969, the amount charged to the technical research reserve was 6.7 million u.a., bringing the total actually expended in this field since 1952 to 69.5 million u.a., or 75% of the aggregate amount contracted for.

Table 26 below shows the loans paid out by the ECSC from the start of its financial operations to 31 December 1969, broken down by category and country.

TABLE 26  
Total lendings at 31 December 1969

(million u.a. and %)

	Germany (FR)	France	Italy	Belgium Luxem- bourg Nether- lands	Community	
					million u.a.	%
Coal industry <sup>1</sup>	194.13	51.25	4.99	14.00	264.37	26.40
Iron-ore mines	10.55	13.00	5.70	1.00	30.25	3.02
Iron and steel industry <sup>1</sup>	185.56	57.78	142.76	44.46	430.56	43.00
Subtotal	390.24	122.03	153.45	59.46	725.18	72.42
Workers' housing	63.23	21.65	14.22	33.60	132.70	13.25
Redevelopment	36.04	20.91	26.76	49.67	133.38	13.32
Readaptation	5.82	0.55	—	—	6.35	0.64
Research	1.41	0.60	0.23	0.76	3.00	0.30
Other purposes	—	—	—	0.72	0.72	0.07
Total	496.74	165.72	194.66	144.21	1001.33	100.00

<sup>1</sup> Including loans under Article 54, second paragraph.

## CHAPTER V

## EXTERNAL RELATIONS

## 1. The enlargement of the Community

376. During the first half of 1969 the work done by the Commission and the Council on the subject of enlarging the Community was mainly concerned with studies on the possibility of concluding arrangements with the applicant countries. These studies had been started at the beginning of 1968 on the basis of proposals presented by the various Governments.<sup>1</sup>

From July 1969 on, examination of the applications for membership made by the United Kingdom, Denmark, Ireland and Norway was resumed by the Council, using the procedures laid down in Article 237 of the EEC Treaty. The Council, when it met on 22 and 23 July, asked the Commission to bring up to date the Opinion it had rendered on 29 September 1967 concerning the applications for membership. This the Commission did in August and September; submitting its supplementary Opinion on 1 October 1969.<sup>2</sup>

377. After analysing the main problems involved, the Commission found that the general lines and conclusions of its Opinion of 1967 were still valid, but because of subsequent developments the later document dealt in greater detail with the problem of strengthening the Community in the context of its enlargement. The Community concluded that, because of the close links between the two issues, they should be considered simultaneously rather than treated separately.

<sup>1</sup> See *Second General Report*, sec. 461 *et seq.*

<sup>2</sup> Opinion submitted to the Council concerning the applications for membership from the United Kingdom, Ireland, Denmark and Norway, *Bulletin* 9/10-69, Supplement.

The Commission's conclusions continued as follows:

"As regards strengthening, the Community cannot stop where it now is. One of two things can happen; either, under the pressure of the divergent forces already in evidence, the Community will, paradoxically, allow its unity to be impaired just when the customs union has been completed at great cost in terms of effort and the pace of technological progress is steadily adding to the advantages offered by a large single market; or, by using the Community institutions to assure convergence of the policies followed by Member States, it will consolidate and widen the results obtained, to the benefit of all.

It is therefore essential to make the necessary progress in the sectors (agricultural, economic and monetary, social, institutional, etc.) which have been stressed as being important in the present document. The Commission has already made various proposals in this direction. Action has already begun within the Community. It must be pursued and reinforced.

The enlargement of the Community to include members must not be a brake on this action. Only a strong Community can provide a suitable framework for receiving the applicant States.

The applicants can consider their request for membership only against a background such as this. At the beginning of the negotiations, they will have to state their agreement not only with the principle of accepting what has been attained by the Community—in other words the Treaties plus the decisions taken since these came into force—but also, in full knowledge of the measures agreed on or in course of implementation within the Community, with the principle of strengthening the Community. Finally, they will need to adopt policies that are convergent with those pursued in the Community, thus ensuring its reinforcement.

The Commission considers that the framework described and the principles to which attention has been drawn in its 1967 and 1969 Opinions could well facilitate a joint examination, with the candidates for membership, of the problems posed by enlargement of the Community and could contribute to the search for solutions which would make it possible to establish conditions that guaranteed the cohesion and dynamism essential to an enlarged Community.

This should be the aim of the negotiations. In the Commission's opinion they should be opened as soon as possible."

378. This Opinion, which was communicated to the Council on 2 October 1969, was taken as the basis of later work, including the preparation of the summit conference of 1 and 2 December 1969. This conference, proposed by the French Government and held in The Hague at the invitation of the Netherlands Government, brought together the Heads of State or Government and the ministers of foreign affairs of the Member States of the European Communities.

In anticipation of this conference the Commission had also submitted on 19 November 1969 a memorandum which dealt with the major problems of Community life and, in particular, with its enlargement. This memorandum has since been published.<sup>1</sup> The following passages may be recalled here:

“...2. So that the results thus far achieved, notably in the customs union and the common agricultural policy, should not be subsequently jeopardized, it is essential that the Heads of State and Government affirm their will to continue the building of a genuine Community, i.e. to round off the customs union by establishing an economic and monetary union in the years ahead.

3. Enlargement of the Community is an essential factor in the creation of Europe; the Commission thus feels that the Conference of Heads of State or Government should affirm the unanimous will to bring about this enlargement.

The Commission trusts that the Opinions it sent to the Council in 1967 and 1969 will form a useful starting point for the negotiations.

4. As it stated recently—in its Opinion of 1 October 1969—the Commission considers that the strengthening and the enlargement of the Community must be pursued in parallel. Besides the decisions taken at the end of the year, strengthening includes the measures necessary for progress towards economic and monetary union and reinforcement of the Community institutions.

5. Reinforcement of the Community institutions has become essential. As the Community develops, it needs stronger institutions to ensure its internal government. It needs them equally to enable it to cope with the danger of unwieldiness inherent in enlargement. It is therefore essential, without awaiting the institutional strength-

<sup>1</sup> See annex to this Report and, for fuller details, the item on “The Hague Summit” in *Bulletin* 1-70.

ening which can be envisaged when the Communities are merged, to return to the normal functioning of the institutions as laid down in the Treaties. It is also advisable to reinforce the democratic character of the Community by envisaging early elections to the European Parliament by universal suffrage, and thus giving the peoples of Europe an interest in the destinies of the Community.

6. In conclusion, the Commission recommends that the Conference should stress the essentially political character of the task in hand and accordingly declare its will to ensure that Europe moves forward towards political union.

7. Important decisions for the day-to-day life of the Communities are called for in the immediate future. The adoption of the general lines which the Commission has set out above would greatly help in these decisions. Accordingly, the Conference should declare the political will of the Member States that the institutions shall take these decisions by the end of the year...

It should also express the political will of the Member States that the date when negotiations on the enlargement of the Community are to be reopened be determined at the same time..."

379. The Commission participated in the work of the summit conference solely on 2 December, when it was represented by President Rey and M. Martino. The guidelines evolved during this conference are to be found in the communiqué, from which extracts are given below.<sup>1</sup>

"...4. The Heads of State or Government... wish to reaffirm their belief in the political objectives which give the Community its meaning and purport, their determination to carry their undertaking through to the end, and their confidence in the final success of their efforts. Indeed, they have a common conviction that a Europe composed of States which, in spite of their different national characteristics, are united in their essential interests, assured of its internal cohesion, true to its friendly relations with outside countries, conscious of the role it has to play in promoting the relaxation of international tension and the *rapprochement* among all peoples, and, first and foremost among those of the entire European continent, is indispensable if a mainspring of development, progress and culture, world equilibrium and peace is to be preserved.

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<sup>1</sup> For the full text of the communiqué, see the annex to this Report.

The European Communities remain the original nucleus from which European unity has been developed and intensified. The entry of other countries of this continent to the Communities—in accordance with the provisions of the Treaties of Rome—would undoubtedly help the Communities to grow to dimensions more in conformity with the present state of world economy and technology. The creation of a special relationship with other European States which have expressed a desire to that effect would also contribute to this end. A development such as this would enable Europe to remain faithful to its traditions of being open to the world and increase its efforts on behalf of developing countries.

...

7. The acceptance of a financial arrangements for the final stage does not exclude its adaptation by unanimous vote, in particular in the light of an enlarged Community and on condition that the principles of this arrangement are not infringed.

...

13. They reaffirmed their agreement on the principle of the enlargement of the Community, as provided by Article 237 of the Treaty of Rome.

In so far as the applicant States accept the Treaties and their political objective, the decisions taken since the entry into force of the Treaties and the options made in the sphere of development, the Heads of State or Government have indicated their agreement to the opening of negotiations between the Community on the one hand and the applicant States on the other.

They agreed that the essential preparatory work for establishing a basis of negotiation could be undertaken as soon as practically and conveniently possible. By common consent, the preparations would take place in a most positive spirit.

14. As soon as negotiations with the applicant countries have been opened, discussions will be started with such other EFTA members as may request them on their position in relation to the EEC.

15. They instructed the Ministers for Foreign Affairs to study the best way of achieving progress in the matter of political unification, within the context of enlargement. The Ministers are to make proposals before the end of July 1970..."



380. President Rey expressed before the European Parliament, at a sitting on Thursday 11 December 1969, his satisfaction with the decisions concerning completion and strengthening of the Community which were taken at the summit conference.

Referring to the problem of enlarging the Community, M. Rey considered that a very great international negotiation was in the offing. He welcomed the conference's view that the procedure adopted in 1961/63 should be replaced by negotiations between the Community and the applicant States, and was convinced that the Commission's role in these negotiations would be considerable.

## 2. The association of European countries with the Community

### THE ASSOCIATION OF THE UNITED KINGDOM WITH THE ECSC

381. As arranged at the end of 1968,<sup>1</sup> the 18th annual session of the Council of Association was held on 30 and 31 January 1969 in Brussels. The 19th session took place as anticipated on 10 October 1969 in London.

During 1969 the Association Council's standing committees continued their activities. The Steel Committee met on 20 June, the Coal Committee on 9 September and the Trade Relations Committee on 30 September. On 10 October the Council examined and approved the reports of these three Committees.

At its session of 30 and 31 January the Council instructed the Coal Committee and Steel Committee to examine the supply and demand position of coking coal and metallurgical coke in the Community and the United Kingdom. The joint steel-coal group which had been instructed to deal with this question also reported to the Association Council in October. The mandate given by the Council to the joint group has been widened as the examination must now include the existing situation in the non-member countries.

### THE ASSOCIATION OF GREECE WITH THE EEC

#### *The impact of political events in Greece*

382. In its Second General Report, the Commission had noted that ten articles of the new Greek Constitution, including those that guarantee the fundamental human and civil rights, had still not come into force. The Greek Government had, in fact, reserved the right to implement them at a later date, in spite of the referendum held on 29 September 1968.

According to the statements of the Prime Minister, M. Papadopoulos, three of these articles eventually came into force on 21 April 1969. Those referred to are Articles 13, 18 and 19 concerning the inviolability of the home, freedom to meet and the right of association. However,

<sup>1</sup> See *Second General Report*, sec. 481.

according to the information the Commission possesses, their implementation has been subjected to such practical restrictions that it is difficult to affirm that any real progress has been made in this field.

Furthermore, Articles 10, 12 and 14 on personal liberty and freedom of the press are still suspended, despite the liberalization measures announced by M. Papadopoulos on 3 October 1969. The same is true of Article 25 concerning certain powers of the King, and even more of Articles 58, 61 and 121 concerning the organization of political parties and elections to legislative and administrative bodies.

Consequently, the Joint Parliamentary Association Committee is still unable to function.

In these circumstances, and bearing in mind the absence of any move to restore normal democratic life in Greece in 1969, the Commission has not considered it could modify the attitude it adopted after the *coup d'état* of 21 April 1967. This attitude consists in applying the provisions of the Athens Agreement and those which were adopted by the Council Association where they contain precise obligations on matters such as the trading system.<sup>1</sup>

### *Implementation of the Athens Agreement in 1969*

383. The Council of Association did not meet during 1969.

The Association Committee met three times, in March, October and November 1969. It did no more than examine a few technical questions concerning the application of the Athens Agreement, particularly those which concerned the elimination of obstacles to trade. The Community also took this opportunity to consult Greece concerning the agreements concluded between the Community on the one hand and Morocco and Tunisia on the other, in accordance with Article 64(3) of the Athens Agreement.

The Community also informed Greece of the extension until 30 November 1970 of the trade agreement with Iran and consulted Greece concerning the standard amount applicable from 1 November onward to unrefined olive oil from Greece. As in the 1968/69 marketing year, the

<sup>1</sup> See the Commission's replies to the written questions from M. Vredeling, *official gazette* No. C 2, 9 January 1969 and *official gazette* No. C 161, 18 December 1969, and to the questions put during the debate which took place in the European Parliament on 7 May 1969.

amount was fixed at 0.5 u.a. per 100 kg of imported product (see Council Regulation No. 2119/69).<sup>1</sup>

On 30 June 1969 the Council adopted a regulation extending until 30 June 1970 the trading system applicable to certain Greek goods processed from agricultural products. The regulation consolidates and extends the validity of the special provisions already in force in this field.

Furthermore, Decision No. 1/68 of the Council of Association concerning the provisional system applicable to trade in certain agricultural products between the Community and Greece having expired on 30 June 1969, the import into the Community of these products from Greece has from 1 July 1969 been subject to equalization taxes whenever the reference prices fixed in accordance with Article 11 of Regulation No. 23 are not respected.<sup>2</sup>

In addition, the Member States of the Community increased the quotas for imports from Greece of those products for which quantitative restrictions still exist. Greece increased by a further 10% the overall quotas for imports from the Community of the non-liberalized products. The basic quotas for these products have consequently been increased by a total of 50%.

In the absence of the Joint EEC-Greece Parliamentary Association Committee, the European Parliament's Committee for the Association with Greece met several times to examine the development of the political situation in Greece and its repercussions on the development of the Association.

A debate on this point took place in the European Parliament on 7 May 1969. The Parliament adopted a resolution stressing that "no impetus should be given to the Association as long as the conditions of normal democratic life have not been restored in Greece" and reserving the right "to take steps with a view to revising the Association Agreement".<sup>3</sup>

384. On the development of trade between the Community and Greece, no data are yet available for the year 1969. The Commission will present as soon as possible a comprehensive report on the development of economic relations between the Community and Greece.

<sup>1</sup> *Official gazette* No. L 271, 29 October 1969.

<sup>2</sup> An equalization tax of 1.5 u.a./100 kg was applied to sweet oranges imported from Greece from 15 to 17 December, and 0.6 u.a./100 kg from 18 to 27 December 1969 (*official gazette* Nos. L 312 and L 317, 12 and 18 December 1969).

<sup>3</sup> *Official gazette* No. C 63, 28 May 1969.

## THE ASSOCIATION OF TURKEY WITH THE EEC

385. The year 1969 was marked by negotiations between the Community and Turkey on the move to the transitional phase of the Association. Following the decision taken by the Council of Association on 9 December 1968, the Association Committee started work in February on the drafting of the further protocol to the Ankara Agreement which will lay down the conditions, methods and pace of implementation of this transitional phase.<sup>1</sup> Negotiations have been going on concurrently in the Association on the renewal of the protocol which was due to expire on 30 November 1969 and by which certain financial assistance had been granted to Turkey.

The three sessions of the Council of Association which were held during the year 1969 were mainly devoted to these negotiations, in particular to the questions over which there were still the greatest differences between the two delegations. As the positions of the Community and Turkey concerning the general lines of the further protocol and the financial protocol are already very close to each other, it can be hoped that the negotiations will be completed fairly shortly.

386. The line which has been followed in the negotiations on the move to the transitional phase reflects the concern—which is moreover shared by the European Parliament<sup>2</sup>—to ensure that Turkey will from the outset enjoy advantages which should encourage the more rapid development of its economy and avoid too abrupt a confrontation with competition from Community exports.

It was thus in the industrial sector that the Community contemplated abolishing outright and from the beginning of the transitional phase—with certain exceptions—the CCT duties applied to imports from Turkey. Turkey would have to eliminate its customs duties on imports from the Community over a period of 12 years, in accordance with the general rule laid down in the Association Agreement and even over a longer period (22 years were envisaged) for some goods, in order not to compromise the country's industrialization.

In view of the Community's common agricultural policy, an *ad hoc* system granting preferences for a certain number of products of interest to Turkey was stipulated in the agricultural sector. In addition to the

<sup>1</sup> See Article 8 of the Association Agreement.

<sup>2</sup> See the European Parliament's Resolution of 30 June 1969, *official gazette* No. C 97, 27 July 1969.

products traditionally exported by Turkey for which advantages have already been granted in the framework of the preparatory period (chiefly hazelnuts, dried figs, raisins and tobaccos), further products would be able thus to benefit from preferences. These concessions could be improved in the future when a periodical re-examination of the *ad hoc* system takes place, it being understood that the final aim to be achieved for the definitive phase of the Association is the free movement of agricultural products between the Community and Turkey.

While waiting for the principle of the free movement of workers between the Community and Turkey to materialize, a process which certainly could not be started in the near future, advantages have been offered to Turkish labour in the field of social security. This offer assumes its full significance when it is remembered how many Turkish workers there are in the Community (about 270 000 at the end of September 1969); their number can be expected to increase further.

The Community has declared itself ready to renew its financial aid to Turkey for a further period of 5 years, under the same favourable conditions as before. The two delegations have not yet been able to fix the amount of the aid.

It is certain that the new advantages which must be granted to Turkey in the transitional phase will provide particularly valuable help for its economy; the new prospects thus opened up will also be an encouragement for the foreign investments which are indispensable for the development of the country. If, in return, Turkey has to bear certain expenses, these will be a stimulus helping the country to pursue its efforts to modernize its economy. For the Association itself, the move to the transitional phase will be a milestone on the road ahead: the rights gained by the partners and the obligations assumed will create between them a deeper community of interests and, in accordance with one of the aims of the Association Agreement, will contribute to the forging of closer and closer links between the Turkish people and the peoples of the European Community.

387. The trade preferences already enjoyed by Turkey will continue to be applicable until the beginning of the transitional phase. The tariff reduction which had been granted to Turkey for citrus fruits was increased from 20% to 30% after the entry into force on 1 September 1969 of the agreements concluded with Morocco and Tunisia.

The 1969 trade figures so far available (January-June) show a very appreciable improvement on the corresponding period of 1968. Turkish

exports increased, in fact, by 20%, whereas imports decreased by 0.3%. Total Turkish exports increased by only 5.7% during the same period. In appreciating this development, it must be remembered that 1968, taken here as reference year, had been particularly unfavourable for Turkey, whose exports to the Community had even slightly decreased.

With regard to the Community's financial aid to Turkey, the European Investment Bank concluded eight loan operations for a total amount of 43.15 million u.a. When an amount of 10 million u.a. already committed by the EIB is included, the aid planned for the five years covered by the financial protocol will amount to 175 million u.a. Of the total of these commitments, 105.9 million u.a. will have been allocated to the implementation of infrastructure projects and 69.1 million u.a. to that of industrial projects.

388. The Joint EEC-Turkey Parliamentary Association Committee held a meeting in Paris from 15 to 18 May 1969. At this meeting it adopted a recommendation concerning the changeover to the transitional phase of the Association Agreement. This recommendation included a request that the Community should grant substantial facilities to Turkey, right from the beginning of the transitional phase, especially in the agricultural and social fields, and bear in mind that Turkey is an associated country destined to become a member of the Community. The European Parliament incorporated this recommendation in its Resolution of 30 June 1969. The Joint Parliamentary Committee, furthermore, repeated its request for the introduction of a procedure enabling its members to put written questions to the Council of Association. A request of this kind had already been the subject of an initial discussion at the meeting of the Council of Association on 13 May 1969, but no conclusions have been reached.

In 1969 the Community took part in the International Fair of Izmir, which was held from 20 August to 20 September. As a result, the many visitors who attended this event were able to familiarize themselves with the Association between the Community and Turkey, its role and its importance.<sup>1</sup>

<sup>1</sup> The food aid granted to Turkey in 1969, within the framework of the Community's relations with the developing countries, is referred to in secs. 467 and 468.

### 3. Relations with the Mediterranean countries

#### ASSOCIATION WITH TUNISIA AND MOROCCO

389. The Agreements establishing Associations with Tunisia and Morocco were signed in Tunis on 28 March 1969 and in Rabat on 31 March 1969 respectively.<sup>1</sup>

These Agreements, which came into force on 1 September 1969, accord preferential treatment to most Tunisian and Moroccan exports to the Community. Virtually all industrial products from Tunisia and Morocco can now enter the Community duty-free, which should constitute a powerful incentive to industrial development in the two countries. Substantial preferences, including outright exemption from customs duties, have been arranged for 55% of Community imports of agricultural products from both Tunisia and Morocco. Special import arrangements have been made for certain sensitive products such as citrus fruits and olive oil, the object of which is to step up the export revenue of the two associated countries as far as possible without upsetting the balance of the markets in these products.

For products which do not yet benefit from Community treatment it has been arranged that exports by Tunisia and Morocco may continue to enjoy the advantages which France used to grant to them autonomously before the Agreements came into force.

Association Councils have been established, and they met for the first time on 26 September 1969, when an initial examination was made of questions raised by the application and correct implementation of the Agreements.

Both Agreements, which are for a period of five years, stipulate that from the end of the third year negotiations may be opened for the conclusion of new agreements on a wider basis, in accordance with the declaration of intent issued by the Member States when the Treaty of Rome was signed. This declaration was formally reaffirmed when the Agreements were signed.

As the signatories emphasized on this occasion, these Agreements are only the first stage in a process which is to lead to ever closer

<sup>1</sup> See *Bulletin* 4-69.



co-operation between the Community and these two Maghreb countries, contribute to the development of the Maghreb without prejudice to its integration and make for peace and prosperity in this part of the Mediterranean.

#### ALGERIA

390. By a decision of 28 August 1969<sup>1</sup> the Commission authorized Germany to defer raising its customs duties on certain Algerian wines.

#### SPAIN

391. At its session of 17 October 1969 the Council adopted a second mandate for the continuation of negotiations with Spain. This mandate was drawn up on the basis of the Commission's report of 15 October 1968 on the first phase of negotiations with Spain, which took place between September 1967 and April 1968.

The new mandate makes no change in the general outline of the earlier one, whereby the agreement envisaged was to comprise two successive stages, the first of which would last for at least six years, and the changeover from the first stage to the second would be subject to agreement by the two parties. In the matter of trade, on the other hand, the second mandate improves the Community's offer as regards both industrial and agricultural products.

The negotiations between a Commission delegation and a Spanish delegation were continued in October and December 1969 on the basis of this mandate.

#### MALTA

392. On 28 February 1969 the Council received a report from the Commission on the exploratory talks which took place between a Commission delegation and a Maltese Government delegation in October 1968.

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<sup>1</sup> *Official gazette* No. L 240, 24 September 1969, p. 15.

In this report the Commission proposed that negotiations be opened with a view to concluding an agreement in two five-year stages which would establish a customs union between the Community and Malta.

The preparations for drawing up a mandate for negotiations are in progress.

#### THE MIDDLE EAST

393. In a verbal note dated 17 September 1969 the mission of the United Arab Republic informed the Commission of its Government's wish to enter into negotiations with a view to concluding a preferential trade agreement with the Community.

By letter dated 1 October 1969 the Lebanese mission also informed the Council and the Commission of its Government's wish to enter into negotiations with the Community for this purpose.

In the course of its meeting on 17 and 18 October the Council invited the Commission to begin exploratory talks with the Government of the UAR and with the Lebanese Government. The talks with the UAR were held on 25 and 26 November; those with Lebanon are planned to take place at the beginning of 1970.

#### ISRAEL

394. At its meeting of 17 October 1969 the Council agreed on a mandate for negotiations with Israel.

The mandate, which is broadly in line with the Commission's proposals, is for the conclusion of a partial preferential agreement valid for five years, with the possibility of a new agreement on a wider basis being concluded before its expiry. Negotiations between a Community delegation and an Israeli delegation were held in accordance with this mandate on 12, 13 and 14 November and 10, 11 and 12 December 1969.

#### 4. The Associated African States and Madagascar, and the associated overseas countries and territories

##### THE NEW YAOUNDÉ CONVENTION

395. An undoubted political success was scored with the conclusion of the negotiations for the renewal of the Yaoundé Convention, culminating in the initialling of the new instrument in Luxembourg on 28 June 1969 and its final signature in Yaoundé on 29 July. On the Community side, it should be noted that the Member States, notwithstanding some differences of opinion, at no time questioned the desirability of proceeding with the association, and also that the formulas devised were consistent with Community policy towards the developing countries generally; as regards the AASM, their delegation usually managed to agree to a joint approach more quickly than did the Community, despite the fact that their interests in some cases did not coincide.

Four ministerial-level meetings of the contracting parties were held between December 1968 and June 1969, prepared by seven meetings of ambassadors between the same months and six meetings of experts between February and April 1969.

It should be added that the timetable adopted at the Association Council's session in Kinshasa in July 1968 was very largely adhered to, the fourth and last ministerial meeting taking place some eleven months later, just under one month beyond the original deadline of 31 May 1969.

##### *Main provisions of the new Convention*

##### *Structure of the Convention*

396. Yaoundé II is structured on much the same lines as Yaoundé I. Some articles have been taken over as they stood, and others with only minor changes of phrasing: in particular, those dealing with the right of establishment, with services, payments and capital, and with the institutions, the general and concluding provisions, remained largely unaltered. Changes were most numerous in the articles on trade and on financial and technical co-operation, and in the related protocols. But beyond the omission of some items no longer relevant, the remodelling of others

and the inclusion of some new matter, the basic principles are still there, underscoring the continuity of the Association.

### *Trade*

397. With regard to trade, the principles laid down in Yaoundé I are confirmed in Title I of the new Convention: these are, firstly, non-discrimination by the Community countries in their relations with the AASM, and secondly, the setting up of free trade areas between the Community and the Associated States; this means in effect, though with certain exceptions, that no customs duties or quantitative restrictions are imposed on either side. Generally speaking, the present position for AASM exports is that the full freedom of trade established on 1 June 1968 continues, as do the preferences consequent on the full application of the Common Customs Tariff on 1 July 1968. At the same time, in token of their good will towards the non-associated developing countries, the Six have made provision for suspensions of the CCT—of which the AASM were duly notified in the course of the negotiations—with respect to a number of secondary tropical products and three major ones, green coffee, cocoa beans and crude palm oil.

In addition, as under the previous association arrangements, each side reserved the right to make some exceptions to these principles. In the case of the AASM, the concept of “development needs” entitling them to reimpose duties and quantitative restrictions in respect of products originating in member countries was clarified and expanded, giving the AASM the right to resort to both these courses at once, and it was even conceded that, subject to certain conditions, they might suspend imports of a particular product.

398. For AASM agricultural products similar to and competing with European products, and goods processed therefrom, the Community undertook to grant the AASM more favourable treatment than other countries. During the negotiations, the AASM were given details of the principles which would be observed in drawing up the implementing regulations and would remain operative throughout the life of the Convention. In the event of changes in the organization of Community markets, however, the Community reserved the right to alter the arrangements after consultations in the Association Council; should this happen, it undertook to see that the Associated States continued to enjoy a comparable advantage under the new arrangements.

Mention should be made of one new provision concerning trade which did not figure in the previous Convention, namely that aid for marketing and sales promotion should be made available, rounding off what is already being done in this direction and facilitating sales of AASM products.

At the same time the new Convention, while still intended to encourage the expansion of trade between the Community and the AASM, reflects the contracting parties' anxiety to foster the expansion of trade and regional co-operation within Africa: the Associated States may maintain or set up customs unions or free trade areas and conclude economic co-operation agreements with one another, or with other non-associated African countries at a comparable level of development, or even with still other countries. Articles 12 and 13 specify that the Community is prepared to waive application of the most-favoured-nation clause in connection with the organization of regional co-operation between associated African countries at similar levels of development. In addition, a protocol on generalized preferences is appended, bringing the Convention into line with the recent movement of world ideas on this subject, as manifested more particularly at the New Delhi Conference in 1968.

#### *Financial and technical co-operation*

399. The provisions on financial and technical co-operation in Title II of the new Convention are aimed at continuing aid on the same lines as under the previous Convention, especially in such fields as investment, technical co-operation and advances to help cushion the impact of temporary fluctuations in world prices. Some notable changes have been made, however, and a number of new points written in.

Of the five-year appropriation of one thousand million dollars earmarked for the AASM and overseas countries, territories and departments, 918 million is to go to the AASM, against 730 under Yaoundé I. To enable a larger number of commercially viable projects to be financed, the amount to reach the AASM in the form of special EDF loans has been increased to 80 million u.a. (up 74%) and that in the form of ordinary EIB loans to 90 million (up 41%). Together, the loans for the AASM account for 18.5% of the total, against 15.1% under Yaoundé I.

In view of the increased sums to be lent, and of the experience gained in the implementation of Yaoundé I, some changes have been made in the financing techniques, making them better able to assist viable

projects. Thus improvements have been made in the system of interest rebates, the acquisition of holdings in firms' risk capital is to be permitted, loans may be granted through national or multinational development financing bodies acting as "relay stations", and special importance is attached to the execution of integrated projects.

One main aim in making these changes has been to enable more aid to be spent on furthering industrialization in the Associated States. The Convention also includes a number of other provisions for the same purpose, such as the preference that may be given to local and regional industries in connection with supply contracts, the more rapid procedures to be introduced to encourage participation by local or regional firms in works contracts for comparatively small amounts, and the arrangements for intensifying regional co-operation (regional or inter-State organizations to which Associated States belong are included among the potential recipients of aid).

400. The new Convention also endeavours to streamline the existing procedures for the submission and examination of applications and the use of the aid provided.

It requires that "the Associated States shall inform the Commission, in so far as possible as soon as this Convention enters into force, of their development plans and programmes and of the intervention measures for which they intend to request financial aid from the Community". The object of this provision is to enable Community aid to be fitted still more smoothly into place in the overall national, or indeed regional, scheme of things, and if possible to make for greater harmonization between this aid and the bilateral aid given to the AASM by Member States. It is worth noting that regional and inter-State organizations are now entitled to take the initiative in submitting applications for financing, with the agreement of the Associated States concerned.

401. Yaoundé II does away with one form of aid and institutes a new one. Despite the insistence of some of the AASM, aid to production in the form of price support—available under Yaoundé I—has not been retained (it was in any case due to cease when Yaoundé I expired at the end of five years). The new Convention provides for aid "to deal with special and extraordinary difficulties creating an exceptional situation", payable in the event of natural disasters—as with the "emergency aid" of Yaoundé I—or of a slump in world prices. In the latter case the economic arguments adduced must be particularly weighty, account being

taken of "the place occupied by the product or products concerned in the economy of the State in question, and the economic situation of that State".

The total amount available for dealing with these different situations is to be 65 million u.a., or 80 million u.a. should specially extensive difficulties arise; any aid given under the new provision would be in the form of a grant from the EDF.

#### *The institutions*

402. The provisions in this respect are the same as before, except that there is to be a new "good offices" procedure to help settle any dispute, and a new protocol on privileges and immunities has been added.

#### *General and final provisions*

403. Whereas Yaoundé I provided that one year before expiry the contracting parties should consider the arrangements to be made for a further period, Yaoundé II allows eighteen months for this purpose, to give the negotiations more time and enable any transitional periods to be kept as short as possible. The new date of expiry, 31 January 1975, was chosen so as to limit the period over which Community aid is to be spread, bearing in mind the uncertainty as to how long it might take to secure ratification.

### OPERATION OF THE YAOUNDÉ CONVENTION INSTITUTIONS

#### *The Association Council*

404. During 1969 two extraordinary sessions of the Association Council were held, on 26 March (eighth session) and 29 May (ninth session), in conjunction with the ministerial meetings of the contracting parties to the Yaoundé Convention.

At the March session the Council deputed the Association Committee, if and when required, to take the necessary transitional measures in accordance with Article 60, second paragraph, of Yaoundé I. When the

Committee met on 23 May, however, the AASM representatives stated that they considered the Community's proposals concerning these so inadequate that they intended to leave all decisions on these measures to the Association Council itself.

Accordingly, at its session on 29 May, which was devoted entirely to the transitional measures that were to apply after 31 May, the Council, wishing to maintain the continuity of the Association until such time as a fresh EEC-AASM Convention should come into force, duly took the decision that the main provisions of the existing Convention should apply until the new Convention became operative or, at latest, until 30 June 1970.

The provisions on trade, financial and technical co-operation, the right of establishment, services, payments and capital movements, and the institutions, together with Articles 54, 55, 58, 60, second paragraph, 62, 63 and 64 of the Convention, and the Association Council's implementing decisions, therefore continued to apply after 31 May 1969.

405. With regard more particularly to the transitional measures in the field of financial and technical co-operation, the Association Council, after carefully considering various proposals, agreed to a number of points. The Community is prepared to use up the whole balance in hand of the European Development Fund (EDF); the Council of the Communities has written to the European Investment Bank requesting it to continue after 31 May 1969 the assistance it had been giving to the Associated States from its own resources, within the ceiling fixed in the Convention. The Community also agreed that sums paid or to be paid into the EIB down to the expiry of the transitional measures as principal or interest by the beneficiaries of loans on special terms were to be allocated to the second EDF. Furthermore, the Community is prepared to continue financing during the transitional period the scholarships shown in the Commission's budget. Advances to the stabilization funds provided for in Articles 17 and 20 of the Yaoundé Convention can still be granted, subject to certain conditions, during the transitional period.

It was also agreed at the Association Council meeting that applications for the financing of projects or programmes from the third EDF could be submitted by Associated States forthwith: once the new Convention had been signed, the relevant administration bodies would study, in accordance with the procedures laid down, the projects and programmes submitted during the transitional period, but these could not be finally approved until the Convention came into force.



Finally, the Community agreed that, if an exceptional state of affairs caused by a fall in world prices and liable to have serious consequences were to create special and unusual difficulties during the transitional period, any requests from Associated States for aid under this head should be considered, so that assistance could be given as soon as the new Convention came into force.

Other matters coming before the Association Council included the Commission's report on financial and technical co-operation from 1 January to 31 December 1968, submitted in accordance with Article 27 of Yaoundé I on 20 May 1969.

### *The Association Committee*

406. The Association Committee held three meetings, its twenty-fourth (14 March), twenty-fifth (8 May) and twenty-sixth (23 May), timed to coincide with the ambassadorial-level meetings of the contracting parties.

At the twenty-fourth meeting, the Community officially informed the Associated States of the consultations between itself and certain Latin American countries following complaints by the latter concerning enforcement of Article 47 of the International Coffee Agreement. The Associated States for their part made a statement on the subject of tariff preferences in respect of coffee.

The Associated States also expressed disquiet at the time being taken to ratify Council Regulation No. 355/67 concerning the special arrangements in their favour which the Community countries are to apply to oleaginous products. The Community replied that the position now reached in such of the parliamentary procedures as had still not been completed gave every indication that the regulation would be duly ratified in the fairly near future.

The two May meetings were devoted almost entirely to the transitional measures, in preparation for the Association Council's meeting on 29 May.

### *The Parliamentary Conference of the Association*

407. The Parliamentary Conference of the Association met for its fifth annual session at Tananarive, Madagascar, from 10 to 15 January 1969.

The proceedings were mainly concerned with a report by M. Ebagnitchie on the Association Council's fourth annual report. Most speakers commented with satisfaction that the Association was working well, although some deficiencies were still apparent, notably as regards the practical effect of the trade provisions in the Yaoundé Convention. Both European and AASM members expressed the hope that the negotiations for the renewal of the Convention would be brought to a successful conclusion as soon as possible.

The Conference then debated the working paper by M. Dewulf on industrialization and the difficulties encountered by the Associated States in achieving technical and scientific progress. A resolution that a report on the subject should be laid before the next Parliamentary Conference was adopted unanimously.

The Joint Committee of the Conference met twice at this time, before and after the session, to ensure continuity in the Conference's activities, and again on 19-22 May at Menton and on 20-24 October at Niamey. The main subjects discussed were the new Conventions of Association—concerning which the Menton meeting issued a solemn appeal to the negotiators—and the question of the industrialization of the AASM, as outlined in a draft report by M. Dewulf.

The sixth Parliamentary Conference met in Hamburg in January 1970.

*Right of establishment and freedom to supply services :  
position in 1969*

408. The position in this respect remained as described in last year's General Report.<sup>1</sup>

TRADE

*Dismantling of duties and quotas*

409. Two Associated States, Togo and Congo (Kinshasa), again invoked Article 61 of the Yaoundé Convention, allowing them to defer the tariff cuts provided for in Article 3 of the Convention. Burundi on 1 July

<sup>1</sup> *Second General Report*, sec. 500.

1968 and Somalia on 1 January 1969 adopted tariffs allowing products originating in the Community to enter duty free, though continuing to levy charges for revenue purposes.

Of the associated overseas countries and territories, Surinam followed suit with a new tariff that came into force on 1 February 1969, and information was conveyed by the Dutch authorities that the Government of the Netherlands Antilles was preparing to do the same in the near future.

Quantitative restrictions on imports of EEC products have, in principle, been lifted in all the Associated States and overseas countries and territories; in some, however, as permitted by Article 6(3) of the Convention, the authorities have retained or imposed a number of restrictions considered to be necessary from the point of view of the country's development or its balance of payments.

#### *Aid for marketing and sales promotion*

410. In its report of 14 March 1967, adopted by the Association Council, the joint panel of experts on marketing of AASM products unanimously recommended various measures by the Community to assist marketing and increase sales. As a pilot project, the Commission approved the part-financing, by grants from the second EDF, of a programme enabling the AASM to be represented at trade fairs and exhibitions in the Member States. The programme was begun in 1968, and continued in 1969; over the two years it covered 12 events in Germany, Belgium, France and Italy; 46 AASM stands being constructed, fitted up and decorated in 1968, and 45 in 1969. The advertising, both at the stands themselves and elsewhere, was also paid for by the EDF.

As the results were considered highly encouraging by AASM and Member States alike, the Commission has approved an additional grant to enable these activities to be carried on in the interval between the expiry of Yaoundé I on 31 May 1969 and the expected entry into force of Yaoundé II some time before 31 May 1970.

In parallel with this venture, the Commission is preparing an "African and Malagasy Exhibitors' Guide" to help AASM staff in charge of stands at trade fairs to equip themselves for their duties.

411. At the request of the AASM, the Commission also approved the financing of a study aimed mainly at working out ways of helping these

countries to increase their sales in the Community. The first stage of the study, a survey in Africa, has been completed, and the second, in Europe, is now in progress: the findings are expected during the first half of 1970.

In addition, a market study is to be undertaken with a view to enhancing Community sales of certain products made from manioc and imported from Togo and Madagascar.

The event of the year in this connection, however, was unquestionably the new Yaoundé Convention, Article 19 of which lists among the measures to be financed by the third EDF operations "encouraging the marketing and the promotion of sales of products exported by the Associated States".

Already several Associated States have applied for EDF aid for such purposes as setting up external trade offices, holding trade fairs in Africa, studying possible markets for certain products, and perhaps conducting publicity campaigns.

The Commission's departments are meantime examining the possibility of compiling a reference work for the information of AASM exporters to the Community and Community exporters to the AASM.

*Agricultural products that compete with  
similar European products*

412. On the question of the transitional measures that should apply after the Yaoundé Convention expired on 31 May 1969, the Council of the Communities consulted the AASM and then, at its session on 28 May 1969, approved the Commission's proposal that the import arrangements for AASM and OCT products similar to and competing with European products should be continued until the new Convention came into force or until 30 June 1970, whichever was sooner. The products concerned are:

- (1) rice and broken rice;<sup>1</sup>
- (2) oleaginous products;<sup>1</sup>
- (3) processed cereals and rice;<sup>1</sup>
- (4) processed fruit and vegetables with added sugar;<sup>1</sup>
- (5) certain processed agricultural products.<sup>2</sup>

<sup>1</sup> Council Regulation (EEC) No. 989/69. *Official gazette* No. L 130, 31 May 1969.

<sup>2</sup> Council Regulation (EEC) No. 988/69. *Official gazette* No. L 130, 31 May 1969.

The Commission subsequently submitted to the Council draft regulations on the same products, introducing various improvements in the arrangements just referred to; the new arrangements, intended to apply, in principle, throughout the period of application of the new Association Convention, can come into force even in advance of the Convention itself.

### *Production aids*

413. Total commitments approved between 1 January and 31 May 1969, when the Yaoundé Convention expired, amounted to 17 999 000 u.a., of which 16 642 000 u.a. was for structural improvements and 1 357 000 for price support. The beneficiaries were Chad, Dahomey, Madagascar, Mali and Senegal.

When compared with the corresponding period of 1968, this is a drop of 21% in commitments overall, and of 74% in those for price support, as the five-year programmes afford no support for the farm year 1968/69 except to Chad and Senegal. Structural aid showed a very slight increase.

As regards price support, groundnut prices did fairly well and Senegal's allocation for this purpose therefore did not have to be drawn upon. In Chad on the other hand the support furnished was not enough, owing to the poor showing of world cotton prices and the increased cost of outward shipment, it being impossible to send the cotton by the cheapest route, via Nigeria.

The structural improvement projects were carried out according to programme. Some increase in productivity can be credited to them, although in certain cases, as with groundnuts in 1968/69, production fell off, mainly in consequence of exceptionally bad weather conditions.

With regard to price stabilization, the Community advanced one million u.a. to the Burundi Industrial Crops Office for the 1969 arabica season.

### FINANCIAL AND TECHNICAL CO-OPERATION IN 1969

414. Commitments undertaken by the Commission in 1969 for expenditure from the second EDF amounted to approximately 102 million u.a. for the

AASM and 11 million u.a. for the OCT, making a total, with sums for other more general operations, of about 116 million u.a. This is slightly less than the average for the previous years, owing to the gradual rundown of the funds still available in the second EDF.

At the end of 1969, the amount committed stood at 682 million u.a., 93% of the total set aside for the period covered by Yaoundé I (which expired on 31 May but was kept in being by the contracting parties until the new Association Convention should come into force). With contributions to a few projects still under study, plus the sums to be reserved for technical supervision and related costs, this means that practically the whole of the second EDF's resources are now committed.

So that examination of projects could proceed uninterrupted during the transitional period, the Association Council decided (Decision No. 30/69, 29 May 1969) that applications for aid from the third EDF for projects and programmes could be submitted by Associated States following the expiry of Yaoundé I, and that any balances in hand could be used for such purposes as the studies needed for working out the details of the projects or programmes to be financed from the third EDF. In view of the flow of earlier commitments for technical co-operation related to investments, an overall authorization to commit 1.5 million u.a. for this purpose was given for the period up to 30 June 1970.

415. A breakdown of EDF aid in 1969 by field of activity shows an increase in the share of rural production schemes (some 44% of the total) and the amounts spent on industrialization (about 6%) and electricity generation (about 16%); approximately 21% of the sums committed were for transport infrastructure, and 12% for social projects.

Aid for rural production went mainly on structural improvement and diversification schemes for the following industrial crops: tea (Burundi, Rwanda, Congo-Kinshasa and Madagascar), cotton (Chad, Ivory Coast, Mali, Madagascar and Senegal), groundnuts (Mali and Senegal), palm oil (Togo), tobacco (Mali) and coffee and pepper (Madagascar). Only one project in this sector, for developing cotton-growing in Ivory Coast, was financed by a loan on special terms.

In addition, as urged by the Association Council in its resolution on the general pattern for financial and technical co-operation, the Commission stepped up its encouragement of food production, notably rice (Madagascar, Mali, Mauritania and Senegal), millet (Mauritania and Senegal) and sorghum (Mauritania). In particular, a scheme for a series

of dams or flood barriers in Mauritania will, it is hoped, make it possible to develop certain crops, chiefly millet and sorghum, on land subject to seasonal flooding.

Several grants and loans were furnished in 1969 to assist the industrialization drives in progress in the AASM, notably for the modernization of oil mills in Congo (Brazzaville) and the building of industrial slaughterhouses in Upper Volta and Madagascar. Also, some aid primarily for rural production includes contributions to industrialization, such as a project for 500 hectares of tea plantations in Burundi, the funds allotted to which also cover the construction of a tea factory and generating plant.

The same is true of investment specifically in electricity production, which was particularly substantial in 1969. Under this head comes the largest commitment of the year, 18 million u.a. (half of it in the form of a loan on special terms) for the Inga hydroelectric scheme in Congo (Kinshasa); part of this sum is to go on purchasing and installing a high-voltage network to link the power-station now building at Inga with Kinshasa, and on the building of seven transformer stations.

For transport infrastructure, the Community contributed approximately 17.7 million u.a. for road laying and improvement. One of the projects aided—building a stretch of the Lower Obiga-Lastourville road in Gabon—received an ordinary EIB loan of 2.3 million u.a. and, from the EDF, a 3% interest rebate on the EIB loan plus a further loan of 2.5 million u.a. on special terms.

Other infrastructure projects include berthing installations in the Central African Republic and French Guiana, a pier at Bonaire in the Netherlands Antilles, and the purchase of a dredger for the harbour of Pointe Noire in Congo (Brazzaville).

In all commitments from the second EDF since 1964, including these further operations decided on in 1969, easily the largest share goes to modernization and diversification of production (44%). Next comes transport and communications infrastructure (33%). The further drive to improve training and education is reflected in a steady rise in the amounts allotted to this sector.

416. As regards methods of financing, 101 million u.a., or 87% of the commitments in 1969, consisted of grants. Loans on special terms

accounted for 15 million u.a.; this sizeable increase on 1968 brought the aggregate to over 93% of the total provided for in Yaoundé I for loans of this type.

The Commission also granted an interest rebate on an ordinary EIB loan to Gabon, thus reducing the burden on the borrower by 660 000 u.a.

Over and above the new commitments, an advance of one million u.a. was made from the Fund's liquid assets to the Industrial Crops Office in Burundi.

In terms of the categories of aid provided for in the Yaoundé Convention, the bulk of the 1969 credits went, as before, to "economic and social investments" (about 45% of the total). "Aids to production", which in any case are to be tapered off, decreased to around 16%, against 26% in 1968; "aids to diversification" on the other hand shot up to 35%. Credits for "general technical co-operation" worked out much the same as the year before. No "emergency aid" was required.

417. Implementation of EDF-financed operations went ahead a good deal faster in 1969 than in the previous few years.

At 31 December 1969, operations in hand represented a total of 1 031 million u.a., subdivided among 687 projects and programmes, of which 171 were financed from the first EDF and 516 from the second.

Operations approved since the Fund was started number 1 066 in all, 443 for the first EDF and 623 for the second, accounting respectively for 580 and 697 million u.a., i.e. a total of 1 277 million u.a. at 31 December 1969, compared with 1 172 million the previous year. Of these, 379 operations had been completed, for a total expenditure of 257 million u.a., as against 288 operations and 186 million u.a. a year earlier.

Expenditure in the year under review is expected to come out at about 120 million u.a., well above the average for the four preceding years, which was only 109 million.

The greater number of calls for tender in 1968 duly produced an increase in the number of contracts placed in 1969 (by public tender, direct-labour estimate, single tender), as can be seen from the following figures.



**A. Number of contracts**

	1969	1968	Increase	% increase
1st EDF	2 343	2 201	142	6.5
2nd EDF	2 153	1 597	556	25.8
Total	4 496	3 798	698	18.4

**B. Value of contracts***(million u.a.)*

	1969	1968	Increase	% Increase
1st EDF	534	523	11	2.1
2nd EDF	394	259	135	52.1
Total	928	782	149	18.7

From this it emerges that:

- (1) The first Fund, with its small percentages, has nearly exhausted its resources;
- (2) The second Fund, in contrast, is expanding steadily and should continue expanding for two or three years.

Calls for tender were rather less numerous in 1969 (96 projects offered for international tender, against 116 in 1968), but only because 1968 was an unusual year, in which an attempt was made to catch up on the backlog in this field: actually, the 1969 figure is back to the normal level of around one hundred a year, representing expenditure in the region of 100 million u.a.

*Co-ordination of Community and other aid*

418. The exchange of information between the Commission and the bilateral aid agencies in the Member States proceeded satisfactorily in

1969. Co-ordination meetings were found necessary, and were held with the Belgian, French and German authorities in charge of aid arrangements.

The exchange of information with the multilateral aid organizations went ahead still more actively, with UNICEF and FAO sending teams to consult with the Commission's staff and the Commission sending a team to the World Bank.

Co-ordination at field level included participation by the Fonds d'aide et de coopération (FAC) in a project for improving cotton production in Chad, for which France will provide aid to pay for advisers and the EDF aid to pay for fertilizers, disinfecting of seed, storage infrastructure and transport vehicles.

Mention may also be made of German co-operation in the new programme for installing equipment for inland waterway shipping in the Central African Republic.

In Niger, aid from the Community, France and the UN Special Fund is being put jointly into an industrial project, the millet mill at Zinder.

The Member States are also helping to finance the programme for AASM representation at trade fairs and exhibitions in their countries.

Consultations begun in 1968 between the Commission, FAC and the UN Special Fund led in 1969 to the approval of a regional development project in Togo. This project covers the agricultural development of five areas, of which Community aid is to be concentrated on two—the central and upland areas—and French and Special Fund aid to the other three.

Community-aided operations in the field of vocational training were further expanded and diversified.

*Scholarships (for study, training and correspondence courses) ; management courses*

*Scholarships (study and training)*

419. At 16 December 1969, 2 293 grants of this kind had been awarded for the academic year 1969/70, 2 173 for AASM and 120 for OCT nationals (as compared with 2 056 AASM and 120 OCT grantees in 1968/69). 2 013 were for normal studies and 280 for advanced periods of further training (as against 167 the previous year). The breakdown

by main fields of training is economic 27.2%, agricultural 31.7%, technical 41.1%. It should be added that close on 11% of all grants awarded are for training in occupations more especially followed by women, such as paramedical and welfare work, domestic science teaching and various forms of crafts.

Assignment by country groups was as follows:

	Training establishments (%)		
	in Member States	in AASM	in Israel
Awards for study	53.1	46.9	—
Awards for training	56.5	25.8	18.7
All awards	53.6	44.3	2.1
All awards, 1968/69	56.8	42.7	0.5

#### *Scholarships for training and further training by correspondence*

420. Also at 16 December 1969, 1 859 awards for study by correspondence were actually being drawn and used, 1 814 by AASM and 45 by OCT nationals. As in the previous year, greater use was being made of such courses for the training, in particular, of agricultural instructors, and for the further training of civil servants. Experiments in this connection at training centres in the AASM (in Cameroon, Ivory Coast, Madagascar and Niger) are enabling those in charge to organize well-thought-out programmes of "remote training" in conjunction with study sessions. The Commission is also pushing ahead with its efforts to institute tutorial-type arrangements for scholarship holders working at courses from colleges in Europe, the tutor seeking to help his students to follow the instruction given. The breakdown by main fields of training is: economic 46.6%, agricultural 21.5%, technical 31.9%.

#### *Part-time courses*

421. The object of these courses, an offshoot of part-time on-the-spot traineeships, is to give training and further training in industrial management and organization to African craftsmen and small-scale entrepreneurs. The number of persons for whom the Commission is defraying the cost of

such training is now 560, against 313 a year earlier: 106 in Cameroon, 176 in Congo (Brazzaville), 104 in Congo (Kinshasa), 50 in Ivory Coast, 36 in Gabon, 42 in Madagascar and 46 in Niger.

#### *Specific training*

422. The work of specific training begun in earlier years continued: training of supervisory staff for the Congolese transport authority (OTRACO), of supervisory staff for tea and coffee co-operatives in Rwanda and of medium-grade supervisory staff for public projects in the Central African Republic; further operations were also launched for training 300 heads of small and medium-sized craft businesses in Cameroon, 30 audio-visual instruction experts in Rwanda and, as part of a scheme for training women, 45 supervisors and 400 field operators in Niger.

A follow-up seminar for former EEC scholarship holders, now heads of statistical departments in various Associated States, was held in Yaoundé in May 1969 to instruct them in the use of computers.

#### *Keeping track of former scholarship holders*

423. A survey of over 2 000 former EEC scholarship holders, to establish what use is being made of the training received, was completed in the course of 1969.

#### *Further training periods for AASM and OCT civil servants*

424. A period of further training for civil servants from the AASM and OCT, which began on 15 September 1968, ended on 15 February 1969. Two more were organized in 1969, the first running from 15 February to 15 July and the second from 15 September to 15 February 1970; in these two "stages" the Commission was host to a total of 16 civil servants from the AASM.

#### *Short training periods*

425. Twenty-three short training periods, or "colloques", were held in member countries during 1969, attended by about 1 000 persons, mainly Africans, including about 160 English-speakers. Thirteen more were held in the associated countries themselves (Upper Volta, Dahomey, Burundi, Rwanda, Somalia, Congo (Kinshasa), Congo (Brazzaville) and the Central African Republic), and at these the total attendance was also about 1 000.

## 5. Association agreements with countries comparable with the AASM

### KENYA, UGANDA, TANZANIA

426. The Association Agreement signed with the three East African countries at Arusha on 26 July 1968, and due to expire at the same time as the Yaoundé Convention, on 31 May 1969, never in fact came into force, as not all the signatory States had completed the ratification procedures.

At the East African countries' request, negotiations were held in Brussels from 30 June to 9 July 1969 between an EEC delegation and a delegation from the East African Community of Kenya, Uganda and Tanzania, for the purpose of renewing the Arusha Agreement. These led to a fresh Association Agreement binding the European Economic Community and the three East African countries for five years, and due to expire not later than 31 January 1975, simultaneously with the new Yaoundé Convention; it was signed at Arusha on 24 September 1969 and will come into force following ratification by the signatory States.

427. The new Agreement contains much the same provisions as its predecessor, with some modifications stemming more particularly from the economic position of the three East African countries and the principles adopted by the Community in its negotiations with the AASM.

With regard to trade, the general rule is that the East African States are to enjoy the same rights as the AASM are granted under the Yaoundé Convention for the entry of their products into the Community free of duty or of charges having equivalent effect. The tonnages of coffee, cloves and tinned pineapple to be so admitted to the Community are, however, to be kept within a ceiling agreed between the contracting parties (coffee 56 000 tons, cloves 120 tons, pineapple 860 tons); tonnages in excess of these levels will be subject to action by the Community to prevent serious disruption of traditional trade flows.

As regards processed agricultural products and agricultural products similar to and competing with European ones, the Community undertook to keep the interests of the East African countries in mind when applying its common economic policy: it will consult the Association Council and seek out, for those products whose export is a matter of economic importance for the East African countries, arrangements which can be applied under a waiver from the general system applicable to other countries and

which will be more advantageous than the arrangements under the general system.

In their dealings with the EEC, the East African countries will abolish all customs duties except those necessary to their development or intended to contribute to their budgets. On some 60 products the Community will be given tariff advantages of between 2% and 9% over other countries; alterations may be made in these advantages, provided their aggregate volume and their distribution among the Member States remain the same.

As a general rule the East African countries will impose no quantitative restrictions on imports of products originating in Member States, other than those necessitated by economic development or by balance of payments difficulties. These latter restrictions may, as an exceptional and temporary measure, amount to a ban on imports, provided there is prior consultation and the measures are shown to be justified.

Like Yaoundé II, the Arusha Agreement contains provisions for promoting regional co-operation.

The contracting parties are agreed that the instrument constitutes no obstacle to the establishment of a general system of world preferences or, in particular, to the inclusion of the East African States in such a system.

The Agreement acknowledges that the concept of origin needs to be defined, as far as possible on the same lines as in the Yaoundé Convention.

In addition, it contains provisions on the right of establishment, on the right to supply services, and on payments and movements of capital.

The future Association will have its own institutions, including an Association Council empowered to implement the provisions of the Agreement and to check that it is being complied with, and a joint Parliamentary Committee. There is a clause providing that consideration of the terms for renewing the Agreement shall be begun eighteen months in advance of the date of expiry.

#### NIGERIA

428. The Association Agreement with Nigeria, timed to expire along with the Yaoundé Convention on 31 May 1969, never came into force, two Member States having failed to ratify it.

The question of renegotiating a fresh Agreement has not yet been dealt with.

## 6. Trade relations with non-member countries and the common commercial policy

### MULTILATERAL RELATIONS IN GATT

#### *Work programme*

429. The main aim of the work programme is the collection and examination of material needed to decide what further progress can be made, and how problems should be tackled, to achieve the fundamental aim of GATT, the liberalization of international trade. This work was continued. Its very nature and the sheer scale of the task of research and analysis which has been undertaken in entirely new fields mean inevitably that results cannot be achieved rapidly.

#### *The Committee on Trade in Industrial Products*

430. During five meetings held between February and June 1969 the Committee on Trade in Industrial Products practically completed its preliminary examination of the inventory of non-tariff and para-tariff obstacles. This inventory, drawn up by the GATT Secretariat on the basis of notifications made by the Contracting Parties, contains about 80 different measures and has been subdivided under six headings: participation of the State in trade, customs and administrative formalities on importation, standards concerning imports and home-produced goods, specific limitation of imports and exports, limitation of imports and exports by intervention in the price mechanism, other limitations of imports. The nature, the legal bases, the characteristics and the effects of the various measures were examined; the Committee did not attempt to formulate any conclusions at this stage.

Through the Commission's delegation, the Community expressed its concern as to various obstacles which hamper its exports, notably the uncertainty regarding the determination of customs value in certain countries, the rules governing the marking of imported products and the unilateral or discriminatory establishment of technical standards. Certain delegations expressed their anxiety concerning various measures applied or planned in the Community.

At the last meetings, held in October and December 1969, it was decided to set up five working parties corresponding to five categories of important notifications which must be examined immediately. The GATT Secretariat also collected the bulk of the basic documentation which will be needed for a study of the tariff situation when all the concessions resulting from the Kennedy Round have been fully applied. The basic data were mustered for a number of countries or groupings: the Community, the United States, Japan and the EFTA countries (except Portugal and Finland).

### *The Agriculture Committee*

431. Commencing work for 1969, the Agriculture Committee undertook, for the eight main sectors<sup>1</sup> of agricultural products selected for examination in an initial stage, a comparative study of all the data and information which the governments had been requested to supply concerning all the aspects of their internal policies with regard to these items. At its March session the Committee prepared the second stage of its studies, which consists in the identification of the problems. For this purpose it planned to calculate as far as possible the incidence, but not the effects, of all the import measures and export aid (subsidies, credits, double price practices, etc.) and of all the direct or indirect obstacles to imports, whether customs duties, levies, quantitative restrictions, monopolies or measures of internal policy having an incidence on imports such as deficiency payments.

As an approach to a systematic review of the internal policies implemented by the participants, the Committee decided to examine changes in self-sufficiency rates, in farmgate prices and in the working population and the gross national product in agriculture. At its session of 13 and 14 October 1969 the Committee dealt in particular with the treatment of "non-tariff obstacles" to agricultural products, except those included in the eight main sectors.

432. In addition to these activities, depending specifically on the work programme, GATT pressed forward its efforts in two specific fields—the milk products market, a problem generally recognized as urgent, and differences of view as to border-tax adjustments under the GATT rules.

Between December 1968 and February 1969 the special group on dairy products began work on an agreement relating to butter, butyric fats

<sup>1</sup> See *Second General Report*, sec. 520.



and skim milk powder and entailing compliance with a minimum price in international trade in these products. An essential point for the Community, that of including the British butter market in the agreement and price arrangements, remained wholly unsettled. There was also still uncertainty in February as to the decisions which would be taken in London concerning the level and distribution of the butter import quotas. The group agreed unanimously that in these circumstances there was no point in continuing the negotiations and decided to adjourn them. The resumption of negotiations was sponsored by New Zealand in July 1969 and during December 1969 the group drew up a draft arrangement entailing compliance with a minimum price for skim milk powder. The Commission reported to the Council, proposing that it accept the arrangement, which stipulated a minimum price of \$20 per 100 kg for this product if it is intended for human consumption and provided for the establishment of an executive committee. The Commission believes that the arrangement should help to improve the conditions of competition on the international market in skim milk powder and constitutes a first step towards better organization of the world markets in the interest of both exporters and importers.

In accordance with its terms of reference, the working party on border tax adjustments set up in 1968 at the request of the United States made a census of the practices of the Contracting Parties in this field. This showed that all the countries, without exception, compensate the consumption taxes in international trade in accordance with the principle of destination. The working party noted that the adjustments of consumption taxes are sometimes carried out at the frontier—this is the case in the Member States—and sometimes in the hands of the manufacturer or the dealer, as, for example, in the United States for the general taxes on sales. The working party then studied the possible effects of these practices on international trade. The United States argument that this difference of treatment between the consumption taxes and the other taxes is not justified from the economic point of view because direct taxation, like indirect taxes, would have effects on prices and therefore on trade, was shared neither by the Community nor by the majority of the other members of the working party. These members also opposed any revision of the basic rules of the General Agreement in this field. The working party is considering whether there is a case for strengthening certain relevant clauses in the General Agreement or whether the practices now followed should be modified. It is now clear that the differences of view which led to the creation of the working party were largely due to the complexity of the subject itself. The misunderstanding has been practically cleared

up at official level, but this is not yet the case for the business community and public opinion in general. Every effort should be made, without delay, to counter the danger arising from the state of mind and the attitudes due to this misunderstanding, especially where they lead to demands for restrictive measures.

*Notifications in accordance with the obligations  
arising from Article XXIV of the General Agreement*

433. In accordance with Article XXIV the Association Agreements concluded by the Community with Tunisia and Morocco and the new Yaoundé Convention were notified to the Contracting Parties.

The Association Agreements with Morocco and Tunisia were notified promptly after signature. Although doubts were expressed by certain Contracting Parties as to the applicability of Article XXIV, the majority of the members of the Council were in favour of implementation of the normal examination procedure. A working party was set up and instructed to examine the Community's replies to the questions which will be put to it. This procedure and the terms of reference of the working party in no way prejudice the legal basis by reference to which the Agreements will be examined. They nevertheless leave the Community full latitude to defend the compatibility of the Agreements with Article XXIV.

*Request for waiver under Article XXV(5)  
of the General Agreement*

434. The Community's decision to implement, on the entry into force of the Association Agreements with Tunisia and Morocco, an import arrangement granting preferential reduction, under certain conditions, of the Common Customs Tariff duties in favour of certain citrus fruits originating in Israel and Spain led the Community to ask the Contracting Parties for authorization to waive the GATT most-favoured-nation rule (Article I).

This request for waiver was filed on 23 July 1969. The Council of GATT set up a working party to examine the request. As to the principle, objections to the waiver were made among the Contracting Parties because of:

1. Anxiety over the proliferation of preferential systems granted by the Community;
2. The precedent which might be constituted by the implementation of the particular system before the authorization of the Contracting Parties.

The Community emphasized that the main object of the price system establishing the tariff preference is to safeguard the equilibrium of the Mediterranean citrus fruit market and that in the final analysis it is not a preference system in the ordinary sense of the term at all but a financial transfer in favour of traditional suppliers of the Community.

Moreover, the system was designed to stabilize the market and improve export revenue, and indirectly this must benefit other suppliers. The Community explained that it had filed its request for a waiver in order to comply with the letter of the GATT rules, since neither in its conditions of application nor in its effects was the tariff preference aspect of the arrangement a preference properly so-called for GATT purposes.

The members of the working party were unable to accept the Community's case. The other countries supplying citrus fruit to the Community argued that their export interests would suffer and consequently decided to invoke their rights under the General Agreement.

On a proposal from the Commission and after examining the possible solutions, the Council authorized the Commission, on 15 December 1969, to inform the GATT Contracting Parties that the Community would withdraw the request for waiver. The Council also decided to abolish the preferences granted to Spain and Israel for their exports of citrus fruit.

At the GATT Council session of 16 December 1969, the Commission representative advised the Contracting Parties accordingly, explaining that, subject to minimum time-limits imposed by the Community decision process, the withdrawal of the request for waiver meant that the Community intended to seek another solution complying fully with GATT requirements. In his statement the Commission's representative expressed the Community's disappointment at the attitude adopted by the Contracting Parties and, in particular, at their refusal to examine the request for waiver on its own merits according to the tradition of pragmatism which had done so much to strengthen GATT and ensure its effectiveness.

*Tariff negotiations*

435. Tariff negotiations under the General Agreement (Articles II(5), XVIII and XXVIII) were pursued with several non-member countries which had modified or withdrawn concessions granted to Member States or to the Community as such. Negotiations with South Africa, Australia, Canada, Austria, Chile, Israel and Malawi were completed. By way of compensation, Malawi agreed to transform concessions to the Member States into concessions to the Community as a whole. The renegotiations with Brazil and Korea are still in progress.

The three-yearly renegotiations under Article XXVIII(1), which, under certain conditions, allow the modification or withdrawal of concessions, were begun with Norway and the Republic of South Africa.

Consultations with Australia and Spain under Article XIX of the Agreement continue.<sup>1</sup>

436. In 1966, the Council had authorized the Commission to open tariff negotiations under Article XXVIII of the General Agreement with a view to modifying or withdrawing tariff concessions which had been granted by the Community in 1960/61 (Dillon Round) concerning cheeses of the Emmental, Gruère and Sbrinz type on the one hand and Cheddar on the other.<sup>2</sup> Tariff negotiations were also carried out concerning Emmental, Gruyère and Sbrinz cheeses with Switzerland, Finland and Austria and concerning Cheddar with Australia, Canada and New Zealand.

On 24 July 1969 the Commission reported to the Council on the result of these negotiations. On this basis, the Council concluded on 6 October 1969 the agreements which had been initialled by the Commission and approved the Commission's proposals for the cases for which an agreement could not be found.

With regard to Emmental, Gruyère and Sbrinz an agreement was reached with the three countries concerned; it comprised the replacement of the pre-existing concession by a new concession concerning the same cheeses. In practice, the Community obtained agreement that the mini-

<sup>1</sup> See *Second General Report*, sec. 523.

<sup>2</sup> See *Tenth (EEC) General Report*, sec. 353.

mum price of these cheeses, which was previously fixed at 95 u.a. per 100 kg, should be raised to a level compatible with the requirements of the common organization of the market in milk products. It was so arranged that Austrian and Finnish cheeses can reach the Community market at a minimum price slightly lower than that at which cheeses of Swiss origin, which are of a different quality, may be sold there.

With regard to cheese of the Cheddar type it was not possible to make an arrangement of the same kind. The result was that the Community made to the non-member countries concerned offers of compensation on other products. Australia did not accept these offers and withdrew, as it was entitled to do under the General Agreement, tariff concessions of an equivalent value relating to transistor equipment, pullovers and cardigans. Canada, while expressing its dissatisfaction with the offer of compensation made by the Community, announced that it would not carry out compensatory withdrawals. The Community therefore confirmed the offer of compensation it had made concerning wrought plates, sheets and strip of aluminium of CCT heading 76.03. This offer was implemented.

The negotiations with New Zealand are still in progress.

#### COMMON COMMERCIAL POLICY

437. An important question arising at the end of the transitional period is whether the commercial policies of the Member States have been sufficiently unified to be based on uniform principles in accordance with the EEC Treaty. Generally speaking, sufficient progress has been made, although there is no denying that the Community is behind schedule in certain fields (policy towards the Eastern-bloc countries, policy for the encouragement of exports). The delays are all the more regrettable as the field of commercial policy is more sensitive than others to relatively slight disparities, which can force up costs and distort conditions of competition in the Common Market. Disparities between import arrangements are very damaging to internal trade. As long as they subsist, all the relevant products originating in non-member countries must be examined and, as appropriate, barred from free circulation, and all the products of the same kind, i.e. including those originating in the Community, must be checked at the frontiers to ensure that products declared as Community products do not originate in the non-member countries in question and do not contain parts manufactured in those countries.

*Autonomous commercial policy*

(Harmonization of instruments, creation and use of uniform instruments)

*Import policy*

438. In 1968 the Council had already adopted several basic regulations with a view to the adoption and implementation of the common commercial policy:

- (1) On 5 April, the regulation on defence against dumping practices, bounties or subsidies on the part of countries which are not members of the European Economic Community;<sup>1</sup>
- (2) On 10 December, three regulations concerning the establishment of a joint liberalization list, the administering of quantitative quotas for imports into the Community and the introduction of a special procedure.<sup>2</sup>

A series of studies carried out during the reference year were intended to implement these regulations and to supplement and adapt them to the final stage of the Community.

*Implementation of outline regulations*

439. Thanks to a series of new liberalization measures of the Member States the joint liberalization list established by Regulation (EEC) No. 2041/68, applicable to all the non-member countries except for state-trading countries, was supplemented by two further regulations<sup>3</sup> so that it now contains 848 four-digit headings out of the 1 097 in the Common Customs Tariff. This means that for most of the free-market-economy countries the Member States no longer apply any quantitative restriction at all.

With regard to the few surviving restrictions, mainly on imports from the Far East, the Commission drew up uniformization proposals (liberalization without control or with control, fixing of common quotas).

<sup>1</sup> Regulation (EEC) No. 459/68, *official gazette* No. L 93, 17 April 1968 and *Second General Report*, p. 390.

<sup>2</sup> Regulations (EEC) Nos. 2041/68, 2043/68 and 2045/68, *official gazette* No. L 303, 18 December 1968 and *Second General Report*, secs. 528 *et seq.*

<sup>3</sup> Regulations (EEC) Nos. 1228/69 and 1827/69, *official gazette* Nos. L 159, 1 July 1969, and No. L 235, 18 September 1969.

Some of these proposals were submitted to the Council. In a first batch of proposals the Commission dealt with several industries in respect of which free importation of competing products from certain non-member countries cannot at present be allowed owing to the risks of disorganizing the market (ceramic products, cutlery, spoons and forks, several categories of footwear of textile material, umbrellas). The Commission proposed Community quotas with regard to the non-member countries in question for a hard core of "sensitive" products and the binding and extension of the liberalization measures. For a fifth industry (ball-bearings) complete liberalization and the introduction of a Community system of supervision with regard to a non-member country appeared to be sufficient. In another batch of proposals concerning the remaining headings of the industrial sector, for which certain Member States still maintain quantitative restrictions with regard to a few free-market-economy non-member countries, the Commission intends to propose, on the one hand, immediate settlement of outstanding problems by means of bilateral agreements with the non-member countries concerned and a uniform and bound liberalization of imports.

440. In the textile industry, which was not dealt with in the proposals mentioned above, the Community has already had an opportunity during recent years to contribute to the increased uniformization of the divergent policies of the Member States with regard to imports. Standard agreements accompanied by a list of products to be included in the agreements as well as corresponding import ceilings were concluded first with India and then with Pakistan under Article 4 of the Long-term Cotton Textiles Arrangement.<sup>1</sup> A similar agreement was concluded this year with Japan. Import rules for a number of cotton textiles were laid down by a protocol of 19 June 1969 between the Community and Japan and these arrangements were confirmed subsequently by bilateral agreements with the Member States. In accordance with an agreement reached in the Kennedy Round, the Community also examined ways and means of improving the access of India and Pakistan to the market of the Six and prepared arrangements between the Community and these countries with a view to settling the problems arising. Other uniformization proposals are at present being drawn up for the other headings of the textile sector.

In the agricultural sector, the common commercial policy is already virtually complete in the form of the joint organizations of the agricultural markets. However, the Member States maintain quantitative restrictions

<sup>1</sup> See *Second General Report*, sec. 534.

for the products not coming under a joint organization. The Commission studied these problems and reached the conclusion that the restrictions should be abolished when new organizations of markets are established and that in the other cases the Community solution appropriate to each particular case should be proposed.

441. The three aforementioned basic regulations were not applied to the State-trading countries. However, considerable progress in the uniformization of the lists applicable in the Member States with regard to the State-trading countries was made because there had been a general tendency towards liberalization with regard to the Eastern bloc which was maintained in 1969 and which was co-ordinated, as far as the liberalization measures taken by the Member States are concerned, in the framework of consultations carried on in accordance with the Council Decision of 9 October 1961.<sup>1</sup> The state of liberalization of trade with regard to most of the people's democracies of Europe was as follows at the beginning of 1969:

Customs tariff headings	Germany (FR)	France	Italy	Benelux
Completely liberalized	567	901	747	979
Partially liberalized	285	75	120	96
Not liberalized	245	121	230	22

At the present time, 442 headings are fully liberalized in the four areas<sup>2</sup> of the Community with regard to this group of countries. However, the state of liberalization with regard to other State-trading countries is in some cases much weaker, partly because the Member States have no agreements with certain State-trading countries.

#### *Supplementing and adapting the standard regulations*

442. The basic regulations adopted by the Council on 10 December 1968 made allowance for the fact that, in accordance with Article 111(1) of

<sup>1</sup> *Official gazette* No. 71, 4 November 1961.

<sup>2</sup> i.e. Benelux, France, Germany and Italy.



the EEC Treaty, the commercial policies of the Member States must be co-ordinated during the transitional period so that the conditions necessary for the implementation of a common policy with regard to external trade are met by the beginning of the final stage. They contain revision clauses under which they can be adapted to new requirements created by the implementation, as from 1 January 1970, of a common commercial policy based on uniform principles.

On 22 October 1969 the Commission submitted to the Council a revised version of the regulation on the administration of the Community's quantitative quotas which makes allowance for these requirements. However, it has not yet been possible, for economic reasons, to abandon the quota share-out between the different Member States subject to a later redistribution according to needs. In another proposal, the geographical scope of which is limited to the free-market-economy countries, the Commission has included in a single regulation the contents of the old regulations on the establishment of a common liberalization list and the introduction of a single system of control and has now brought the common liberalization list up to date.

With regard to its relations with the State-trading countries, the Commission has sought to give a Community character to the commercial policies along the same lines as those followed in respect of the free-market-economy countries (adjustment through increased liberalization, binding of liberalization achieved, transfer of the power of decision to the Community for the liberalized headings, creation of unified systems for the other headings), although the progress achieved is not very great, as is clear from the state of liberalization of the Member States indicated above. On 27 June 1969 the Commission submitted to the Council a proposal for a first regulation establishing a common arrangement for products imported without quantitative restriction from State-trading countries; the purpose of this regulation is to bind the fully liberalized headings in all the Member States for trade with the people's democracies of Europe. The proposal also provides for the possibility of introducing a system of supervision of imports from the countries of Eastern Europe, except for Albania, and of supplementing or restricting—by re-establishing quantitative quotas in this latter case—the liberalization list contained in the directive. The regulation was adopted by the Council at its session of 19 December 1969.<sup>1</sup> The Commission is now preparing measures to

<sup>1</sup> *Official gazette* No. L 19, 26 January 1970.

standardize the import arrangements concerning the residual customs tariff headings with regard to the European State-trading countries and is also trying to standardize the import arrangements applicable to the other countries of the Eastern bloc.

Having due regard to the fact that the common customs tariff entered into force as early as 1 July 1968, it may be said in conclusion that at the end of the transitional period essential elements of the commercial policy are sufficiently co-ordinated and that a range of sufficiently standardized measures is available for the implementation of a common import policy based on uniform principles; the only problems still outstanding concern when, how fast, and how to implement these measures.

### *Export policy*

#### *Export arrangements*

443. Export arrangements in the Community are now almost fully harmonized; at the present time the Member States maintain export quotas and bans on exports to non-member countries (including the State-trading countries) in respect of only about 60 headings of the customs tariff. In a proposal it submitted to the Council on 1 August 1969, adopted by the latter on 20 December 1969, the Commission established the principle of free movement for the 1 037 remaining headings and fixed rules under which restrictions might later be imposed (critical supply situation, unfair competition, etc.).<sup>1</sup> For the remaining headings the possibility of adopting liberalization measures in the Community has been provided for where this is economically justifiable. For several of these 60 or so headings (hides, skins, copper, aluminium and lead scrap), the Commission recommended that the Member States maintain the export restrictions established according to uniform principles in accordance with Articles 115 and 155.<sup>2</sup> On 29 October 1969 the introduction of a common export certificate procedure was recommended for a number of nickel products.

#### *Export aid policy*

444. Although a panel of experts set up within the Council worked hard

<sup>1</sup> *Official gazette* No. L 324, 27 December 1969.

<sup>2</sup> Recommendation of 16 June 1969, *official gazette* No. L 29, 5 February 1969.

on this problem, no major decision on the alignment of the policies of the Member States was taken in the last year of the transitional period, any more than in previous years; the Commission can therefore only note with regret that at the end of the transitional period this sector is the one in which the common commercial policy has made the least progress. However, during the reference year, it stepped up its work on export aids, drafting the proposals for aligning policies, and submitting some of them to the Council. If these are adopted promptly, most of the time lost could be made good.

In the field of credit insurance, guarantees and financial credits, the Commission submitted two draft directives the purpose of which is the introduction of standard medium- and long-term insurance policies for public and private purchasers. The proposal concerning the short-term insurance policy will be submitted in the near future. The Commission also studied, *inter alia*, guarantees against variations in the rates of exchange and against price fluctuations; proposals for harmonization will also be submitted in this field.

Preparatory work on the harmonization of credit insurance systems is virtually complete, at least in respect of general principles, but very little progress has been made towards establishing a uniform policy for credit insurance. At the present time the Community is still engaged in consultations under a procedure laid down in 1962<sup>1</sup> and improved in 1965.<sup>2</sup> The procedure worked well during the reference year, but no important advances were made towards the harmonization of policies. The Commission will therefore submit new proposals in this field as well.

With regard to the other measures for encouraging exports, the Commission laid before the Council on 25 April 1969, in accordance with Article 112 of the EEC Treaty, a proposal for a directive concerning the standard refunds granted under Italian Law No. 639. These are accorded on exports to non-member countries of mechanical-engineering equipment. The Commission also examined the measures to promote the creation of new markets outside the Community (insurance and aid for the creation of new markets) and measures concerning exhibitors at foreign fairs (cover for the duration of the fairs).

<sup>1</sup> Council Decision of 15 May 1962, *official gazette* No. 52, 30 June 1962.

<sup>2</sup> Council Decision of 26 January 1965, *official gazette* No. 19, 5 December 1965.

*Commercial policy as pursued under agreements*

(Co-ordination and alignment of trade agreements)

*Consultations*

445. The consultations provided for by the Council Decision of 9 October 1961<sup>1</sup> on the negotiation of agreements covering the trade relations of Member States with non-member countries and on modifications in liberalization arrangements with regard to non-member countries were continued in 1969. The main questions concerned liberalization measures decided on by the Member States in relation to the Eastern-bloc countries and Japan. The result of these measures is that the arrangements of the Member States are now virtually uniform in respect of imports from Japan (recent Franco-Japanese and Italo-Japanese negotiations led to liberalization agreements). This brings the Community a good deal nearer a unified policy on imports.

*Alignment of contents of agreements*

446. In accordance with Article 3 of the Council Decision of 9 October 1961,<sup>2</sup> the Commission must examine all trade and shipping agreements in force and ensure that they do not stand in the way of the establishment of a common commercial policy at the end of the transitional period. On 28 March 1969, the Commission submitted a report on this question to the Council, which took note of it. The report shows that the multilateralization and liberalization of the trade relations between the free-market-economy countries mean that the agreements concluded with the GATT partners (except for Czechoslovakia, Poland and Japan) and with the other free-market-economy countries are largely uniform in content, whereas there remain for the other countries, chiefly in respect of imports into the Member States, a few disparities (particularly concerning Japan), some of which are very serious.

*Agreements concluded by the Community*

447. During the transitional period the Community concluded a considerable number of agreements for the purpose of settling customs questions.

<sup>1</sup> *Official gazette* No. 71, 4 November 1961.

<sup>2</sup> *Ibid.* and No. 223, 29 December 1965.

Of the agreements of this kind concluded during the reference year the following should be mentioned:

- (a) An agreement with Switzerland on 1 August 1969 by which three bilateral agreements on processing traffic in certain products previously concluded by Germany, France and Italy are superseded by a Community arrangement;<sup>1</sup>
- (b) The implementation of undertakings given by the Community in the framework of the Kennedy Round, an agreement whose purpose is the grant of tariff concessions for certain hand-made products<sup>2</sup> (exchange of letters with India on 1 August 1969) and for hand-woven textile products.<sup>3</sup>

With regard to agreements relating to other problems, particularly the fixing of the volume of imports, the Community acted for the first time as a single agency in this field when it concluded outline agreements with India, Pakistan and Japan in accordance with Article 4 of the Long-term Arrangement Regarding International Trade in Cotton Textiles. In compliance with the undertakings given at the Kennedy Round, it also prepared Community arrangements with India and Pakistan concerning the import of jute. Letters were exchanged with India on 1 August 1969 concerning the import of coconut products.<sup>4</sup>

With regard to the general trade agreements concluded by the Member States, the Commission proposed in an initial period renewal or extension beyond the transitional period for a series of cases in which the contents of the agreements concluded by the Member States do not hamper the implementation of the common commercial policy. The Council approved these proposals in several decisions.<sup>5</sup> On 26 February 1969 the Commission laid before the Council a general draft decision the purpose of which was the progressive alignment of the agreements concerning trade relations and the negotiation of Community agreements between the Member States and non-member countries.

This proposal, which was also discussed in the light of the waiver decision of 1 August 1969 relating to the agreement concluded on 26 May

<sup>1</sup> *Official gazette* No. L 240, 24 September 1969.

<sup>2</sup> *Ibid.* No. L 187, 31 July 1969.

<sup>3</sup> *Ibid.* No. L 310, 27 December 1968.

<sup>4</sup> *Ibid.* No. L 240, 24 September 1969.

<sup>5</sup> *Ibid.* Nos. L 159, 1 July 1969, L 238, 23 September 1969 and L 266, 24 October 1969.

1969 between France and the USSR,<sup>1</sup> was amended on 8 October 1969 and was discussed in detail by the Council. At its sessions of 17 and 18 October 1969 in Luxembourg the Council approved the principles and procedures contained in this proposal and expressly endorsed the principle that the conduct of the negotiations was the responsibility of the Commission and that the Community was competent to conclude agreements in accordance with Article 113 of the EEC Treaty. By way of exception, the Council authorized the Member States to carry out bilateral negotiations for another three years should a Member State take the view, for special reasons, that it must enter into negotiations with a particular non-member country before the complete establishment of the Community commercial system in order to avoid an interruption of that Member State's traditional trade relations. However, the conduct of these negotiations is subordinated to the following conditions:

1. Consultations within the Community must be held before the bilateral negotiations start;
2. The negotiations must be carried out according to joint directives;
3. The result must be approved by the Council, which can only take a decision on this subject on a proposal from the Commission.

The draft decision was reshaped in the light of the Council's debates of 17 and 18 October 1969. The Council adopted this decision at its session of 16 December 1969.<sup>2</sup>

During 1969 the Commission advised the Council of the desire of two non-member countries (India and Argentina) to conclude trade agreements with the EEC. In accordance with instructions given by the Council at its session of 30 July 1968 the negotiations with Yugoslavia were continued. At its session of 17 and 18 October 1969, the Council accepted a Commission proposal authorizing it to begin tentative discussions with Japan and announced its intention to take a decision on the request after a fresh examination of the draft at its last session of 10 and 11 November 1969.

Thus, apart from a few special agreements concerning specific products, the Community policy on bilateral agreements has not so far made substantial progress. This is all the more surprising in view of the fact that the Member States had proved more flexible when they gave

<sup>1</sup> *Official gazette* No. L 206, 15 August 1969.

<sup>2</sup> *Ibid.* No. L 326, 27 December 1969.

authorization for the conclusion of preferential agreements, some of which were of far greater economic importance. However, this circumstance itself is grounds for hoping that from the end of the transitional period onwards it will not be difficult to transfer to the Community the necessary powers to conclude non-preferential general agreements as well as preferential agreements. This hope has been strengthened by decisions taken by the Council at the end of the year.

#### COMMERCIAL POLICY: STEEL

##### *Peripheral tariff arrangements*

448. Recommendation No. 1/64 of the High Authority had instituted a number of customs duties on ECSC steel products which had been accepted as the basis for the reductions agreed at the end of the Kennedy Round; in order to make allowance for the bound tariff concessions granted to GATT Contracting Parties and for the obligations assumed by the Member States under the Geneva Protocol of June 1967, the Commission, as mentioned in the Second General Report,<sup>1</sup> adopted a decision (No. 663/68/CECA) allowing the tariff reductions specified.

As in the previous years, several non-member countries expressed an interest in the tariff quotas which had been granted to them annually; the Commission again granted for 1970, as an exception to Recommendation No. 1/64, about 350 000 metric tons at the old harmonized rates and replied to an Austrian request for enlarging the quotas for certain products by fixing certain tonnages at a slightly higher level. As one of the half-yearly tariff measures adopted unanimously by the Governments, it authorized for the second half of 1969 and for the first half of 1970 the importation of certain steel products with duties suspended or at duties lower than the harmonized duties.

Boom conditions on the steel market in 1969 led, in the case of certain products, to steep rises in prices and supply difficulties entailing some actual shortages. In June, this situation led the Commission to propose further action to facilitate imports: a decision temporarily suspending the duties on certain categories of products (ingots, coils, sheets, reinforcing bars, wire rods) was taken for this purpose in September for a period of four months ending on 31 January 1970.

<sup>1</sup> Sec. 539.

With regard to foundry pig iron, Recommendation No. 2060, which maintained the specific duty of \$5/ton fixed in 1966 (instead of \$7 laid down by the preceding recommendations), remains in force until the end of 1970. The exception restricting to the normal rate (4.4% as from 1970) the duty on certain qualities of special cast iron within a quota of 78 000 tons was renewed for 1970; given the supply difficulties on the market for ordinary qualities of foundry pig iron, the Commission, with the approval of the Member States, also granted a quota of 85 000 tons at 4.4% duty for these products.<sup>1</sup>

### *Restriction of steel imports from State-trading countries or areas*

449. In 1963 the Government representatives adopted a decision, renewed each year thereafter, holding down imports of pig iron and of steel from State-trading countries and areas by limiting rights to import to the volumes laid down in the preceding commercial agreements increased by tonnages known as "contingency reserves", intended to permit isolated transactions or those justified in the interests of reciprocity in matters of trade.

The decision was renewed at the end of 1969, since strain was likely to persist on the steel market during part of 1970. The Government representatives decided to increase the contingency reserves from 466 000 to 583 000 tons and to renew and enlarge the agreement already concluded for the second half of 1969 (165 000 tons of steel) while allowing for the first six months of 1970 an exceptional tonnage of 215 000 tons in view of current difficulties.

The rule forbidding Community producers to align prices on lower quotations from the Eastern-bloc countries was confirmed; this decision, taken for the first time in 1964, was renewed each year after approval by the ECSC Consultative Committee and endorsement by the Council.

### *ECSC specific agreements*

450. The United Kingdom, Japan, Sweden and Austria have co-operated for years with the Community by means of regular meetings at which economic and technical information is exchanged. The Trade Relations

<sup>1</sup> *Official gazette* No. L 10, 15 January 1970.



Committee of the UK/ECSC Council of Association met in Brussels on 30 September; apart from the questions relating to trade between the two territories, it examined the situation of the world steel market, on which demand for steel is very heavy. Two meetings were held between officials of the Commission and representatives of the Japanese Government, one in Tokyo on 27 and 28 May and the other in Brussels on 6 and 7 October. The continued expansion of the Japanese steel industry, the situation of the national markets, supply difficulties on the world market and certain problems connected with steel-making technique were dealt with in the discussions. Lastly, the meetings with the Swedish representatives, held in the spring and the autumn, also had market study on their agenda; they brought out the problems connected with the supply of raw materials and investments; the structure of the steel industry in Sweden was analysed and the technical problems raised by the production and use of special steels and by new manufacturing processes were touched upon. A fact-finding meeting between Commission experts and Austrian experts, held in June, dealt with commodity trade, the problems of the economic situation (in particular with regard to the supply of coke for steel making), the reorganization of the Austrian steel industry and new technical processes.

#### TRADE RELATIONS WITH NON-MEMBER COUNTRIES

##### *Relations with Austria*

451. In 1961 the Austrian Government had requested the opening of negotiations with a view to concluding a comprehensive agreement with the EEC. After the exploratory talks of 1963, the negotiations began in 1965 but were interrupted in 1967.<sup>1</sup>

Considering that the negotiations could usefully be resumed, the Austrian Government informed the Community in a memorandum communicated on 5 November 1969 of its desire for early negotiations with the EEC with a view to seeking out ways and means of freeing trade between Austria and the States of the Communities from present obstacles. It stated subsequently that Austria wished to conclude a preferential agreement of a temporary nature pending a comprehensive arrangement—possibly, if appropriate, a general arrangement planned for EFTA countries

<sup>1</sup> See *First General Report*, sec. 468.

not applying for EEC membership: while maintaining its desire, expressed in 1961, for a comprehensive agreement settling its relations with the Communities, Austria felt that it would take too long to conclude any such agreement at the present time.

At its session of 8-9 December 1969, the Council invited the Commission to proceed to a study of this request in contact with the Austrian Government and to report back at the earliest opportunity. A contact meeting took place on 17 and 18 December 1969 between an Austrian delegation and a Commission delegation.

### *Relations with the United States*

452. In 1969 there were three main themes in the development of relations between the Community and the United States:

1. The persistence of the disequilibrium in the United States balance of payments;
2. The strengthening of protectionist tendencies in the United States;
3. Increased American concern with regard to the common agricultural policy.

Throughout 1969 the situation of the balance of payments continued to be a matter of grave concern for the American authorities and, indirectly, for the Community: inflation having continued in the United States, the latter was unable to re-establish the traditional trade balance surplus which in the past had permitted deficits on other major payments items such as the tourist trade and private and public capital. Faced with this situation the Administration endeavoured in the first place to re-establish equilibrium in the most appropriate field, i.e. by stepping up measures against inflation. It also made a series of suggestions and recommendations intended to encourage exports with a view to the restoration, in the medium term, of a trade balance surplus. On the other hand, the authorities firmly refused to restrict imports.

Protectionism in the United States is a constant problem for the Community, which accounts for 16% of its exports in sales on the American market. Protectionist tendencies take various forms, classifiable under four main headings.

In the first place, members of *Congress* promote various kinds of measure to keep out a large number of industrial and agricultural products.

About 270 bills now lie before Congress. If passed, they would affect Community exports to the United States of products such as steel, textiles of synthetic fibres and wool, footwear, flat glass and certain electronic products. Though none of them have yet been approved, these bills constitute a potential danger and a source of uncertainty.

The *Administration* has given no support to these bills, but has deemed it appropriate to take action in favour of another form of protection, at least for certain sectors, the aim being to neutralize the protectionist trend in advance. In the spring of 1969 it proposed to the Community, the United Kingdom, Japan and other countries concerned the negotiation of an international agreement known as the "voluntary" limitation of exports of textile products based on synthetic fibres and wool. This proposal was welcomed neither by the Community nor by the other countries approached. The Community takes the view that the American textile industry is, in general, in a situation which does not justify comprehensive restrictive measures. There is also the danger that a self-denying agreement for textiles might set a precedent and that other American industries might claim the same advantages. The American footwear industry is a case in point. The proliferation of such agreements would inevitably lead to an evasion of the GATT, Article XIX of which the Contracting Parties can invoke in cases of difficulties in specific industries. No real progress would in fact have been made in the liberalization of international trade, and rules of good conduct such as those codified in the General Agreement and consolidated in GATT practice would be jeopardized.

Certain *industries* have sought protection through the introduction or extension of safeguard measures. The number of cases presented so far has been small. This is probably explained by the severity of the criteria specified by the Trade Expansion Act of 1962 for the grant of safeguard measures. However, if, by adopting safeguard measures, the authorities were to raise duties or impose quantitative restrictions on products exported by the Community and already under scrutiny, as, for example, flat glass, carpets and pianos, without being free (as they can under current legislation) to offer the Community compensations on other products, the resulting disequilibrium in concessions might oblige the Community to retaliate.

Lastly, there exist various forms of *administrative protectionism*. Having failed to obtain direct protection, certain industries in the United States, particularly the steel industry, have recently redoubled their efforts

to obtain satisfaction by other means, especially those of an administrative nature. The provisions of the Tariff Act of 1930 concerning the rules of marking and countervailing duties<sup>1</sup> has in some cases been applied more strictly, and clauses having public safety as their apparent object but whose real aim is to restrict the imports of certain products have been written into new legislation.

It was not before November 1969 that the United States Administration laid before Congress a bill for a "Trade Act of 1969". This bill, the discussion of which will not commence in Congress before 1970, provides mainly for three measures of commercial policy:

1. The grant to the President of some measure of "housekeeping authority" with regard to tariffs, empowering him, in cases of need, to alter the American duties by an amount not exceeding 20%;
2. The substantial easing of the criteria which have to be satisfied for the grant of safeguard measures;
3. The abolition of the system of tariff evaluation based on the American Selling Price (ASP).

If the bill goes through Congress, the abolition of the ASP, which ought already to have occurred before 1 January 1969 according to the agreement on chemicals negotiated in the Kennedy Round, and the fact that the President would again have the necessary authority to offer tariff compensations are two improvements which the Community can only welcome. On the other hand, less stringent criteria for applying safeguard measures may lead to more frequent use of these measures and thus prove detrimental to the export interests of the Community.

More frequently than in the past the Community has had to approach the American authorities to safeguard its interests and rights in respect of GATT. The Community has had to resort to consultations with the United States in accordance with the provisions of Articles XXII and XXIII of the General Agreement as a result of the increases in tariffs on certain mixed textiles of wool made in December 1968.<sup>1</sup> However, until now, these consultations have not led to satisfactory results for the Community.

453. On the Community's side, the common agricultural policy is still the main subject of concern for the United States. The measures that the

<sup>1</sup> See *Second General Report*, sec. 525.

Community proposes to take in this field are being studied with more and more misgiving and often ever greater annoyance. The Community is by far the most important market for American exports of agricultural products, and the main products such as soya beans, oil cakes, cotton and hides enter the Community duty-free and without any quantitative or other restriction. In spite of this extremely favourable treatment which American agricultural exports enjoy in the Community (freedom from customs duty for more than two fifth of agricultural imports from the United States), imports of agricultural products from the United States have tended to mark time since 1965. This is, however, mainly due to the very slow growth or even the stagnation of consumption within the Community.

The concern that certain Commission proposals cause the United States must be understood in the light of the importance of the relevant American agricultural exports. The proposal to fix minimum import prices for certain preserved fruits or vegetables, such as peaches, pineapples and asparagus, which are substantial United States exports, is a case in point. The United States has argued that the measures contemplated would conflict with Community undertakings in GATT and would affect the rights of the United States under the Agreement. The same is true with regard to the Commission's proposal to introduce a tax on oils and fats of vegetable and animal origin produced in the Community or imported. The United States fears that the imposition of such a tax, which would also cover oilseeds and oil cakes, might directly and indirectly harm its exports to the Community; these exports are worth about \$500 million. The proposals intended to establish a market organization in the tobacco sector have also continued to cause anxiety to the United States, which is the principal supplier of tobacco to the Community with exports in the region of \$160 million.

The Community is aware of the decisive importance of the development of its trade relations with the United States, both for its own economic growth and for that of the harmonious development of world trade. It is in this spirit that the Community is pursuing in close and constant contact with the American authorities the frank and direct dialogue necessary to forestall difficulties where possible or to smooth them out when they occur. This dialogue (whose efficacy depends on its candour) sometimes gives the outside world an impression of aggressiveness or hostility: its underlying motives and its spirit are in fact of a completely different character.

*Relations with Latin America**Multilateral problems*

454. The Commission drafted and submitted to the Council on 29 July 1969 a memorandum on the relations of the Community with the countries of Latin America.<sup>1</sup> Originally, in November 1968, the Italian Government had addressed to the Council a memorandum in which it had emphasized the urgent need for a Community economic policy programme with regard to these countries.

In its own memorandum the Commission stated the case for a Community policy, especially in view of the present situation, and for greater and more fully co-ordinated efforts by the member countries for the benefit of this continent. Such a policy would necessarily embody in a single system at Community level the various tariff and quota instruments (normal commercial field) and financial and technical instruments, and select, available resources being limited, the Community commitments towards these regions. Furthermore, this Community policy should take into consideration the movement towards integration in Latin America and reflect the differences in the levels of development and in economic scale between the Latin American countries.

In the commercial field, measures in favour of Latin America may well emerge from the new system of generalized preferences being discussed at UNCTAD, possibly from the creation or improvement of world agreements for certain commodities, and from the conclusion of trade agreements between the Community and certain countries of Latin America.

In the technical and financial fields, the Commission made a number of suggestions to the Council and the Member Governments which could serve as a basis for the construction of a Community policy: a differentiated development policy, particularly depending on the degree of development of the Latin American countries, could be tried out step by step. In this context, the Commission submitted to the Council a number of proposals and suggestions for additional measures which the Community as such or the Member States could adopt; these measures, taken as a whole, would constitute the starting point for a co-ordinated and integrated policy towards this region.

<sup>1</sup> See *Second General Report*, sec. 526.

After a first reading of the memorandum by the Council, a special working party, the "*ad hoc* Working Party on Latin America", was set up in the Council. In the last quarter of 1969 this working party held three meetings devoted to a study of the memorandum.

On 25 November 1969 the European Parliament adopted a resolution in which it endorsed the memorandum and recommended the establishment of a joint EEC-Latin America committee.

455. The Commission also maintained close contacts with the regional organizations of Latin America, mainly through its liaison office in Santiago and its information office in Montevideo.

M. Colonna di Paliano, member of the Commission, attended the 9th Congress of the Latin American Iron and Steel Institute, which was held in Buenos Aires from 29 September to 2 October 1969.

The Community also took part, with observer status, in the plenary session of ECLA (UN Economic Commission for Latin America) which was held in Lima in April 1969. Relations between the departments of the Commission and the secretariat of ECLA are being steadily built up and contacts have taken place between senior officials of both institutions.

On 9 June 1969 the Brazilian Minister of Foreign Affairs, M. José Magalhães Pinto, visited the Commission. In October, M. G. Valdés, Chilean Minister of Foreign Affairs, was also received by the Commission; during the talks M. Valdés stressed the need for closer co-operation between the Community and Latin America. Lastly, on 4 December, M. Antonio Estrany y Gendre, Under-Secretary for Economic Relations in the Ministry of Foreign Affairs of the Argentine Republic, handed to the Commission his Government's proposals concerning multilateral relations between Latin America and the Communities.

The Commission also maintained close contacts with the secretariats of the Latin American Free Trade Association (LAFTA) and of the General Treaty on Central American Economic Integration (SIECA) and with the Inter-American Development Bank. During his visit in February 1969, the President of the latter, M. Felipe Herrera, expressed the wish for wider financial co-operation between the Community and the Inter-American Development Bank.

On 8 September President Rey received a delegation from CARIFTA (the Caribbean Free Trade Area) led by the Hon. R.C. Lightbourne, Jamaican Minister of Trade and Industry, who outlined certain problems

connected with the United Kingdom's possible membership of the Community. President Rey took note of the different questions raised and gave the CARIFTA delegation the assurance that in such an eventuality the Commission would endeavour, within the limits of its competence, to investigate, with all the interested parties, appropriate solutions for these problems.

Lastly, the Commission participated in various exchanges of views between Europe and Latin America, notably at a Latin America-Spain seminar organized in Madrid in co-operation with the Inter-American Development Bank and other Latin American regional organizations and also at a meeting of the OECD Development Assistance Committee devoted to Latin America, in the presence of delegates from these organizations.

#### *Bilateral problems*

456. On 21 March 1969 the Commission informed the Council of the request submitted by Argentina for the opening of negotiations with a view to a trade agreement with the Community. The Argentine Government would like this agreement to cover technical problems in the beef sector, tariff concessions for a few other Argentine products and measures for encouraging Community exports to Argentina, and improvement of co-operation in the monetary field.

On 29 May 1969 Uruguay also submitted a request for the opening of negotiations with a view to concluding a trade agreement with the Community. The Commission is at present studying this request.

#### *Relations with Asian countries*

457. During the Kennedy Round 1964/67, the Community had declared its intention to implement in favour of India and Pakistan a set of "autonomous" measures (in the GATT sense). Those concerning Indian kips and hand-woven cotton and silk fabrics came into force in 1968.<sup>1</sup> For other measures requiring more complex adjustments the negotiations were successfully concluded only during 1969. With regard to hand-made craft products, the Community, as agreed in an exchange of letters with

<sup>1</sup> See *Second General Report*, sec. 527. With regard to hand-woven fabrics, Pakistan requested a share in the quotas opened by the Community.



India, opened a quota of 5 million u.a. at zero duty.<sup>1</sup> The conditions of access to this quota are being negotiated with Pakistan. The Philippines expressed an interest in the same concessions. An agreement was concluded with India on trade in coconut products.<sup>2</sup> In the field of jute products an agreement was concluded with India, and another agreement will shortly be concluded with Pakistan.

In 1969, as in preceding years, several Asian countries approached the Commission to express their anxiety in connection with certain aspects of the Community's agricultural or commercial policy. The products mainly concerned were vegetable oils (Indonesia, Philippines), tinned fruit and vegetables (Philippines), and tropical products in general (Indonesia, Malaysia). The Executive Secretary of ECAFE (UN Economic Commission for Asia and the Far East) drew the attention of the Council of the Communities to the importance of the production and export of oleaginous products for the Asian countries. The various problems are at present being studied by the Community authorities. The Community has suspended duties on pepper, neither crushed nor ground.<sup>3</sup> Specific requests had been made by certain countries concerning this item.

The Community extended until 30 June 1971 the suspensions of duties in force for a series of products (tea, certain spices, bleached shellac, etc.) of special interest to Asian countries.<sup>4</sup>

Within the framework of the Food Aid Convention the Community concluded individual agreements with three countries of the area (India, Indonesia, Pakistan).

The Commission sent two experts to a seminar held in Bangkok from 16 to 22 September 1969 under the auspices of ECAFE. This seminar, organized for civil servants of the countries in the area, was devoted to a study of the commercial policies of the developed countries. During 1969, the Commission was also represented at the full session of ECAFE and on the trade committee of this organization.

<sup>1</sup> Council Regulation No. 1491/69, *official gazette* No. L 187, 31 July 1969.

<sup>2</sup> Council Decision of 28 July 1969 and annexed texts, *official gazette* No. L 240, 24 September 1969.

<sup>3</sup> Council Regulation No. 1226/69, *official gazette* No. L 159, 1 July 1969.

<sup>4</sup> Council Regulations Nos. 1258/69 and 1259/69. These suspensions, which originally came into force on 1 January 1964, had been extended to 30 June 1969; see *First General Report*, secs. 506 and 507. The products for which the anticipated application of Kennedy Round concessions has rendered further suspension superfluous are not included in these measures.

As part of its efforts to inform non-member countries of its activities, the Community participated in the Second Asian International Trade Fair, which was held in Teheran from 4 to 25 October 1969.

*Eastern European countries*

458. Technical conversations and other talks were held between the Commission and a number of Eastern European countries, particularly Rumania; the purpose of the conversations and contacts with the latter was the establishment of an arrangement under which Rumania would comply with the sluice-gate prices and the abolition of the supplementary amounts payable on a range of agricultural products (pigmeat, eggs, ducks and geese for slaughter, Tilsit cheese and sunflower oil); an arrangement in this connection should be concluded shortly by an exchange of letters. Similar conversations will be opened soon with Bulgaria concerning the following agricultural products: eggs, pigmeat, sunflower oil, ewe's milk cheese, tinned fruits and vegetables.

## 7. Relations with developing countries

### DEVELOPMENT AID: GENERAL PROBLEMS

459. The problems dealt with by the United Nations Conference on Trade and Development—where, as will be seen below, the Community was very active—included the elaboration of a system of generalized tariff preferences for developing countries. However, no balance sheet of action and results obtained by the EEC would be complete without mentioning progress in the Community itself towards an overall policy reflecting in concrete fashion the prevailing economic conditions in various parts of the Third World. In this way, the Council's preliminary examination of the Commission's memorandum on policy with regard to Latin America highlighted the need to adapt Community policy to conditions in different areas and showed that such differentiation is all the more effective if the various aspects of the policy being elaborated are considered simultaneously, in other words, if its commercial, technical and financial aspects are integrated. A similar approach could be employed in future for other parts of the Third World.

### *United Nations Conference on Trade and Development*

#### *UN Trade and Development Board*

460. The Board held its eighth session in Geneva from 21 January to 10 February and from 5 to 20 May 1969, and its ninth session in the same city from 26 August to 23 September 1969. Most of the time was devoted to a discussion of UNCTAD's contribution to the Second UN Development Decade. Little has been achieved in this connection so far because of the diverging views held by the Western and the developing countries.

The main difficulty is the interpretation of UNCTAD's role. The Western countries consider that UNCTAD's powers are confined to those set out in the UN General Assembly resolution on its establishment (1995 (XIX)). They believe that preparatory work for the Second Development Decade should be co-ordinated by the preparatory committee, which is in fact the enlarged Economic Committee of ECOSOC. The developing countries on the other hand consider UNCTAD to be the most

appropriate forum for dealing with those of their development problems which come within the scope of the Second Development Decade. The developing countries have in fact a large majority in UNCTAD. The countries of Eastern Europe have refused to sit on the preparatory committee with the Federal Republic of Germany, and they too are doing their utmost to emphasize and enhance the importance of UNCTAD.

There is also disagreement on UNCTAD's contribution to the programme for the Second Development Decade. Items which should be regarded as long-term objectives to be reached by the end of the Decade are being assessed and discussed by the developing countries as short-term measures. For their part, most of the Western countries are not prepared to enter into fresh commitments, and so give the impression that, even on a long-term view, additional efforts will not be possible during the full ten-year period.

The developing countries showed some bitterness, maintaining that the developed countries are proving to be less co-operative now than when the First Development Decade, which is still a long way from achieving all its declared aims, was being planned. A profound feeling of impotence has hardened their claims, particularly among the Latin American countries, although moderate elements are arguing in favour of a more realistic approach and are preaching patience. In an attempt to iron out these difficulties and reconcile the diverging opinions, the Board asked its President and the Secretary-General of UNCTAD to hold consultations with UNCTAD member countries in order to draft texts which could serve as a basis for a definitive discussion of UNCTAD's contribution at the third part of the Board's ninth session to be held in Geneva in February 1970.

#### *Committee on Commodities*

461. The Committee on Commodities held its fourth session in Geneva from 19 to 31 May 1969.

At this session the Committee adopted four of the nine draft recommendations outstanding since the New Delhi Conference. These recommendations cover synthetics and substitutes, the study on the organization and structure of commodity marketing, special measures to help the least developed among the developing countries, and the basic elements of a commodity policy. All of these recommendations were subsequently approved by the Trade and Development Board at its ninth session.

The recommendation on the basic elements of a commodity policy was originally a draft put forward by the six EEC countries.<sup>1</sup> Its adoption crowns an initiative—the first of its kind ever taken by the EEC within UNGTAD, where the Western countries are generally on the defensive—which will greatly help to promote the idea of a global, viable development strategy. It should facilitate the search for agreed solutions to two problems—price policy and liberalization of trade in the commodities sector—which are still highly controversial.

#### *Permanent Group on Synthetics and Substitutes*

462. This Group, which was formed by UNCTAD's Committee on Commodities, held its third session in Geneva from 27 to 31 October 1969.

The session was mainly devoted to an examination of the problems posed by certain commodities which are being exposed to competition from synthetics and substitutes, and policies for these commodities. The Group discussed problems concerning natural rubber and the situation with regard to other products such as cotton, hard fibres, jute and allied fibres, mica and shellac.

At the end of its deliberations the Group adopted several recommendations concerning the marketing of some of these commodities, technical and financial assistance measures for them, and research and development programmes for natural commodities exposed to competition from synthetics.

#### *Special Committee on Preferences*

463. The Special Committee on Preferences held its second (28 April to 2 May) and third (30 June to 3 July) sessions in Geneva in 1969.<sup>2</sup>

The purpose of these meetings was to establish what progress had been made by the developed countries in working out a system of generalized preferences for the developing countries. Since the task of confronting offers had not yet begun within OECD because of delays in their transmission by the two main preference-giving countries, the Special Committee was unable to discuss the problem in detail.

<sup>1</sup> See *Second General Report*, sec. 549.

<sup>2</sup> *Ibid.* sec. 551.

The Committee approved arrangements for the formation of working groups to study specific issues connected with the introduction of a system of preferences. The Working Group on Rules of Origin met for the first time from 9 to 13 June 1969.

Despite the delays affecting work within OECD and the number of important issues still outstanding—notably the question of an equitable breakdown of the burden on preference-giving countries—all Western countries were able to respect the undertaking entered upon at the third session of the Special Committee and on 15 November transmitted to UNCTAD “substantial documentation” which will serve as a basis for intensive consultations beginning in March 1970. The initial position of the Community and of other preference-giving countries was annexed to this documentation and is analysed below.

*Generalized UNCTAD preferences: Preparation of the Community's position in collaboration with other industrial countries*

464. In accordance with Resolution 21(II)<sup>1</sup> adopted at UNCTAD II; and to comply with the timetable laid down therein, the industrialized countries lodged their preliminary offers of tariff preferences for manufactures and semi-manufactures from the developing countries with OECD as agreed with that organization.<sup>2</sup>

As far as the EEC is concerned, the Council agreed at its 61st meeting on 3-4 March 1969 that the Community's initial position on the granting of generalized tariff preferences for manufactures and semi-manufactures from the developing countries be transmitted to OECD. This agreement was reached following extensive discussions within the competent Community agencies based on documents prepared by the Commission, in particular its memorandum of 29 January 1969 to the Council.

The Community suggests that the preference system be applied as a general rule to all industrial manufactures and semi-manufactures originating in the developing countries. The preference would mean duty-free entry for the developing countries up to a ceiling calculated on the basis of uniform factors for each product.

<sup>1</sup> See *Second General Report*, sec. 548.

<sup>2</sup> *Ibid.* sec. 559.

Special arrangements are envisaged for products such as cotton, jute and coir textiles which are or will be covered by specific international or bilateral agreements.

As for processed agricultural products, the Community transmitted to OECD a preliminary list of those on which it is prepared to make tariff concessions.

On 28 October 1969, with a view to honouring the commitment mentioned earlier, the Council decided to transmit to UNCTAD as they stood the Community's preliminary offers, already lodged with OECD in March 1969.

These offers were based on the assumption that the main industrialized OECD countries would participate in the preferences and make comparable concessions. They were also communicated subject to any changes which might have to be made following the consultations the Community is required to hold with a number of its associates under the terms of association agreements.

#### *Co-ordination of development aid and technical assistance*

465. The Council's Working Party on co-ordination and co-operation in the sphere of technical assistance met once, in September 1969. A second meeting was planned for November but had to be postponed to January 1970 because of pressure of other Council work. At the September meeting a considerable amount of time was devoted to examining action to provide technical assistance under the EEC-Lebanon agreement and to discussing future measures in the light of a fresh request submitted by the Lebanese authorities.

#### FOOD AID

466. Under the 1967 Food Aid Convention the EEC undertook to supply the developing countries with 1 035 000 tons of wheat or coarse grain annually for a period of three years.

The Community also produced plans of its own for supplying skim milk powder and butter oil to the developing countries. These have already been the subject of preliminary Council decisions.

*Food aid : cereals**Balance sheet for 1968/69*

467. In 1968/69, the first year of the Food Aid Convention, six countries<sup>1</sup> and two organizations were supplied with grain by the Community:

India	80 000 t
Pakistan	50 000 t
Indonesia	56 000 t
Tunisia	20 000 t
Turkey	50 000 t
Sudan	20 000 t
ICRC and JCA <sup>2</sup>	25 000 t (famine relief in Nigeria)

This Community aid totalled 301 000 tons, or 29.08% of the Community's annual commitment under the Food Aid Convention (1 035 000 tons).

All agreements on Community aid were signed before the end of June 1969 in accordance with the rule adopted by the signatories to the Food Aid Convention.

By 2 September 1969 all calls for tender for the supply of Community aid had been issued, the only exception being tenders for food aid for distribution by the ICRC in Nigeria, which were delayed by unforeseen circumstances completely outside the Community's control. It should be noted that of the 301 000 tons supplied, 290 517 tons (96.5%) were mobilized from stocks held by the intervention agencies. The remaining 3.5% was found on the open market because the intervention agencies did not have the necessary supplies, notably of oats and maize.

It also proved possible to deliver the grain rapidly. By 30 September 1969, 268 090 tons (89%) had been delivered and the entire operation was complete by the end of October.<sup>3</sup>

<sup>1</sup> Community aid to Mali approved at the Council's meeting on 22/23 July 1969 will come under operations for 1969/70.

<sup>2</sup> International Committee of the Red Cross and Joint Church Aid.

<sup>3</sup> With the exception of 759 tons of wheat equivalent for Joint Church Aid representing 345 tons of pearl barley delivered during December and 16 667 tons of wheat equivalent for the International Committee of the Red Cross, for which the delivery date is uncertain.



*Applications for food aid in 1969/70*

468. The Community's food aid programme seems to have been well received in the developing countries. With the exception of India the organizations and countries which received Community aid in 1968/69 have re-applied for 1969/70, as have Syria, the United Arab Republic, Yemen, Ceylon, Lebanon, Mali and Niger. This makes 14 applications in all.

These applications total 1 572 050 tons of unprocessed cereals, broken down as follows:

Syria	50 000 t
UAR	350 000 t
Yemen	20 000 t
Ceylon	151 000 t <sup>1</sup>
Indonesia	56 000 t <sup>2</sup>
Lebanon	50 000 t
Mali	60 000 t
Pakistan	250 000 t
Sudan	90 000 t
Tunisia	100 000 t
Turkey	350 000 t
ICRC	4 500 t
JCA	8 000 t
Niger	32 550 t <sup>3</sup>

The total tonnage applied for is considerably in excess of the Community's annual commitment (1 035 000 tons).

Following an examination of the applications by an *ad hoc* Council working party and by the Permanent Representatives Committee, the Council, in an initial decision taken on 10-11 November 1969, fixed the total of Community aid at 325 500 tons as follows:

Indonesia	60 000 t
Pakistan	80 000 t
Turkey	50 000 t
Niger	15 000 t
Tunisia	35 000 t

<sup>1</sup> Applied for 100 000 tons of wheaten flour.

<sup>2</sup> Applied for 37 086 tons of wheaten flour.

<sup>3</sup> Applied for 10 000 tons of wheat, 5 000 tons of wheaten flour and 15 000 tons of maize.

Lebanon	15 000 t
Mali	30 000 t <sup>1</sup>
Ceylon	14 000 t
Yemen	14 000 t
JCA	8 000 t
ICRC	4 500 t

Agreements for the supply of the grain have already been signed with Mali, Turkey, Tunisia, Pakistan and Lebanon.

### *Food aid: milk products*

469. In contrast to cereals, the Community's decision to supply milk products was an autonomous one in the context of its policy for mopping up certain agricultural surpluses. A Council decision of 21-22 April 1969 made provision for the inclusion of milk products in the Community's aid programme.

The countries or agencies which have asked for supplies of milk products to date are listed in Table 27:

TABLE 27  
Applications for the supply of milk products  
in 1969 and 1970

Applicants (countries and agencies)	(tons)	
	Skim milk powder	Butter oil
UAR	200	4 000
Ceylon	2 000	1 000
Indonesia	1 000	1 000
Mali	350	—
Niger	3 000	2 000
Pakistan	15 000	100 000
Somalia	1 000	—
Sudan	5 000	10
Tunisia	600	—
JCA	1 000	—
ICRC	24 000	250
WFP	120 000	35 000
Total	(173 150)	(143 260)

<sup>1</sup> Emergency aid approved by the Council in July 1969.

The Council has already decided to supply milk products to two organizations listed in this Table. On 17 July 1969 and 16 September 1969, on a proposal from the Commission, it adopted regulations laying down conditions for the supply of 120 000 tons of skim milk powder and 35 000 tons of butter oil to the World Food Programme (WFP) and 3 000 tons of skim milk powder to the International Committee of the Red Cross (ICRC).

#### COMMODITIES AND INTERNATIONAL AGREEMENTS

470. As can be seen from the developments outlined above, only limited progress has been made towards solving the very difficult problems posed by short- and long-term equilibrium in the commodities field. Apart from its general contribution within UNCTAD, the Commission is continuing its studies with a view to finding individual solutions which would take into account the specific problems of the commodities or groups of commodities in question.

#### *Cocoa*

471. Fresh talks were held in June 1969 at the invitation of the Secretary-General of UNCTAD with a view to reconvening the conference of the main producer and consumer countries to negotiate an international cocoa agreement. The Commission was able to take part in these talks. Although progress was made on a number of technical points regarding the working of the proposed agreement and supervision arrangements, substantial difficulties remain. Numerous questions were raised on essential issues such as the nature of the quota system, minimum and maximum prices, and the use of buffer stocks. It was impossible therefore to arrange for the resumption of negotiations in 1969.

#### *Coffee*

472. The Community participated in the March and August 1969 meetings of the International Coffee Council. The first of these was devoted to fixing production targets for 1972/73 and defining a policy on stocks. The second dealt with preparations for the 1969/70 coffee year, the second year of the new International Coffee Agreement signed in 1968.

The dominating feature of 1969 was an appreciable drop in world prices followed by a distinct improvement, which led the International Coffee Council to raise the prices of all types of coffee.

The Commission took part in two consultative meetings between the EEC and Latin American countries. These dealt with Latin American complaints against EEC countries for infringing Article 47 of the Agreement (Obstacles to Consumption). Since these talks failed to produce the results hoped for by the Latin Americans, they asked for the establishment of the consultative committee provided for in Article 59 of the Agreement.

### *Other tropical produce*

473. The Commission took part in the third FAO *Ad Hoc* Consultation on Tea held in Kampala (Uganda) in January 1969. During this meeting the producer countries raised the problem of the downward trend of prices for this commodity and discussed the steps which should be taken at international level to halt it.

The Commission also attended the third meeting of the FAO Study Group on Bananas held in Panama in April 1969. There is still a slight imbalance between production, which is a little too high, and consumption. Although the banana-growing countries consider that the real problem is one of underconsumption, many of them are tending to stabilize production at its present level. It is still felt that a world arrangement for bananas is unlikely in the immediate future.

The Commission was represented at the 28th meeting of the International Cotton Advisory Committee held in Kampala in June 1969. The meeting recognized that, although there was now a satisfactory balance between production and consumption, cotton prices would have to remain highly competitive if cotton was to hold its own against substitute fibres. Individual agreements between producers and consumers were generally held to be preferable to the implementation of any international arrangement for this commodity.

## 8. Co-operation in the nuclear sector

### THE AGREEMENTS WITH THE UNITED STATES, THE UNITED KINGDOM AND CANADA

474. As in previous years, co-operation with non-member countries continued in the unpropitious conditions prevailing in the nuclear research sector, under the terms of the interim programme now being conducted in fields of common interest with the principal partners, namely, the United States Atomic Energy Commission (USAEC), the United Kingdom Atomic Energy Authority (UKAEA) and Atomic Energy of Canada Limited (AECL).

With regard to the peaceful use of nuclear energy, the Commission, mindful of the need to improve the conditions governing the supply of enriched uranium from the USA, has obtained from the Council directives for negotiating the necessary amendments to the Supplementary Agreement for Co-operation signed in 1960 and already amended in 1962 and 1963. Furthermore, on the basis of an American proposal and after having obtained the appropriate directives from the Council, the Commission is at present negotiating an arrangement—with which any Member States so desiring would also be associated—for organizing and rationalizing the exchanges of nuclear documentation between the Community and the USAEC, in particular with the aid of computers.

The Agreement for Co-operation, which was concluded with the United Kingdom on 4 February 1959 for a period of ten years, has been extended without modification for a further period of two years, i.e. to 3 February 1971. The joint working group, which has been operating under the Agreement since 1959, held its eighteenth meeting in Brussels on 24 March 1969. Meetings and other scientific and technical discussions have taken place in a number of fields during the year.

### OTHER ACTIVITIES

475. In pursuance of Article 103 of the Euratom Treaty, the Commission received notification in 1969 of:

- (i) a draft co-operation agreement between France and Indonesia concerning the use of nuclear energy for peaceful purposes;

- (ii) a draft framework agreement between Germany and Brazil concerning co-operation in scientific research and technological development;
- (iii) a draft agreement between Germany, the Netherlands and the United Kingdom on collaboration in the development and operation of the ultracentrifugation process for the production of enriched uranium.

The Commission has not issued any comments on the first two of these draft agreements. The third one, notification of which was given on 29 December 1969, is in the course of examination.

#### NON-PROLIFERATION TREATY (NPT)

476. In 1968, the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) was signed by three Member States (Luxembourg, Netherlands and Belgium). Italy and Germany followed suit in 1969, adding declarations similar to those made by the Luxembourg, Belgian and Dutch governments at the time of signing. In these declarations, which were drawn up in line with the opinion on the NPT which the Commission—consulted pursuant to Article 103 of the Euratom Treaty—had formulated in 1968, the five Member States affirmed in particular their intention not to ratify the NPT before the conclusion of a safeguards agreement between Euratom and the IAEA which would ensure compliance with the Euratom Treaty.

The Non-Proliferation Treaty provides for the opening of negotiations with the IAEA after it has come into force, that is to say, when the three “depository governments” (USA, USSR and United Kingdom) and 40 other signatory states have deposited their instruments of ratification.

By 31 December 1969, the Treaty had been ratified by the three “depository governments” and by 22 signatory states. Following the recent ratification by the United States and the USSR (who should deposit their instruments of ratification simultaneously), the Treaty may be expected to come into force in the near future.

The Commission proposes that draft directives for the negotiations be submitted to the Council, in accordance with Article 101, second paragraph of the Euratom Treaty.

## 9. The Community and international organizations

### UNITED NATIONS

477. The working relations between the Community and the United Nations and its specialized agencies continued under the established arrangements. The Community took part as an observer at the 47th session of the United Nations Economic and Social Council, which met in Geneva from 14 July to 8 August 1969. This session was mainly concerned with preparing the Second UN Development Decade. During the session, a statement was made by the Community spokesman on certain provisions of the new Convention with the Associated African States and Madagascar.

The Commission sent a contribution to UNESCO for International Education Year, together with information on the measures taken to implement the fundamental principles of a common vocational training policy adopted by the EEC Council on 2 April 1963. It also communicated its programme of education and training for the Community's 18 African associates.

The Commission also followed the work of the Economic Commission for Europe (ECE), the United Nations Food and Agriculture Organization (FAO), the World Health Organization (WHO), the United Nations Commission on International Trade Law (UNCITRAL) and the Office of the United Nations High Commissioner for Refugees (UNHCR).

The Commission continued to work actively with the Secretariat of the International Atomic Energy Agency (IAEA), and relations were extended. In particular, the contacts long since established for the dissemination of information led, on a proposal of the IAEA, to a contract between the Agency and the Commission: under this contract, which was negotiated in agreement with the Council, the Commission's Centre for Information and Documentation (CID) will help in setting up the International Nuclear Information System (INIS) of the IAEA, principally by rendering available to the IAEA Euratom's "thesaurus" of key words and programming systems, subject to the necessary adaptations being made. As in previous years, the Commission accepted the invitation of the Board of Governors to send an observer to represent it at the IAEA General Conference (13th ordinary session, Vienna, 23-30 September 1969). In accordance with the wishes of the countries considered as non-nuclear

by the Non-Proliferation Treaty, this session, like the previous one, was mainly devoted to the repercussions of the Treaty's entry into force on many aspects of international co-operation in the nuclear field, and to the consequent appropriate reforms of the structure and functioning of the IAEA.

478. Collaboration between the Commission and the International Labour Organization continued normally during the past year, which was marked by the 50th anniversary of the institution's creation. The Commission took part in the celebration of this anniversary, at the 53rd International Labour Conference. It co-operated in a symposium on vocational guidance and training. It also participated actively in the congress on occupational health and safety; it made a financial contribution to the International Institute for Labour Studies and the International Safety Centre (CIS); it organized at the vocational training centre of Turin, in addition to the usual seminars, a session on the further training of training officers in industry. Finally, on the Commission's initiative, the European Parliament celebrated the 50th anniversary of the ILO during its October session.

#### ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)

479. As in the past, the Commission participated in the OECD's work.

It was represented at the Council meeting at ministerial level by M. Rochereau, member of the Commission, who gave an account of the Community's economic activities and its attitude to the developing countries.

On 1 March, the Commission put the Community's offer on the establishment of a generalized preference system before the OECD Secretariat.

In the field of industry and regional policy, the competent departments of the Commission took an active part in meetings of the OECD committees, helping in the work of the Special Committees for Iron and Steel, Machinery, Pulp and Paper, Textiles and Oil. An important contribution was made towards preparing memoranda on the industrial and regional policies.



With regard to scientific policy, the Commission followed the activities of the OECD scientific committees and made sure that there was a link with the work being done in Brussels in the Aigrain group.

In the field of co-operation between Euratom and the European Nuclear Energy Agency, the Dragon Agreement was extended for the fourth time, for three years (1 April 1970-31 March 1973). The Community will contribute 40% of the budget for this, which totals 19 418 000 u.a. Assurances have also been obtained from the United Kingdom Atomic Energy Authority, the owner of the reactor, regarding a further extension of the Agreement beyond 31 March 1973.

As in previous years, the activities and commitments of the Community concerning development aid were examined by the Development Assistance Committee. The Committee also organized a meeting of parliamentarians of its member countries, during which M. De Winter, as member of the European Parliament delegation, gave an account of the commitments entered into under the Yaoundé II Convention and the Arusha Agreement.

The Commission was also represented at the meetings of the Economic Policy, Agriculture and Manpower Committees. Its representatives took part in the work on creating an international technological management institute and in studies on the modern company undertaken in the OECD.

#### WESTERN EUROPEAN UNION (WEU)

480. The WEU Council met on 6 and 7 February 1969 in Luxembourg. M. Martino, member of the Commission, represented the Commission for that part of the work which the institution has for some years devoted to an examination of economic problems in Europe.

In the absence of one of its members the Council, at its session of 5 and 6 June 1969 at The Hague, did not include economic problems on its agenda, and hence the Commission was not required to participate.

Since the difficulties in question have not yet been solved, the quarterly sessions which should have been held have not taken place.

## EUROPEAN FREE TRADE ASSOCIATION (EFTA)

481. In the context of the regular meetings between the European Free Trade Association and the Commission, exchanges of views and information took place on 11 February and 15 September 1969.

On these occasions matters were examined in connection with freedom of establishment, the common customs tariff, technical barriers to trade, approximation of company law and investments in the European iron and steel industries.

## COUNCIL OF EUROPE

482. As in the past, the Commission was represented at the sessions of the Consultative Assembly, the debates of which, in this twentieth anniversary year of the foundation of the Council of Europe, were devoted to the general policy of its Member States and to the problems linked with enlargement of the Communities. The Commission also assisted in the work of the intergovernmental committees and groups of experts.

An information meeting on 6 November 1969 between the Secretariat of the Council of Europe and the Commission reviewed the working relations between similar departments of the two institutions. The fact that their activity was complementary in numerous sectors seemed to favour an expansion of present co-operation; this is particularly so for legal problems—notably those concerning patents and copyright—nature conservation, town and country planning, European rules on oil and gas pipelines, consumer protection and equivalence of professional and technical qualifications.

## MISCELLANEOUS

483. Finally, the Commission representatives followed the work of the European Conference of Ministers of Transport (ECMT), the Intergovernmental Committee for European Migration (ICEM) and the International Bureau of Weights and Measures.

### 10. The Communities' diplomatic relations

484. In the period under review, diplomatic relations were established between the three European Communities and Cyprus.

In addition, eight States which had diplomatic relations with the EEC extended their relations to the other two Communities, i.e. to the ECSC and Euratom.

At present 81 States have representatives with the European Communities. Of these States, 39 have representatives accredited to the three Communities, 41 to the EEC alone and 1 to the EEC and ECSC.

## CHAPTER VI

## INSTITUTIONS AND ORGANS OF THE COMMUNITIES

## 1. The European Parliament

*Election of President, sessions*

485. At the opening of its annual session on 11 March 1969, the European Parliament elected M. Mario Scelba (Italy, Christian Democrat) as President to succeed M. Alain Poher. It also elected its bureau, with M. Metzger (Germany, Socialist), M. Berkhouwer (Netherlands, Liberal), M. Terrenoire (France, European Democratic Union), M. Furler (Germany, Christian Democrat), M. Corona (Italy, Socialist), M. Rossi (France, Liberal), M. De Gryse (Belgium, Christian Democrat) and M. Wohlfart (Luxembourg, Socialist) as Vice-Presidents.

At the meeting in November, President Scelba announced that the Christian Democrat group had elected M. Lücker (Germany) Chairman to succeed M. Illerhaus, and that the Liberal group had elected M. Berkhouwer (Netherlands) to succeed M. Pleven (France), M. Vals (France) remaining Chairman of the Socialist group and M. Triboulet (France) Chairman of the European Democratic Union group.

Between 1 January and 31 December 1969, the Parliament met nine times in five ordinary sessions and four extraordinary sessions.<sup>1</sup> The

<sup>1</sup> The sessions were held on the dates given below. The references to the *official gazette* show where the minutes of the sittings and the texts of the Opinions and resolutions adopted by the Parliament are published.

21-24 January, in Strasbourg: (*official gazette* No. C 17, 12 February 1969)

20-21 February, in Luxembourg: (*Ibid.* No. C 29, 6 March 1969)

10-14 March, in Strasbourg: (*Ibid.* No. C 41, 1 April 1969)

5-9 May, in Strasbourg: (*Ibid.* No. 63, 28 May 1969)

3-4 June, in Luxembourg: (*Ibid.* No. C 79, 21 June 1969)

30 June-4 July, in Strasbourg: (*Ibid.* No. C 97, 28 July 1969)

6-10 October, in Strasbourg: (*Ibid.* No. C 139, 28 October 1969)

3 November, in Luxembourg: (*Ibid.* No. C 146, 13 November 1969)

9-12 December, in Strasbourg: (*Ibid.* No. C 2, 8 January 1970).

extraordinary sessions were chiefly concerned with the outlook for and results of the summit conference, agricultural prices, and the policy of the Community towards the countries of the Mediterranean basin. As in past years, the members of the European Parliament and of the Consultative Assembly of the Council of Europe held a joint meeting on 3 and 4 October 1969, at which the Parliament presented the report on its activities from 1 May 1968 to 30 April 1969<sup>1</sup> and a report by M. Hougardy (Belgium, Liberal) on the minimum conditions to ensure the success of European co-operation on monetary policy. The Parliament held a festive meeting on 7 October 1969 to celebrate the fiftieth anniversary of the International Labour Organization, and M. Scelba gave expression to its deep gratitude for what had been achieved by this organization. The subject of the 1969 colloquy between the institutions of the Communities, held on 11 December 1969, was "The Present Situation and the Future of the Communities after the Conference at The Hague".

Parliamentary activities in 1969 were largely devoted to the questions raised by the political situation in Europe and the future of the Six. There was again a clash—though less marked than in recent years—between two lines of thought concerning this concept of the future, particularly in connection with election of the members of the European Parliament by direct universal suffrage and with the adjustment of the budgetary powers of the Parliament in relation to the institution of the Community's own resources. Further ideas were brought in by the representatives of the Communist party, who entered the Parliament for the first time on 21 January 1969, when the Italian delegation was renewed. Finally, the history of the Parliament will bear the traces of the steps taken in 1969 by President Scelba to improve co-operation between the institutions of the Communities. During the May session, M. Scelba explained to M. Thorn, President of the Council and Minister of Foreign Affairs in the Grand Duchy of Luxembourg, a series of problems which the Parliament considers of prime importance. In the course of many contacts with the President of the Commission, M. Scelba put forward some points about co-operation with the Commission that are considered especially important by the Parliament. Various solutions have been worked out and the future will show whether they are indeed successful and effective.

<sup>1</sup> European Parliament, Working Document No. 85, 4 July 1969.

### *Activities*

486. The Parliament was consulted by the Council on a large number of proposals for regulations and directives arising from different parts of the Treaties and rendered 74 Opinions, of which 47 concerned the common agricultural policy. Of the remainder, 1 concerned the financial and budgetary powers of the Parliament, 1 taxation policy, 3 freedom of establishment and freedom to supply services, 8 the approximation of legislation, 6 the common transport policy, 1 relations with Tunisia and Morocco, 1 citrus fruit imported from Turkey, Israel and Spain, 4 the AASM and the OCT, 1 commercial policy and 1 the statute of service for employees of the Community.

The Parliament adopted 51 resolutions during 1969. One concerned the summit conference, 1 the problems of "own resources", taxation harmonization and adjustments to the powers of the Parliament, 1 budgetary powers, 1 the Parliamentary elections, 1 the common organization of markets in the wine sector, 1 the International Grains Arrangement, 3 economic and monetary policy, 6 Euratom, 1 the countries in the Mediterranean basin, 1 the political situation in Greece, 1 the disasters in Tunisia, 1 Turkey, 3 the AASM, 2 Arusha, 3 legal problems, 1 the Europeanization of universities, 1 the recognition of diplomas, 1 research in universities, 6 social affairs, 1 the position of the consumer, 1 customs legislation, 1 the approximation of legislation, 2 the Second General Report, 10 budgetary and administrative affairs.

The main points of most of these Opinions and resolutions are described in various chapters of this Report; fuller accounts of debates and speeches by the members have been given each month in the Bulletin of the European Communities published by the Commission. Consequently, the pages below will simply give an overall view of parliamentary activities during 1969 and draw attention to the political aspects of the work done.

487. On 12 March 1969, when President Rey presented the 1968 General Report on the Activities of the Commission, the Parliament held an important debate on the political situation in Europe.<sup>1</sup> M. Rey reaffirmed his conviction that Europe would have to unite if it was to remain independent. The real way to achieve union was through the Community as it exists today, with its common policies, its political objectives and its

<sup>1</sup> See *Bulletin* 4-69, Ch. I and *Bulletin* 5-69, Ch. II.

institutions. M. Rey insisted that the veto system has disastrous effects and constitutes a major problem for the development of European affairs. Lastly, he proclaimed the right of the peoples of Europe to elect the members of the European Parliament.

Speaking for the Christian Democrat group, M. Illerhaus (Germany) noted that the crisis concerned primarily the concept of the Community policy as a whole; he confirmed that the essence and the aim of the European Community was to be a true, complete economic union. M. Vals (France), who emphasized the concern of the Socialist group about the situation and prospects of the Community, was also convinced that only a united Europe would enable the Member States to solve their particular problems. He regretted that the increased strength of the European economies still had no counterpart in the institutional structures of the Community and noted that the force of a wave of 're-nationalization' has at times caused people to forget that, in the past, nationalist fervour had more often than not led to blood and tears. M. Vals added that, in spite of this recent past, conservative elements in various governments and large national bodies were co-operating with the most retrograde sectors of the national economies to oppose every real development in the Community; he recommended that action be taken to make a reality of direct elections to the European Parliament by universal suffrage. Speaking for the group of Liberals and Allies, M. Pleven (France) declared that the mutual mistrust reigning in the Community had become so paralysing that only a summit conference of the Six could restore the understanding without which there could be no progress. M. Pleven recalled the various aspects of the decline in the role played by the Commission. The ideological confusion in Europe had never been so great, and thus the first duty of Europeans was to demand that their governments should now put an end to this confusion. M. Habib-Deloncle, speaking on behalf of the UDE, stated their position on the enlargement of the Community and stressed the need for a fuller inquiry into its consequences for the Six. According to the UDE, political union should first evolve in the Community of the Six; a European will could not be born of the negation of national wills, and the rule of unanimity would guarantee respect for these national wills until such time as a European will emerges from an awareness of Europe. Speaking for the seven Italian Communists, M. Amandola said that the Community was simply a free-trade area which had developed a—sometimes questionable—common agricultural policy. The Community was not able to take up the American challenge. The Treaties needed to be revised in order to ensure a realistic policy of economic co-operation among the Member

States, with respect for the autonomy and the policies of each country and each national Parliament.

488. In anticipation of the summit conference, originally planned for 17 and 18 November 1969, the Parliament met in extraordinary session on 3 November 1969 to decide its attitudes towards the fundamental problems of European and Community policy. It recalled its concern at a situation that was a threat to all that had been achieved by the Community and voted a resolution inviting the Heads of State or Government to decide on the establishment by stages of political union in Europe, in the spirit of the Bonn declaration of 18 July 1961, and to give this union concrete form in 1970.

This year's meeting between Parliament, Council and Commission was held at the beginning of December and was concerned with the situation and the outlook for the Communities after the summit conference at The Hague. M. de Koster, acting President of the Council and State Secretary at the Ministry of Foreign Affairs in the Netherlands, pointed out that the guidelines and decisions reached in The Hague would make it possible to round off the Community and give it a fresh impetus. M. Rey recognized the results that had been achieved at The Hague, but still regretted that no real progress had been made towards political union and that no decision had been taken to strengthen the institutions. The chairmen of the four political groups each expressed, with some slight differences, their satisfaction that the Heads of State or Government had been able to achieve concrete results. M. Lücker (Germany) and M. Vals (France) were reserved about the small amount of progress in the political and institutional field, while M. Berkhouwer (Netherlands), Chairman of the Liberal and allied group, compared the summit conference with an unfinished symphony. Speaking for the UDE group, M. Triboulet stated why his friends felt a reasonable degree of satisfaction.

489. Several debates in 1969 were devoted to the Community's "own resources", tax harmonization, and adjustments to the Parliament's powers of decision and control.<sup>1</sup> An oral question (No. 4/69) by M. Spénale (France, Socialist) led the Parliament to ask the Commission for a definition of its doctrine and general principles in this matter on 2 July 1969. M. Rey, President of the Commission, was able to calm the Parliament's

<sup>1</sup> See also Chapter IV, 8.



apprehensions. In the resolution at the end of the debate, the Parliament noted the Council's and the Commission's intention not to ask for prolongation of the transitional period after 1 January 1970, and stated that only if assigned sufficient resources would the Community be able to put through its current programmes and release Ministers from the demands for "just returns" which tend to dampen the Community spirit. After the Commission had submitted to the Council its "Memorandum on the replacement of financial contributions from Member States by own resources and an increase in the budgetary powers of the Parliament", the Parliament, on 7 October 1969, stated emphatically that it expected the Commission to formulate a proposal to supplement the memorandum and to meet the condition—which the Parliament had been putting forward for years—that the Parliament should receive true budgetary powers when the Community was given its own resources. Also, it appealed to the national parliaments "to approve these proposals only if the Parliament is simultaneously given budgetary powers". On 10 December 1969 a wide-ranging debate was held in the Parliament on these important problems and led to a number of amendments to the Commission's text; these are for the most part to be found in the resolution adopted at the end of the debate. The Parliament insisted that, in accordance with the constitutional principles of the Member States, it had the right of final decision once the financial autonomy of the Community became a fact—as Community resources would otherwise escape the control of any other parliamentary body—and it requested that the period during which this right was waived should end on 1 January 1974; it found little to commend the committee of conciliation proposed by the Commission; and it considered that during the final period a majority of the members of the Parliament and three fifths of the votes cast would be a normal and sufficient condition for the final decision on the budget. Moreover, during the period when the Parliament's right of final decision was waived, a qualified majority carrying the votes of at least four members should be necessary in the Council before an amendment decided on by the Parliament and in conformity with the Commission's proposals could be rejected.<sup>1</sup>

490. In March 1969 the Parliament discussed the problem of the election of its members by direct universal suffrage. M. Dehousse (Belgium, Socialist), who presented a draft resolution, recalled that on 17 May 1960 the great majority of Parliament was in favour of a plan for a convention to organize the elections, but that the Council had meantime not been

<sup>1</sup> See Ch. IV, 8 for the final provisions approved by the Council.

able to make a decision in this matter. Faced with the absence of a decision by the Council, the Parliament should create the legal situation which would force the Council to take a stand. All the speakers except the UDE members pointed out the essentially juridical aspect of the problem. The UDE spokesman said that before elections were considered it was necessary to negotiate a treaty providing for a genuine European constitution and an executive body elected by universal suffrage. Finally, the Parliament instructed "its President to ask the Council to take without further delay the action required by the Treaty in connection with the Parliament's proposition and to draw the Council's attention to Article 175".

491. The numerous problems of the common agricultural policy, as regards both its definitive financing system and its current administration, and the common market organizations were also objects of concern for the Parliament.

On 10 December 1969 the Parliament voted in favour of two Commission proposals for Council regulations on the financing of the common agricultural policy (the definitive system to be applied on 1 January 1971) and on supplementary arrangements for the interim period 1 July 1969—31 December 1970. As regards the first proposal the Parliament approved—although subject to certain comments—the system suggested by the Commission, which would ensure a better balance on the market by a production policy limiting budgetary expenditure and assign an increasing proportion of the available money to the requisite action on agricultural structures and the social measures involved. Much attention was devoted to the problems of fixing prices for agricultural products. At an extraordinary session in February, the Parliament considered that prices of grain, rice, oilseeds and sugar in the 1969/70 marketing year should have been fixed before 1 August 1968 and rejected the proposals before it, suggesting that for most products the prices applicable during the preceding marketing year should be maintained. On 13 March a debate was held on the price of milk, dairy products, beef and veal and on medium-term measures to ensure a balance on the milk market and increased stabilization on that for fats. Oral question No. 2/69 put down by M. Blondelle (France, Liberal) led Parliament to discuss fats and dairy products once again. On 3 July it dealt with the price of grain, rice, olive oil, oilseeds, sugar, veal, beef and pigmeat for 1970/71. An important debate was also held at the same session on the Commission proposals for the numerous problems of the tobacco market. On 27 November the Parliament voted on the measures proposed in the

agricultural sector after the revaluation of the DM. Oral question No. 7/69 by M. Westerterp (Netherlands, Christian Democrat) led the Parliament to discuss the influence on the 1967 International Grains Arrangement of the lower selling prices applied by certain large exporting countries in 1969.

Lastly, M. Triboulet (UDE) questioned the Commission (oral question No. 16/68) on 22 January about the "noisy publicity" given to the Mansholt Plan before it had been seen by the Parliament or the Council. M. Rey, President of the Commission, replied that M. Mansholt had spoken on 10 December 1968 with the full consent of the Commission.

492. On several occasions in 1969 the Parliament discussed the Community's economic, financial and monetary problems. Early in the year, it heard the statement of M. Barre, Vice-President of the Commission, on the economic situation in 1968 and the outlook for 1969. In May Mme Elsner (Germany, Socialist) posed oral question No. 1/69 and provoked a debate on monetary developments in the Member States, at international level and on the European capital market, especially as regards the changes in the Eurodollar market. The Parliament wound up this debate with a resolution expressing its wish that the Commission should each year specify the extent to which its recommendations have affected short-term economic policy in the Member States. It also expressed its concern at the risks of imbalance implicit in the Community system of automatic financial support advocated in the Commission memorandum on the co-ordination of economic policies and monetary co-operation in the Community.

The theme of the 16th joint meeting of the Consultative Assembly of the Council of Europe and the Parliament in October 1969 was "the minimum conditions for successful European monetary co-operation". Under the successive chairmanship of M. Scelba (Italy, Christian Democrat), President of the European Parliament, and M. Reverdin (Switzerland, Liberal Democrat), President of the Consultative Assembly of the Council of Europe, the members of the two bodies discussed three reports by M. Hougardy (Belgium, Liberal, European Parliament), M. Petersen (Norway, Conservative, Consultative Assembly) and M. Federspiel (Denmark, Liberal, Consultative Assembly). M. Hougardy's conclusion was that monetary co-operation depended on co-operation between Member States in economic if not in foreign policy. M. Petersen believed that European monetary co-operation could succeed only if there was better understanding of the national self-discipline required for a well-organized

international monetary system. Lastly, M. Federspiel thought that European co-operation in the monetary field could be envisaged only in the framework of a politically and economically integrated Europe, based on the Communities and subsequently extended to the United Kingdom and the other candidates for membership. The ultimate aim should be complete monetary union, which implies the introduction of a European currency and a system of European reserves. Finally, after a second look at certain monetary problems following oral question No. 10/69 by Mme Elsner (Germany, Socialist), the Parliament asked the Commission to present without delay concrete proposals to bring the European monetary union into effect on 1 January 1975. On the same day the Parliament proposed a series of measures to render the present system of fragmented national capital markets more flexible pending its complete abolition.

493. During 1969 the Euratom crisis, with its consequences for research policy and the Joint Research Centre, was a matter of continual concern for the Parliament. On 23 January M. Hellwig, Vice-President of the Commission, made a statement on the situation of Euratom after the Council decisions of 20 and 21 December 1968.<sup>1</sup> On the same day the Parliament was presented with a petition signed by 4 000 employees of the Communities and voted a resolution declaring that it shared the deep concern of the staff. As it had not yet received the 1969 draft research and investment budget from the Council, the Parliament expressed its anxiety. It also voiced its concern regarding the Council decision providing for complementary programmes and demanded the development of the new programmes mentioned in the Council decision of 20 December 1968. The Parliament received the draft budget on 13 March but rejected it, considering that it seriously prejudiced the future by measures restricting employment and credits, and asked the Council to draw up another draft, taking full account of the preliminary draft drawn up by the Commission and expanded by a supplementary budget for multiannual projects. During a debate in May on oral question No. 17/68 by M. Oele (Netherlands, Socialist), the Parliament criticized the Council's attitude towards scientific and technical research, particularly as regards multiannual programmes. In July a debate was held on restructuration prospects for Euratom and the Joint Research Centre. The Parliament continued its discussions on the future of Euratom in November 1969, after oral questions No. 12/69 and No. 14/69 had been put to the Commission.

<sup>1</sup> See *Second General Report*, sec. 250.

The first question was from M. Oele (Netherlands, Socialist) and dealt with Community research in Euratom; the second, put down by M. Posthumus (Netherlands, Socialist), raised the problem of the Executive's responsibility in the absence of any decision on multiannual research and teaching programmes and of a research and investment budget.

494. On several occasions the Parliament held debates on the Community's external relations. During the extraordinary session in February, it evinced deep concern regarding political and military developments in the Middle East and discussed Community policy towards countries in the Mediterranean basin. The resolution adopted at the end of this debate asked the Commission and the Council "to continue preparations for the association agreements with Tunisia and Morocco parallel with those for an agreement with Israel, these different agreements to be concluded and put into effect simultaneously". In May there was an important debate on the influence of the political situation in Greece on that country's association with the EEC, and the Parliament concluded that "nothing should be done to develop the association until such time as the conditions for normal democratic life have been re-established in Greece". In June it approved the association agreements with Tunisia and Morocco, but pointed out the difficulties encountered by Community production of citrus fruits. The disasters in Tunisia caused the Parliament in October to ask the Governments represented in the Council and Commission to take measures to assist that country. In June the Parliament examined certain points raised by the joint Turkey/EEC Parliamentary Committee. The results of the fifth EEC/AASM Parliamentary Conference at Tananarive on 10-15 January<sup>1</sup> led the Parliament, on 10 March 1969, to express its wish that the Association should continue in the same spirit and with the same objectives, subject to the necessary adjustment of procedures to new requirements. In reply to oral question No. 3/69 by M. Achenbach (Germany, Liberal), the Parliament considered that the third EDF should be allotted a sum of 200 million u.a. each year; it urged the Governments of the Six rapidly to renew the Yaoundé Convention, which was due to expire on 31 May 1969. On 9 December the Parliament was consulted by the Council and approved the new Yaoundé Convention, signed on 29 July 1969, and the Community agreement with Tanzania, Uganda and Kenya, signed on 24 September 1969. In November the Parliament debated Community relations with Latin America.

<sup>1</sup> *Official gazette* No. C 13, 5 February 1969.

495. The Parliament dealt with various problems of Community law in 1969. At the January session, M. Dehousse (Belgium, Socialist) presented a draft resolution on the legal and political implications of Article 8 (5-7) of the EEC Treaty and the conditions for the changeover from the transitional to the final period of the common market. In May there was a debate on the acts of the Member States as a whole and on acts of the Council not provided for under the Treaties. In October the Parliament discussed problems of the application of Article 177 of the EEC Treaty and adopted a resolution stating that judges should resort more frequently to the procedure of requests for a preliminary ruling laid down in Article 177. "The mode of operation of committees established by derived Community law" was the subject of the two oral questions with debate (Nos. 5/69 and 6/69) posed to the Commission and the Council in November 1969 following a report by M. Jozeau-Marigné (France, Liberal)<sup>1</sup> on the Community procedures for implementing derived Community law. In December the Parliament gave a favourable opinion on the proposal for a Council regulation on the maintenance of the Management Committees procedure. On 27 November the Parliament further discussed a report presented by M. Lautenschlager (Germany, Socialist) on the right to legal protection, the creation and the guarantee of legal uniformity in European customs and business legislation and the juridical and institutional problems involved. On the same day it also discussed a report by M. Dittrich (Germany, Christian Democrat) on certain fundamental and procedural problems regarding the approximation of legislation in the Community.

496. In October the Parliament discussed the Europeanization of universities, the reciprocal recognition of diplomas, and research in universities with its implications for the youth of Europe. It declared in a resolution that the "Europeanization of universities is essential, as it forms the foundation of a genuine cultural Community" and "asked the Commission to present, on the basis of the declaration of Heads of State or Government on 18 July 1961 in Bonn, proposals for establishing a council of national Ministers of Education and to prepare the draft conventions mentioned in that declaration". In a second resolution, the Parliament said that mutual recognition of degrees constituted an essential element of a common cultural policy. A third resolution noted the need for information centres at all universities to inform students of the prospects offered by various courses of study, and the need to increase university

<sup>1</sup> See *Second General Report*, sec. 581.

staffs. The Parliament was convinced that medium-sized universities alone allow of dialogue between staff and students and that the establishment of a European education policy was called for.

497. In the social affairs field the Parliament in July debated the Commission's interim report to the Council on the correlations between the social policy and the Community's other policies. The Parliament requested the Council "to make binding decisions as soon as possible on concrete social policy measures and lay down as a principle that such measures should provide considerable latitude for direct intervention by the Community". The Parliament expressed a similar opinion when debating at the same session the Report on the Social Situation in the Community in 1968. The social consequences of the changes in currency parities in the Community for workers, especially frontier and migrant workers, and for persons in receipt of social benefits were the subject of oral question No. 8/69 by M. Califice (Belgium, Christian Democrat) in October. On 9 December the Parliament discussed reform of the European Social Fund and accepted in principle the Commission's general line of thought. "Strengthening of the consumer's position in the Common Market" was the subject of the debate on 21 January 1969. In his report M. Boersma (Netherlands, Christian Democrat) stated that the Community needed the support of the consumer if it were not to be blamed for the rise in prices. Transport policy was discussed after oral question No. 11/69 from M. Posthumus (Netherlands, Socialist), asking the Council about its responsibility for the delays in that field. M. Keyzer, President-in-office of the Council and Dutch Minister of Transport, contested M. Posthumus' arguments and showed that a common transport policy was a long-term task calling for a great deal of perseverance.

498. On the basis of a report by M. Corona (Italy, Socialist), the Parliament discussed the various aspects of Community activities in 1968 as described in the Second General Report. It concluded that the need for a conference of the Heads of State or Government was urgent and considered that the time had come for Europe to resume pursuit of the long-term objectives and political aims of the Treaties. The Parliament reviewed the problems pending in various sectors of Community activity and, in its conclusions, expressed appreciation for the work done by the Commission and for the clarity with which it had put forward the political problems in the Second General Report. The Commission was urged to grapple resolutely and energetically with the problems to be solved before the end of the transitional period, with full awareness of the

difficulties of the situation and of its obligation to reaffirm its political independence now that attempts are being made to place national interests once more before the interests of the Community.



## 2. The Council

### *Chairmen and sessions*

499. The Council of the European Communities met 41 times during 1969 (58th to 97th sessions), including three times at the request of the Commission (on 11 August and on 6 and 27 October). In accordance with the decision taken by the representatives of the Governments of the Member States under Article 37 of the Merger Treaty, the Council held 12 sessions in Luxembourg. The chairmanship was held in turn by Luxembourg and Netherlands members.

With the Luxembourg Foreign Minister, M. Pierre Grégoire, in the chair, the Council held its 59th session on 27 and 28 January, concentrating on agriculture and external relations. A new Luxembourg Government was formed with M. Gaston Thorn at the Foreign Ministry, and M. Thorn took the chair at five Council sessions:

- 61st session on 3 and 4 March;
- 66th session on 25 March;
- 68th session on 12 May;
- 70th session on 28 May;
- 71st session on 26 June.

M. Jean-Pierre Buchler, Luxembourg Minister of Agriculture, also took the chair at five sessions:

- 60th session on 17 and 18 February;
- 62nd session on 10 and 11 March;
- 65th session on 24 and 25 March;
- 69th session on 12 and 13 May;
- 73rd session on 30 June.

The Council held four sessions under the chairmanship of the Netherlands Foreign Minister, M. J.M.A.H. Luns, and three sessions (85th, 91st and 95th) with the Netherlands State Secretary for Foreign Affairs, M. H.J. de Koster, in the chair:

- 76th session on 22 and 23 July;
- 79th session on 15 September;
- 82nd session on 17 October;
- 85th session on 28 October;
- 86th session on 10 and 11 November;

- 91st session on 25 November;
- 93rd session on 8 and 9 December;
- 95th session, first part, on 15 and 16 December;  
second part, on 19, 20, 21 and 22 December.

The 79th session was partly under the chairmanship of M. de Koster. The 85th was devoted mainly to budgetary and administrative matters, the 91st and 93rd to agricultural and financial affairs, and the 95th to the Community's own resources, agricultural financing and the Parliament's budgetary powers.

M. P. Lardinois, Netherlands Minister of Agriculture, took the chair at ten sessions:

- 58th session on 16 January;
- 74th session on 15, 16 and 17 July;
- 77th session on 28 and 29 July;
- 80th session on 15 and 16 September;
- 83rd session on 28 October;
- 87th session on 10 and 11 November;
- 89th session on 24 and 25 November;
- 94th session on 9 December;
- 96th session on 16 December;
- 97th session on 18 December.

The 67th session, on 21 and 22 April, was chaired successively by M. Lardinois and M. Buchler.

The 75th session, on 17 July, devoted mainly to economic and monetary problems, and the 78th session on 11 August, the 81st session on 6 October and the session on 27 October,<sup>1</sup> convened at the request of the Commission following the parity changes in France and Germany, were under the chairmanship of M. H.J. Witteveen, Netherlands Finance Minister. M. Marcel Mart, Luxembourg Minister of Economic Affairs, Power and Transport, was chairman at the 64th session (17 and 18 March) and the 72nd session (30 June), and M. L. de Block, Netherlands Minister of Economic Affairs, took the chair at the 84th and 92nd sessions (28 October and 6 December), which dealt mainly with the future activities of Euratom and the scientific and technical research policy, and at the 88th session on 13 November, the main subject of which was energy problems. M. Jean Dupong, Luxembourg Minister of Labour and

<sup>1</sup> Because of the circumstances, this Council session has no number.

Social Security, took the chair at the 63rd session on 13 March and M. B. Roolvink, Netherlands Minister of Social Affairs, at the 90th session on 24 and 25 November.

### *Activities*

500. Expressed in statistical form, the Council's activities from 1 January to 31 December 1969 can be summarized as follows:

- (i) 241 regulations were adopted; 50 of these deal with the free movement of goods, 1 with short-term economic measures, 149 with the common agricultural policy, 3 with transport, 1 with social policy, 2 with Greece, 5 with Turkey, 6 with Morocco, 5 with Tunisia, 1 with Spain, 1 with Israel, 2 with the Yaoundé countries and overseas territories, 7 with commercial policy and 8 with administrative affairs;
- (ii) 67 decisions were approved; 1 of these deals with the co-ordination of short-term economic policies, 9 with food aid, 2 with the common agricultural policy, 8 with Euratom, 3 with the ECSC, 2 with Turkey, 1 with the Community's overseas territories, 39 with commercial policy, 1 with administrative affairs and 1 with the Publications Office;
- (iii) 25 directives were adopted; 5 deal with customs legislation, 1 with aid, 3 with taxation policy, 2 with freedom of establishment and freedom to supply services, 2 with the approximation of legislation, 1 with agricultural policy, 10 with the approximation of legislation in agriculture and 1 with transport policy.

The Council also adopted the second medium-term economic policy programme, the budget and supplementary budget No. 1 of the European Communities for 1969 and four financial regulations.

501. The relations between the Council and the European Parliament, in particular the still unsettled question of election of the Parliament by direct universal suffrage, occupied the Council on several occasions (66th, 68th and 76th sessions).<sup>\*</sup> At the 86th session the Council discussed the number of representatives in the Parliament and their distribution, the possibility of having some of the representatives appointed by the national parliaments for a transitional period, and the advisability of transitional arrangements.

502. Just as in 1968, the most frequent item on the agenda of the sessions chaired by foreign ministers was the British, Irish, Danish and Norwegian Governments' applications for membership and the letter from the Swedish Government. The Council discussed at length the industrial and agricultural content of the trade arrangements envisaged (59th, 61st, 66th and 68th sessions). At its 76th session, preparatory to the Hague Summit Conference, the Council asked the Commission to bring up to date the Opinions which it rendered in September 1967 and April 1968 on the membership applications.<sup>1</sup> On 17 October the Commission made a statement before the Council on the Opinion it had submitted to the Council on 2 October. The item was again on the agenda of the 86th session. Finally, on the basis of the results of the Hague Summit on 1 and 2 December, the Council agreed on a list of items on which essential preparatory work should be done in order to establish a common basis for negotiation with a view to the actual opening of negotiations (93rd session). An initial report on the subject was to be prepared for the first Council session in February 1970.

503. The problems of the completion and internal development of the Communities were discussed in March (61st session), when the Commission set out the broad lines of its memorandum on the legal considerations and technical points which might throw light on the scope of Article 8(7) of the EEC Treaty. At its 66th session the Council discussed the Communities' work programme, which had been submitted to it by the Commission, and at its 68th session noted its agreement on the main lines of the programme for 1969.

504. As in all previous years, agricultural matters were on the agenda of many sessions. In January, February and May (58th, 59th and 68th sessions) the Council discussed the Commission's Memorandum on the Reform of Agriculture in the Community. At its 86th session the Council made a first examination of the main problems involved in framing a regulation on the financing of the common agricultural policy, matters concerning the replacement of the Member States' financial contributions by the Community's own resources, and increasing the European Parliament's budgetary powers. Work on these points continued at the 91st session, when the Council also had its first exchange of views—followed by further discussion at the 94th session—on the Commission's memorandum on the balance of agricultural markets. In the light of the

<sup>1</sup> See also the pages on the Hague Summit Conference at the end of the present Report.

results of the Hague Summit Conference, the Council continued its work on the financing of the common agricultural policy and the Community's own resources at the 93rd and 95th sessions. On the morning of 22 December (95th session, second part), after four days of discussion, the Council approved the principles of the arrangements for the Community's own resources, subject to an overall agreement. On the budgetary powers of the European Parliament, the Council examined a draft resolution on the budgetary procedure to be applied during the "normal period". The draft was approved by all delegations but the French, which expressed a reservation concerning the procedures under which the Parliament would be required to determine the amount of revenues.

The medium-term measures for various agricultural markets, including the general and technical aspects of the problems raised by the achievement of equilibrium on the milk market, the guidance of sugar production and the attainment of more stable conditions on the oils and fats market, were examined by the Council on several occasions (60th, 62nd, 69th, 73rd, 74th and 80th sessions). Since agreement could not be reached, the Council was obliged to extend several times the 1968/69 marketing year for beef and veal and for milk and milk products (65th, 71st, 74th, 77th and 83rd sessions). On 22 April the Council adopted three regulations on milk products and the marketing of surpluses (67th session); these matters were also dealt with at its 74th session, and a number of measures were enacted at its 81st session. Finally, the Council decided on the 1969/70 price arrangements for beef and veal and the milk sector at its 92nd session.

The common organization of the wine market was on the agenda of the 58th, 60th, 62nd, 83rd, 94th, 95th and 97th sessions, and the common organization of the tobacco sector was examined at the 59th, 60th, 68th, 79th, 82nd, 86th, 93rd and 95th sessions. The machinery of the fruit and vegetable market organization, which involves difficult problems for citrus fruit, was examined by the Council at the 60th, 62nd, 69th, 73rd, 74th, 80th, 82nd and 87th sessions. A general agreement of principle was achieved at the 89th session, and the Council finally adopted the appropriate regulations at its 94th session.

The fixing of prices for certain agricultural products for 1969/70 was debated at the 60th, 62nd, 67th and 73rd sessions. The decision fixing the prices for grain, rice, sugar and oilseeds was finally made at the 67th session. The Council also adopted decisions on a Standing Committee on Foodstuffs at its 88th session and a regulation on the maintenance of the Management Committee procedure at its 97th.

At its 86th session the Council had a thorough discussion on agricultural measures to be adopted following the revaluation of the German mark, and at its 93rd session it adopted a regulation on the matter.

505. On 17 July (75th session) the Council adopted a decision on the co-ordination of the short-term economic policies of the Member States, in the context of the Commission's memorandum on the co-ordination of economic policies and monetary co-operation within the Community (the Barre plan). With regard to the strengthening of co-ordination of medium-term economic policies, the Council agreed at the same session to debate fully the medium-term policy objectives on the basis of a memorandum to be submitted by the Commission. Finally, the Council issued a statement agreeing to the principle of a Community system of short-term monetary support. Still in July, the Council had a detailed discussion on the short-term economic situation in the Community on the basis of a Commission memorandum on the maintenance of the conditions for balanced growth in the Community. At its 59th session the Council dealt with the improvement of the Community's budgetary machinery.

On 11 August (78th session), the Council examined the problems raised by the French devaluation of 8 August. Convened again at the request of the Commission on 6 October (81st session), the Council examined the problems raised by the decisions of the German Government introducing a floating exchange rate for the German currency. Finally, on 27 October, also meeting at the request of the Commission, the Council examined the problems raised by the revaluation of the German mark.

506. At its 61st session the Council adopted the Euratom research and training programme for 1969 and the draft research and investment budget, the budget being finally adopted at the 66th session. At the 72nd session, the Council adopted certain measures on redundancies at the Joint Research Centre and had a first discussion on the Commission document concerning Euratom's future activities; it adopted a resolution setting up advisory committees on programme management and approved the extension of the Dragon Agreement for three years, until 31 March 1973.

At the 84th session the Commission proposals for a multiannual programme were again on the Council's agenda, together with the compromise suggestions worked out by the chairman (the de Block proposals). Finally, on 6 December (92nd session), on the basis of the agreements reached at the Hague Summit Conference on 1 and 2 December, the Council decided to make of the Joint Research Centre an effective and

suitable Community instrument in the nuclear sector and to allow the Centre's facilities to be used for activities other than nuclear. The Council also approved as broad a co-operation as possible in the field of advanced reactors, more particularly fast-breeder reactors, and expressed its interest in the Commission's proposal on long-term enriched uranium supply.

The Council agreed the terms of the mandate authorizing the Commission to negotiate with the US Atomic Energy Commission for the purpose of concluding an agreement on nuclear documentation (81st session). At the 59th session it endorsed a projected two-year extension to the Co-operation Agreement with Britain on the peaceful uses of atomic energy, and at the 88th session it approved the conclusion by the Commission of a contract with the International Atomic Energy Agency.

There was an exchange of views on the report of the Working Group on Scientific and Technical Research Policy (Aigrain group) at the Council's 72nd session. Having drawn its first conclusions from this report, the Council agreed to address co-operation proposals to nine European non-member countries (84th session).

507. In July (76th session) the Council adopted the new Convention of Association between the European Economic Community and the eighteen Associated African States, having discussed the matter at its 59th, 61st, 66th, 68th, 70th and 71st sessions. Also at the 76th session, the Council gave its approval in principle to the Association Agreement with the United Republic of Tanzania, the Republic of Uganda and the Republic of Kenya, the various aspects of which it had examined at the 66th, 68th and 70th sessions. The agreements with Tunisia and Morocco were on the agenda at the Council's 61st, 66th and 76th sessions, and the matter of extending to Israel, Spain and Turkey the conditional preference for citrus fruit under the agreements for Tunisia and Morocco was discussed at the 66th, 76th and 95th.

As regards relations with Mediterranean countries, the Council examined and approved the resumption of negotiations for a preferential trade agreement with Spain at the 82nd session, and the opening of similar negotiations with Israel at the 59th, 61st, 68th, 78th and 82nd sessions. The trade negotiations between the Community and Yugoslavia were on the Council agenda at the 59th, 61st, 68th, 76th, 79th, 82nd and 86th sessions. At the 82nd session the Council invited the Commission to enter into exploratory talks with the United Arab Republic and the Republic of Lebanon with a view to opening trade negotiations, and at

its 86th session it gave a similar mandate to the Commission to establish contacts with Japan. The Council agreed to extend for one year the Trade Agreement between the Community and Iran (86th session) and adopted decisions concluding an agreement with India on trade in jute products (86th session) and an agreement with Pakistan on trade in handicraft products (95th session). Finally, the Council approved a statement on relations between the Community and Latin America (82nd session).

In the field of commercial policy, after giving its agreement in principle at its 82nd session, the Council adopted at its 95th session a decision on the gradual standardization of agreements relating to the Member States' trade relations with non-member countries and the negotiation of Community agreements. It also adopted a regulation laying down common arrangements applicable to imports from state-trading countries, another on the application of this regulation to the French overseas departments, and a regulation laying down common arrangements applicable to exports. A derogation from the Council Decision of 9 October 1961, which stipulates that bilateral agreements between Member States and non-member countries must not remain in force after the end of the transitional period, was granted by the Council on 1 August 1969 for the long-term agreement between the USSR and France on commercial and economic co-operation concluded on 26 May 1969, which had been discussed at the 68th and 76th sessions. Similar decisions were adopted for other long-term agreements concluded between Member States and non-member countries at the 82nd, 83rd, 86th, 88th, 94th and 95th sessions.

In the matter of aid to the developing countries, the Council approved a communication to the OECD on generalized tariff preferences in March (61st session); it again discussed this matter in connection with UNCTAD at the 84th session.

Both Community and national food aid problems were examined by the Council at its 58th, 59th, 61st, 73rd, 74th, 76th and 77th sessions. The regulation on Community financing of expenditure incurred in implementing the Food Aid Convention was approved at the 82nd session. General rules for the supply of milk fats were laid down at the 74th session. The schedules for providing grain under the Food Aid Convention for 1968/69 and 1969/70 were agreed at the 61st and 86th sessions respectively.



The implementation of the Wheat Trade Convention by the United States and Canada was discussed by the Council, which adopted a number of measures at the 74th, 77th and 79th sessions.

508. In other fields of activity covered by the Treaties, the Council adopted a series of directives on the harmonization of customs legislation at its 61st session, examined the problem of misappropriation of customs revenue at its 76th and 79th sessions, adopted a directive on the harmonization of the Member States' rules relating to exemption from turnover tax and excise duties on imports in international passenger traffic at its 68th and 70th sessions, and approved a regulation on the tariff treatment applicable to goods forming part of passengers' personal luggage at its 76th session. The Council adopted the general programme for the elimination of obstacles to trade in industrial products and adopted a programme for the elimination of technical obstacles to trade in foodstuffs at its 66th session.

On taxation, the Council dealt at its 75th session with procedures for action in the matter of capital and the adjustment of certain indirect taxes to facilitate the growth and interpenetration of securities markets in the Community and adopted the directive on indirect taxation imposed on the raising of capital. At its 79th, 82nd, 86th and 93rd sessions the Council discussed the date of entry into force of the common system of tax on value added in the Member States and finally decided to postpone it until 1 January 1972. The Council examined questions relating to freedom of establishment and freedom to supply services at its 61st and 63rd sessions. The Commission memorandum outlining the "First Guidelines for a Community Energy Policy" was on the agenda of the 64th and 65th sessions. With regard to problems of social policy, the Council had an exchange of views on the employment situation in the Community (63rd session) and on the relations between social policy and other Community policies, and a number of specific conclusions emerged from the discussion; the Council confirmed its agreement on the principle of organizing a tripartite conference on employment problems in the Community. At its 90th session the Council adopted the broad lines of the arrangements to be applied during the definitive period regarding social security for migrant workers.

The Council adopted the budget of the European Communities for the financial year 1970 (95th session) and certain amendments to the statute of service for officials of the European Communities (88th session).

509. The representatives of the Governments of the Member States meeting in the Council adopted a number of decisions in the course of the year, including:

- (a) the extension of the term of office of the Commission President and Vice-Presidents for one year from 6 July 1969 (decision dated 28 May) (68th session);
- (b) a decision to invite a number of European non-member countries to participate in negotiations on the introduction of a European system for the grant of patents;
- (c) various tariff measures concerning application of the ECSC Treaty (60th, 70th, 77th and 79th sessions).

### 3. The Court of Justice

#### *The judges*

510. In accordance with the decisions of the Court on the formation of the Chambers for the 1969/70 judicial year, the present composition of the Court is as follows:

President of the Court	: R. Lecourt
First Chamber	: R. Monaco (presiding) A.M. Donner and J. Mertens de Wilmars (Judges) K. Roemer (Advocate-General)
Second Chamber	: P. Pescatore (presiding) W. Strauß and A. Trabucchi (Judges) J. Gand (Advocate-General)
Registrar	: A. Van Houtte

#### *Activities of the Court*

511. During 1969, 77 new cases were brought before the Court of Justice. The Court handed down 30 judgments, 8 cases were withdrawn, and 69 cases were still pending at 31 December.

Compared with 1968, when 33 new cases were brought before it, the Court's activity therefore showed a marked increase. This was true of all types of case, whether suits involving the Commission and the Member States, appeals by private individuals, requests for preliminary rulings or appeals by Community staff against the institutions employing them.

Main aspects of the Court's work are discussed in Chapter VII of this Report, together with the other aspects of Community law; a full list of new cases and judgments rendered in 1969 is given at the end of Chapter VII (Table 28).

#### 4. The organs of the Communities

##### THE ECSC CONSULTATIVE COMMITTEE

###### *Chairmen, sessions*

512. During 1969 the ECSC Consultative Committee met seven times in Luxembourg, sitting once in constituent session (4 November 1969) and twice in extraordinary session (19 June and 4 November). It rendered 24 Opinions to the Commission.

M. Jacques Ferry (steel producers, France) was in the chair on most of these occasions, at the 124th session (16 January 1969), the 125th (20 March), the 126th (19 June) and the 128th (26 September). At the 127th session (20 June) one of the Vice-Chairmen, M. Taccone (steel consumers, Italy), presided, at the 129th (4 November) first M. Taccone and then M. Van Berk (workers, Germany), and at the 130th (4 November) M. Van Berk once more.

On 17 October 1969 the Council appointed the members of the Committee for 1969/70, the previous appointments having expired on 23 January 1969. At the constituent session on 4 November M. Van Berk was elected Chairman, with M. Taccone and M. Conrot (steel producers, Luxembourg) Vice-Chairmen; it also appointed its standing committees and their officers for the coming year.

At the opening of the 128th session the Chairman paid tribute to the late M. Hans Dyckerhoff, a member of the Committee who had died on 22 June.

###### *Activities*

513. In accordance with its established practice, the Commission regularly deputed a member to give the Committee an account of Community activities relating in particular to the ECSC Treaty: this was done at the 125th, 127th and 128th sessions by M. Colonna di Paliano, M. Bodson and M. Haferkamp. In addition, as in previous years, it reported to the

Committee on the general state of the coal market and the forecasts for 1969. Each quarter—at the 125th, 126th and 128th sessions—the Committee rendered an Opinion on the forward programmes of coal and steel production, consumption, exports and imports submitted to it by the Commission; M. Colonna di Paliano at the 125th session mentioned in this connection that the Commission had extended up to 31 December 1970 the High Authority's Recommendation imposing a specific duty on foundry pig iron and up to 31 December 1969 the Decision authorizing tariff quotas in respect of iron and steel imports from certain non-Community countries.

During 1969 the Committee heard and debated a number of statements by members of the Commission on various matters. M. Coppé and M. Bodson addressed it on Community financial and transport policy at the 124th session. At the 126th session it considered problems in connection with coking coal and coke for the Community iron and steel industry, the first guidelines for a Community energy policy, social aspects of coal policy, and alignment of coal prices on quotations from state-trading countries. Community transport policy was discussed at the 127th session.

Twenty-two Opinions were rendered endorsing proposed research projects, in connection with ways of improving production in the iron and steel industry (nine projects, 125th session) and with coal and occupational safety (13 projects, 128th session); further Opinions were given on freedom of establishment and services in the coal wholesale trade, and on the draft rules for the intended system of subsidies to coking coal and coke for the Community iron and steel industry (130th session).

## THE ECONOMIC AND SOCIAL COMMITTEE

### *Chairmen, sessions*

514. In 1969 the Economic and Social Committee held nine plenary sessions, including one extraordinary session (15 October), and rendered 47 Opinions (75th and 83rd sessions).

The Chairman, M. Mathias Berns (general interests, Luxembourg), presided at all the sessions except the 82nd, when the chair was taken by M. H. Kramer (employers, Germany), Vice-Chairman.<sup>1</sup>

Among various events of note in 1969, the Committee in February rendered an Opinion on the Community's overall situation and prospects; in September the Special Section for Agriculture marked its 100th meeting by arranging a kind of symposium in which five Ministers of Agriculture and Vice-President Mansholt took part; in October the Committee met in extraordinary session to consider the problems arising out of the date for the introduction of a common system of value-added tax, and in November it was the first Community institution to state its views on the Commission's memorandum concerning the reform of agriculture.

The Committee was addressed at several plenary sessions by prominent Community figures. M. Rey and M. Levi Sandri, President and Vice-President of the Commission, described the Commission's reactions to its Opinion on the overall Community situation (77th session); M. Haferkamp, a member of the Commission, spoke on the first guidelines for a Community energy policy (76th session), Vice-President Barre on economic and monetary co-operation in the Community (77th session); M. Colonna di Paliano, a member of the Commission, on the General Programme for the elimination of technical obstacles to trade (78th session), and M. Formentini, Chairman of the European Investment Bank, on the Bank's past activities and future tasks (83rd session).

### *Activities*

515. The 76th session was a specially important occasion, when for the first time in its history the Committee rendered an Opinion not on a given Commission proposal but on the overall situation and prospects of the Community.<sup>2</sup> The Opinion, which was drafted by a special sub-

<sup>1</sup> The dates of the sessions were :  
75th session, 22 January;  
76th session, 26 and 27 February;  
77th session, 26 and 27 March;  
78th session, 8 May;  
79th session, 25 and 26 June;  
80th session, 24 and 25 September;  
81st session, 15 October;  
82nd session, 29 October;  
83rd session, 26 and 27 November.

<sup>2</sup> See *Second General Report*, sec. 600.

committee under the chairmanship of M. Berns, was adopted by the Committee on presentation by M. Otto Brenner (Germany) and M. Jean de Précigout (France), both Vice-Chairmen of the Committee, acting as rapporteurs.

In this Opinion,<sup>1</sup> the Committee expressed its conviction that the Community must be developed, and strengthened. The difficulties besetting the construction of Europe were, it said, in the final analysis the outcome of radical divergences of opinion between the Governments on major policy issues, such as the enlargement of the Community, the democratization of the institutions, the powers and mode of election of the European Parliament, decision-making procedures in the Community, and the future of Euratom. Attention was drawn to a number of steps needing to be taken in the various fields covered by the Treaties, and in those dominated by the merger and enlargement of the Community. The Committee proposed that a new Fund be set up to support research, and urged that the scope of the existing Community Funds—the Social Fund and the EAGGF—be broadened. In its view, the Community should develop into a “social” Community ensuring the optimum of social security and social justice for all. Relations with the world at large demanded that the Community formulate a common commercial policy, a concerted stance vis-à-vis the developing countries, and a policy on association and membership in conformity with the spirit of the Treaty. In conclusion, the Committee asked that a binding timetable be drawn up for the internal development of the Community, made an appeal to Governments and emphasized its own desire to back the efforts of Commission, Council and Parliament in framing a consistent programme for giving Europe a fresh political élan.

At its 77th session President Rey assured the Committee that this Opinion was entirely in line with what the Commission had expected; he then went on to discuss the priorities laid down by the Commission in its programme for 1969 and the three years following. The Chairman of the Committee, M. Berns, said the Committee was glad to have been able to take a more direct and practical share in furthering the progress of the Community: only on a Europe-wide basis could the peoples of Europe play the part they were entitled and in duty bound to play in world affairs.

<sup>1</sup> The Opinion was published in *official gazette* No. C 47, 10 April 1969, and also as No. 14548/2/69/1 of the Office for Official Publications of the European Communities.

516. The other Opinions rendered by the Committee at the request of the Council or Commission related to a variety of Community activities. One Opinion, adopted unanimously by the Committee, was based on a report by M. Markmann (workers, Germany) with respect to the Commission's paper on the Community's own resources and the vesting of wider budgeting powers in the European Parliament (83rd session); it stressed the importance of financial autonomy to the future development of the Community, and urged the introduction of Community taxes.

On agriculture the Committee was, as already noted, the first institution to put forward its comments on the Commission's Memorandum on the Reform of Agriculture (83rd session). In its Opinion, adopted by 59 votes following a report by M. Boon (general interests, Belgium), it made a number of suggestions, and also voiced some reservations reflecting its concern that agriculture in Europe should develop smoothly. Other Opinions on agricultural matters concerned pricing for 1969/70 and 1970/71 (77th and 80th sessions), the Commission's latest proposals on the organization of the market in vine products (80th session), and proposals in connection with the common fisheries policy (77th session).

The state of the economy being a subject much to the fore in 1969, two Opinions, both unanimous, were rendered (77th and 83rd sessions) on the basis of a report by M. Malterre (general interests, France); in these the Committee endorsed the Commission's economic policy guidelines but at the same time, especially in the second Opinion, stressed that the Community must make a start on framing practical budgeting and monetary policies if it was to prevent the recurrence of market crises imperilling its unity and cohesion. In addition, the Commission's memorandum on co-ordination of economic policies and monetary co-operation in the Community was the subject of an information report by M. Ameye (employers, Belgium), in which the Committee advocated that the Community's monetary co-operation arrangements be dovetailed into the international machinery.

With regard to the operation of the customs union, the Committee returned an adverse Opinion on the procedure proposed by the Commission for dealing with deflection of customs receipts (77th session). A number of Opinions were rendered on points of taxation policy, such as harmonization of Member States' turnover tax laws, with special reference to common procedures for applying value-added tax to operations relating to agricultural products (75th session), national systems of taxing commercial vehicles (76th session), and tax arrangements in respect of mergers, hive-offs and transfers of assets among companies in different Member



States and of parent companies and subsidiaries in different Member States (79th session). The Committee met in extraordinary session, as a matter of urgency, on 15 October (81st session) to give an Opinion on the postponement of the introduction of value-added tax in Belgium and Italy. It further rendered two Opinions on freedom of establishment and freedom for self-employed persons to supply services in agriculture (82nd session), and 13 Opinions on approximation of legislation on the basis of proposed directives concerning oil pipelines (75th session), certain characteristics of motor vehicles and agricultural tractors (76th, 79th and 82nd sessions), dangerous substances (75th session) and textile denominations (82nd session). Opinions on approximation of legislation concerning nutrition dealt with preparation of certain foodstuffs (soups) (78th session), macaroni, spaghetti and similar products (79th session), emulsifying and stabilizing agents (80th session) and dietetic foods (83rd session). At the 76th session, M. de Prégout (employers, France), Vice-Chairman, submitted a report on the creation of a European type of company, which stressed the valuable work done in this connection on the basis of Prof. Sanders' studies, and the urgent need to work out a draft statute for a European joint-stock company.

With regard to Euratom, the Committee rendered an Opinion on the Commission's "Survey of the Nuclear Policy of the Community" (80th session) and with regard to energy policy an Opinion on the Commission's memoranda "First Guidelines for a Community Energy Policy" and "Social Aspects of Coal Policy within a Community Energy Policy". Concerning transport, it rendered five Opinions on proposed regulations or decisions relating to conditions for setting up in business as road passenger carrier (75th session), establishment of a standard permanent accounting scheme for expenditure on infrastructures for rail, road and inland water transport, adaptation of the bilateral quotas and number of licences for road haulage, a survey of infrastructure costs (76th session), and the introduction of a system of bracket rates for road haulage between Member States (80th session). On the social side, an Opinion was rendered upon the Commission's account of social developments in the Community in 1968 (83rd session). A study on problems raised by the renewal of the Yaoundé Convention was considered at the 77th session and forwarded to the Commission for information.

## 5. The Commission

### INFORMATION WORK

#### *The Directorate-General for Information*

517. Any effective information policy must make allowance both for the nature of the message it is responsible for transmitting and for the characteristics of the public to be informed. In respect of the Commission's information work, the content of the Community message and the public to be reached have developed appreciably in recent years. With the common policies gradually assuming concrete form, people are becoming more and more aware of the Community. Within the six countries, it is tending increasingly to influence the daily life of individuals, groups, regions, trades and professions. There is a corresponding change in the image of the Community as seen from outside as well.

With regard to the content of the message, the problem is therefore no longer, as in the past, mainly that of explaining the relatively remote objectives of Community work undertaken and of showing how in the future this work could transform the lives of Community citizens. Even if the latter do not always realize this, they are from now on involved economically and socially, if not politically, in the action of the Community. What is now needed is a drive to explain in practical terms the reasons for the Community policies and the ways in which they exert an impact, without however losing sight of the fundamental objectives underlying them.

There has been a change with regard to the public for whom information is provided precisely because the Community is exerting a greater impact on the daily lives of citizens. The spontaneous interest in the problems of unification—whether born of enthusiasm or merely of curiosity—aroused by initial successes, has given way to more realistic attitudes often reflecting material considerations and individual interests.

#### *Information media*

518. In 1969, information work based on written media was pursued, mainly by the eight different magazines which the Directorate-General publishes in seven different languages under the title of "European Com-

munity", i.e. seven monthlies in German, French, Italian, Dutch, English (two separate publications, one published in London and the other in Washington) and Spanish and a new magazine in Greek, which is published every two months. These magazines have a total circulation of about 200 000 copies. They are not official publications in the strict sense of the term, being designed to provide to a certain extent, in particular by carrying signed contributions from known journalists, a free European platform. Other periodicals include the "European Documentation Files", varied according to the group they are intended for (trade unions, agriculture, teaching), and the "Newsletters", usually published by the information offices in the capital cities.

In the field of audio-visual media (radio, television, cinema), co-operation with the national radio and television organizations has been strengthened by fact-finding meetings for the editors and producers, by the preparation of programmes and by the technical assistance given to journalists based in Brussels and to reporting teams. Short reports are included in the newsreels from time to time; two films are being made.

The Commission restricted its participation in fairs and exhibitions in the Community countries in order to devote more of its resources to events in countries outside the Community. It took part in the Kinshasa International Fair (30 June-21 July 1969), the second Asian International Trade Fair (Teheran, 5-24 October 1969), and the International Trade Fair of Izmir (20 August-20 September 1969). Much work has gone into the preparation of the Community's pavilion at the Japan World Exposition, which will open in Osaka on 15 March 1970.

#### *Information in specific fields*

519. Though the Commission avails itself fully of opportunities to inform the general public through modern communication media, it cannot neglect information work in depth among those most directly involved and interested in the integration process.

Teaching and research in the universities on European integration continues to expand. For the 1968/69 academic year, the annual survey on research work published by the European Community's Institute for European Studies listed nearly a thousand theses then being written. The Commission has contributed by helping personal research work and by organizing seminars and symposia for specialists in various disciplines.

The Commission is endeavouring to find a place on the syllabuses of schools and adult education institutes for economic and social aspects of European development; here, its efforts go beyond the provision of information on the Communities (publication and distribution of relevant documentation, production of schools television broadcasts, organization of fact-finding meetings for teachers, lecturers and instructors). Throughout 1969 preparations were made for the symposium for representatives of youth organizations announced by the Commission on 1 July 1968. This symposium is planned to take place in 1970.

There were three important events in connection with trade-union information: the creation of the new European Confederation of Free Trade Unions in the Community, the holding of the first congress of the European Organization of the World Confederation of Labour (formerly the IFCTU), and the recognition by the Commission of the CGT-CGIL Permanent Committee, a development which brings the two great trade-union organizations of France and Italy into the area served by the Commission's information work.

During 1969 the Commission's main activity in the trade-union information field was the organization of a series of training periods for groups from one or several trades or occupations and of fact-finding visits at European and national level. In all, sixty-one *stages* and visits were organized in connection with the European and national organizations affiliated to the ICFTU and the WCL. A few information meetings were held for trade-union leaders of the CGT (France) and the CGIL (Italy). About ten groups of trade unionists from non-member countries paid fact-finding visits to the Commission. To this should be added over a hundred decentralized operations for local or regional leaders.

Information for farmers also tended to expand owing to the controversies caused by the Commission's modernization plan entitled "Agriculture 1980". Farmers are perhaps more aware of the impact of the Common Market and of European integration than any other section of the population: but they are also more critical, even hostile. A major information campaign is necessary—on a larger scale than the present one, which is hampered by inadequate resources. In 1969, about ten thousand national or regional leaders were reached through some hundred and eighty meetings organized either directly by the Commission or with its assistance. A number of booklets were published, including one on "Agriculture 1980". Four documentation files were made available to lecturers. The publication of the "Newsletter on the Common Agricultural Policy" (ten numbers per year, in five languages) was continued.

Information to individuals and groups interested in the scientific work of the Community was provided mainly by a new publication ("Research and Technology") published three times per month in five languages, with an average printing of 5 000 copies. It is designed to provide information for the specialized periodicals. Furthermore, 50 000 copies of a basic booklet ("Research and Technology and the European Community") in five languages were distributed.

Many other groups have of course benefited from the Commission's information work, either locally on the initiative of one or other of the external offices or through visits to Brussels of Luxembourg. Nearly three thousand persons have been received at the headquarters of the Communities: leading political figures, members of rural and urban councils, journalists, business executives, supervisory staff and officials, etc.

Lastly, special mention should be made of information work in the Yaoundé countries: here the principal media are the radio and the press, but there are many personal contacts, especially when leading figures from these countries visit Europe or European leading figures visit Africa. On the spot, in each of the Associated States, the delegate of the European Development Fund now has enough information to deal with persons interested in the working of the Association and the development of the Community.

### *The Spokesman's Group*

520. The Commission contacts the general public indirectly, mainly through press, radio and television journalists, and this must be borne in mind in any discussion of information problems. Millions of readers and listeners inside and outside the Community are influenced in their attitudes both towards the work of building up the Community and the decisions and proposals of the Commission by the news on Community problems given out every day by the press, by radio and by television. The news agencies, whose cables are used by the national newspapers, the regional newspapers and the editorial staffs of the radio and television stations, also play an important role. Most of the big dailies and weeklies of the Community countries and of many non-member countries are also represented in Brussels by permanent or special correspondents.

With the transitional period drawing to a close and Community activity expanding, the Commission also stepped up its drive to satisfy—through the Spokesman's Group—the growing demand for information

from journalists. The number of accredited journalists reached 157; the number of individual visits by journalists and the attendances at weekly briefings and press discussions held regularly in the capitals of the Member States also grew. Commission proposals and the views it has adopted or defended, particularly at Council meetings or sessions of the Parliament, were presented to the press and explained. Lastly, the Hague summit conference required a special information effort in order to bring home to journalists its importance for the future of the Communities and to present the position which the Commission intended to adopt with regard to it.

The Commission intensified its information work by increasing its daily contacts with the accredited press and visiting journalists and by endeavouring to improve the climate of personal confidence which is needed for relations with the press. It also continued to provide the press with written information. In 1969 it distributed 214 press releases, 72 memoranda giving background information and 357 replies by the Commission to written parliamentary questions. The Spokesman's Group distributed by mail, on a daily or weekly basis, the basic documents relating to Commission decisions and proposals and all the main documents and publications of the Directorates-General of the Commission, of the Council and of the other institutions.

Apart from providing raw material for journalists, the Commission has for many years provided information for diplomatic missions and the business community, and this requires regular contacts with the members of these missions, liaison agents and representatives of trade and industry federations.

#### THE HARMONIZATION OF STATISTICS

521. The Statistical Office of the European Communities is making a special effort to promote the harmonization of statistics, either by inducing the member countries to make the necessary changes in their statistical arrangements, or by placing common nomenclatures at the disposal of the Member States, or by financing Community surveys with identical definitions. In 1969 the countries agreed to use the European System of Integrated National Accounts (ESA)<sup>1</sup> to present their national accounts.

<sup>1</sup> An English version of this document, with annexes, has been published by the SOEC.

A nomenclature of the activities of the European Communities (NACE) adopted during the year is now being published; it will be used for the analysis at Community level of surveys made in the member countries. A manpower survey was carried out in the spring of 1969, as in 1968, producing comparable statistics in the employment field; in the same way the harmonization of the surveys on the pig population and slaughterings was begun and will be pursued in the years to come until perfectly comparable results are obtained.

#### INTERNAL ADMINISTRATION OF THE COMMISSION

522. The Commission's establishment in 1969 amounted to 4 933 permanent posts and 15 temporary posts. The permanent posts were broken down into the following different categories:

Category A:	1 367;
Category B:	926;
Category C:	1 899;
Category D:	254;
L/A staff:	487.

Compared with the establishment in 1968, there is an increase of 20 posts (4A, 15B and 1C) agreed to by the Council, under the supplementary budget, for safeguards and controls (Euratom).

The 55 supernumerary posts (20 posts of Category A and 35 of Category B) were left at the disposal of the Commission for the duration of 1969.

On 28 March 1969 the Commission submitted to the Council its proposals for the revision of the Statute of Service for officials and other servants of the European Communities. On 22 and 27 February 1969 the Statute Committee had rendered an Opinion on the proposals, and the Council's group of experts began examining them on 28 April 1969. The Commission participated in this group's work, which continued throughout 1969. An order of priority having been established by the Permanent Representatives Committee concerning questions tentatively discussed, the Council took essential decisions on salaries on 29 October 1969: the non-linear increase due as a result of the annual review for 1968 was granted as part of the revision of the Statute, the structure of the salary scale being adjusted.

With regard to recruitment and careers, the Commission continued work on harmonizing practices in force in the three former Executives and adapting them to the scale of work in the new Commission.

Twenty entry competitions to establish reserve lists were organized to enable the Commission to fill posts vacant in its various departments.

A short-term training programme was implemented. Under the programme, officials attended courses in administrative drafting, and languages and other training facilities were provided. Officials also attended seminars or training courses organized in co-operation with training institutes or organizations outside. A series of lectures was organized dealing with economics, finance and accounting, social sciences, law, agriculture and statistics.

The Commission also adopted the principles of a medium-term and long-term training programme, under which the present staff can be trained according to specific stages in relation to career and service desiderata, having due regard to changes in techniques. In addition, more than 350 young university graduates were accepted for in-service training periods of 3 to 6 months in the departments of the Commission. During their training periods these graduates acquired a certain amount of experience and familiarized themselves with the work of the Commission; fact-finding trips in the member countries of the Community and certain non-member countries were also organized.

The Commission has set up several joint committees to work out and harmonize various social schemes. They are the social services board, the advisory committee on assistance and loans for social reasons, the joint committee for the social services, the joint committee for the Commission restaurant and shop and the committee for the day-nursery. In Luxembourg an inter-institutional committee on social activities is working out a common programme for the Commission, the Parliament and the Court of Justice.

With regard to the transfer of departments, following the decisions taken by the Council, the Commission has available in Brussels the Berlaymont and Joyeuse Entrée-Cortenbergh-Loi buildings for the re-housing of its departments. The implementation of the re-housing plan adopted by the Commission began in July 1969 and was completed by the end of the year. All the outlying buildings were vacated. The members of the Commission, their personal staffs, the Secretariat of the Commission, the Legal Service and most of the operational directorates-general are now in the Berlaymont building.



RENEWAL OF THE TERMS OF OFFICE OF THE  
PRESIDENT AND VICE-PRESIDENTS OF THE COMMISSION

523. In accordance with the provisions of the Treaties of Paris and Rome and those of the Merger Treaty of 8 April 1965, the conference of the representatives of the Governments of the Member States decided on 28 May 1969, after consulting the Commission, to renew from 6 July 1969 the term of office of M. Jean Rey as President and those of M. Raymond Barre, M. Fritz Hellwig, M. Lionello Levi Sandri and M. Sicco L. Mansholt as Vice-Presidents of the Commission.<sup>1</sup> The decision of the conference adds that these terms of office are valid until the date determined by Article 32(1) of the Treaty of 8 April 1965, which provides that until the date of entry into force of a treaty setting up a single European Community but in any case not later than three years as from the appointment of its members (1 July 1967) the Commission shall consist of 14 members. After the end of this period (Article 10 of the same treaty), the Commission shall consist of 9 members, a number which may, however, be amended by the Council by unanimous decision.

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<sup>1</sup> *Official gazette* No. 70, 7 June 1969.

## CHAPTER VII

### COMMUNITY LAW

524. As in the report for 1968, this chapter covers all the main developments relevant to a review of the progress of Community law in the year under review. The rulings and judgments made by the Court of Justice of the European Communities and the lessons the Commission has drawn from them are examined under two headings: the machinery of the Community legal order and the interpretation and application of the substantive rules of Community law. Tables 28 to 32 complete the information given on the work of the Court.

In 1969 the originality of the Community's legal order—which is separate from both the municipal legal orders and the international legal order—was further affirmed and its form more clearly defined. Work on the establishment of new rules was stepped up, mainly in connection with agricultural matters and with the need to prepare for definitive arrangements following the end of the transitional period. Most of the cases settled by the Court concerned the customs union and the competition rules. The pattern of the progress of Community law is a fair reflection of the more important aspects of the work of the Communities at the present stage of their development.

## 1. The machinery of the Community legal system

### NATURE AND SCOPE OF COMMUNITY LAW

#### *Direct applicability*

525. Further guidance was provided as to the concept of the direct applicability of Community law.

Interpreting Articles 30 to 33 of the EEC Treaty,<sup>1</sup> the Court reaffirmed and strengthened its previous rulings on directly applicable provisions. It stated that these provisions "penetrate" into the legal orders of all Member States and must have the same binding force in each. The courts and tribunals of the Member States must ensure direct and immediate judicial protection of the rights conferred by these provisions on the persons concerned.

In this preliminary ruling, the Court lays down the ways and means for the direct application of Article 31, which prohibits new quantitative restrictions and measures of equivalent effect. It confirms the direct applicability of the first paragraph of Article 32, which pledges the Member States to abstain, in their trade with one another, from making quotas and measures of equivalent effect which were in existence when the Treaty came into force more restrictive than before.

However, neither the last sentence of Article 32 nor Article 33 (1 and 2), which both concern the principle and the procedures for the gradual elimination during the transitional period of quotas which existed before the entry into force of the Treaty, are directly applicable: although these clauses take effect without any act of the Communities being required for this purpose, the Member States nevertheless retain a measure of discretion as to the way in which they are to be implemented.

526. In 1969 the Court also had occasion to apply criteria established in previous rulings to a number of other cases. One of these raised the

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<sup>1</sup> Court of Justice of the European Communities (hereafter CJEC) of 19 December 1968 (SpA Salgoil v. Italian Ministry of Foreign Trade, preliminary question submitted by the Corte di appello of Rome, 13-68, *Recueil de la jurisprudence de la Cour* (hereafter *Recueil*) 1968, p. 662). (The reports of the Court are not published in English.)

question of the immediate effect of Articles 9 and 12 of the EEC Treaty, which prohibit the introduction, as between the Member States, of new customs duties or charges with equivalent effect.<sup>1</sup> However, Article 97 of the Treaty, which deals with the establishment of average rates for turnover tax on products imported by States using the cumulative multi-stage tax system, is not directly applicable.<sup>2</sup>

527. The domestic courts also had occasion to consider certain aspects of direct applicability.

For example, referring to two rulings of the Court,<sup>3</sup> the German Bundesfinanzhof confirmed, in a judgment of 12 December 1968,<sup>4</sup> the direct applicability of Article 95 of the EEC Treaty. In a judgment of 23 July 1968, the Bundesfinanzhof found that a Commission decision binds only the Member State to which it is addressed and does not create rights which an individual may invoke.<sup>5</sup>

### *Community law and municipal law*

528. Though an essential aspect of the "penetration" of Community law into municipal law, direct applicability is not the only question arising in the relationship between Community law and law of the Member States. Use of the preliminary question procedure provided by Article 177 of the EEC Treaty and implementation of the rules of competition have raised new problems.<sup>6</sup>

On the question of the supremacy of Community law, the Court has confirmed its previous position both explicitly<sup>7</sup> and implicitly<sup>8</sup> and

<sup>1</sup> CJEC 1 July 1969 (*Sociaal Fonds voor de Diamantarbeiders, Antwerp v. SA Ch. Brachfeld & Sons and Chougol Diamond Co.*, preliminary question submitted by juge de paix of Antwerp, 2 and 3-69), *Recueil*, 1969, p. 211.

<sup>2</sup> CJEC 9 July 1969 (*Italian Republic v. Commission*, 1-69), *Recueil*, 1969, p. 277.

<sup>3</sup> See, in particular, CJEC 16 June 1966 (*Firma Alfons Lütticke GmbH v. Hauptzollamt de Saarlouis*, preliminary question submitted by the Finanzgericht Saar, 57-65), *Recueil*, 1966, p. 294.

<sup>4</sup> *Zeitschrift für Zölle und Verbrauchssteuern*, No. 45/1969, pp. 216-19.

<sup>5</sup> *Ibid.*, pp. 51-52.

<sup>6</sup> See sec. 540 *infra*.

<sup>7</sup> CJEC 13 February 1969 (*Walt Wilhelm v. Bundeskartellamt*, preliminary question submitted by the Kammergericht Berlin, 14-68), *Recueil*, 1969, p. 1. See also sec. 540 *infra*.

<sup>8</sup> CJEC 7 May 1969 (*Caisse régionale de sécurité sociale du nord de la France v. Torrekens*, preliminary question submitted by the French Cour de Cassation, 28-68), *Recueil*, 1969, p. 125.

has made clear once again its desire to *establish unambiguously the line of demarcation between the two legal orders*. In case 13-68, it declared itself incompetent to decide on the problems of municipal law arising from direct applicability of Community law:<sup>1</sup> one of the problems raised before the Court in this case concerned the distinction between "subjective rights" and "legitimate interests", a distinction which pre-determines the allocation of jurisdiction between ordinary courts and administrative tribunals in Italy. In the view of the Court it is up to the domestic judge to determine both the rights protected and the competent court according to the municipal law.

In Germany, the Bundesgerichtshof, in a judgment of 27 February 1969, recognized that the EEC Treaty is part of German law, so that German courts are bound to apply its provisions.<sup>2</sup> Following a ruling of the Bundesfinanzhof, the Finanzgericht Münster found on 6 November 1968<sup>3</sup> that the direct applicability of Article 95 meant that an internal charge contrary to this article was inapplicable to the extent that it infringed its prohibition.

#### UNIFORM APPLICATION OF COMMUNITY LAW

##### *Preliminary questions to the Court : Articles 177 of the EEC Treaty and 150 of the Euratom Treaty*

529. The importance of Article 177 of the EEC Treaty in Community law prompted the Parliament's Legal Affairs Committee to make a special study on the subject. A report was submitted by M. Merchiers<sup>4</sup> and a resolution was adopted on 8 October 1965.<sup>5</sup> The Parliament reviewed the problems arising and assessed the ways in which they had been dealt with so far by the Court of Justice and the domestic courts.

In general, the domestic courts have become increasingly familiar with the preliminary question procedure. The fact that in its rulings the

<sup>1</sup> CJEC 19 December 1968 (SpA Salgoil v. Italian Ministry of Foreign Trade, preliminary question submitted by the Corte di appello of Rome, 13-68), *Recueil*, 1968, p. 662.

<sup>2</sup> 19 *Wirtschaft und Wettbewerb*, No. 7-8/1969, pp. 504-08.

<sup>3</sup> *Entscheidungen der Finanzgerichte*, No. 3/1969, judgment No. 177, p. 160. See also *Second General Report*, secs. 630 and 632.

<sup>4</sup> European Parliament, 1969/70, doc. 94, 15 September 1969.

<sup>5</sup> *Official gazette* No. C 139, 28 October 1969, p. 19.

Court has been most careful to avoid encroaching on the powers of the domestic courts has been an incentive as well as a safeguard. It is very desirable that use of the preliminary question procedure should continue to grow; but this does not mean, even for the highest courts, which are *required* to refer to the Court, that a judge must automatically submit a preliminary question every time one of the parties raises a point of interpretation of Community law. It is here that the very delicate question arises as to what is to be understood by an "*acte clair*", i.e. a provision not requiring interpretation by the Court. It is difficult to supply a satisfactory definition of this concept, the explicit recognition of which in a legal provision might well also narrow the scope of the obligation to request a preliminary ruling under Article 177.

There are perhaps better ways of ensuring that the procedure of Article 177 is fully effective. The Commission noted with great interest the suggestion made by the Parliament that Article 177 could be supplemented by the institution of an appeal procedure in the interests of the proper interpretation of the Treaty. Without affecting the *res judicata*, such a procedure would enable the Community authorities to invoke the jurisdiction of the Court whenever they observed incompatibility between a decision of a domestic court and Community law.

530. But it might well be dangerous to make any more far-reaching attempts to improve the procedure of Article 177. Care should be taken to avoid upsetting the equilibrium that this article has established between requirements that are sometimes contradictory. It is important to remember that all the case law of the Court in this field is based on the idea of co-operation with the domestic courts and not on that of a hierarchy.

The latest rulings confirm this trend. The Court declined to rule on the validity<sup>1</sup> of a domestic measure from the point of view of Community law or to assess the characteristics of the legislation of a State<sup>2</sup> or those of a tax or charge due under such legislation.<sup>3</sup> It pointed out

<sup>1</sup> CJEC 24 June 1969 (*Milch-, Fett- und Eierkontor v. Hauptzollamt Saarbrücken*, preliminary question submitted by the Finanzgericht Saar, 29-68), *Recueil*, 1969, p. 165.

<sup>2</sup> CJEC 19 December 1968 (*De Cicco v. Landesversicherungsanstalt Schwaben*, preliminary question submitted by the Sozialgericht Augsburg, 19-68), *Recueil*, 1968, p. 690.

<sup>3</sup> CJEC 25 February 1969 (*Klomp v. Inspektie der Belastingen*, preliminary question submitted by the Gerechtshof The Hague, 23-68), *Recueil*, 1969, p. 43.

that it cannot take cognizance of the facts in the case before the domestic court<sup>1</sup> or rule as to whether the provisions being interpreted are in fact applicable to the case in question.<sup>2</sup> The interpretation of Community law is therefore quite distinct from its application and from the application and interpretation of provisions which are not a part of Community law.

In the same spirit, the Court maintained its very liberal approach in the matter of admissibility. For instance, it recognizes the admissibility of a preliminary question raised in a summary procedure.<sup>3</sup> Nor will it refuse to entertain preliminary questions because they are imperfectly worded.<sup>4</sup> The Court rules on admissibility of the question without invoking a right to review the grounds which prompted the judge to submit it. In the view of the Court, that judge only is competent to decide whether he has been sufficiently enlightened by the preliminary ruling or whether he must refer the matter to the Court again,<sup>5</sup> even if he is bound by the interpretation given.

The domestic courts sometimes refer to the Court's preliminary ruling on questions from other courts, and follow them.<sup>6</sup> Several judgments handed down in Germany were rendered without resorting to the preliminary question procedure of Article 177, either because the domestic court concurred in an interpretation already given by the Court<sup>7</sup> or because the decision of a national court referred to the Bundesgerichtshof did not depart from it.<sup>8</sup>

<sup>1</sup> CJEC 19 December 1968 (*SpA Salgoil v. Italian Ministry of Foreign Trade*, preliminary question submitted by the Corte di appello of Rome, 13-68), *Recueil*, 1968, p. 662.

<sup>2</sup> Same ruling and CJEC, 9 July 1969 (*SA Portelange v. Smith Corona Marchant International*, preliminary question submitted by the Tribunal de commerce of Brussels, 10-69), *Recueil*, 1969, p. 309.

<sup>3</sup> CJEC 12 November 1969 (*Stauder v. Stadt Ulm*, preliminary question submitted by the Verwaltungsgericht Stuttgart, 29-69), *Recueil*, 1969, p. 419.

<sup>4</sup> Several rulings confirm previous findings on this point (rulings 23-68 and 28-68, referred to above) and CJEC 9 July 1969 (*Völk v. Vervaecke*, preliminary question submitted by the Oberlandesgericht Munich, 5-69), *Recueil*, 1969, p. 295.

<sup>5</sup> CJEC 24 June 1969 (*Milch-, Fett- und Eierkontor v. Hauptzollamt Saarbrücken*, preliminary question submitted by the Finanzgericht Saar, 29-68), *Recueil*, 1969, p. 165.

<sup>6</sup> Bundesfinanzhof, judgment of 10 July 1968; *Zeitschrift für Zölle und Verbrauchssteuern*, No. 45/1969, pp. 16-19.

<sup>7</sup> Bundesfinanzhof, judgment of 12 December 1968; *Zeitschrift für Zölle und Verbrauchssteuern*, No. 45/1969, pp. 216-19.

<sup>8</sup> This case concerned Article 85 of the EEC Treaty. Bundesgerichtshof, judgment of 27 February 1969; 19 *Wirtschaft und Wettbewerb*, No. 7-8/1969, pp. 504-08.

### *The competence of the Court*

531. Several other cases gave the Court an opportunity to define the extent of its competence. The Treaty of 8 April 1965 establishing a single Council and a single Commission leaves, for a period following its entry into force, a lacuna with regard to disputes concerning the application of the old Protocol on the Privileges and Immunities of the ECSC (abrogation of Article 16 of the Protocol by Article 30 of the Treaty). The Court nevertheless accepted that it could rule under Article 177 of the EEC Treaty on the interpretation of a clause in the old ECSC Protocol. It derived this competence from the principle, common to the legal system of all the Member States, of the continuity of legal structures.<sup>1</sup> The same liberal spirit guided the Court when, in the interests of the fair administration of justice, it declared admissible an action the uncertain content of which raised problems as to its legal status and that of the plaintiff. The Court itself deduced the legal qualification of the action from the objective pursued.<sup>2</sup>

On the other hand, the Court declared itself incompetent to interpret conventions between Member States. It found that even when such conventions were annexed to a regulation they were not provisions of Community law.<sup>3</sup> Reference to these conventions therefore raises a problem in connection with the need to ensure unified interpretation of a common body of law. The problem of ensuring uniform interpretation is, furthermore, raised by the conventions referred to in Article 220 of the Treaty. Two of these have already been signed.

As already noted in the Second General Report,<sup>4</sup> the Member States signing these conventions expressed their desire to avoid disparities in their interpretation and declared themselves ready to examine the possibility of conferring some competence on the Court for this purpose. Since the end of 1967, the Working Party meeting within the Council has endeavoured to work out procedures under which this extension of the Court's competence could be made.

<sup>1</sup> CJEC 25 February 1969 (*Klomp v. Inspektie der Belastingen*, preliminary question submitted by the Gerechtshof The Hague, 23-68), *Recueil*, 1969, p. 43.

<sup>2</sup> CJEC 17 December 1968 (*Ufficio imposte di consumo di Ispra v. Commission*, 2-68), *Recueil*, 1968, p. 636.

<sup>3</sup> CJEC 7 May 1969 (*Caisse régionale de sécurité sociale du nord de la France v. Torrekens*, preliminary question submitted by the French Cour de cassation, 28-68), *Recueil*, 1969, p. 125.

<sup>4</sup> *Second General Report*, sec. 629.



There is some fear that the application of a convention such as that concerning jurisdiction and the enforcement of civil and commercial judgments might entail a heavy flow of preliminary questions. In fact, it is impossible to make any confident predictions on this point; it could be argued that if the drafters of the EEC Treaty had borne considerations of this kind in mind, they might well have omitted the preliminary question procedure altogether. So far, the steady expansion in the volume of Community law has not entailed a corresponding increase in the number of preliminary questions submitted to the Court.

It may well be that considerations relating to the specific purpose and scope of a convention and its links with the laws and procedures of the Member States warrant arrangements differing on certain points from the procedure of Article 177. But caution should be observed here, for the following reasons:

- (a) A proliferation of procedures varying for each convention might cause confusion that would jeopardize the proper administration of justice;
- (b) Any unjustified departure from Article 177 and the rules ensuring its implementation might influence the future wording of this article when the Treaties are merged.

#### THE SOURCES OF COMMUNITY LAW: ACTS OF THE INSTITUTIONS

532. In its Second General Report,<sup>1</sup> the Commission discussed the legal and institutional role of the committees—made up of representatives of the Member States with a Commission representative as chairman—which are required to co-operate in procedure for the implementation of Community law.

In 1969 several more “rule-making committees” were added to those set up in 1968 (Committee on Origin, Committee on Customs Valuation, and Standing Veterinary Committee). The new Committees are the Committee on Inward Processing Traffic,<sup>2</sup> the Common Customs Tariff Nomenclature Committee<sup>3</sup> and the Community Transit Committee.<sup>4</sup>

<sup>1</sup> Secs. 639 to 642.

<sup>2</sup> Council Directive of 4 March 1969, *official gazette* No. L 58, 8 March 1969, p. 1.

<sup>3</sup> Council Regulation (EEC) No. 97/69, 16 January 1969, *official gazette* No. L 14, 21 January 1969, p. 1.

<sup>4</sup> Council Regulation (EEC) No. 542/69, 18 March 1969, *official gazette* No. L 77, 29 March 1969, p. 1.

Furthermore, the Council, in a resolution adopted<sup>1</sup> under the General Programme for the elimination of technical obstacles to trade, defined the conditions under which the Commission will be able to adapt to technical progress certain provisions laid down in the directives for harmonization of the laws and regulations of the Member States. This procedure, which involves the committees, is comparable with that adopted for the Committee on Origin and the other committees whose operation forms part of the customs arrangements. It does not use the arrangement on which the Council had agreed in July 1968 for the Veterinary Committee: if the Council decides by majority vote against measures proposed by the Commission, the latter cannot make use of its right to adopt a decision of its own after a certain lapse of time.<sup>2</sup> As was indicated in the Second General Report,<sup>3</sup> and as the President of the Commission, M. Jean Rey, has told the Parliament on several occasions, the Commission does not agree with this approach, which does not seem likely to ensure that decisions will be adopted within a reasonable period.<sup>4</sup>

## CONTENTIOUS PROCEEDINGS

### *Protection of the individual*

533. The question whether the Community institutions must respect fundamental rights or equivalent guarantees is one of the most problematic in Community law. It may be asked whether or not there are guarantees within Community law which correspond to the protection ensured by fundamental rights in the Member States. For the first time the Court commented on this point, maintaining that the general principles of Community law the respect of which the Court is to ensure include the funda-

<sup>1</sup> Council Resolution of 28 May 1969 on the adaptation to technical progress of the directives for the elimination of technical obstacles to trade resulting from disparities between the laws and regulations of the Member States, *official gazette* No. C 76, 17 June 1969, p. 8.

<sup>2</sup> For the first example of this, see Council Directive of 6 October 1969 amending the Directive of 26 June 1964 relating to health protection problems in connection with intra-Community trade in fresh meat, *official gazette* No. L 256, 11 October 1969, p. 5.

<sup>3</sup> Sec. 642.

<sup>4</sup> See also the minutes of the sitting of the Parliament of 26 November 1969 *official gazette* No. C 160, 18 December 1969.

mental rights of the individual.<sup>1</sup> This decision is of particular interest as some courts, for example the Bundesfinanzhof, had raised the question of the relationship between Community law and the fundamental rights guaranteed by the constitutions of the Member States.<sup>2</sup>

534. In another field, the Parliament, on the basis of a report submitted by M. Lautenschlager on behalf of the Legal Affairs Committee,<sup>3</sup> studied the problem of the legal protection of individuals against acts taken by the administrative authorities in applying customs legislation. The question has a certain topical interest in view of the Community's efforts to harmonize these laws. Legal protection is in this instance essentially within the purview of the domestic courts—having due regard to the competence of the Court, notably as guardian of a uniform interpretation of Community law—in so far as all the Member States have a system of legal protection in customs matters. In fact, the rules for contentious proceedings in customs matters vary a good deal more from country to country than do those for contentious proceedings in other fields. A comparative study has brought this out clearly. These differences are likely to cause distortions of competition and diversions of traffic. There is therefore a need for harmonization of these rules.

The Commission is not unmindful of the importance of this problem. It is carefully examining ways and means of improving the conditions of legal protection of the persons affected by customs regulations and directives.

### *Appeals by Community officials*

535. The cases settled this year by the Court on appeals by Community officials were mainly concerned with individual measures terminating an official's service on the occasion of the merger of the institutions. These rationalization measures were adopted according to certain criteria set out in Regulation No. 259/68. Within these limits, the Commission had fairly wide discretionary powers. The scope of these powers,<sup>4</sup> the applic-

<sup>1</sup> CJEC 12 November 1969, ruling in case 29-69 mentioned above.

<sup>2</sup> See *Second General Report*, sec. 633.

<sup>3</sup> See European Parliament, 1969-1970, doc. 129, 17 November 1969, and resolution of 10 May 1967, *official gazette* No. 103, 2 June 1967.

<sup>4</sup> CJEC 6 May 1969 (*Reinartz v. Commission*, 17-68), *Recueil*, 1969, p. 61.

CJEC 2 July 1969 (*Pasetti-Bombardella v. Commission*, 20-68), *Recueil*, 1969, p. 235.

ation of the criteria adopted,<sup>1</sup> the scope, in particular, of the criterion of nationality,<sup>2</sup> the extent of the requirements to state grounds<sup>3</sup> were dealt with in a number of judgments.

Other disputes gave the Court an opportunity to specify the limits within which the Commission may call upon the services of experts<sup>4</sup> and to define more clearly the content of certain guarantees (right of the official to be heard before any decision is taken,<sup>5</sup> his right to examine the documents in his file being used in evidence against him,<sup>6</sup> his right to a post corresponding to his grade but not to a specific type of employment).<sup>7</sup>

<sup>1</sup> CJEC 2 July 1969 (*Renckens v. Commission*, 27-68), *Recueil*, 1969, p. 255.

<sup>2</sup> CJEC 6 May 1969, judgment 17-68, mentioned above.

<sup>3</sup> CJEC 2 July 1969, judgment 27-68, mentioned above.

<sup>4</sup> CJEC 24 June 1969 (*Fux v. Commission*, 26-68), *Recueil*, 1969, p. 145.

<sup>5</sup> CJEC 7 May 1969 (*Konopha v. Audit Board of the European Communities*, 12-68), *Recueil*, 1969, p. 109.

<sup>6</sup> CJEC 25 February 1969 (*Elz v. Commission*, 15-68), *Recueil*, 1969, p. 31.

<sup>7</sup> CJEC 6 May 1969 (*Huybrechts v. Commission*, 21-68), *Recueil*, 1969, p. 85.

## 2. Interpretation and application of substantive rules of Community law

536. The customs union and the rules of competition were the main fields with which the Court, in cases submitted, and the Commission, in drafting proposals and its own enactments, were in 1969 concerned when interpreting or applying substantive Community law.

### THE CUSTOMS UNION

537. With regard to the free movement of goods two judgments of the Court, one concerning the statistical charge levied in Italy on the import and export of goods<sup>1</sup> and the other concerning the Belgian 1.3% charge on imports of unworked diamonds for the benefit of the social fund for diamond workers<sup>2</sup> made a vital contribution to its case law on interpretation of the EEC Treaty provisions on the abolition of charges having the equivalent effect of customs duties (Articles 9, 12, 13 and 16).

In these judgments the Court stressed once again that the provisions on charges with equivalent effect—closely related to the principle of the free movement of goods—are as fundamental as the unconditional prohibition inherent in these provisions. The new development chiefly concerns the definition of charges having equivalent effect. Various previous judgments<sup>3</sup> had already clarified certain aspects of this concept and the relationship between Articles 9, 12, 13 and 16 of the EEC Treaty and its tax provisions. Notably in its judgments 2 and 3-62 of 14 December

<sup>1</sup> CJEC 1 July 1969 (Commission *v.* Italian Republic, 24-68), *Recueil*, 1969, p. 193.

<sup>2</sup> CJEC 1 July 1969 (Sociaal Fonds voor de Diamantbewerker, Antwerp *v.* SA Ch. Brachfeld & Sons and Chougol Diamond Co., preliminary question submitted by juge de paix of Antwerp, 2 and 3-69), *Recueil*, 1969, p. 211.

<sup>3</sup> CJEC 14 December 1962 (Commission *v.* Grand Duchy of Luxembourg and Kingdom of Belgium, 2 and 3-62), *Recueil*, p. 815.

CJEC 15 November 1964 (Commission *v.* Grand Duchy of Luxembourg and Kingdom of Belgium, 90 and 91-63), *Recueil*, 1964, p. 1219.

CJEC 8 July 1965 (Deutschmann *v.* Federal Republic of Germany, preliminary question submitted by the Verwaltungsgericht Frankfurt on Main, 10-65), *Recueil*, 1965, p. 602.

CJEC 16 June 1966 (Federal Republic of Germany *v.* Commission, 52 and 55-65), *Recueil*, 1966, p. 228.

CJEC 16 June 1966 (Firma Lütticke *v.* Hauptzollamt Saarlouis, preliminary question submitted by the Finanzgericht Saar, 57-65), *Recueil*, 1966, p. 294.

CJEC 4 April 1968 (Firma Milchwerke Wöhrmann *v.* Hauptzollamt Bad Reichenhall, preliminary question submitted by the Finanzgericht Munich, 7-67), *Recueil*, 1968, p. 262.

1962, the Court, stressing that customs duties are discriminatory and protectionist, defined a charge with equivalent effect as a charge "whatever the name given to it and the way in which it is levied, which is unilaterally imposed, either at the moment of importation or subsequently, and which, being specifically applied to a product imported from a member country but not to the like home-produced product, changes the price of the imported product and thus has the same effect on the free movement of goods as a customs duty". This definition has been confirmed several times with slight adaptations, and was extended *mutatis mutandis* to charges with equivalent effect on exports by judgment 7-68 of 10 December 1968.<sup>1</sup>

538. This approach might have meant that only those charges having a discriminatory or protective effect would be regarded as charges with equivalent effect, so that charges levied on the importation of products not competing with home-produced products would escape the ban. The Court has now defined this concept more extensively.

Prohibiting customs duties, the Treaty makes no distinction between goods which compete with home-produced products in the importing country and goods which do not. The abolition of the customs barriers purports not only to eliminate the protection of home markets. The Treaty provisions concerning the elimination of customs duties and charges with equivalent effect have in fact a general scope and effect in order to ensure free movement of goods. Thus the ban on tariffs and charges with equivalent effect between the Member States also covers any pecuniary charge levied on the occasion of the movement of goods across the frontier of the Member State.

On these bases, the Court defined charges with equivalent effect as follows:

(Footnote *cont'd.*)

CJEC 4 April 1968 (Firma Milch-, Fett- und Eierkontor *v.* Hauptzollamt Saarbrücken, preliminary question submitted by the Finanzgericht Saar, 25-67), *Recueil*, 1968, p. 306.

CJEC 4 April 1968 (Firma Fink-Frucht *v.* Hauptzollamt München-Landsbergerstrasse, preliminary question submitted by the Finanzgericht Munich, 27-67), *Recueil*, 1968, p. 328.

CJEC 4 April 1968 (Firma Stier *v.* Hauptzollamt Hamburg-Ericus, preliminary question submitted by the Finanzgericht Hamburg, 31-67), *Recueil*, 1968, p. 348.

CJEC 10 December 1968 (Commission *v.* Italian Republic, 7-68), *Recueil*, 1968, p. 618.

<sup>1</sup> CJEC, *Recueil*, 1968, p. 618.

“A pecuniary charge, however small, unilaterally imposed, whatever its name and the methods of levying it, and falling on home-produced or foreign goods simply because they cross the frontier, when it is not a customs duty in the strict sense of the term, is a charge with equivalent effect within the meaning of Articles 9, 12, 13 and 16 of the Treaty, even when it is not levied for the benefit of the State, when it does not exert any discriminatory or protectionist effect, and when the product carrying the charge does not compete with a home-produced product.”

The only exceptions to this definition are:

- (a) Internal charges within the meaning of Articles 95 *et seq.* of the EEC Treaty; the concept of a charge with equivalent effect does not include, according to the Court:
  - (i) charges imposed in the same manner on like or comparable home-produced products within the Member States, or
  - (ii) at least, if there are no such products, subject to a general domestic tax,<sup>1</sup> or
  - (iii) intended to offset such domestic taxes, within the limits laid down by the Treaty;
- (b) The consideration for certain services rendered.<sup>2</sup> However, the Court is extremely cautious on this point. In the view of the Court this could only apply in the case of “specific services actually rendered”, and the consideration must be proportionate to the service. These cases are anyway an exception which could not be misused to evade Articles 9, 12, 13 and 16 of the Treaty.

539. The advantages which importers, exporters and consumers draw from external trade statistics are in the view of the Court general ones; they cannot be accurately determined. In its judgment 24-68 the Court therefore refused to recognize the Italian statistical charges imposed on imports and exports to be remuneration for services actually rendered.

In the joint cases 2 and 3-69 the Court for the first time pointed out that, once the common customs tariff entered into force, unilateral adoption or the maintenance by the Member States of charges other than duties properly so called on merchandise from non-member countries could

<sup>1</sup> CJEC 4 April 1968 (*Firma Fink-Frucht v. Hauptzollamt München-Landsbergerstrasse*, 27-67, and *Firma Stier v. Hauptzollamt Hamburg-Ericus*, 31-67), *Recueil*, 1968, pp. 328 and 348.

<sup>2</sup> An earlier case on this point is: CJEC 16 June 1966 (*Federal Republic of Germany v. Commission*, 52 and 55-65), *Recueil*, 1966, p. 228.

hamper the attainment of the objectives sought by the uniform application of the common customs tariff.<sup>1</sup> In this connection, the question could arise whether the Treaty restricts the freedom of the States to adopt such measures.

## THE RULES OF COMPETITION

### *Relationship between Community law and municipal law on restrictive trade practices*

540. As to the rules of competition, the Court provided further guidance on the relationship between Community law and municipal law on restrictive agreements.

Case 14-68,<sup>2</sup> referred to the Court as a preliminary question by the Kammergericht Berlin, raised the question of the right of the German Bundeskartellamt to punish infringements of the German law on restraint of competition while the same acts objected to fell also under the prohibition of Article 85(1) of the EEC Treaty and were subject to sanctions under Regulation No. 17.

The Court found that in the absence of a regulation adopted under Article 87(2 e) providing otherwise, the national authorities may act against a cartel, according to municipal law, even when the compatibility of this agreement with Community law is still being examined by the Commission. The Court thus accepted national and Community competence to act against measures restricting competition. But the Court added, in line with previous findings,<sup>3</sup> that a full and uniform application of Community provisions on competition must be ensured and that in case of a conflict with national legislation Community law must be enforced.

In so far as the parallel application of a national procedure and a Community procedure might lead to double sanctions, general equity

<sup>1</sup> Especially where the principle of free movement of goods in free circulation within a Member State would not be sufficient to correct the effects of these measures.

<sup>2</sup> CJEC 13 February 1969 (Walt Wilhelm *et al v.* Bundeskartellamt, preliminary question submitted by the Kammergericht Berlin, 14-68), *Recueil*, 1969, p. 3.

<sup>3</sup> CJEC 15 July 1964 (Costa *v.* ENEL, preliminary question submitted by the giudice conciliatore of Milan, 6-64), *Recueil*, 1964, p. 1141.



requires, in the view of the Court, that in imposing any new sanction, the previous one should be taken into account.

This ruling confirms not only the supremacy of Community law, but also, in certain conditions, that of decisions taken by the Commission pursuant to the Community rules of competition over domestic decisions taken by the States. It may be inferred from this ruling that the Member States may neither tolerate restraints on competition prohibited by the Commission under Community law nor prohibit restraints on competition in respect of which the Commission has waived the Community ban.

### *Scope of Article 85 of the EEC Treaty*

541. In 1969 the Court also had an opportunity to interpret paragraphs 1 and 2 of Article 85 of the EEC Treaty.

In one case,<sup>1</sup> it laid down the conditions which must be fulfilled before an agreement may be prohibited under Article 85(1). The case concerned an exclusive dealing agreement with absolute territorial protection. The Court found that such an agreement could escape the ban if it affected trade between Member States and restrained competition only to an insignificant degree, given the weak position of those concerned on the relevant market. In this way the Court is developing the case law foreshadowed in its judgment in *Société technique minière v. Maschinenbau Ulm*,<sup>2</sup> when it ruled that the effects of the agreement must be examined and the market position of the parties concerned must be taken into account.

542. Another case<sup>3</sup> enabled the Court to determine the effects of the "provisional validity" of agreements notified to the Commission; but on their compatibility with Article 85 of the Treaty the Court has not yet ruled.<sup>4</sup> The question has not yet been settled. Should it be admitted,

<sup>1</sup> CJEC 9 July 1969 (*Völk v. Vervaecke*, preliminary question submitted by the Oberlandesgericht Munich, 5-69), *Recueil*, p. 295.

<sup>2</sup> CJEC 30 June 1966 (*Société technique minière v. Maschinenbau Ulm GmbH*, preliminary question submitted by the Cour d'appel of Paris, 56-65), *Recueil*, 1966, p. 337).

<sup>3</sup> CJEC 9 July 1969 (*SA Portelange v. Smith Corona Marchant International*, preliminary question submitted by the Tribunal de commerce of Brussels, 16-09), *Recueil*, 1969, p. 309.

<sup>4</sup> The concept of provisional validity was established by the Court in its judgment 13-61 (CJEC 6 April 1962, *Kledingverkoopbedrijf de Geus v. Robert Bosch GmbH and Maatschappij tot voortzetting van de zaken der Firma Willem van Rijn*, *Recueil*, 1962, p. 89).

in the interest of security of contracts, that these agreements would have full effect, including forced execution, at the risk of jeopardizing the general interest defended by Community competition law? Or should the courts, in order to prevent these agreements impairing competition unduly, refrain from imposing forced execution on parties invoking the presumed nullity of the agreement, at the risk of thus encouraging parties to default on obligations which they had accepted? Questioned on this important point by the Tribunal de commerce of Brussels, the Court ruled in favour of the first alternative. The "full effect" conceded to agreements enjoying provisional validity does not of course affect the "null and void" rule of Article 85(2), according to which a ban imposed by the Commission is retroactive as of the day the contract was concluded. The parties may thus be compelled to re-establish the *status quo*. The Court made it clear that it was aware of the practical disadvantages of this arrangement but it thought the lack of certainty as to the law which would result from the second arrangement was more dangerous.

*Sanctions against enterprises having their head offices  
in a non-member country*

543. The Commission had occasion to interpret the concept of concerted practice under Article 85(1) in connection with concerted price increases of colouring matters arranged between a number of enterprises. In accordance with Article 15 of Regulation No. 17, fines were also inflicted on enterprises having their head offices outside the Community. The Commission thus confirmed that it considers itself competent to apply the competition rules to enterprises based outside the Community if such enterprises operate inside the Community or if their operation outside has the effect of distorting competition inside the Community. Some of these decisions gave rise to appeals now pending before the Court.

THE END OF THE TRANSITIONAL PERIOD

544. On 20 February 1969 the Commission forwarded to the Council a memorandum submitting certain legal and technical considerations on the transition to the final stage of the common market. The Commission considered it necessary to formulate more precisely the implications which the end of the transitional period would have for the European Economic Community.

According to Article 8(7) of the EEC Treaty the transition to the final stage of the common market has a specific, legal significance: "Subject to the exceptions or derogations provided for in this Treaty, the expiry of the transitional period shall constitute the final date for the entry into force of all the rules laid down and for the completion of all measures required for the establishment of the common market." As the President of the Commission, M. Jean Rey, pointed out before the Parliament in January 1969, this article relates to problems which are quite distinct from those connected with any extension of the transitional period: read in the context of Article 8, paragraph 7 lays down rules which are valid irrespective of the duration of the transitional period, and accordingly it cannot be interpreted as fixing criteria likely to justify an extension of that period.

In short, the Commission's view is that Article 8(7) of the EEC Treaty is intended not to establish conditions which must be fulfilled before the definitive "period" can begin, but to determine the *consequences arising from the expiry of the transitional period*.

545. In this connection, the way in which Article 8(7) refers to "all" the rules and "all" the measures clearly implies that the transition to the final stage must necessarily be a general one, and that there can be no question of effecting it for only some of the fields covered by the Treaty.

The expression "entry into force of all the rules laid down" refers to the changes which the expiry of the transitional period will entail in the rules applicable. For the Commission, the only instances concerned are those in which the Treaty *explicitly* provides for the entry into force of certain rules when this period expires. For the implementation of the Treaty is a continuous operation, which will not be completed by the end of the transitional period. New rules will still have to be worked out after the end of the transitional period.

Again, Article 8(7) specifies that the expiry of the transitional period constitutes the final date not only for the entry into force of the rules laid down but also for the completion of all "measures required for the establishment of the common market". From this it cannot be inferred that what has not been done in time can no longer be done after the transitional period has ended. The Commission believes that Article 8(7) must be construed as imposing on the Community institutions and the Member States an obligation to *act*.

This obligation only comes into play in those instances in which the Treaty has provided for common policies as the precondition for or

corollary to achievement of freedom of movement at the end of the transitional period. In this connection it should be noted that Article 8(7) is concerned only with "the establishment of the common market". This reservation is important with regard to certain Treaty provisions which, as for example Article 100, refer both to the establishment and to the functioning of the common market.

546. Accordingly, no distinction may be drawn between a phase of construction, which would end with the transitional period, and a phase of execution, which would begin with the final stage of the common market.

Admittedly, problems of execution and administration are becoming more and more numerous and are steadily gaining in importance as the customs union develops and as common policies or organizations are established. But that should not obscure the fact that there is even now, and in the years to come still will be, much to be done before the work undertaken is completed.

#### *Information on the development of Community law*

547. As in previous years, the Commission continued its drive to inform the public concerning the development of Community law.

The representatives of the Commission, and in particular of its Legal Service, participated regularly in the work of the Legal Affairs Committee of the Parliament on important matters affecting the legal order of the Community. The most important debates in the Parliament concerned two fields: (1) measures by the Member States acting together and acts adopted by the Council not provided for in the Treaties, discussed on the basis of a report submitted by M. Burger, and (2) the problems arising from application of Article 177 of the EEC Treaty, following the Merchiers report.

548. Matters connected with Community law were studied in detail at a number of symposia and seminars: problems of company law at Rome in April, regional policy at Louvain in May, competition at Knokke in March and at Brussels in August, tax on value added at Liège and rural law at Cagliari in October. Approximation of legislation was the main theme of several meetings: approximation and the economy at an International Congress at Cologne in March, approximation of social legislation and taxation of enterprises at comparative law seminars at Regensburg in

September, harmonization of legislation on motor traffic at Brussels, regional approximation of national law at a symposium of the International Association of Legal Science at Copenhagen.

The number of symposia and seminars devoted to the study of Community law by outside organizations seems to have increased during the period under review: the symposium of Scandinavian practising lawyers and law teachers in January, the congress of the International League against Unfair Competition at Vienna in May, the joint meeting of the British Institute of International and Comparative Law and the Europa-Instituut of Leiden in London in June, and the symposium of the International Association of Legal Science at Copenhagen in September.

The fourth symposium on the merger of the European Communities was held at Liège in April, and was attended by senior judges, law teachers and practising lawyers particularly interested in the development of Community law. Representatives of the Commission's Legal Service took part in this meeting, the theme of which was "From customs union to economic union".

549. The Commission established further contacts with judges in the various countries and with the officials responsible for the application of Community law in the Member States. In particular, it was visited by two groups of judges from the Bundesgerichtshof and the Bundesverwaltungsgericht. Visits to the Commission at Brussels and the Court at Luxembourg were organized for the future French judges of the Centre national d'études judiciaires and for a group of judges from the Italian Corte de cassazione in November. The discussions held during these visits mainly concerned the relationship between Community law and municipal law. Contacts with the judges of other countries also continued, and the Commission's Legal Service was represented at the third International Congress of Judges at Berlin.

Numerous visits were paid to the Communities' headquarters by groups of officials, practising lawyers and law teachers, during which members of the Legal Service explained various aspects of the development and application of Community law: young lawyers from Amsterdam and Rotterdam, the French Association nationale des docteurs en droit, the Stuttgart Chamber of Notaries, law students from various countries, etc.

In October the Legal Service organized, jointly with the Court, a meeting at Brussels and Luxembourg between editors of a number of law reviews in the Community countries, during which the dissemination of

information on law and the development of Community law were examined. The Commission intends to hold further meetings of this kind.

In December the Legal Service organized another meeting of lawyers interested in the automation of legal documentation, especially as regards Community law. The work being carried out in this field in several countries is of great importance for the development of law; the technical procedures employed should be harmonized more fully in order to avoid the creation of new barriers between the systems in one State and in another.

Finally, attention should be drawn to the interest which groups outside the Communities continue to show in Community law, as evidenced by the visits paid to the Commission at Brussels by practising lawyers and teachers of law from Britain, Scandinavia, the USA and South America.

TABLE 28

## Work of the Court of Justice in 1969

A. *New cases*

Total: 77

- (a) *Appeals by the Commission against a Member State under Article 169 of the EEC Treaty: 11*  
of these  
1 concerned the customs union,  
3 concerned agriculture,  
5 concerned tax matters,  
1 concerned freedom of establishment, and  
1 concerned competition.
- (b) *Appeals against a Community institution under Articles 173 or 175 of the EEC Treaty or Article 88, second paragraph, of the ECSC Treaty: 23*  
of these  
4 were lodged by Member States,  
19 were lodged by enterprises,  
and  
15 concerned competition  
3 concerned the common agricultural policy,  
1 concerned transport matters,  
1 concerned safeguard measures,  
2 concerned scrap compensation,  
1 concerned tariff quotas.
- (c) *Requests by domestic courts for preliminary rulings under Article 177 of the EEC Treaty (Article 150 of the Euratom Treaty): 17*  
3 of these cases concerned the interpretation of Article 85 of the EEC Treaty as regards exclusive dealing agreements,  
3 concerned the customs union,  
4 related to social security for migrant workers,  
1 concerned interpretation of the Protocol on Privileges and Immunities annexed to the Euratom Treaty,  
5 concerned the interpretation of Community provisions on agriculture,  
1 concerned the interpretation of Article 95 of the EEC Treaty.
- (d) *Case brought under Article 215 of the EEC Treaty: 1*  
Action for damages concerning countervailing charges on an imported agricultural product.
- (e) *Appeals by staff against their institutions (personnel administration): 25*

B. *Judgments and rulings*

Total: 30

(a) *Judgments on appeals by the Commission under Article 169 of the EEC Treaty: 4*

*Case 45-64 (v. Italian Republic)*. Final judgment of 19 November 1969 (interim ruling of 1 December 1965) finding that payment of the total drawback of internal taxes on mechanical engineering products exported to the other Member States contravenes Article 96 of the Treaty.

*Case 24-68 (v. Italian Republic)*. Judgment of 1 July 1969 finding that the "statistical duty" contravenes Articles 16 and 189 of the Treaty and various Council Regulations.<sup>1</sup>

*Case 6-69 (v. French Republic)*. Judgment of 10 December 1969 finding that by maintaining after 1 November 1968 a disparity exceeding 1.5 percentage points between the rate for rediscounting export claims vis-à-vis other Member States and the ordinary rate, the French Republic failed to meet one of its obligations under the Treaty.

*Case 16-69 (v. Italian Republic)*. Judgment of 15 October 1969 finding that the levy of fiscal charges on imported brandies which are heavier than the charges on like home-produced products contravenes Article 95 of the EEC Treaty.<sup>2</sup>

(b) *Judgments on appeals against a Community institution: 3*

*Joint cases 10 and 18-68 (Eridania (sugar factories) v. Commission)*. Judgment of 10 December 1969 ruling inadmissible the appeals for annulment and against inaction made in respect of Commission decisions granting subsidies from the EAGGF to other Italian sugar manufacturers.

*Case 1-69 (Italian Republic v. Commission)*. Judgment of 9 July 1969 dismissing this appeal for annulment of the Commission's decision of 31 October 1968 on conditions and rates of transport for fruit and vegetables in southern Italy and Sardinia.<sup>3</sup>

*Case 11-69 (French Republic v. Commission)*. Judgment of 10 December 1969 dismissing as unfounded the appeal against the Commission's decision of 18 December 1968 under the ECSC Treaty on preferential rediscounting rates granted to French iron and steel enterprises (case parallel with case 6-69 *supra*).

(c) *Rulings on preliminary questions submitted by municipal courts: 13*

Three rulings on the interpretation of Article 85 of the EEC Treaty:

*Case 14-68 (Bundeskartellamt v. Farbenfabriken Bayer—Kammergericht, Berlin)*. Ruling of 13 February 1969 on the relation between Community law and municipal law on restrictive agreements.<sup>4</sup>

<sup>1</sup> *Official gazette* No. C 105, 14 August 1969.

<sup>2</sup> *Ibid.* No. C 143, 6 November 1969.

<sup>3</sup> *Ibid.* No. C 105, 14 August 1969.

<sup>4</sup> *Ibid.* No. C 30, 7 March 1969.



*Case 5-69* (Franz Völk *v.* Etablissements J. Vervaecke - Oberlandesgericht, Munich). Ruling of 9 July 1969 interpreting the ban provided for in Article 85(1) of the EEC Treaty with regard to an exclusive dealing agreement with absolute territorial protection.<sup>1</sup>

*Case 10-69* (SA Portelange *v.* SA Smith Corona Marchant International *et al.*—Tribunal de commerce, Brussels). Ruling of 9 July 1969 that agreements within the meaning of Article 85(1), duly notified under Regulation No. 17/62, have full effect as long as the Commission has reached no decision under Article 85(3) and the Regulation.<sup>1</sup>

Two rulings concerning the customs union:

*Cases 2 and 3-69* (Sociaal Fonds voor de Diamantarbeiders *v.* (1) SA Ch. Brachfeld & Sons and (2) Chougol Diamond Co.—Juge de paix, Antwerp). Ruling of 1 July 1969 interpreting the concept of a charge with effect equivalent to a customs duty within the meaning of Articles 9 and 12 of the EEC Treaty, in respect of taxation of unworked diamonds imported into Belgium.<sup>1</sup>

*Case 14-69* (KG Markus & Walsh *v.* Hauptzollamt Hamburg—Finanzgericht, Hamburg). Ruling of 15 October 1969 deciding on the interpretation to be given to the concept of "customs duty bound in GATT".<sup>2</sup>

One ruling concerning the interpretation of a decision in the sphere of agriculture:

*Case 29-69* (Erich Stauder *v.* City of Ulm—Verwaltungsgericht, Stuttgart). Ruling of 12 November 1969 interpreting Article 4 of Commission Decision No. 69/71 of 12 February 1969 on measures enabling certain groups of consumers to buy butter at reduced prices.<sup>3</sup>

One ruling on the interpretation of Article 97 of the EEC Treaty:

*Case 29-68* (Milch-, Fett- und Eier-Kontor GmbH *v.* Hauptzollamt Saarbrücken—Finanzgericht, Saar). Ruling of 24 June 1969 interpreting the concepts of "average rate" and "group of products" with regard to a turnover tax on imports levied by a cumulative multistage system.<sup>1</sup>

Four rulings on the interpretation of Community provisions concerning social security arrangements for migrant workers and freedom of movement for workers:

*Case 28-68* (Caisse régionale de sécurité sociale du nord de la France *v.* Torrekens *et al.*—Cour de cassation, France). Ruling of 7 May 1969 on the applicability of the aggregating system prescribed in Article 27(1) of Council Regulation No. 3.<sup>4</sup>

*Case 15-69* (Württembergische Milchverwertung—Südmilch AG *v.* Ugliola—Bundesarbeitsgericht). Ruling of 15 October 1969 interpreting certain provisions

<sup>1</sup> *Official gazette* No. C 105, 14 August 1969.

<sup>2</sup> *Ibid.* No. C 143, 6 November 1969.

<sup>3</sup> *Ibid.* No. C 156, 8 December 1969.

<sup>4</sup> *Ibid.* No. C 65, 2 June 1969.

of Council Regulations Nos. 38/64 and 1612/68 in connection with the status of non-German military service in German social security legislation.<sup>1</sup>

*Case 27-69* (Caisse de maladie des chemins de fer luxembourgeois "Entr'aide médicale" *et al.*, *v.* Compagnie belge d'assurances générales—Cour supérieure de justice, Luxembourg). Ruling of 12 November 1969 interpreting Article 52 of Council Regulation No. 3 and further defining the concept of "migrant worker".<sup>2</sup>

*Case 34-69* (Mme Jeanne Duffy *v.* Caisse d'assurance-vieillesse des travailleurs salariés de Paris—Court of Appeal, Paris). Ruling of 10 December 1969 interpreting Article 11(2) of Council Regulation No. 3 as regards the right to draw a social security benefit concurrently with other benefits.

One ruling on the interpretation of the Protocol on Privileges and Immunities annexed to the ECSC Treaty:

*Case 23-68* (J.C. Klomp *v.* Inspektie der Belastingen—Gerechtshof, The Hague). Ruling of 25 February 1969 interpreting Article 11(b) of this Protocol, with regard to a contribution for financing a social security scheme.<sup>3</sup>

One ruling interpreting Article 188 of the Euratom Treaty:

*Case 9-69* (Sayag *et al.* *v.* Leduc *et al.*—Cour de cassation, Belgium). Ruling of 10 July 1969 defining the expression "in the performance of their duties" with reference to the use by a Community official of his private car when on duty.<sup>4</sup>

(d) *Judgments following appeals by Community officials against their institutions: 10*

Cases 15, 17, 20, 21, 26, 27, 32 and 33-68

Cases 8 and 12-69.

<sup>1</sup> *Official gazette* No. C 143, 6 November 1969.

<sup>2</sup> *Ibid.* No. C 150, 8 December 1969.

<sup>3</sup> *Ibid.* No. C 36, 18 March 1969.

<sup>4</sup> *Ibid.* No. C 105, 14 August 1969.

TABLE 29  
Cases analysed by subject matter  
(situation at 31 December 1969)

	ECSC				EEC						Appeals by staff of the institutions	Privileges and immunities	Euronatom	Total
	Scrap compensation	Transport	Competition	Other <sup>1</sup>	Customs union	Freedom of movement, freedom to supply services	Competition (including tax cases)	Social security cases	Agricultural policy	Transport				
New cases	167	35	54	19	39	1	52	26	48	1	2	6	187	637
Cases struck off	22	5	15	9	7	—	4	1	2	—	1	—	52	118
Judgments or rulings	143	30	38	10	30	—	29	24	27	1	1	6	111	450
Cases pending	2	—	1	—	2	1	19	1	19	—	—	—	24	69

<sup>1</sup> Levies, investment declarations, tax charges, miners' bonuses.

**TABLE 30**  
**Cases analysed by type (EEC Treaty)\***  
 (situation at 31 December 1969)

	Cases filed under Articles										Grand total <sup>1</sup>		
	169 and 93	170	173				175	177		184		215	
			By Gov. ern-ments	By indi-viduals	By the insti-tutions	Total		Valid-ity	Inter-pre-tation				Total
New cases	24	—	13	40	—	—	53	3	5	66	3	17	167
Cases struck off	5	—	4	2	—	—	6	—	—	3	—	—	14
Judgments or rulings <sup>1</sup>	11	—	8	22	—	—	30	3	5	56	3	7	111
In favour of appellants <sup>2</sup>	11	—	1	6	—	—	7	—	—	—	—	—	—
Dismissed as unfounded <sup>3</sup>	—	—	7	2	—	—	9	—	—	—	—	7	—
Ruled inadmissible	—	—	—	14	—	—	14	2	—	—	3	—	—
Cases pending	8	—	1	16	—	—	17	—	—	7	—	10	42

\* Excluding appeals by staff and cases concerning the interpretation of the Protocol on Privileges and Immunities. For these, see Table 29.  
<sup>1</sup> The number of judgments and rulings is smaller than the number of cases, because some cases were joined during the procedure.  
<sup>2</sup> In respect of at least one of the appellant's main pleas.  
<sup>3</sup> This also covers appeals found inadmissible in respect of some pleas.  
 • The total may be smaller than the sum of cases listed, since some cases were based on more than one article of the Treaty.

TABLE 31  
**Cases analysed by type (ECSC Treaty)\***  
 (situation at 31 December 1969)

	Number of cases filed			Total
	By the Governments	By the institutions	By individuals (enterprises)	
New cases	21	1	254	276
Cases struck off	9	—	42	51
Judgments or rulings <sup>1</sup>	12	1	209	222
In favour of appellant <sup>2</sup>	5	—	48	—
Dismissed as unfounded <sup>3</sup>	7	—	114	—
Ruled inadmissible	—	1	47	—
Cases pending	—	—	3	3

\* Excluding appeals by staff and cases concerning the interpretation of the Protocol on Privileges and Immunities. For these, see Table 29.

<sup>1</sup> The number of judgments and rulings is smaller than the number of cases, because some cases were joined during the procedure.

<sup>2</sup> In respect of at least one of the appellant's main pleas.

<sup>3</sup> This also covers appeals found inadmissible in respect of some pleas.

TABLE 32  
Decisions by domestic courts concerning Community law<sup>1</sup>

Country	Subject matter <sup>2</sup>	EEC Treaty											ECSC Treaty <sup>3</sup>	Total			
		Free movement of goods			Agriculture	Free movement of persons and right of establishment	Social security laws <sup>4</sup>	Transport	Competition			Tax provisions			Other <sup>5</sup>		
		Customs duties	Quantitative restrictions	Monopolies					Restrictive agreements-monopolies	Dumping	Aids						
Belgium	1				1	4		27				1					34
Germany (FR)	15	2	2	40	12	2		38	2	1	23	2				4	143
France	5	1	1	3	2	8	1	14	1	1		1				2	40
Italy			1	1	1	2		1								11	17
Luxembourg								1									1
Netherlands	4		1	1		2		28								36	36
Total	25	3	5	45	16	18	1	109	3	2	23	4				17	271

<sup>1</sup> Figures are for decisions published up to 15 November 1969, excluding cases having involved reference to the Court of Justice for a preliminary ruling.  
<sup>2</sup> The breakdown by subject matter is according to the main aspect of the judgment; thus cases referring to tax questions in agriculture are classified under "tax provisions".  
<sup>3</sup> Cases concerning social security and Article 119.  
<sup>4</sup> Cases concerning Articles 177 (costs), 215 and 220 and Protocol I, 7.  
<sup>5</sup> Prices, financing, social security, competition, transport, obligation to pay, and forced execution.

## ANNEX

## DOCUMENTS ON THE SUMMIT CONFERENCE

(The Hague, 1 and 2 December 1969)

At the 76th session of the Council of the European Communities on 22 and 23 July 1969, the French Government submitted to the other Governments "a proposal for convening a conference of Heads of State or Heads of Government at The Hague before the end of the year, in order to examine the problems facing the Community, in particular in the fields of its completion, its consolidation and its enlargement". This proposal met with the approval of the Council and aroused a great deal of interest in all the circles concerned. Before the conference was held, the Community institutions determined their attitude to the basic problems of European policy.<sup>1</sup> On 3 November 1969 the European Parliament adopted a resolution on this point. The Commission of the European Communities formulated its attitude on the decisions to be taken in a memorandum which was submitted to the Governments of the Member States on 19 November 1969.

The Summit Conference was opened on 1 December 1969 in The Hague by M. P.J.S. de Jong, Prime Minister of the Netherlands. The delegations were led by M. Georges Pompidou, President of France; M. Gaston Eyskens, Prime Minister of Belgium; M. Willy Brandt, Chancellor of the Federal Republic of Germany; M. Mariano Rumor, Prime Minister of Italy; M. Pierre Werner, Prime Minister of Luxembourg; and M. P.J.S. de Jong, Prime Minister of the Netherlands. The Commission was represented by M. Jean Rey, its President, and M. Edoardo Martino. The national delegations met alone on the afternoon of 1 December; and on 2 December the Commission participated in the meeting. The Conference reached agreement on a number of points, which were set out in the final communiqué.

<sup>1</sup> See the chapters devoted to the conference and the chapters entitled "Institutions and Organs" in *Bulletin* 1 and 2-70.

The resolution adopted by the European Parliament, the Commission's memorandum, the final communiqué issued by the Conference and the statement made by the Commission on the results of the Conference are given below.

### **Resolution**

**on the position taken by the European Parliament in regard to the fundamental problems of European and Community policy, in anticipation of the Conference of the Heads of State or Government of the Member States of the Community**

(3 November 1969)

The European Parliament,

- (i) Considering the special importance of the forthcoming Conference of the Heads of State or Government of the Member States of the Community, with which, as spokesman for the interests of the Community, the Commission of the European Communities must be associated;
- (ii) Aware of the progress made and of the considerable difficulties surmounted so far, but deeply concerned by the present situation, which threatens what the Community has achieved;
- (iii) Aware also of the fact that the political union of the peoples of Europe is more necessary than ever in order to overcome these difficulties and contribute to a state of balance and peace in the world:
  1. Calls on the Heads of State or Government of the Member States and looks to them to give unmistakable expression to a common resolve to come to an agreement on the aims to be pursued in the building of Europe, on the place and role of a united Europe, and to decide, in the spirit of the Bonn Declaration of 18 July 1961, to achieve a political union of Europe in stages and to give shape to this in the course of 1970;
  2. Further calls on the Heads of State or Government to express their common resolve by giving fresh impetus to the activities of the European Communities and laying down a programme of action for the completion, consolidation and enlargement of the Communities, in particular on the



basis of the proposals already put forward by the Commission of the Communities:

- A. To proceed to the final stage of the Common Market on the agreed date;
- B. To lay down forthwith a genuine common economic and cyclical policy which alone will make it possible to work out the difficult problems that have arisen in a number of sectors, particularly with regard to agriculture and monetary matters;
- C. To promote a common social policy and, in particular, to reform the European Social Fund, which should become a genuine common tool for a policy of full employment and for raising living standards in the Community;
- D. Fully to apply all the provisions of the Treaties concerning the functioning and powers of the Community institutions, including the provisions concerning decisions taken by the Council of the Communities;
- E. To give a new stimulus to a common policy for scientific and technological research, including the pursuit of work in the nuclear sector, by assigning to the European Atomic Energy Community new tasks in the medium and long term and by giving it the necessary means for such activities, especially within the framework of possible agreements with third countries in Europe;
- F. To hold elections to the European Parliament by direct universal suffrage on the basis of the plan put forward by the Parliament in 1960 and, in any event, to adopt a procedure for contacts between the Council of the Communities and the European Parliament for the drafting of a final text;
- G. To strengthen the budgetary powers of the European Parliament, in accordance with the resolution of 7 October 1969;<sup>1</sup>
- H. To achieve cultural co-operation, in particular through periodical meetings of the ministers concerned, in the Council of the Communities, and to create a European Youth Office;

<sup>1</sup> *Official gazette* No. C 139, 28 October 1969, p. 13.

3. Further requests the Heads of State or Government to open negotiations with the European countries which have applied for accession to the Communities under Article 237 of the EEC Treaty, it being understood that it is for the Commission of the Communities to conduct the negotiations in the Community interest, under the terms of its Opinion of 1 October 1969 (COM(69) 1000);
4. Asks its President to send this resolution to the Governments and Parliaments of the Member States of the Community and to the Council and the Commission of the European Communities.

**Memorandum from the Commission of the  
European Communities  
to the Conference of Heads of State or Government**

(19 November 1969)

The Commission welcomes the meeting of the Conference of Heads of State or Government.

The meeting takes place at a time when the transitional period of the Community is approaching its end, when its enlargement is once more entering an active phase, when recent difficulties of an agricultural and monetary nature have made a keen impression on opinion inside and outside the Community.

This being so, it is essential that the Conference should be crowned with success and, in view of the decisions to be adopted by the Community institutions, should give a new political impetus to the creation of Europe.

1. At a time when anxiety is felt at the present state of the Community, the Commission feels it should point out that despite numerous difficulties considerable results have been achieved during recent years: the establishment of the customs union, the elaboration of the common agricultural policy, vigorous economic expansion, higher living standards, the active policy of aid to the Associated States and the Community's cohesion and growing authority at international level.
2. So that the results thus far achieved, notably in the customs union and the common agricultural policy, should not be subsequently jeopardized,

it is essential that the Heads of State or Government affirm their will to continue the building of a genuine Community, i.e. to round off the customs union by establishing an economic and monetary union in the years ahead.

To this end, the Council and Commission should be invited to determine speedily the stages leading to this objective and in particular to define the necessary action for the next five years, especially in connection with common economic and monetary policies, the Community's industrial and technological development, and social and regional measures designed more particularly to cope with the changes taking place in these fields.

3. Enlargement of the Community is an essential factor in the creation of Europe; the Commission thus feels that the Conference of Heads of State or Government should affirm the unanimous will to bring about this enlargement.

The Commission trusts that the Opinions it sent to the Council in 1967 and 1969 will form a useful starting point for the negotiations.

4. As it stated recently—in its Opinion of 1 October 1969—the Commission considers that the strengthening and the enlargement of the Community must be pursued in parallel. Besides the decisions taken at the end of the year, strengthening includes the measures necessary for progress towards economic and monetary union and reinforcement of the Community institutions.

5. Reinforcement of the Community institutions has become essential. As the Community develops, it needs stronger institutions to ensure its internal government. It needs them equally to enable it to cope with the danger of unwieldiness inherent in enlargement. It is therefore essential, without awaiting the institutional strengthening which can be envisaged when the Communities are merged, to return to the normal functioning of the institutions as laid down in the Treaties. It is also advisable to reinforce the democratic character of the Community by envisaging early elections to the European Parliament by universal suffrage, and thus giving the peoples of Europe an interest in the destinies of the Community.

6. In conclusion, the Commission recommends that the Conference should stress the essentially political character of the task in hand and accordingly declare its will to ensure that Europe moves forward towards political union.

7. Important decisions for the day-to-day life of the Communities are called for in the immediate future. The adoption of the general lines which the Commission has set out above would greatly help in these decisions. Accordingly, the Conference should declare the political will of the Member States that the institutions shall take these decisions by the end of the year and in particular adopt the procedures for co-ordinating economic policies and the machinery of monetary co-operation, the multi-annual Euratom programme, the common agricultural policy financing regulation for the final period, and the decisions on the creation of the Community's own resources and greater budgetary powers for the European Parliament.

It should also express the political will of the Member States that the date when negotiations on the enlargement of the Community are to be reopened be determined at the same time.

The Commission urgently draws the attention of the Heads of State or Government to the above. It is convinced that if the Conference can agree on these lines of advance it will have imparted decisive stimulus to the building of Europe. Its deliberations will thus have profound repercussions in Europe and throughout the world.

**Final communiqué of the Conference of Heads of State  
or Government on 1 and 2 December 1969 at The Hague**

(2 December 1969)

1. On the initiative of the Government of the French Republic and at the invitation of the Netherlands Government, the Heads of State or Government and the Ministers of Foreign Affairs of the Member States of the European Communities met at The Hague on 1 and 2 December 1969. The Commission of the European Communities was invited to participate in the work of the Conference on the second day.

2. Now that the Common Market is about to enter upon its final stage, they considered that it was the duty of those who bear the highest political responsibility in each of the Member States to draw up a balance sheet of the work already accomplished, to show their determination to continue it and to define the broad lines for the future.

3. Looking back on the road that has been traversed, and finding that never before have independent States pushed their co-operation further, they were unanimous in their opinion that by reason of the progress made, the Community has now arrived at a turning point in its history. Over and above the technical and legal sides of the problems involved, the expiry of the transitional period at the end of the year has, therefore, acquired major political significance. Entry upon the final stage of the common market not only means confirming the irreversible nature of the work accomplished by the Communities, but also means paving the way for a united Europe capable of assuming its responsibilities in the world of tomorrow and of making a contribution commensurate with its traditions and its mission.

4. The Heads of State or Government therefore wish to reaffirm their belief in the political objectives which give the Community its meaning and purport, their determination to carry their undertaking through to the end, and their confidence in the final success of their efforts. Indeed, they have a common conviction that a Europe composed of States which, in spite of their different national characteristics, are united in their essential interests, assured of its internal cohesion, true to its friendly relations with outside countries, conscious of the role it has to play in promoting the relaxation of international tension and the *rapprochement* among all peoples, and first and foremost among those of the entire European continent, is indispensable if a mainspring of development, progress and culture, world equilibrium and peace is to be preserved.

The European Communities remain the original nucleus from which European unity has been developed and intensified. The entry of other countries of this continent to the Communities—in accordance with the provisions of the Treaties of Rome—would undoubtedly help the Communities to grow to dimensions more in conformity with the present state of world economy and technology. The creation of a special relationship with other European States which have expressed a desire to that effect would also contribute to this end. A development such as this would enable Europe to remain faithful to its traditions of being open to the world and increase its efforts on behalf of developing countries.

5. As regards the completion of the Communities, the Heads of State or Government reaffirmed the will of their governments to pass from the transitional period to the final stage of the European Community and, accordingly, to lay down a definitive financial arrangement for the common agricultural policy by the end of 1969.

They agreed progressively to replace, within the framework of this financial arrangement, the contributions of member countries by the Community's own resources, taking into account all the interests concerned, with the object of achieving in due course the integral financing of the Communities' budgets in accordance with the procedure provided for in Article 201 of the Treaty establishing the EEC and of strengthening the budgetary powers of the European Parliament.

The problem of the method of direct elections is still being studied by the Council of Ministers.

6. They asked the Governments to continue without delay, within the Council, the efforts already made to ensure a better control of the market by a policy of agricultural production making it possible to limit budgetary burdens.

7. The acceptance of a financial arrangement for the final stage does not exclude its adaptation by unanimous vote, in particular in the light of an enlarged Community and on condition that the principles of this arrangement are not infringed.

8. They reaffirmed their will to press forward with the further developments needed if the Community is to be strengthened and its development into an economic union promoted. They are of the opinion that the integration process should result in a Community of stability and growth. To this end they agreed that within the Council, on the basis of the memorandum presented by the Commission on 12 February 1969, and in close collaboration with the Commission, a plan in stages should be worked out during 1970 with a view to the creation of an economic and monetary union.

The development of monetary co-operation should be backed up by the harmonization of economic policies.

They agreed to arrange for the investigation of the possibility of setting up a European Reserve Fund as one ultimate result of pursuing a common economic and monetary policy.

9. As regards the technological activity of the Community, they reaffirmed their readiness to continue more intensively the activities of the Community with a view to co-ordinating and promoting industrial research and development in the principal advanced sectors, in particular by means of common programmes, and to supply the financial means for the purpose.

10. They further agreed on the necessity of making fresh efforts to work out in the near future a research programme for the European Atomic Energy Community designed in accordance with the exigencies of modern industrial management, and making it possible to ensure the most effective use of the Joint Research Centre.

11. They reaffirmed their interest in the establishment of a European university.

12. The Heads of State or Government acknowledge the desirability of reforming the Social Fund, within the framework of a closely concerted social policy.

13. They reaffirmed their agreement on the principle of the enlargement of the Community, as provided by Article 237 of the Treaty of Rome.

In so far as the applicant States accept the Treaties and their political objective, the decisions taken since the entry into force of the Treaties and the options made in the sphere of development, the Heads of State or Government have indicated their agreement to the opening of negotiations between the Community on the one hand and the applicant States on the other.

They agreed that the essential preparatory work for establishing a basis of negotiation could be undertaken as soon as practically and conveniently possible. By common consent, the preparations would take place in a most positive spirit.

14. As soon as negotiations with the applicant countries have been opened, discussions will be started with such other EFTA members as may request them on their position in relation to the EEC.

15. They instructed the Ministers of Foreign Affairs to study the best way of achieving progress in the matter of political unification, within the context of enlargement. The Ministers are to make proposals before the end of July 1970.

16. All the creative activities and the actions conducive to European growth decided upon here will be assured of a better future if the younger generation is closely associated with them. The Governments are resolved to endorse this and the Communities will make provision for it.

**Commission's statement of the press**

(5 December 1969)

The Commission has discussed the verbal report made by President Rey and M. Martino on the way in which the Summit Conference at The Hague went off. It is very satisfied with the contents of the communiqué, on three grounds: firstly, as regards completion, the Commission welcomes the fact that the necessary decisions will be taken by the end of the year; secondly, as regards strengthening, the Commission is particularly satisfied about the clarity with which the conference declared its will to pursue economic and monetary union; and thirdly, as regards enlargement, because negotiations with the applicant countries can be expected to start in the middle of next year. The Commission finds that the decisions taken at the Summit Conference prove how utterly wrong were all those who thought that the Communities were paralysed and losing momentum.

The Commission regrets that the conference did not provide an opportunity for any progress towards political union, and expresses its support for elections to the European Parliament by direct universal suffrage.

These items should be on the normal agenda of the Community institutions in the coming months.



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