

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

COMMISSION

Sixth

## GENERAL REPORT

on the

# Activities of the Communities

1972

BRUSSELS - LUXEMBOURG

February 1973

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 Sixth 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.

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

Brussels, 13 February 1973

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## INTRODUCTION

## INTRODUCTION

### **Presentation of the General Report for 1972 and programme of the Commission for 1973**

Address by Mr François-Xavier Ortoli,  
President of the Commission of the European Communities,  
to the European Parliament on 13 February 1973

MR ORTOLI, *President of the Commission of the European Communities* — Mr President, Ladies and Gentlemen... By tradition, it is my honour, when presenting the General Report reviewing the Community's activities in 1972, as provided 'in Article 143 of the Treaty of Rome, to outline the programme of action envisaged by the Commission for 1973. I am very happy to do so. For your encouragement, your suggestions, but also your criticisms, are quite indispensable to the Commission, whose primary function is to initiate new steps towards the building of the Community.

#### 1972, CRUCIAL YEAR

1972 was a crucial year, in the fullest sense of the word, in the Community's development. It was the last year of the Community of the Six and it saw the establishment of interim mechanisms and procedures by which the applicant States were associated with the activities of the Community, so that the integration of these States which is now taking place could go forward smoothly. In fact, the Community of the Nine was a political reality in 1972 before it became a legal reality at the beginning of 1973.

This political reality of the enlarged Community found expression at the Conference of Heads of State or Government held in Paris from 19 to 21 October last. The scope of the action which the conference envisaged, the variety of spheres which it opened up to Community jurisdiction, and the vigorous stimulus which it gave to the Community institutions, are a measure of its success. That success was to a large extent the result of the serious manner in which the Conference was prepared and of the political will so strongly expressed; but it was also attributable to the advances made in various fields during the preceding months.

Here I shall simply recall briefly:

- the progress achieved in economic and monetary matters;
- the Directives adopted in April which launched a policy on agricultural structures;
- the effective commencement of the operations of the reformed Social Fund;
- the new Directives on the removal of the technical obstacles to trade;
- in the field of external relations, the signing of agreements with some of the non-applicant EFTA countries, the continuation of active relations with the Mediterranean countries, marked by the signing of new agreements, and the adjustment of existing agreements.

No doubt the brief outline which I have just given will strike you as incomplete. But the extent of these achievements is such that every member of the Assembly will be fully aware of them.

#### GRADUAL EMERGENCE OF A EUROPEAN IDENTITY

The intentions and the commitments set out in the Final Communiqué of the Summit Conference must now be turned into official acts—or rather into actions. Ever-present in the minds of those taking part in the Conference was a concern to establish a European identity. In this, they were expressing



a heartfelt desire, shared by all our peoples, to differentiate ourselves from the rest of the world, not only to play our own role in the world and thus take Europe's destiny into our own hands, but also to formulate and implement the plan for a civilisation which, to quote Léon Blum, would again be human.

If a European identity is to emerge, Europe's place in the world must first be defined. Then Europe must be given a form of organisation, a structure which, through the interplay of economic, monetary, social, industrial, regional and other policies, would put it on the road towards irreversible union. Finally, all our actions must be guided by human concern and a willingness to participate, precisely because today the main lines of a new civilisation need to be laid down.

But before discussing these three points, I must tell you how fully, in its first months of operations, the New Commission has taken the measure of the task before it and the limited time available, and thus realised that if the work is to be done properly and punctually we have to get organised. This is why we were determined to lose no time in allocating responsibilities among the members of the Commission, drawing up timetables and establishing working methods which would ensure consistency and speed.

In doing this we took particular care to retain and develop the collegiate nature of our work. We shall make a systematic effort to ensure that the need for speed, and the need to allocate duties in the preparatory work to those who can best fulfil them, will in no way detract from our collegiate responsibility, which is growing stronger despite differences of temperament or opinion. We all have the same conception of our task, and share a common team spirit.

### *Definition of Europe's place in the world*

As regards external relations, in the next few months the enlarged Community will have to assume responsibilities commensurate with its weight in the world.

The role played by the Six vis-à-vis the outside world was already a proof of the 'European presence'.

But enlargement, the will to build up the Europe of the Nine as expressed in the Declaration of the Paris Summit, the awareness throughout the world of what we represent, give a new economic and—let us face the fact—political dimension to the definition and conduct of the Community's international relations. This comes at a time when the facts of international political and economic relations to which we have been accustomed since the end of the Second World War are undergoing profound changes. The Community itself is, of its very nature, a dynamic force and this, together with the Community achievements which cement together the Europe of the Nine, should enable it to make an original contribution, through dialogue and negotiation, to the establishment of a new international economic order.

A constructive dialogue must be pursued with the industrialised countries.

The most important of these countries is the United States. We must understand that that great nation, which, like the rest of us, is confronted by major economic and political change, must also, like the rest of us, examine the state of its relations with other countries. And the United States, for its part, must understand our responsibilities and our problems.

The Commission knows that Community developments have not been detrimental to the interests of the United States, and is convinced that it is necessary to rise above bickering over intentions or figures and get down to settling problems in a spirit of good will and mutual trust. It will then be found that the difficulties, however natural, will not outweigh the mutual advantages to be derived from our relations as a whole.

The Community has started negotiations for the conclusion of a trade agreement with Japan. Although there is a common desire to ensure that trade develops satisfactorily on the two markets, there is also, in fact, a growing imbalance in this trade, and the risk of situations that could endanger employ-

ment or regional balance, which explains the importance attached by the Community to the establishment of safeguard measures.

The Community will also have to consider the situation of countries like certain Mediterranean countries covered by existing agreements whose content has been changed following enlargement. However, as you know, the Commission has submitted proposals to the Council for a comprehensive approach to the Mediterranean area on which the Council will shortly take a decision.

Moreover, the procedure and the timetable are before us: the Community will have to participate in GATT in negotiations whose importance will be equalled only by their complexity. For example, we will meet many of the problems which characterise our relations with the United States.

These negotiations, which will be a kind of test of truth, are due to begin in the autumn. On the basis of the proposals which the Commission will put before it, the Council will have to define the Community's position by 1 July.

The importance of the Community's place in the world is also demonstrated by the interest expressed by Eastern Europe, the Soviet Union and, as you have just mentioned, China.

We like to believe that, to those who have considered the matter, the Community is seen not only as a factor in the economic prosperity of its Members, but also as a factor making for the relaxation of political tension in Europe and in the world.

It is in this spirit that we shall participate in the preparations for the coming Conference on Security and Co-operation in Europe.

The question of our trade policy towards Eastern Europe was raised before you in January. I will not, therefore, repeat what Sir Christopher Soames told you on behalf of the Commission, nor do I need to stress again the importance which we attach to developments in this field.

In any event, we must certainly give positive thought to any factor which could improve our relations with the Soviet Union and Eastern Europe and develop relations with China, and which, through increased trade, could lead to greater understanding between nations and thus form the basis for fruitful and close co-operation.

Finally, there is a question to which we must attach particular importance, not only because there is a responsibility and an obligation to take action on a problem of such magnitude and constantly developing urgency, but also because of the idea which Europe must have of itself and its objectives. As the Summit Communiqué said, we must 'respond even more than in the past to the expectations of all the developing countries'. This is not a political duty: it is central to what we are and what we believe.

From the outset the Community has shown its sense of solidarity with the developing countries with which it has historical ties. But this is not to say that it has forgotten the other less privileged countries.

The Paris Declaration laid down common guidelines: the promotion of agreements designed to stabilise markets and increase exports of primary products, the extension of generalised preferences to ensure a steady, substantial increase in imports of manufactured products, an increase in the volume of official financial aid and improvement in the financial conditions of this aid, particularly to the least developed countries.

This will be the initial basis on which the Commission will take action to prepare for the implementation of so clearly expressed a political will as regards all the developing countries, whether in Latin America, Asia or Africa.

This overall view of the problem of the developing countries and of Community responsibilities towards them must be taken, as the Summit Conference stated, without detriment to the advantages of the countries towards which the Community has special responsibilities.

This year will be marked by the opening, on 1 August, of negotiations with the African and Malagasy States associated under the Yaoundé and Arusha Conventions, and also with a number of Commonwealth countries which, under Protocol No. 22 of the Treaty of Accession, have been offered various formulae for regulating their relations with the enlarged Community.

The Commission emphasises the great political importance of this offer, which, since 1 January 1973, has constituted a firm undertaking by the Community to negotiate with any of these countries which so desire. The Commission sincerely hopes that these countries will enter into contact with it in order to enable it to furnish them with all the explanations that may help them to state their intentions as soon as possible—at all events, before 1 August 1973.

In carrying out these various actions, we must constantly bear in mind that such a policy is an overall policy. We also know, and the Member States must know, that, by the same token, Europe's identity must manifest itself when the international monetary system is reformed—a measure whose urgency is rendered all the more obvious by the new crisis which we are passing through. If order is to be restored to a system whose upheavals are jeopardising all the world's economic, commercial and financial relations, it will be necessary to find the wise, equitable and lasting solutions which the situation demands. Let us hope that the voice of a united and indivisible Europe will make itself heard in this most important matter.

### *Setting Europe on the road to irreversible union*

Turning to the problems of the Community's internal development, we find, at the heart of our endeavour, Economic and Monetary Union.

The wheels are turning: considerable progress has already been made by setting up machinery for co-operation and for

concerted action on short-term economic policy, short- and medium-term financial support, and the harmonization of economic policies as part of the initial steps for medium-term planning. The ground has been prepared for the approximation of the Member States' thinking on all the forms of economic, financial, industrial and commercial action which must be put into effect as part of the process of building a solid monetary union.

But in the past, and more especially today, we have often come up against disrupting factors, such as the amplification of inflationary trends on an international scale and the virtually permanent crisis in the monetary system, which make the pursuit of our objectives more difficult, but also more necessary.

A few days ago, reflecting on what we were witnessing, although not knowing what the outcome of the crisis through which we have just passed would be, we found that it strengthened three convictions held in the Commission.

Firstly, in each of our Member States the arrangements for reacting to violent speculative movements which have unacceptable disruptive effects must be established in such a way, and have such a permanent character, that two aims may be achieved. The first is to nullify the effects of such movements on the internal economy. The second is to discourage them without delay when they do arise, by following procedures which are sufficiently uniform in our various countries to preserve the cohesion necessary to the union that we are in the process of creating.

Secondly, our arrangements must not only provide a means of reacting, but must also have a deterrent character. We must, as far as possible, create the basic conditions for preventing the recurrence of crises.

Finally, in this line of action we must find the opportunity of taking Community solidarity further.

The Commission, for its part, will assume the initiatives and responsibilities which fall to it in this area.

The pressing nature of the monetary problem must in no way cause us to relax our vigilance as regards the development of inflationary trends. In this connection, we have submitted to the Council the additional proposals relating to customs and commercial matters which were required of us. If necessary, we shall not leave it at that.

To get back to our work programme... we now have to prepare the next stage of Economic and Monetary Union.

The Commission has already submitted its proposal for the Statute of the European Monetary Cooperation Fund. In accordance with the timetable laid down it will submit, within the prescribed time-limit, the results of its deliberations on the completion of the first stage and on the allocation of duties between the Community institutions and the Member States, and in the course of the year its proposals on arrangements for short-term monetary support and thereafter on the conditions for the progressive pooling of reserves.

In the second stage, new action will be taken and current action will be continued.

Thus, more will certainly be required of the existing co-operation arrangements. Concertation of short-term policy should lead to the joint adoption of real decisions on economic policy by all the Member States of the Community. The instruments for monetary co-operation will have to be simplified and made more attractive to all the Member States. The Commission expects much of the European Monetary Cooperation Fund, which will be valuable not only because of the mechanisms for the multilateralization of settlements which it is to facilitate but also, and perhaps even more, because it will be an essential element in a dynamic monetary co-operation process. The harmonisation of longer-term policies will have to be considered in great detail if the real unification of economic policies is to be prepared.

It is, nevertheless, clear that consultation measures alone, however well worked out, will not be enough to achieve the unity of the Common Market. We shall have to proceed with

concrete measures demonstrating the genuine progress made towards unification.

From a thousand possible examples, I will mention the creation of a European capital market, for which we have waited far too long. Would it not be possible—and present circumstances ought to encourage us—to get our countries gradually to reconsider their thinking on controls and at least to treat in the same way all transactors in the Community, of whatever Member State they are nationals or residents?

I would also mention the progress needed in tax harmonisation. We shall put forward proposals relating, in particular, to harmonisation of the basis for assessment of VAT and harmonisation of tax arrangements for income from movables, and we consider it urgently necessary that texts should be adopted concerning tax arrangements for mergers and that provisions should be introduced concerning parent and subsidiary companies.

Again, I would refer to the approximation of company law, the formation of the European company, the recognition of a European patent, and freedom of establishment for insurance and banking services, which can provide a Community legal framework facilitating the interpenetration of our economies and financial systems.

Likewise priority must be given to the elimination of obstacles to internal trade, in particular by the elimination of technical obstacles and quantitative restrictions and by throwing open public contracts to all comers.

I have now more or less reached the halfway stage of my paper, and I realize—as I did at the time of writing—how difficult it is to describe Europe. It is such a massive, wide-ranging task, covering such a mosaic of fields of action, where the relevant regulations are uninteresting but relate to matters that may be of the utmost importance. I have just referred to technical obstacles and quantitative restrictions. Quite candidly, these are both utterly depressing terms. Nevertheless, is it not



the whole problem of the movement of goods and the achievement of a degree of industrial unity in Europe that lie behind these rather dull phrases?

In customs matters, the Commission welcomes the European Parliament's Resolution of 9 October 1972 on the abolition of controls in intra-Community trade. It will do all it can to comply with this Resolution in the context of the General Programme for the approximation of customs legislation, in the hope of bringing matters to a rapid conclusion and thus making up for the delays of the past.

These practical measures, taken as a whole, will have to be accompanied by a more general scrutiny of the objectives and methods of economic policy. How, for instance, in our Community, are we to ensure that the purchasing power of economic agents increases with due regard for that internal and external equilibrium of major factors without which there can be no real and lasting growth? This is undoubtedly a problem of the greatest importance.

In support of this action, whose specific purpose is to establish Economic and Monetary Union, there are the policies known rather incongruously as the "accompanying" or "flanking" policies, which in fact form an integral, and to a large extent, decisive part of the Economic Union.

The Summit Communiqué spoke of a single industrial base for the Community as a whole. In this field we are invited to decide on a programme of action to be adopted by the institutions before 1 January 1974. Of course, we will observe this time-limit, but proposals have already been made to this end: the creation of a specialized office to facilitate contracts between undertakings; a policy of opening up the public contracts market, giving priority to railway, heavy electrical and telecommunications equipment and equipment embodying the results of advanced technology; and the establishment of development contracts at Community level in order to finance certain joint innovations of companies situated in different Member States.

It is with this in mind also that the Commission has proposed closer coordination of financial resources and appropriate coordination of public purchases in the field of aviation and is examining the scope for similar action in data processing, nuclear energy and telecommunications.

I now turn to the Community's scientific policy, which was long restricted to the activities of the Euratom Research Centres, and to ECSC financing of specialized research.

On 5 February an agreement was at last reached guaranteeing four years' research activities for the Joint Research Centre at the level we proposed. I am confident that the life of the Centre, and in particular the existence of Community research, is assured for many years to come, not only in the nuclear sector but also, and to an increasing extent, in the non-nuclear sectors.

The Commission will now be able to continue its efforts to establish a European research, scientific and educational policy. These three portfolios have now been allocated to a single Member of the Commission, for all three pose political questions for the Member States which, to a large extent, can only be solved by joint action.

As regards research policy, the Commission is convinced that it is necessary to look beyond nuclear research and consider the other sectors of the future. A European scientific policy, while remaining closely geared to practical ends, must be restricted to industrial applications which are immediately apparent. For Europe needs not only an industrial economy powered by research and its applications, but also organized scientific cooperation from which all concerned will be able to derive the maximum benefit.

As regards education, we obviously do not wish to centralize European education in Brussels. We should like, together with the Member States, to organize an exchange of thoughts and views on the solutions put forward for the problem of the education and training of adolescents in our industrial society. We should also like to see the development of the need for and

the habit of considering together the problems of Europe, for it is in our schools and universities that European-mindedness will really be instilled. On a more practical level, we should like to try to reduce the obstacles arising from differences between qualifications.

As for the common agricultural policy, we must welcome the fact that it became applicable throughout the territory of the enlarged Community despite the complexity of the final decisions required. The Ministers of Agriculture of the new Member States have now been initiated into the Community's all-night marathon sessions, and we were able to meet the deadline of 1 February.

The Commission will soon have to submit to the Council its proposals for the prices policy for the next marketing year, together with proposals for new action in structural policy, with special reference to hill farming; and your Assembly will be called upon to discuss these proposals.

More generally, we shall not lose sight in our work of the need to combine action on the markets with action on structures, and to link the development of a policy which is satisfactory to our farmers with general economic considerations.

In the field of transport policy, the programme submitted to the Council in November 1971 will be supplemented by new proposals concerning, in particular, transport by air and sea, and urban and suburban transport. Encouragement should also be given to cooperation between our Member States and between their undertakings in the development of new transport techniques.

Of course, the Commission will do its best to settle the questions of vehicle weights and sizes and intra-Community transport as quickly as possible.

It also believes that infrastructures must be more closely coordinated if Europe is to develop harmoniously, whether the aim is to unify the market to a greater extent, to facilitate the movement of ideas, people and activities, or to secure better regional equilibrium. This applies just as much to the Com-

munity as a whole as to our individual Member States. Finally, the Commission wishes to give energetic attention to the questions of road safety and the harmonization of traffic rules with a view to formulation of a European Highway Code.

In another field, the Summit set us an ambition of particular importance: I refer to the energy policy. I should like to say that we are thoroughly convinced that this is a sector in which European cooperation is going to prove both feasible and essential. I shall not go over the familiar ground of the problems confronting the world in this area. But we for our part believe that, in addition to a series of measures in the oil, natural gas, coal and electricity sectors and even the nuclear energy sector, it is clear that, when formulating our proposals—some are already finalized,—we shall have to establish a general framework in the light of the need for secure supplies obtained from reliable sources on the best economic terms. But we also believe that we must give due consideration to other parameters of equal importance.

There are the protection of the environment and the rational use of energy and here joint action may be taken. Again, there is the development of scientific and technical research including research into the most rational use of energy. We agree with Mr Simonet that it is not absurd for the Community to devote part of its brilliant scientific intelligence to investigating new sources of energy or the best use of the range of sources of energy at our disposal. Thus, in external policy, we must deal with the problem of establishing or developing the Community's relations with both the exporting countries and our fellow importing countries. I feel we have reached the stage at which the energy policy is becoming a fully-fledged policy, and it must be a European policy.

Of course, among all the measures which can be contemplated, some must be given priority, particularly those which can improve the Community's energy supply situation and complementary measures to provide machinery enabling the institutions of the Community to exercise a degree of administrative control over the energy sector.

This is an ambitious programme, but as I have said, we believe that the importance of the energy sector warrants such ambition, which is integral to the development of the Community. This is one of the reasons why we hope that a Council of Ministers responsible for energy will meet as soon as possible, at least during the first half of the year. On this subject also, the Commission has made its proposals and will supplement them in good time for the Council of Ministers to have full details before them.

As regards competition policy the communiqué from the Paris Summit Meeting referred to the need for the formulation of measures to ensure that mergers affecting firms established in the Community are in harmony with the economic and social aims of the Community, and the maintenance of fair competition within the Common Market. The Commission will act in this spirit both as regards individual decisions and in its general emphasis to ensure control over concentrations, agreements and state aids.

I now come to regional policy, which we consider essential to the establishment of a balanced social and humanitarian Europe.

Here too closer coordination of national policies and defining common criteria for the granting of aid constitute the first steps to be taken. This will be one of the main themes of the Commission's report on regional problems which we are drawing up at the request of the Paris Summit Conference.

Such coordination, and joint action, will be given a new stimulus when the Regional Development Fund, financed from the Community's own resources, is set up, not later than 31 December 1973. This is one of the files to which the Commissioner responsible turned his attention immediately, since it is clearly closely tied up with the general presentation of our regional policy.

Studies are also in progress on the use of 50 million u.a. financed from the budget of the Guidance Section of the EAGGF, for the creation of industrial employment in de-

pressed agricultural areas; on the creation of a Regional Development Company for the purpose of guaranteeing industrialization loans at Community level, and on setting up a regional policy committee. No doubt, these will provide us with material for some very interesting debates.

The Commission is convinced that regional policy is a major factor in the development of Economic and Monetary Union. This policy, which can only be complementary to the efforts of the Member States must of course be applied to declining agricultural and industrial regions. But it must also enable the more prosperous regions of the Community to improve their quality of life.

In my opinion, this question of the quality of life must be taken into consideration more and more as the Community edifice rises. For we must build a Europe which will serve mankind, as we have often said in the past. We cannot repeat this too often.

*Concern for the human element and desire for participation*

To speak of a Europe which will serve mankind is first and foremost to seek to put into effect a broad-based social policy and play an active part in protecting and improving the environment. But it also means setting out to make our peoples participate, directly and indirectly, in the work of building Europe.

The Heads of State and Government reminded us that vigorous action in the social field cannot be dissociated from the realisation of Economic and Monetary Union. They also asked the institutions of the Community to draw up a programme of action in the social field by 1 January 1974, having consulted both sides of industry.

We shall therefore be stepping up our activities in the fields of employment and living and working conditions.

In the restructured Social Fund, the Commission has a very important means of intervening in employment matters.

The purpose of the Social Fund is to make it possible to implement a policy for the solution of existing difficulties; but it has an even more important function, and that is to prevent such difficulties from occurring at all, by means of a suitable forward policy bringing Community solidarity into play whenever the common policies or the Community economic situation rise to quantitative or qualitative employment problems. For example, decisions have been taken to help agricultural workers leaving their farms and to help textile workers, whose employment difficulties were largely due to the restructuring of their industry. The Social Fund is therefore seen as an important instrument of industrial and regional policy as well as of social policy.

In order to implement a policy of full and better employment successfully, substantial progress must be made in the harmonization of vocational guidance, training and retraining if the men and women of Europe, and especially young people, are to be prepared for the occupations which are most useful both to them and to society as a whole.

In the field of living and working conditions, the Commission believes that it is particularly necessary to harmonize procedures for group redundancies—a proposal for a directive has been submitted to the Council—and measures must be laid down to provide appropriate procedures for mitigating the social effects on workers of company mergers and of the growing extent of concentration in industry.

Similarly, extending the action already taken by the Community, and with a view to improving the quality of life, the Commission proposes to help in working out measures and standards concerning the health and safety of workers, both at their place of work and in their living conditions in general.

This year will be a particularly important one from the social policy point of view because it will see the establishment of the draft action programme provided for in the Final Declaration of the Paris Summit Conference. Without going into detail, I can tell you that this programme will cover employment

questions, in the broadest sense of the term, improvement of the quality of life both at places of work and elsewhere, and the democratization of economic and social life in the Community.

Questions of the quality of life obviously bring the Commission to consideration of the environment. Before 31 July, the Community institutions are to draw up a programme of action accompanied by a precise timetable.

This will involve the introduction of a programme for reducing air and water pollution, *inter alia*. It is necessary to find the most economical solutions best suited to this purpose, but it is also necessary to continue, under the general programme for the elimination of technical obstacles, with the standardization of product specifications, dealing with pollutants as a matter of priority.

We must also attend to the implementation of the agreement relating to advance notification of all national measures concerning the environment, which the Council adopted in December 1972.

Finally—and, to me, this seems very important, being of wider significance than the technical aspects of the environment—we must set our minds on looking beyond the strictly technical problems and, in our other policies which are ostensibly unrelated to environmental matters, but in the last analysis determine the course of Community policy, we must display a constant concern to protect and improve our habitat. Environmental policy is less specific than any other policy. Although it has its special cases, its techniques and methods, it is derived principally from an overall conception of a problem which affects the whole economy and even the whole of our society, and it would therefore be too limiting and completely inaccurate to form a view of it exclusively through the regulations it introduces.

As I draw towards the end of this presentation of our work programme, having presented a whole series of policies and projects, I naturally measure the magnitude of the task before us. But after this necessary though, inevitably rather dry enumera-



tion, I also measure how difficult it is, with so many programmes, dates, technical details, to make our peoples understand vital importance for each citizen of work which sometimes lacks lustre. Alas, very often the impression people have of our joint endeavours is not one of imagination, boldness or political will, ever though they are the underlying inspiration. It is here that the need arises to associate the peoples of Europe in building the Community. There are three lines of action which we must follow together in trying to be more successful in this than in the past.

The first is to provide objective but comprehensible information. We feel we must provide this information, and the Commission is determined to do so. We must make a greater effort to reach all the social classes, get across to our younger generation, further decentralize our information activities, and thus make a stronger impact on our Member States, especially the new Member States and their regions. Furthermore, we must ensure that third countries get to know more about this Europe, what it is, why it takes the standpoints it does, what its not inconsiderable contribution is. I know that you share this feeling; and, in preparing our information programme for 1973, we will take full account of the debates which have been held in the Assembly.

The second is to improve and broaden the scope of our dialogue with both sides of industry. Alongside and in addition to the "institutionalized" dialogue in the Economic and Social Committee, the Standing Committee on Employment, and various specialized groups and committees, we intend to seize every reasonable opportunity for exchanging information, making contact and holding discussions with the representatives of management and labour.

The third of these lines of action is to foster the institutional dialogues between Commission and Assembly and to strengthen the Assembly's role in the Community's activities.

In accordance with your legitimate wishes, agreement was reached at the Summit Conference on the need to strengthen

the powers of control of the European Parliament in the light of the undertakings given by the Commission and the Council on 22 April 1970. The Heads of State and Government invited the Council and the Commission to put into effect without delay the practical measures designed to achieve this strengthening and to improve the relations between our institutions and the Assembly.

But the first question is that of what I might venture to call the day-to-day relations between our institutions. Obviously, during the five busy weeks since we took office it has been physically impossible for us to finalize the various measures which could be envisaged. It has been all the more difficult because the Commission wishes to do this in the light of your opinions. We shall therefore wait for the results of the work which, I understand you yourselves have undertaken on the matter, so that we can take them fully into consideration. Let me say here and now that we are ready to work with you, and our attendance at your committee meetings and also the very wide-ranging exchanges of views which, I believe, have begun to get onto an established footing bear witness to the fact that this is not merely a way of offering you a question and answer dialogue, but rather an expression of the Commission's willingness to approach Parliament and enter into the fullest discussions of the various problems, both in the committees and—I shall return to this in a moment—in the plenary sittings. Moreover, to a large extent, this is no more than the continuation of a dialogue which is already established, for much was done by previous Commissions in response to requests from your Assembly or its Bureau.

However, I can already tell you how much we are determined to avail ourselves to the full extent of the powers given by the Treaties in a field where no lengthy studies are required, since it is largely a matter of mental attitudes and political will. I would like to talk about the importance which we shall attach to the opinions you will be delivering on our proposals. The Commission assumes that the main texts which it is to submit to you and notably, in the near future, the texts required

of us following the Summit Conference, will be the subject of political debates in your Assembly from which clear and firm positions will emerge. I can tell you already that the Commission, which will have taken an active part in your discussions, will be willing to reexamine its proposals in the light of your opinions and to amend them, where necessary, in accordance with Article 149 (2) of our Treaty. We wish to give that Article its full political weight, over and above mere technical responses to amendments of detail.

A second deadline is approaching rapidly. On the basis of the report which the Commission is to submit before 1 May 1973, the Community institutions and, where appropriate, the representatives of the Governments of the Member States are invited to decide on the measures relating to the distribution of duties and responsibilities between the Community institutions and the Member States which are necessary to the proper functioning of Economic and Monetary Union. I cannot yet give you any indication of our intentions in this matter, since the content of our technical proposals will obviously determine the scope of the institutional proposals; but you may rest assured that we are aware of that deadline and of its importance.

When I spoke to you on 10 January, I stated that the Commission intends to adhere strictly to the undertakings given by its predecessors in respect of your budgetary powers; you recalled these undertakings on 12 December last. I now solemnly confirm these undertakings before you. In the first half of this year the Commission intends to submit its proposals for increasing the budgetary powers accorded to you in the Treaty of Luxembourg.

In drawing up these texts the Commission is ready to consider the opinions which your Assembly or its responsible committee will communicate to it, without prejudice to the institutional procedures which will come into play after the submission of our proposals.

Thus, in the coming months we shall have several opportunities of going more deeply into the question of the Parlia-

ment's powers, having regard, admittedly, to undertakings already given but also to the question of the allocation of duties between the Member States and the Community. For our part, we are determined to bear in mind the need to ensure that our institutions can function democratically by associating our peoples as far as possible with the life of the Community.

We are all the more encouraged in this course since we have now been given the major objective of transforming all relations between Member States into a European Union before the end of 1980. Your distinguished Assembly, like the Commission, will have to take part in drawing up the report which the institutions must make before the end of 1975. This will provide an opportunity for outlining, in the light of the experience of our institutions and in particular of experience gained during the first stages of Economic and Monetary Union, an overall conception of the aims and structures of the European Union, which also means a conception of a European democracy, a modern democracy reflecting the needs of the Community of the Nine and the requirements of the new society at the end of this century.

It is in this perspective that the Commission, during its term of office, intends to contribute to the development of your institution. The dialogue which will be established with the Assembly, and the debates which you will hold on this grand design, will be vital elements in determining the substance of our own initiatives.

*An overall process in the light of an overall vision*

I have now fulfilled my duty in completing the necessary task of outlining the Commission's plans for the year ahead, naming the issues to which it intends to give particular attention, and giving a few early indications and at least the general framework of what this year could hold for Europe.

Let me say that this type of exercise is unsatisfactory from two points of view.

It is essential to say what we are going to do. And because it is essential to say what we are going to do, one cannot avoid going into some detail. This clearly tends to place all the various points on an equal footing, despite any efforts one makes to lay particular stress on any of them. Moreover, it is quite clear that there are two or three major options of far-reaching significance on which, although we must maintain an overall view, we shall be working day after day.

When talking of external relations, I ended by saying that when one sets forth the policy, it has the outward appearance of a series of interlocking policies. But there can be no doubt that one of our tasks in the future will be to ensure that the various policies we propose are consistent with each other.

A second issue is that of Economic and Monetary Union, which is basically two problems.

Firstly, are we able to make a range of policies converge to the critical stage when it will be possible to say: yes, this is union?

Secondly, are we capable of achieving a joint economic and monetary policy together? I do not refer here to the specific problems, the “flanking” or “accompanying” policies, or to matters of detail or particular measures which may be introduced as part of Economic and Monetary Union, but to accelerating the process of preparing the ground for the setting-up of the monetary cooperation fund and to the problems of establishing a monetary union. This is one of the Commission’s tasks—to seek an overall process which will be both comprehensive and sufficiently rapid to enable us to keep abreast of rapidly changing circumstances and the very real needs of Europe?

The same is equally true of social matters as a whole, which are extremely difficult, because they relate, not only to the manner in which our peoples will be associated with our work, but also to the way in which they see the objectives of our endeavours. How are we going to set all this in motion?

We shall be doing everything in our power to ensure that our action is sufficiently broad-fronted to be an overall policy,

rather than an accumulation of technical decisions which would lack the overall perspective of a policy as such.

In presenting a document like this, one realizes that it is very difficult at the beginning of our term of office to talk of problems on which much work is to be done and a collegiate conviction is yet to be defined. Inevitably, our standpoint at this stage is derived from what we have adopted from proposals already made or the first ideas we have formulated ourselves. But a whole process is under way: files are being made up, and aspects of both monetary and regional policy are under close examination as we bring our minds to bear on them in small select working parties. All this makes one realize how very difficult it is to present a work programme in the wake of the Summit Conference, which has added much new work, and before the Commission has finalized its philosophy.

This is not to say that we find our task too difficult. On the contrary, we find it thoroughly exhilarating and are determined to carry it through, occasionally standing back from the close work to get a better view of the overall pattern of the tapestry we are stitching.

Clearly, we shall be discussing the overall pattern with you just as much as the detail. As I mentioned a few moments ago, I hope that there will be comprehensive debates when the time comes for discussing common policies. Indeed, it is the general line we take which will be most important, and this, I believe, is the level at which you have much to contribute, the area in which we consider the political dialogue assumes its true dimension. At all events, let me assure you once again that, in the Commission, you will find a partner.

**THE ACTIVITIES OF THE COMMUNITIES IN 1972**

## CHAPTER I

## THE DEVELOPMENT OF THE INSTITUTIONS

1. The year 1972 was marked by an intensification of political cooperation, deeper thinking on the reform of the institutions, and the results of the Paris Summit of Heads of State or Government in October. This Conference laid down the main lines of Community development for the coming years and set itself the "major objective of transforming before the end of the present decade, and with the fullest respect for the Treaties already signed, the whole complex of the relations of Member States into a European Union".

*Cooperation between the Member States in the  
field of external policy, and progress towards  
political unification*

2. In 1972 the acceding States took part in the work accomplished in the field of political cooperation. The Political Committee held six sessions and the Ministers of Foreign Affairs met on 26/27 May and 20/21 November. The Commission took part in these meetings of the Foreign Affairs Ministers, particularly as regards the preparatory work for a conference on security and cooperation in Europe (economic and commercial aspects) and in certain aid measures to Near East refugees. For these same questions the Commission representatives were invited to be present at the work of the Political Committee and the responsible specialist groups. The Ministers of Foreign Affairs maintained with the European Parliament the contacts established since the adoption, on 27 October 1970, of the Luxembourg report on the problems of political unification. The Minister in the chair presented his annual statement in plenary session, and there were two colloquia between this Minister and the Political Committee of the Parliament, with the Commission present.

At the Summit Conference the Heads of State or Government decided to step up political cooperation. They specified that "on matters which have a



direct bearing on Community activities, close contact will be maintained with the Community institutions”.

The Commission appreciated the progress registered in the sphere of political cooperation. It has taken the necessary action so that, in the fields which are of the competence of the Communities, the Community institutions should be called upon to make the appropriate decisions while respecting the rules of the Treaty. During the preparatory work for the Summit Conference, it stressed the need to highlight the fact that Community development must gradually lead to the disappearance of the distinction between Community problems and problems which are a matter for political cooperation. The objective of a European Union fixed by the Summit communiqué appears to correspond to the same concern.

### *Towards a reform of institutional structures and increased powers for the European Parliament*

3. In 1971 already, with the aim of preparing the proposals it had undertaken to present, to increase the powers of the European Parliament, the Commission had set up a group of independent personalities under the chairmanship of Doyen Georges Vedel. This group, whose task was to examine the whole corpus of problems connected with the reinforcement of the legislative and budgetary powers of the Parliament, presented its report on 25 March 1972.<sup>1</sup>

The group's report proved an extremely useful tool in working out the Commission's contributions to the Summit Conference in the institutional field.

During the preparatory studies for this conference, the Commission stressed the need for an immediate reinforcement of the effectiveness of the institutions in the framework of the present treaties. It showed that it was indispensable to handle in the Community framework all activities leading to a deepening of integration in those fields not expressly covered by the Treaties (either by amending the latter or by using all the possibilities they offer, in particular Article 235 (EEC). Finally, it placed the accent on the need, from the angle of the economic and monetary union and the European Union envisaged by the Paris Summit, to strengthen the role and the powers of the European Parliament and democratic control in the Communities.

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<sup>1</sup> See also sec. 560. The Vedel Report was published as *Supplement 4/72* to the *EC Bulletin*.

As regards in particular the measures to increase the Parliament's powers rapidly, the Commission requested the Conference of Heads of State or Government to agree that, at the beginning of 1973, immediately after enlargement, the Community institutions should inaugurate the procedures under Article 236 of the EEC Treaty and the corresponding articles of the other Treaties, so that the Parliament would be in a position, in 1975 at the latest:

- (i) To participate in the decision-making power in all important matters leading up to the framing of legal instruments of general scope;
- (ii) To exercise a power of "last word", comparable to the one that the Parliament will have at that time in the budget field, for certain areas of execution of the Treaties, such as approximation of legislation;
- (iii) To have extended budget powers along the lines indicated in the Council declaration annexed to the Treaty of 22 April 1970.

At the same time, the Commission requested that the Summit Conference should undertake a precise commitment on a calendar which would ensure, at the earliest date possible, and by 1980 at the latest, the installation of a Parliament elected by direct universal suffrage, in implementation of Article 138 of the EEC Treaty and of the corresponding articles of the other Treaties.

In the course of the Paris Conference the Commission intervened vigorously to obtain such a commitment from the Governments. However, it was not possible to reach agreement on this point, despite the efforts of several delegations, and the Commission publicly regretted this.

4. On the occasion of the signing of the Treaty of 22 April 1970 amending certain budget provisions, the Commission undertook to lodge, at the latest within two years, a new draft for the extension of the budget powers of the European Parliament. As the Commission explained to the Parliament, in particular during the debate on 11 and 12 December 1972, it thought inadvisable to lodge such projects during 1972, at a time when approval of the enlargement treaty was giving rise to particularly difficult debates in the Parliaments and public opinion of certain acceding countries. To propose, at such a time, amendments to the Treaties establishing the Communities to which these countries were preparing to adhere, could have been exploited by opponents of membership. The negative outcome of the referendum in Norway showed how well founded these anxieties were.

When the Enlargement Treaty was ratified by Denmark, Ireland and the United Kingdom, less than three months remained before enlargement was actually to become a fact. The Commission considered that it was preferable for the proposals awaited to be established by the Commission of the enlarged

Community with the full participation of the Members from the Nine so that they would find the widest possible audience with the Governments and the Parliaments of the Member Countries. The debate on this question in the Parliament led the latter to adopt, on 12 December 1972, a resolution in which it noted the undertaking of the present Commission to request the enlarged Commission that the commitments of April 1970 would be honoured as a matter of priority and in the shortest possible time, ... and urged the Commission simultaneously to work out proposals for the legislative powers of the Parliament taking into account the decisions of the Summit Conference.

### *The Summit Conference*

5. The Heads of State or Government of the enlarged Community held a first Summit Conference in Paris from 19 to 21 October 1972. In June 1971, the European Parliament had requested that such a conference be organized. The President of the French Republic had taken the initiative of convoking this meeting, which was prepared by a large number of contacts and studies, both in the Community and between Governments. The Commission made its full contribution to the preparation and conduct of the Conference.

In general the results of the Summit were assessed by the Commission as positive. Subject to the position it had expressed concerning direct election and the powers of the European Parliament, the Commission was happy at the Community nature of the procedures for implementing economic and monetary union and gradually creating the European Union. The conclusions of the Summit as regards the development of the Community are extremely constructive. High priority is given to the framing of a far-reaching common social policy. The obstacles to the adoption of the basic instruments of regional policy have been removed. Important commitments have been entered upon for the achievement of economic and monetary union, industrial policy and the other common policies. The passages of the declaration concerning external policy assume great importance from the angle of the negotiations to come. However, the Commission would have liked more substantial commitments to be undertaken in favour of the developing countries.

The Conference has written a new chapter to the Rome Treaty and has drawn up an ambitious programme for the enlarged Community. For the implementation of its conclusions, entrusted to the Community institutions, a working programme has been laid down in accordance with a precise timetable, which should lead to the completion of economic and monetary union and the creation of the European Union between now and 1980, as witnessed by the

declaration made public at the end of the Conference in the form of a final communique.

#### DECLARATION

'The Heads of State or Government of the countries of the enlarged Community, meeting for the first time on October 19 and 20 in Paris, at the invitation of the President of the French Republic, solemnly declare:

'At the moment when enlargement, decided in accordance with the rules in the Treaties and with respect for what the six original Member States have already achieved, is to become a reality and to give a new dimension to the Community;

'At a time when world events are profoundly changing the international situation;

'Now that there is a general desire for detente and cooperation in response to the interest and the wishes of all peoples;

'Now that serious monetary and trade problems require a search for lasting solutions that will favour growth with stability;

'Now that many developing countries see the gap widening between themselves and the industrial nations and claim with justification an increase in aid and a fairer use of wealth;

'Now that the tasks of the Community are growing, and fresh responsibilities are being laid upon it, the time has come for Europe to recognize clearly the unity of its interests, the extent of its capacities and the magnitude of its duties;

'Europe must be able to make its voice heard in world affairs, and to make an original contribution commensurate with its human, intellectual and material resources. It must affirm its own views in international relations, as befits its mission to be open to the world and for progress, peace and cooperation.

'To this end;

'(1) The Member States reaffirm their determination to base the development of their Community on democracy, freedom of opinion, the free movement of people and of ideas and participation by their peoples through their freely elected representatives;

'(2) The Member States are determined to strengthen the Community by establishing an economic and monetary union, the guarantee of

'stability and growth, the foundation of their solidarity and the indispensable basis for social progress, and by ending disparities between the regions;

'(3) Economic expansion is not an end in itself. Its firm aim should be to 'enable disparities in living conditions to be reduced. It must take place 'with the participation of all the social partners. It should result in an 'improvement in the quality of life as well as in standards of living. As 'befits the genius of Europe, particular attention will be given to intangible 'values and to protecting the environment, so that progress may really be 'put at the service of mankind;

'(4) The Community is well aware of the problem presented by continuing 'underdevelopment in the world. It affirms its determination, within the 'framework of a worldwide policy towards the developing countries, to 'increase its effort in aid and technical assistance to the least favoured 'people. It will take particular account of the concerns of those countries 'towards which, through geography, history and the commitments entered 'into by the Community, it has specific responsibilities;

'(5) The Community reaffirms its determination to encourage the develop- 'ment of international trade. This determination applies to all countries 'without exception. The Community is ready to participate, as soon as 'possible, in the open-minded spirit that it has already shown, and accord- 'ing to the procedures laid down by the IMF (International Monetary 'Fund) and the GATT (General Agreement on Tariffs and Trade) in 'negotiations based on the principle of reciprocity. These should make 'it possible to establish, in the monetary and commercial fields, stable and 'balanced economic relations, in which the interests of the developing 'countries must be taken fully into account.

'(6) The Member States of the Community, in the interests of good 'neighbourly relations which should exist among all European countries 'whatever their regime, affirm their determination to pursue their policy of 'detente and of peace with the countries of Eastern Europe, notably on 'the occasion of the conference on security and cooperation in Europe, and 'the establishment on a sound basis of a wider economic and human 'cooperation;

'(7) The construction of Europe will allow it, in conformity with its 'ultimate political objectives, to affirm its personality while remaining 'faithful to its traditional friendships and to the alliances of the Member 'States, and to establish its position in world affairs as a distinct entity 'determined to promote a better international equilibrium, respecting the

'principles of the Charter of the United Nations. The Member States of the Community, the driving force of European construction, affirm their intention to transform before the end of the present decade the whole complex of their relations into a European union.

*'Economic and monetary questions*

'(1) The Heads of State or Government reaffirmed the determination of the Member States of the enlarged European Communities irreversibly to achieve the economic and monetary union, confirming all the elements of the instruments adopted by the Council and by the representatives of Member States on 22 March 1971, and 21 March 1972.

'The necessary decisions should be taken in the course of 1973 so as to allow the transition to the second stage of the economic and monetary union on 1 January 1974 and with a view to its completion not later than 31 December 1980.

'The Heads of State or Government reaffirmed the principle of parallel progress in the different fields of the economic and monetary union.

'(2) They declared that fixed but adjustable parities between their currencies constitute an essential basis for the achievement of the union and expressed their determination to set up within the Community mechanisms for the defence and mutual support which would enable Member States to ensure that they are respected.

'They decided to institute before 1 April 1973 by solemn instrument, based on the EEC Treaty, a European Monetary Cooperation Fund which will be administered by the Committee of Governors of Central Banks within the context of general guidelines on economic policy laid down by the Council of Ministers. In an initial phase the Fund will operate on the following basis:

- '(a) Concerted action among the Central Banks for the purposes of narrowing the margins of fluctuations between their currencies;
- '(b) The multilateralization of positions resulting from interventions in Community currencies and the multilateralization of intra-Community settlements;
- '(c) The use for this purpose of a European monetary unit of account;
- '(d) The administration of short-term monetary support among the Central Banks;

(e) The very short-term financing of the agreement on the narrowing of margins and short-term monetary support will be regrouped in the fund under renovated mechanism. To this end, short-term support will be adjusted on the technical plane without modifying its essential characteristics and in particular without modifying the consultation procedures they involve.

The competent bodies of the Community shall submit reports:

- (a) Not later than 30 September 1973, on the adjustment of short-term support;
- (b) Not later than 31 December 1973, on the conditions for the progressive pooling of reserves.

(3) The Heads of State or Government stressed the need to coordinate more closely the economic policies of the Community and for this purpose to introduce more effective Community procedures.

Under existing economic conditions they consider that priority should be given to the fight against inflation and to a return to price stability. They instructed their competent ministers to adopt, on the occasion of the enlarged Council of 30 and 31 October, 1972, precise measures in the various fields which lend themselves to effective and realistic short-term action towards these objectives and which take account of the respective situations of the countries of the enlarged Community.

(4) The Heads of State or Government expressed their determination that the Member States of the enlarged Community should contribute by a common attitude to directing the reform of the international monetary system towards the introduction of an equitable and durable order.

They consider that this system should be based on the following principles:

- (a) Fixed but adjustable parities;
- (b) The general convertibility of currencies;
- (c) Effective international regulation of the world supply of liquidities;
- (d) A reduction in the role of national currencies as reserve instruments;
- (e) The effective and equitable functioning of the adjustment process;
- (f) Equal rights and duties for all participants in the system;
- (g) The need to lessen the unstablizing effects of short-term capital movements;
- (h) The taking into account of the interests of the developing countries.

‘Such a system would be fully compatible with the achievement of the economic and monetary union.

*‘Regional policy*

‘(5) The Heads of State or of Government agreed that a high priority should be given to the aim of correcting, in the Community, the structural and regional imbalances which might effect the realization of economic and monetary union.

‘The Heads of State or of Government invited the Commission to prepare without delay, a report analysing the regional problems which arise in the enlarged Community and to put forward appropriate proposals.

‘From now on they undertake to coordinate their regional policies. Desirous of directing that effort towards finding a Community solution to regional problems, they invite the Community institutions to create a Regional Development Fund. This will be set up before 31 December 1973 and will be financed, from the beginning of the second phase of economic and monetary union, from the Community’s own resources. Intervention by the Fund in coordination with national aids should permit, progressively with the realization of economic and monetary union, the correction of the main regional imbalances in the enlarged Community and particularly those resulting from the preponderance of agriculture and from industrial charge and structural underemployment.

*”Social policy*

‘(6) The Heads of State or Government emphasized that they attached as much importance to vigorous action in the social field as to the achievement of the economic and monetary union. They thought it essential to ensure the increasing involvement of labour and management in the economic and social decisions of the Community. They invited the institutions, after consulting labour and management, to draw up, between now and 1 January 1974, a programme of action providing for concrete measures and the corresponding resources particularly in the framework of the Social Fund, based on the suggestions made in the course of the conference by Heads of State or Government and by the Commission.

‘This programme should aim, in particular, at carrying out a coordinated policy for employment and vocational training, and improving working



'conditions and conditions of life, at closely involving workers in the  
'progress of firms, at facilitating on the basis of the situation in the different  
'countries the conclusion of collective agreements at European level in  
'appropriate fields and at strengthening and coordinating measures of  
'consumer protection.

*'Industrial, scientific and technological policy*

'(7) The Heads of State or of Government consider it necessary to seek  
'to establish a single industrial base for the Community as a whole.

'This involves the elimination of technical barriers to trade as well as the  
'elimination, particularly in the fiscal and legal fields, of barriers which  
'hinder closer relations and mergers between firms, the rapid adoption of  
'a European company statute, the progressive and effective opening up of  
'public sector purchases, the promotion on a European scale of firms  
'competitive in the field of high technology, the transformation and conver-  
'sion of declining industries, under acceptable social conditions, the formu-  
'lation of measures to ensure that mergers affecting firms established in the  
'Community are in harmony with the economic and social aims of the  
'Community, and the maintenance of fair competition as much within the  
'Common Market as in external markets in conformity with the rules laid  
'down by the Treaties.

'Objectives will need to be defined and the development of a common  
'policy in the field of science and technology ensured. This policy will  
'require the coordination, within the institutions of the Community, of  
'national policies and joint implementation of projects of interest to the  
'Community.

'To this end, a programme of action together with a precise time-table and  
'appropriate measures should be decided by the Community's institutions  
'before 1 January 1974.

*'Environment policy*

'(8) The Heads of State or Government emphasized the importance of a  
'Community environmental policy. To this end they invited the Community  
'institutions to establish, before 31 July 1973, a programme of action  
'accompanied by a precise timetable.

*'Energy policy*

'(9) The Heads of State or Government deem it necessary to invite the 'Community institutions to formulate as soon as possible an energy policy 'guaranteeing certain and lasting supplies under satisfactory economic 'conditions.

*'External Relations*

'(10) The Heads of State or Government affirm that their efforts to 'construct their Community attain their full meaning only in so far as 'Member States succeed in acting together to cope with the growing world 'responsibilities incumbent on Europe.

'(11) The Heads of State or Government are convinced that the Community 'must, without detracting from the advantages enjoyed by countries with 'which it has special relations, respond even more than in the past to the 'expectations of all the developing countries.

'With this in view, it attaches essential importance to the policy of associa- 'tion as confirmed in the Treaty of Accession and to the fulfilment of its 'commitments to the countries of the Mediterranean basin with which 'agreements have been or will be concluded, agreements which should be 'the subject of an overall and balanced approach.

'In the same perspective, in the light of the results of the UNCTAD 'Conference and in the context of the development strategy adopted by the 'United Nations, the institutions of the Community and Member States 'are invited progressively to adopt an overall policy of development 'cooperation on a world-wide scale, comprising, in particular, the follow- 'ing elements:

- '(a) The promotion in appropriate cases of agreements concerning the primary products of the developing countries with a view to arriving at market stabilization and an increase in their exports;
- '(b) The improvement of generalized preferences with the aim of achieving a steady increase in imports of manufactures from the developing countries. In this connection the Community institutions will study from the beginning of 1973 the conditions which will permit the achievement of a substantial growth target;
- '(c) An increase in the volume of official financial aid;

'(d) An improvement in the financial conditions of this aid, particularly in favour of the least developed countries, bearing in mind the recommendations of the OECD Development Assistance Committee.

'These questions will be the subject of studies and decisions in good time during 1973.

'(12) With regard to the industrial countries, the Community is determined, in order to ensure the harmonious development of world trade:

'(a) To contribute, while respecting what has been achieved by the Community, to a progressive liberalization of international trade by measures based on reciprocity and relating to both tariffs and non-tariff barriers;

'(b) To maintain a constructive dialogue with the United States, Japan, Canada and its other industrialized trade partners in a forthcoming spirit, using the most appropriate methods.

'In this context the Community attaches major importance to the multi-lateral negotiations in the context of GATT, in which it will participate in accordance with its earlier statement.

'To this end, the Community institutions are invited to decide, not later than 1 July 1973, on a global approach.

'The Community hopes that an effort on the part of all partners will allow these negotiations to be completed in 1975.

'It confirms its desire for the full participation of the developing countries in the preparation and progress of these negotiations, which will have to take due account of the interests of those countries.

'Furthermore, having regard to the agreements concluded with the EFTA countries which have not become members, the Community declares its readiness to seek with Norway a speedy solution to the trade problems facing that country in its relations with the enlarged Community.

'(13) In order to promote detente in Europe, the Conference reaffirmed its determination to follow a common commercial policy towards the countries of Eastern Europe with effect from 1 January 1973. Member States declared their determination to promote a policy of cooperation, founded on reciprocity, with these countries.

'This policy of cooperation is, at the present stage, closely linked with the preparation and progress of the Conference on Security and Cooperation

'in Europe to which the enlarged Community and its Member States are  
'called upon to make a concerted and constructive contribution.

*'Political Cooperation*

'(14) The Heads of State or of Government agreed that political coopera-  
'tion between the Member States of the Community on foreign policy  
'matters had begun well and should be still further improved. They agreed  
'that consultations should be intensified at all levels and that the foreign  
'ministers should in future meet four times a year instead of twice for this  
'purpose. They considered that the aim of their cooperation was to deal  
'with problems of current interest and, where possible, to formulate  
'common medium and long-term positions, keeping in mind, *inter alia*,  
'the international political implications, and effects of the Community  
'policies in the process of being framed. On matters which have a direct  
'bearing on Community activities, close contact will be maintained with  
'the institutions of the Community. They agreed that the Foreign Ministers  
'should produce, not later than 30 June 1973, a second report on methods  
'of improving political cooperation in accordance with the Luxembourg  
'Report.

*'Reinforcement of institutions*

'(15) The Heads of State or Government recognized that the structures  
'of the Community had proved themselves, though they felt that the  
'decision-making procedures and the functioning of the institutions should  
'be improved, in order to make them more effective.

'The Community institutions and, where appropriate, the representatives  
'of the Governments of Member States are invited to decide before the  
'end of the first stage in the achievement of the economic and monetary  
'union, on the basis of the report which the Commission, pursuant to the  
'resolution of 22 March 1971, is to submit before 1 May 1973, on the  
'measures relating to the distribution of competences and responsibilities  
'among the Community institutions and Member States which are neces-  
'sary to the proper functioning of an economic and monetary union.

'They felt it desirable that the date on which meetings of national cabinets  
'were normally held should be the same so that the Council of the Com-  
'munity could organize itself with a more regular timetable.

'Desiring to strengthen the powers of control of the European Parliamentary Assembly, independently of the date on which it will be elected by universal suffrage under Article 138 of the Treaty of Rome, and to make their contributions towards improving its working conditions, the Heads of State or Government, while confirming the decision of 22 April 1970, of the Council of the Community, invited the Council and the Commission to put into effect without delay the practical measures designed to achieve this reinforcement and to improve the relations both of the Council and of the Commission with the Assembly.

'The Council will, before 30 June 1973 take practical steps to improve its decision-making procedures and the cohesion of Community action.

'They invited the Community institutions to recognize the right of the Economic and Social Committee in future to advise on its own initiative on all questions affecting the Community.

'They were agreed in thinking that, for the purpose in particular of carrying out the tasks laid down in the different programmes of action, it was desirable to make the widest possible use of all the dispositions of the Treaties, including Article 235 (EEC), in future.

#### *'European Union*

'(16) The Heads of State or Government, having set themselves the major objective of transforming, before the end of the present decade and with the fullest respect for the Treaties already signed, the whole complex of the relations of Member States into a European Union, request the institutions of the Community to draw up a report on this subject before the end of 1975 for submission to a later Summit Conference.'

## CHAPTER II

ENLARGEMENT AND AGREEMENTS WITH  
THE NON-ACCEDING EFTA COUNTRIES

## 1. Entry into force of the accession treaties

*Ratification of the Acts of Accession*

6. Ratification took place during 1972 of the acts relating to the accession to the European Communities of the Kingdom of Denmark, Ireland and the United Kingdom of Great Britain and Northern Ireland, which were signed at Brussels on 22 January 1972.<sup>1</sup>

The Norwegian Government, which had originally signed the acts on 22 January informed the President of the Council on 9 October that following the unfavourable result of the advisory referendum held on 25 September 1972 (53.49% against and 46.51% in favour) it would not bring the Ratification Bill before the Norwegian Parliament.

*The Community of Six*

7. In Germany the Ratification Bill was adopted unanimously by the Bundestag on 21 May 1972 and by the Bundesrat on 7 July 1972. The vote in the Belgian Chamber took place on 7 December 1972 (164 in favour and 5 against (communists)) and in the Senate on 29 June 1972 (138 in favour, one abstention). In France the referendum on 21 April 1972 (67.86% in favour, 32.14% against) concluded the ratification procedure. In Italy the Chamber gave final approval to the acts on 6 December and the Senate on Tuesday 19 December. In Luxembourg the Parliament ratified the Acts of Accession on 17 October 1972 (fifty deputies voted for the ratification and six (Communists) against). In the Netherlands the Second Chamber adopted the Ratification Bill on

<sup>1</sup> For the signature of the Treaties of Accession see the *Fifth General Report*: Introduction and Chapter II.

14 September 1972 (unanimously apart from the Communists, the Socialist-pacifists and one other member). The first Chamber voted unanimously in favour on 14 November except for the three Communist Senators.

#### *Acceding countries*

8. In Denmark the Queen signed the draft Treaty on 11 October 1972 after the favourable result of the referendum which had taken place on 2 October (63.5% in favour, 36.5 against). The results of the referendum of 10 May 1972 on the amendments to the Irish Constitution necessary for Ireland's accession to the Communities were as follows: 83.1% in favour, 16.9% against.

In the United Kingdom the House of Commons gave the Bill a third reading on 14 July 1972; the House of Lords did likewise on 20 September 1972. The Royal Assent declared to Parliament on 16 October concluded the ratification procedure.

#### *Interim period*

9. The "Procedure for the adoption of certain Decisions and new Measures to be taken during the period preceding Accession" annexed to the Final Act of this Negotiating Conference stipulated that as soon as preparatory work at Community level, with a view to the adoption of decisions by the Council, had produced common guidelines enabling consultations to be usefully arranged, such consultations should be held if an acceding State should make a reasoned request for them.

In practice the acceding States have requested consultations on a number of subjects, for example economic and monetary union, fixing of agricultural prices, guidelines for the negotiations with the EFTA Member States and Associates which had not applied for membership and with certain countries of the Mediterranean Basin, and directives relating to the approximation of the Member States' legislation. The consultations took place within an Interim Committee composed of representatives of the Communities and of the acceding States. The Commission, which took part in the Committee's work, played an active role in the development of this procedure by using its right of initiative to take into account the existing position and to assess the different situations which will arise in the enlarged Community.

Further, the representatives of the acceding States were associated as observers, side by side with the representatives of the present Member States, with the work on the negotiation of agreements with the EFTA countries which

have not applied for membership of the Communities, and also the negotiation of certain amendments to the preferential agreements concluded under the Treaties establishing the European Communities—for example the agreements concluded with certain countries in the Mediterranean Basin—and certain non-preferential agreements concluded by the Community which remain in force after 1 January 1973.

10. As regards the Commission, any of its proposals and communications which could lead to decisions by the Council were made known to the acceding States as soon as they had been forwarded to the Council. Moreover when drawing up its proposals or communications the Commission took all the necessary factors into account to judge the effects of those proposals in the light of the enlargement of the Community.

Moreover so as to ensure that its own decisions take due account of the interests of the acceding States, the Commission has consulted them before adopting any decision which might affect them as future members of the Community.

In the light of the experience gained since 22 January last, the procedure laid down by the Conference may be said to have functioned to the satisfaction of all concerned. Moreover, it has given the acceding States the opportunity to become familiar gradually with the working of the Community's institutions. In this context it must be emphasized that since the beginning of October 1972 the acceding States have taken part as observers in the meetings of certain institutional organs (e.g. special agriculture committee, agricultural management committees, customs committees, and Monetary Committee since 24 March 1972).

### *Adaptation of the acts of the Institutions*

11. In accordance with Article 30 of the Act of Accession adaptations of the acts listed in Annex II to that Act were drawn up in conformity with the guidelines specified therein and according to the procedure and in the manner stipulated in Article 153 of the Act of Accession.

### *Applicability of the acts of the Institutions*

12. Article 155 of the Act of Accession stipulates that the texts of the acts of the institutions of the Communities adopted before accession and drawn up by the Council or the Commission in the English and Danish languages shall,



from the date of accession, be authentic under the same conditions as the texts drawn up in the original four languages.

The Commission has therefore translated the texts in question, or revised them, in collaboration with the British and Danish authorities and the Secretariat of the Council.

### *Adjustment of the instruments upon non-accession by Norway*

13. The Council of the enlarged Community adopted on 1 January 1973 a decision adjusting the instruments concerning the accession of new Member States to the Communities because Norway had not deposited its instruments of accession and had not become a member of the Communities. The main adjustments, apart from certain specific references to the Kingdom of Norway being declared non-applicable by this decision, are the following:

#### *Council*

- (a) The Council is composed of nine members, one for each country.
- (b) Qualified majority with weighting of votes:

The votes of the members of the Council are weighted as follows: Germany 10, France 10, Italy 10, United Kingdom 10, Belgium 5, Netherlands 5, Denmark 3, Ireland 3, Luxembourg 2, total 58. The qualified majority, in the case of a decision on a proposal from the Commission, requires at least 41 votes. If the Council is not acting on a proposal from the Commission, a decision requires 41 votes expressing the approval of at least 6 members.

#### *Commission*

Following another Council decision of 1 January 1973 based on Article 10 of the Treaty establishing a single Council and a single Commission of the European Communities, the number of members of the Commission is 13.

The number of vice-presidents of the Commission continues to be 5.

#### *European Parliament*

The number of the members of the Parliament becomes 198, broken down as follows:

Germany 36, France 36, Italy 36, United Kingdom 36, Belgium 14, Netherlands 14, Denmark 10, Ireland 10, Luxembourg 6.

*Economic and Social Committee*

The total number of members of the ESC becomes 144, distributed as follows: Germany 24, France 24, Italy 24, United Kingdom 24, Belgium 12, Netherlands 12, Denmark 9, Ireland 9, Luxembourg 6.

*Court of Justice*

The Court of Justice will be composed of nine Judges and will be assisted by 4 Advocates-General.

*European Investment Bank*

The Bank's capital amounts to 2 025 million units of account. For a qualified majority of the Board of Directors 12 votes are required.

*Other Committees*

The number of members of Euratom's Scientific and Technical Committee is to be 27, with 5 members for the United Kingdom, and one each for Denmark and Ireland. For the other committees set up by Community secondary legislation, the number of members will be adapted to the new circumstances of enlargement.

*Application of the system of own resources*

The financial contributions of the new Member States to the budget of the Communities will be as follows:

- |                      |        |
|----------------------|--------|
| (i) Denmark          | 2.46%  |
| (ii) Ireland         | 0.61%  |
| (iii) United Kingdom | 19.32% |

## 2. Agreements with the Member and Associate States of EFTA not applying for membership

### *Results of the negotiations*

14. On 22 July 1972, five months before formal enlargement, the enlarged Community performed its first act of international policy in completing the negotiations for free trade agreements in the industrial field also covered by the Treaties of Rome (EEC, Euratom) and Paris (ECSC) with Austria, Finland, Iceland, Portugal, Sweden and Switzerland.

In doing so, the Community well and truly bore out the affirmation made by the Commission in its Opinion sent to the Council on 21 January 1972 concerning the Accession negotiations and according to which: "The enlargement, while protecting the internal cohesion and dynamism of the Community, will help to strengthen its part in the development of international relations."

But in reaching this conclusion, it must be remembered that it was during the Hague Conference of Heads of State or Government on 2 December 1969 that the political decision was taken to start negotiations with the four European countries applying for membership, of whom three are members of the European Free Trade Association (EFTA). Paragraph 14 of the final communiqué from the Conference said, "As soon as the negotiations with the applicant countries have been opened, discussions will start with the other Member countries of EFTA as requested in their position in relation to the EEC."

15. All the Member countries of EFTA not applying for membership asked for such discussion to be opened.

The initial outline of the Community's approach to its future relations with the EFTA countries in question was prepared during this first half of 1970 and presented as follows by the Council Chairman, Mr Pierre Harmel, during the first meeting concerning the negotiations with the applicant countries, which was held in Luxembourg on 30 June 1970:

"The Community is prepared to open discussions with the European States that are members of EFTA and have asked for membership of the Community. The discussion would centre on the quest for possible solutions to issues raised by the enlargement and thus make it possible for these States to contribute to the work of European construction.

Regarding these discussions, I reiterate that the decisions taken at the Hague mean that an enlarged Community can only be conceived in terms of equal rights and obligations for all the Member States.

The Community could give its agreement for the discussions to begin next autumn through a meeting at ministerial level with the countries concerned who so desire it.

The agreements concluded with the countries concerned would commit the enlarged Community; therefore, the appropriate terms should be sought which will allow the applicant States to be brought in good time into the preparation and conclusion of the said agreement.

For practical reasons and in the interests of all the countries involved, the Community deems it desirable that these agreements should come into force simultaneously with the Accession Treaties.”

16. In the autumn of 1970, the Community worked out the basic principles for negotiation with these countries, concluding this preparatory task with the Council meeting of 10 November 1970. On the same day, the President of the Council, Mr Walter Scheel, (the German Foreign Minister) met the Swiss, Swedish and Austrian Delegations. 24 November, he met the Finnish, Portuguese and Icelandic Delegations. At these meetings, the Council President declared that the Community was aware of the ample contribution which the non-applicant countries had made and could in future make to European cooperation. He also expressed the conviction that these countries would understand how concerned the Community was to preserve its own construction all the more in that it had been the nucleus from which European unity had sprung. “The Community feels”, said the President, “that the solution to problems arising must be sought in such a way as to safeguard completely the autonomous powers of decision of the enlarged Community, its common policies, its smooth running and its development prospects”. Moreover, “the international commitments to which we subscribe especially those of GATT will have to be honoured.” And lastly, “neither we nor yourselves want to see new barriers put up against intra-European trade...”

### *Development of the negotiations*

17. Unlike under the procedure followed for the accession negotiations,<sup>1</sup> the Commission, pursuant to Article 113 of the Treaty of Rome, had direct responsibility for the negotiations with the non-applicant EFTA countries. In its task, the Commission was assisted by the special committee provided for in Article 113 in the work of which representatives of the four applicant countries took part.

<sup>1</sup> *Fifth General Report*, secs. 26-28.

As a result of this procedure that had been used on many occasions by the Community when concluding commercial agreements, the negotiations were carried out dynamically and completed within the time limits of the schedule laid down for enlargement (entry into force of the Agreements on 1 January 1973).

18. The negotiations were carried on in two stages.

The first one consisted of exploratory talks to define the size of the problem. An initial round of exploratory talks conducted by the Commission between 16 December and 8 January 1971 was followed by a second more detailed series, affording a more thorough investigation, between 22 February and 2 April 1971. This allowed the Commission to write up a complete report which was sent to the Council on 15 June 1971 along with draft directives for the negotiations proper. Meanwhile the Community reached the nucleus of an agreement with the countries applying for membership on the overall framework of the transitional accession measures and especially on industrial matters (the rate of customs dismantling and the setting up of the common external tariff by the applicant countries), which clarified the outlook on the solution to be put to the non-applicant EFTA States.

During its session of 29 November 1971 the Council was able to give the Commission its mandate to open the negotiations as such; they took place on the following dates: 3-18 December 1971, 16-28 March 1972, 7-21 June 1972, 5-6 July 1972 and 13-21 July 1972.

### *Content of the Agreements*

19. The various Agreements may be said to have one feature in common in that they all bear out one principle—free trade in industrial products—and lay down all the specific conditions necessary to carry out this principle.

But before getting that far, the Community had found itself faced with requests from the Swiss, Swedish and Austrian Delegations not to confine the Agreement to trade problems alone. Allowing for differences according to the special interests of their countries, the Delegations referred to several aspects of Community projects such as the removal of technical barriers, harmonization of laws, agreements made under Article 220 of the Treaty, etc. They also registered the interest taken by their countries in past and future moves for Community development, especially, for example, in the areas of industrial policy, energy policy, technology, environment, and economic and monetary union.

The Community felt throughout the negotiations that free trade in the industrial field that was, moreover, the essence of the commitments entered

into within EFTA was the absolute limit of commitments, which it could make at this stage as regards the non-applicant countries without risk to its own running and development. The Community construction is an entity based on common rules, special disciplines and global objectives: The Community's goals in economic integration cannot be attained if there is not full participation in this organization all the elements of which are interdependent. Now, Community rules and disciplines cannot be defined and administered outside the Community's institutional system, which is already complex enough for it to be unable to support a proliferation of additional procedures for consultation and insitutional cooperation.

One result of this initial stand adopted by the Community was the form itself of the Agreement, strictly bilateral in character, which was thus better fitted to meet the needs, sometimes divergent, of some non-applicant countries.

#### *A. General framework of the Agreements*

20. In each Agreement there is a preamble defining its scope in general terms. It stresses clearly that the various Agreements were concluded when the Community was enlarged and that the aim is to consolidate and amplify the existing economic relations between the various partners and to ensure, whilst observing fair conditions of competition, the harmonious development of their trade. The preamble also affirms that these Agreements conform to the provisions of GATT.

Except for the Agreement with Finland, the preamble states that the contracting parties are prepared to examine the scope for developing and amplifying their relations and, if it seems of value, to extend them to areas not covered by these Agreements.

21. Unlike the other preferential agreements concluded by the Community, these include an Article (an integral part of the Agreement) containing a number of objectives; namely, to boost economic activity, improve living and working conditions, expand production and promote financial stability.

Lastly, the contracting parties consider that in this way they are contributing by the removal of technical barriers to trade, to the harmonious development and the expansion of world trade.

In defining these objectives the Community along with its partners was keen to stress the value it attached to the expected quantitative aspect of growth in trade and perhaps even more on the qualitative improvements to be hoped for in concluding such agreements.

## B. *Arrangements for industrial products*

### *Field of Application*

22. The Agreements apply to products of chapters 25 to 99 of the CCT, except for certain agricultural items such as ovoalbumine, cork, flax and hemp. The Agreements also cover processed agricultural products.

### *Schedule for dismantling customs duties*

23. The schedule is the one adopted in the Accession Treaty, which provides for dismantlement of customs duties and fiscal customs charges in five stages of 20% from 1 April 1973 to 1 July 1977.

This parallel approach allows both free trade in industrial products to be maintained between former partners of EFTA and also, at the end of the transitional period, equal treatment for Member States of the Community in their trade relations with EFTA countries.

But an exception is made for Austria since the Interim Agreement with Austria, which came into force on 1 October 1972, gives that country a tariff advantage for 18 months. This applies in respect of the other EFTA countries and the new members.

As with the schedule, the same reference date was kept for the basic duty upon which successive reductions were to be made as that in the Accession Treaty, namely 1 January 1972. Allowance will be made after this date only for the customs reductions resulting from agreements concluded in connection with the Kennedy Round (American Selling Price) and from the Agreement on watches with Switzerland.

### *Arrangements for certain industrial products*

24. It should first be mentioned that no industrial product (the definition of this category of products naturally being that in force in the Community) has been excluded from the Agreements and that the initial tariff cuts begin for all of them on 1 April 1973. But it proved necessary both for the Community and her partners to provide for special arrangements for certain products. These arrangements provide, in general, for a longer period of dismantling than the normal one. For petroleum products the six Agreements contain a special protective clause valid until a common commercial policy for this sector or a common energy policy is worked out.

25. In the paper sector the very strong position in this sector enjoyed by Sweden, Finland and Austria made the Community fear that the sudden opening of frontiers would endanger this sector of Community industry, all the more in that those countries are at the same time producers of finished products and suppliers of raw materials. The Agreement therefore provides for phasing out an 11-year period of customs dismantlement (until 1 January 1984).

But for a large portion of products of Chapter 48 of the CCT, a global quantity is provided for imports from Sweden, Finland and Austria. This measure allows the Community to reintroduce the duty applicable to non-member countries according to certain detailed rules, for all quantities exceeding the amounts fixed each year.

It is only for this category of products that the Agreements depart from the principle under which no new duties should be brought in between the members of EFTA in the industrial sector. Denmark and the United Kingdom will have progressively to raise their customs duties against former partners for the first five years and then remove them at the same rate as those of the Community as originally constituted. But this measure is considerably weakened by the option those countries have of opening each year progressive zero-rate tariff quotas in respect of their former partners.

26. For products in the ferrous, non-ferrous and precious metals sector an extended period of dismantlement is provided for, running up to 1 January 1980, generally quantitative in character.

27. In the case of Switzerland as regards clockwork mechanisms provision was made for a departure from the principle of tariff dismantling involving the minimum rate of duty only. This is only of minor economic importance since this exception covered only 5% of the value of Swiss exports of watches to the EEC in 1971.

28. By reason of the special nature of the rules laid down by the Community for processed agricultural products, it became necessary to provide special conditions for these products so as to avoid any harmful effects on the common agricultural policy on account of concessions in this field. This is why concessions were provided on only the fixed component of customs protection of these products with none allowed on the variable component. This variable element is to compensate the gap between world prices and internal EEC prices of basic agricultural products. Most of the Community's partners have made offers of comparable economic importance.



*Rules of origin*

29. In order to avoid deflections of trade resulting from the free trade arrangements laid down in these Agreements it was necessary to draw up rules of origin because of the absence of a common customs tariff as in a customs union. These rules lay down the amount of working or processing required for a product to take on the origin of a contracting party and thus benefit from the preferential arrangements.

These rules, which are largely similar to those already worked out by the Community in its dealings with other non-member countries, by their very nature take account of the special ties between European industrialized States and of the high degree of the industrial division of labour.

*Agriculture*

30. From the economic point of view, trade in agricultural products accounts for only a limited amount of trade between the Community and most EFTA States. Furthermore, the Stockholm Convention applied to industrial products only (the definition of this category of products was, however, wider than that in use in the Community).

*Agricultural products as a percentage of the enlarged Community's total trade with the non-acceding EFTA States*  
(Basis: average value of imports 1968-70)

	Austria	Finland	Iceland	Portugal	Sweden	Switzerland
A. Community imports from each country	6.9	2.9	68.9	24.4	3.5	4.9
B. Each country's imports from the Community	7.1	5.3	21.7	2.7	4.7	10.2
C. Trade in both directions	7.0	4.0	40.4	10.5	4.1	8.2

As regards agricultural products, the Agreements, as a general rule, simply expound a principle and a procedure. The principle affirms that the contracting parties are prepared, whilst respecting their respective agricultural policies, to foster the harmonious development of trade in agricultural products not covered by the Agreement. This then allows the different parties complete freedom in choosing their agricultural policies. Nevertheless, a procedure is

provided for which would allow investigation within the management body of problems that might face trade on agricultural products.

Finally, an exchange of letters provided for a set of independent measures for certain agricultural products.

*Special arrangements for Portugal and Iceland*

31. The Agreements with Portugal and Iceland take account of the economic structure in both countries that is marked by a low degree of industrial development and by an export trade heavily dependent on agricultural and fishery products. And so, in the industrial sector, the Community agreed that both countries could dismantle their customs duties in accordance with an extended timetable (until 1 January 1980 for some products and until 1 January 1985 for others).

Furthermore, the Community agreed to make concessions to Portugal in the agricultural field in respect of some sectors (preserved fish, tomato concentrate and certain wines), subject to provisions preventing the common market organizations for the products in question from being adversely affected.

Important concessions were also granted by the Community to Iceland in respect of fishery products, subject to a solution—satisfactory for the Member States—being found to the economic difficulties arising from Iceland's extension of its fishing limits from 12 to 50 miles.

*Supporting measures in the Agreements*

32. No more with the EFTA countries than with other non-member countries could the Community see its way to achieving industrial free trade without taking suitable supporting measures to avoid distortions arising vis-à-vis Community industries. This is why a whole series of traditional measures was provided for in the free trade Agreements in respect of the following:

- (a) non-discrimination in the taxation field,
- (b) non-discrimination in matters of commercial payments and credit,
- (c) exception clauses concerning public safety and order,
- (d) protective clauses regarding sectoral and regional problems, tariff disparities, dumping, balance of payments problems, breaches of the obligations written into the Agreement.

33. The only exception to the tradition laid down by the Community in concluding agreements with non-Member countries was in the field of competition rules. The explanation lies in the fact that the Community's partners this time are highly industrialized countries and that lack of joint discipline would mean a serious risk of distortion in competition and threaten to impair a harmonious development of trade. The rules provided for in respect of competition concern restrictive practices which would be incompatible with the proper functioning of the Agreements because they might affect trade between the EEC and the countries in question. They cover, in particular:

- (a) all agreements between undertakings, decisions by associations of undertakings and concerted practices between undertakings which have as their object or effect the prevention, restriction or distortion competition as regards the production of or trade in goods;
- (b) abuse by one or more undertakings of a dominant position in the territory as a whole of the Contracting Parties or in a substantial part thereof;
- (c) any public aid which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods.

Basically, the rules are comparable with the provisions regarding rules on competition contained in the EEC Treaty. The Community has declared that for its part it would interpret them in accordance with the way it interprets its own rules. For the rest it should be mentioned that, if need be, the rules on competition in the Rome Treaty and the corresponding provisions of the Agreements could be applied simultaneously.

Conversely, as far as their implementation is concerned and in the absence of a single body responsible for applying them, each of the parties to the Agreement must independently ensure that these provisions are respected. Infringement of the rules—which contrary to the provisions of the Rome Treaty are not applied directly to undertakings and do not incur the penalty of nullity—will give rise, in appropriate cases, to the application of protective measures by the contracting party who considers himself prejudged by such an infringement.

In adopting these measures, the contracting parties were guided by the following considerations:

- (a) to preserve complete autonomy of decision for each partner;
- (b) not to create blatant anomalies with existing internal legislation or legislation existing in other international agreements concluded by the different partners. (Mediterranean agreements for the Community, the Stockholm Agreement for members of EFTA).

### *Administration*

34. Since the Agreements signed by the Community with its different partners were bilateral in nature, a Joint Committee was set up responsible for supervising the proper functioning of each Agreement and which in turn may form any technical committee which might be of assistance in particular, in tackling all the customs matters connected with application and administration of the Agreements.

Moreover, these Joint Committees will be the forum where consultation and exchange of information needed by the contracting parties will take place. It is here that discussions will be held prior to the application of protective measures. The contracting parties are also entitled to examine with this Committee the extension of their relations to areas not covered by the Agreement. This is a procedural provision which in no way prejudices the material content of any such extension.

### *Final provisions*

35. The Agreements provide for the traditional clause for notice of termination as well as an article on the geographical application of the Agreements and a final article concerning the Agreement's entry into force.

There is also an additional Agreement on the validity for Liechtenstein of the Agreements between Switzerland and the EEC and between Switzerland and the Member States of the ECSC. These Agreements were necessary in order to extend all the provisions of the EEC- and ECSC-Switzerland Agreements so that they took account of the special relations linking Liechtenstein and Switzerland.

### *ECSC Agreements*

36. Due to the fact that the Treaty establishing the European Coal and Steel Community gives the Member States jurisdiction as regards the conclusion of tariff agreements, special agreements were necessary for the products involved. These Agreements are based on the provisions adopted in the EEC and take account of the requirements of the Treaty governing the ECSC.

The most salient features lies in the rules on prices for iron and steel products. As regards Switzerland, whose undertakings would not be subject to a price discipline for their transactions on the common market comparable with that governing Community undertakings, the Community has at its

disposal a safeguard clause with which it can take measures it deems necessary to remedy difficulties stemming from distortions of competition. The measures mainly consists of withdrawing tariff concessions granted.

Austria, Finland, Portugal and Sweden, on the other hand, have committed themselves to introducing a system for publishing price lists and adequate publicity of transport prices so as to end up with a price system equivalent to that governing Community industries. So from now on for all their sales within each area created by the Agreements, the undertakings will have to fall in line with the obligations of publicity and non-discrimination. For Community undertakings, this means that their price discipline is extended to sales made in the countries in question.

Fair price conditions having thus been ensured, the safeguard clause in this field must be of a reciprocal nature for these four countries.

Consequently, incorrect application of the rules by both parties involved or by an undertaking or the authority responsible for implementing them, would be penalized by safeguard measures. These measures could also consist of exonerating the undertakings concerned from price obligations created on the basis of the Agreement.

On account of the special provisions on prices, the Community as such is party to the Agreements alongside its Member States in the case of the four above countries.

There remains Iceland. Since no coal or steel is produced there, a briefer Agreement was drawn up primarily ensuring access of ECSC products to the Icelandic market.

### *Scope of the Agreements*

37. To draw up at this stage a prospective balance sheet of the expected effects of these Agreements would be premature. All the same, the aim was to avoid the progress of European construction between the members of the enlarged Community emerging as a setback for European relationship in their entirety. The legal commitments, the high degree of economic relations already reached, and the ties of friendship all commanded us to do our utmost so that the resolve of some countries to achieve between themselves a strong and dynamic Community did not have damaging results for the non-applicant EFTA countries. We can say today that this first objective has been fully attained and that by reciprocally opening markets which will interest sixteen countries, we have even gone further than that.

As a result of these Agreements being concluded, the most pressing problem that faced the member countries of EFTA as a result of two of their number acceding to the Community could be resolved. It was a matter of including in these Agreements almost the entire material scope of the Stockholm Convention in order to avoid disturbing intra-European trade flows.

The consequences that might result for third countries will have to be looked at in the light of the stimulating effect enlargement will have on economic growth in Europe.

38. The Agreements may thus be looked upon not only as a consolidation and improvement of what went before, but also as the door to a new experience and as the basis of future progress. Certainly experience is arduous and risky since, unlike accession these Agreements are based on the complete autonomy of each party. But as was stressed by Mr J. F. Deniau, a Commission Member, at the signing of the Agreements, "the quest for a new European dimension in supplementing our national dimensions, vital for us and valuable for the rest of the world, remains truly the prime project in the second half of this century. Today there is no question of fixing the objectives or the terms any more than forcing choice on anyone, in view of the great diversity in the situation of each country. But we should hold on to the idea which in the end alone justifies all our efforts and at the same time as we recall past commitments, emphasize that the future can and must remain open."

#### *Entry into force of the Agreements*

39. The Interim Agreement signed between the EEC and Austria on 22 July 1972 entered into force on 1 October the same year. It provides for a reciprocal tariff cut of 30% for a large proportion of industrial products with the exception of certain sensitive products (paper and paperboard sector, non-ferrous metals, certain types of steel) in respect of which provision is made for a different dismantling schedule.

The Interim Agreement on fields covered by the ECSC Treaty could not enter into force the same day since the constitutional procedures of approval had not been completed by the Member States. Consequently, with a view to ensuring nonetheless the necessary parallelism with the field covered by the Rome Treaty, the Member States and Austria decided to apply on an autonomous basis the tariff concessions provided for in the Treaty whilst awaiting its entry into force.

40. The procedures for the approval and entry into force of the free trade agreements negotiations on which were concluded on 22 July 1972 have not yet been completed:

- (a) On 22 July 1972 the Finnish Government did not consider itself to be in a position to sign the agreements initialled that same day by the heads of the Finnish and Community Delegations since they wished to leave the responsibility for this to the Government that was to replace it shortly afterwards. When this Report finalized, the agreements had not yet been signed;
- (b) In Iceland the ratification procedure for the agreements signed on 22 July 1972 did not take place during 1972 either;
- (c) Finally, in some Member States of the ECSC, the ratification procedures for the agreements signed on 22 July 1972 had not been completed at the time this Report was completed.

41. After the EEC-Austria Interim Agreement (1 October 1972), the following agreements entered into force on 1 January 1973: those between the EEC, on the one hand, and Austria, Portugal, Sweden and Switzerland and also the additional agreement concerning Liechtenstein.

The other agreements will enter into force in the first day of the second month following exchange of the instruments of ratification. This exchange cannot take place after 30 November 1973 which means that, in the event of the procedures upon which entry into force of the agreements on 1 January 1974 depends not being completed, the United Kingdom and Denmark will be obliged on this date, in accordance with Article 39 of the Act of Accession, to carry out, in respect of the countries in question, the first step in aligning of their customs duties on the CCT.

For their part, the Community and the Member States have planned all the measures necessary for completing the concluding procedures in such a way that the original Member States' first tariff reductions may take place, as planned, on 1 April 1973.

#### *Negotiations with Norway*

42. Following the request submitted by Norway on 25 October 1972 for the opening of negotiations with a view to concluding an agreement with the EEC, the Council called upon the Commission to enter into exploratory conversations with this country. These conversations were held during November 1972 under the chairmanship of Mr E. P. Wellenstein, Director-General. The Norwegian Delegation was headed by Mr Jens Evensen, special Ambassador.

During several meetings, both Delegations examined the different aspects of the problems that would arise as a result of an agreement between Norway and the Community. At the end of the meetings the Norwegian Government, in a memorandum presented on 4 December, informed the Community of its wishes as regards the content of the agreement that it would like to negotiate with the Community. This agreement would be on the same lines as the agreements with the other EFTA States, but would have to take account of certain problems peculiar to Norway.

In December the Commission presented to the Council its report on these exploratory conversations, accompanied by the recommendation for a decision to open negotiations so that an agreement could enter into force on 1 April 1973, if possible.



CHAPTER III

FUNCTIONING OF THE COMMON MARKET

1. Free movement of goods

43. Although the customs union, upon which the Community was founded, retains its unrivalled importance in the process of building Europe, it has still not advanced to such a point as to make the Community already appear to individuals as the symbol of the free movement of persons and goods. Whether borders between two Community countries are crossed by car or by rail, the presence of customs officials can still be noticed; this is mainly due to the fact that customs administrations in the Member States have to carry out many different checks which do not arise from customs legislation. Although customs duties are no longer levied in intra-Community trade, and notwithstanding the substantial progress achieved in harmonizing customs legislation, the problem of abolishing all obstacles within the customs union has not lost any of its topicality. The contrary is in fact true: these obstacles are daily felt with growing acuteness if not bitterness by nationals of Community Member States, whether it be in their business life or during cross-frontier travel as passengers. The abolition of checks in intra-Community trade and equality of treatment for taxpayers, two of the main aims of the customs union, nonetheless directly coincide with the vital interests of Europeans. Community policy should consequently be concentrated on achieving these aims as soon as possible. The Commission therefore welcomes the resolution passed by the European Parliament on 9 October 1972<sup>1</sup> containing definite suggestions and requests for the abolition of checks at intra-Community frontiers, and will do all in its power to comply with this resolution as far as possible.

<sup>1</sup> *OJ* No. C 112, 27 October 1972, p. 10.

## THE COMMUNITY'S CUSTOMS POLICY

This action will continue to be the cornerstone of the Community's customs policy in the years ahead. The year 1972 has been marked by three trends in it: deepening of Community achievements, continued harmonization of national legislation, and widening of the customs union.

44. As regards the work of deepening what has already been achieved in the Community, it should be noted that, because of their large number and their character (which is often very special), the individual cases and the problems of implementing Community arrangements on customs matters cannot always be dealt with by adopting rules in the legal forms required (implementing regulations or directives). Moreover, an excessive proliferation of such instruments could not fail to impair the clarity of Community law in this field. Accordingly, very often it has been found that these problems of implementation could be resolved adequately by informal action within the customs committees. The fact remains, however, that, owing to their multiplicity, these administrative tasks inevitably raise problems with regard to both the functioning of the committees and that of the Commission. In this respect the reorganization of the Commission's customs departments, i.e., their merger into one autonomous administrative unit, has made it possible to strengthen collaboration with the central customs authorities in Member States, which is an additional guarantee of more efficient administration of the customs union. Furthermore, it is not impossible that, in the more or less long term, the development of Community customs law will pose the problem of attribution to the institutions, and in particular to the Commission, of administrative powers of a more direct character.

45. In the field of harmonization of customs legislation, the Commission has embarked on immediate implementation of the General Programme it has set itself for this area of activity. Progress has already been made, particularly as regards economic customs systems, and proposals have been forwarded to the Council. New hurdles have therefore been surmounted in the application of the principle of equality of treatment for Community nationals, a principle which in fact extends beyond the purely customs field.

46. As regards enlarging the customs union, all the measures prescribed by the Treaty of Accession have been taken, so as to allow the new Member States to become a part of the Community customs system.

All administrative steps required in the customs field for applying the association agreements with the non-applicant EFTA countries have also been taken. Uniform administration of the rules of origin for goods, and

checking of import figures laid down for various goods, will undoubtedly require a special effort of customs administrations in Member States and of the Commission department responsible for the administration of the customs union.

### I. *Further deepening of Community achievements*

47. It is symptomatic of the extent to which the customs union has progressed towards completion that the work on deepening and developing achievements already to the Community's credit was concentrated largely on tariff problems and on the abolition of checks in intra-Community trade.

#### *The common customs tariff*

48. Few changes have been made in the common customs tariff applicable on 1 January 1973. The duties on chemical products have not been modified. As is known, the tariff reductions granted by the Community following the Kennedy Round, the last instalment of which came into force on 1 January 1972, were subject, in the matter of chemical products, to the abolition by the United States of the American Selling Price system. As this requirement has not been met, the duties on the products concerned have been maintained at their previous level, which was reached on 1 July 1968. Since the United States, however, decided to call a gradual halt to the increase in customs duties imposed on various carpets and categories of window glass in 1962, the Community has for its part decided to suspend application of the higher duties levied on imports from the United States of polyethylene and fabrics of man-made fibres. From 1 January 1973, these articles will benefit, in practice, from the duties applicable to the other third countries.<sup>1</sup> The Kennedy Round had moreover laid down, in the case of clocks and watches (Chapter 91 of the CCT), that the validity of the Community's concessions depended on one of the countries concerned (Switzerland) meeting certain conditions as regards trade in clocks and watches. An additional agreement was reached covering this point between the Community and Switzerland, and the rates in force since 1 July 1968, which had been held at two-thirds of the agreed reductions, were finally reduced to the level resulting from the negotiations.

The amendments made to the CCT nomenclature by Regulation No. 1/73 are hardly more than formal corrections mainly designed to avoid any differing

<sup>1</sup> Chapter V, 5.

interpretations of the nomenclature or to align the different versions in the various official languages.

49. In its desire to ensure uniform application and interpretation of the CCT nomenclature, which is also used for other than purely customs purposes (compilation of statistics, levying of internal taxes, etc.), the Commission, assisted by the Common Customs Tariff Nomenclature Committee and by working parties, has continued its efforts to finish the explanatory notes which serve, in particular, as the commentary on the tariff subheadings. It would be true to say that, on 31 December, the compilation of these notes had practically been completed.<sup>1</sup> The two chapters covering chemical products as such still required finalizing because of the large number of products which had to be described in a highly accurate manner, and the study of the petroleum products chapter needed to be continued as a result of the especially difficult problems encountered. Except for this latter chapter, the whole of the basic work will soon be available for use by business and the government departments concerned and, together with the Explanatory Notes of the Brussels Nomenclature, will provide them with an unrivalled source of technological and commercial information.

A large number of tariff classification problems, caused by differences in the Community as regards classifying, and therefore taxing, certain products, were also laid before the CCT Nomenclature Committee. Most of the points at issue were resolved by agreeing to draw up joint classification notes.

### *Tariff duties*

50. With a view to maintaining the competitive position of the Community's industries vis-à-vis their counterparts in the rest of the world, the Council, acting on a Commission proposal<sup>2</sup> pursuant to Article 28 of the EEC Treaty, temporarily reduced or suspended CCT autonomous duties on various raw materials and semifinished products for manufacturing industry, on the grounds that they were being produced in insufficient quantities, or not at all, in the Community. In all, 130 products or groups of products were affected.

The Commission's endeavours to eliminate national tariff quotas, which began in 1961, have been successfully completed, and it did not grant any more of such quotas in 1972. This was made possible mainly by the introduction of

<sup>1</sup> *Explanatory Notes to the Customs Tariff of the European Communities*. This loose-leaf publication is being issued progressively as it is finalized (6th section published on 1 October 1972).

<sup>2</sup> *OJ* No. L 287, 30 December 1971, and No. L 174, 1 August 1972.

Community measures, such as suspensions of CCT duties and the opening of Community tariff quotas. As regards the opening of Community conventional tariff quotas, the Council, acting on a Commission proposal, adopted regulations covering 40 products or groups of products; six tariff quotas were opened autonomously.

51. The implementation on 1 July 1971 of generalized tariff preferences for developing countries and territories<sup>1</sup> entailed the adoption of various Community regulations and decisions<sup>2,3</sup> which had to take into account both the need for prompt application and some largely novel aspects. This completely new departure was continued in 1972, the preferences in question having been opened by a series of regulations and decisions.<sup>4</sup> The system, which is based on the observance of ceilings and maximum amounts, has been designed to allow normal CCT duties to be re-established in good time in certain cases.

This appreciable result was obtained thanks to permanent cooperation between the customs departments of the Commission and the Member States, which has meant that the trend of imports enjoying preferences could be watched closely.

#### *Charges with effect equivalent to customs duties*

52. The Commission's efforts to eliminate all charges between Member States which it considers to be of effect equivalent to customs duties, brought about a substantial reduction in 1972 in the number of cases listed. Twenty-two such charges were abolished, and in seven other cases the Commission decided that the charge examined did not constitute a charge with effect equivalent to a customs duty.

Four new cases came to the Commission's attention during 1972, and these are still being examined.

#### *Abolition of controls in intra-Community trade*

53. A particular feature of the problem of abolishing controls, to which the Commission has paid great attention, is that it admits of no overall solution.

<sup>1</sup> *EC Bulletin* No. 8-71.

<sup>2</sup> *OJ* No. L 142, 28 June 1971, and No. L 146, 1 July 1971.

<sup>3</sup> Opinion adopted by the European Parliament at its session of 9 June 1971; *OJ* No. C 66, 1 July 1971.

<sup>4</sup> *OJ* No. L 287, 30 December 1971.

The Commission's action therefore covers all fields where measures or practices present obstacles to trade. The fragmentary nature of the action embarked upon has meant that the progress achieved is not always spectacular. The Commission is however convinced that free movement, in the true sense, will be achieved through an infinite number of minor adjustments and is therefore determined to persevere in its task without remission.

In this way, the duty-free concessions granted to travellers crossing intra-Community frontiers have been appreciably widened following a Commission proposal.<sup>1</sup> At the same time, rules have been drawn up concerning the facilities to be granted to persons living in border areas. True, the scope of these facilities for those living near a frontier, who, because of this geographical situation, are the most concerned, is still only slight, but is some improvement on the past.

The Commission notes that the verification of the identity of travellers continues to be carried out in the same way as previously. This is all the more regrettable since the frequency and degree of verification vary considerably, even within the Member States taken in isolation, according to the frontier posts and means of transport used, so that there may be serious doubt as to the effectiveness of this action.

During the period under consideration, the Council adopted the directive<sup>2</sup> under which checks on green cards at frontier crossing points were abolished in the original Member States as from 1 October 1972. It will be possible to do the same in the new Member States from 1 January 1973.

54. Little in the way of change was made in Community transit arrangements during 1972. The Commission felt that it would be preferable, after the great amount of simplification carried out, to focus attention on procedures and administrative practices in the various Member States rather than to envisage further facilities requested by users, so as to ensure that the system works in the best possible manner.

Further work concerned the organization of administrative cooperation, particularly in dealing with disputes arising from the operation of Community transit procedures.

55. A major step forward as regards movement of goods was made on 16 November 1972 with the signing of agreements between the Community, on the

<sup>1</sup> Directive No. 72/230/EEC, *OJ* No. L 139, 17 June 1972.

<sup>2</sup> Council Directive of 24 April 1972, *OJ* No. L 103, 2 May 1972.

one hand, and Austria and Switzerland, on the other, on the application of the Community transit system on the territory of these two States. Once these agreements enter into force—and this could be during 1973—the crossing of the Community's frontiers with Switzerland and Austria will be possible, under the mutual commitments made as regards administrative assistance, in conditions absolutely identical with those applied at the internal frontiers. Considerable improvements should, in particular, be made at crossing points on the Italian-Swiss and Italian-Austrian frontiers, which are so often criticized by users. The agreement will also render more flexible the provisions which introduced additional formalities for agricultural products in order to combat possible fraud when they cross a non-member country.

### *Customs valuation*

56. The Commission has noticed that certain differences still exist between Member States as regards customs valuation and these jeopardize the proper functioning of the customs union.

In order to ensure that customs valuation is determined in a uniform manner throughout the Community, the Customs Valuation Committee has scrutinized a number of specific cases in which the customs value of the goods concerned had been determined in practice according to methods which varied appreciably from one Member State to another. This examination brought Member States' points of view more into line with each other as regards the methods of evaluation to be followed in practice, without, however, suggesting any new regulation.

With the same concern for the uniformity of customs valuation the Commission has adopted a number of implementing regulations pursuant to the basic regulation referred to above. These regulations concern, in particular, the buyer to be taken into consideration when determining customs value, and certain provisions of the basic regulation on the value of the right to use a design or trade mark to be included in the customs valuation of the goods.

### *Origin of goods*

57. Determination of the origin of goods is becoming increasingly important in the Community. The work of administration in this field is based on two bodies of rules designed to meet specific aims:

- (i) The framework of Regulation No. 802/68,<sup>1</sup> which gives in general terms a common definition of the concept of origin for use in applying commercial policy measures in particular and in determining the origin of exported goods;
- (ii) The special framework for more detailed rules applicable to preferential trade between the Community and various third countries, the growing multiplicity of which is tending to make this preferential trade a substantial part of the Community's external trade.

As regards application of Regulation No. 802/68, the Community work embarked upon in 1972 within the Committee on Origin has mainly concerned three points. Firstly the Commission adopted a regulation<sup>2</sup> changing the certificate of origin previously in force so as to bring it into line with the "Geneva" key layout, the aim being to harmonize and simplify export documents by seeking a standardized printed form enabling these documents to be completed in a single typing operation. Furthermore, the Commission has given attention to the persistence of certain checks on origin in intra-Community trade, particularly in the case of goods which have been subject to safeguard measures under Article 115, and work has begun on limiting, rationalizing and coordinating the measures for checking origin which are still maintained because of the incomplete state of the common commercial policy. It has also appeared necessary to draw up special rules for determining the origin of certain products which presented difficulties.

As regards the rules of origin forming part of the preferential trade arrangements, work was directed towards finalizing the implementing measures, and in particular the methods of administrative cooperation, covering the agreements or associations which have been concluded and have entered into force, but whose implementation required either a decision to be taken by the Joint Committee set up by the Agreement (this being the case with the Interim Agreement with Austria), or the adoption of a regulation by the Commission on a recommendation from the Association Council (the case with Malta<sup>3</sup>). Work was also done on preparing the implementing measures to be adopted in the case of the agreement signed but not yet in force with Egypt, Lebanon and Cyprus.

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<sup>1</sup> *OJ* No. L 148, 28 June 1968, p. 1.

<sup>2</sup> Commission Regulation (EEC) No. 518/72, 8 March 1972. *OJ* No. L 67, 20 March 1972, p. 25.

<sup>3</sup> Association Council Recommendation No. 1/72, 24 June 1972.



*Customs arrangements based on economic considerations*

58. As regards customs arrangements based on economic considerations, administrative work has been focused on checking that Member States are applying the directives in force and on certain measures to ensure that Community regulations are applied more effectively.

A detailed examination of the large number of national instruments implemented by Member States in order to conform with Community regulations (inward processing traffic, customs warehouses, free zones) is still in progress.

59. The Council<sup>1</sup> has adopted a directive amending Article 31 of Directive 69/73. In its amended version, Article 31 provides for a simplified procedure for requesting additional statistical information at appropriate intervals. The Commission has already adopted a first implementing directive relating to information to be supplied in the poultry market field.

A proposal for a directive on amending Article 13 of Directive 69/73, in particular to remove the disadvantages suffered by manufacturers in the Community vis-à-vis those operating in third countries, is still before the Council.

A proposal for a directive on the implementation of Articles 13 and 14 of Directive 69/73 has also been submitted to the Council. It is designed, amongst other things, to extend the customs union to products subject to the operations covered by the articles of the directive concerned.

The Commission has adopted a directive concerning the implementation of Article 12 of Directive 69/73 fixing the standard rates of yield for certain processed agricultural products.<sup>2</sup> Preparation of other implementing measures is in hand.

The arrangements for providing information as prescribed in Articles 6 and 7 of Directive 69/73, which are designed to ensure the proper administration of the economic supervision of the system, are now operating in a satisfactory manner.

*Supervision of the levying of customs duties*

60. In accordance with Article 14 of Regulation (EEC) No. 2/71, duly empowered Commission officials have taken part in a number of checks carried

<sup>1</sup> OJ No. L 151, 5 July 1972, p. 16.

<sup>2</sup> OJ No. L 45, 1 February 1970, p. 10.

out in Member States under the arrangements for levying the Community's "own resources".<sup>1</sup> These checks led to the conclusion that Community rules and regulations in customs matters to be taken when noting customs duties are being applied in a satisfactory manner. Some differences of interpretation did, however, come to light. Approaches to the appropriate national authorities led to most of these problems being solved, while others are still being considered.

## II. *Approximation of customs legislation*

### *Customs systems and customs cooperation*

61. The work of harmonizing national legislation, interrupted in 1970 and 1971 through lack of staff, was resumed during the past year. The Commission is pleased to have been able to embark on the implementation of the General Programme it adopted in April 1971, thanks to the reorganization and strengthening of its customs departments and despite the extra burden of work resulting from the enlargement of the Community.

In September the Commission forwarded a proposal for a directive to the Council on the arrangements for outward processing traffic. These arrangements are intended to harmonize national rules currently in force which allow the reimport totally or partially free of customs duties, charges of equivalent effect and agricultural levies, of any goods temporarily exported if these goods have been subject, in a third country, to one or more working-up, processing or repair operations. The proposal for a directive makes provision for uniform taxation rules ("differential taxation"), together with a safeguard clause of an economic nature. The proposed rules cover the customs territory of the Community by allowing the reimporting of products into a Member State other than the one responsible for the temporary export (triangular traffic). Preparation of the implementing measures, particularly as regards the required administrative cooperation, is already in hand.

The Commission has forwarded a proposal for a regulation to the Council which, in certain well-defined circumstances, will allow goods to be processed which do not fulfil the conditions laid down in Articles 9 and 10 of the Treaty before they are offered for consumption. The new arrangements would make it possible either to change the customs classification before the goods are put up for consumption or to take into account the nature, real value or actual quantity of the goods imported when they are offered for consumption.

<sup>1</sup> Chapter VI, 2.

62. A proposal for a regulation on the harmonization of national rules governing the temporary admission of goods intended for re-export in the natural state will be drafted during 1973. Present differences mainly relate to the conditions governing enjoyment of the arrangements and to the taxation rules. Certain Member States allow totally duty-free admission so that the arrangements are limited to cases where the absence of tariff protection has no significant effect on the national economy. Other Member States apply a mixed system, i.e. either total or partial exemption from duties; in the latter cases the amount to be paid is calculated on the basis of the extent to which the imported goods have been used.

63. So as to increase its cooperation with national authorities responsible for the import, export and transit of goods and, at the same time, to ensure proper application of customs duties, charges of equivalent effect and agricultural levies, the Commission has forwarded a proposal for a regulation to the Council concerning mutual assistance between competent national authorities and between the latter and the Commission. It will also shortly be forwarding to the Council a second proposal for a regulation concerning mutual assistance in recovering customs duties, charges of equivalent effect, and agricultural levies, and any other amounts wrongly disbursed as part of the financing of the common agricultural policy. This regulation is particularly intended to enable funds to be recovered in a Member State even if the debtor is resident or has his distrainable assets in another Member State.

#### *Duty-free entry*

64. The Commission continued its work in this field, and drew up various proposals which it should be possible for the Council to adopt in the near future.

As part of its task of administering the aligned customs arrangements, the Commission forwarded to the Council a draft regulation on the tariff treatment applicable to certain goods for use in the manufacture, servicing and repair of aircraft. This draft, which in the main extends the duty-free arrangements already in force, forms part of the aeronautical policy which is the subject of the Commission Memorandum also submitted to the Council.

In addition, the Commission forwarded to the Council a proposal for a regulation totally suspending CCT duties, taxes with equivalent effect, and agricultural levies applicable to goods imported as gifts from third countries for free distribution to victims of natural disasters.

As regards the application of Council Regulation (EEC) No. 1544/69 of 23 July 1969<sup>1</sup> on the tariff treatment of goods forming part of travellers' personal luggage, the three Member States against which the Commission had initiated the procedure prescribed by Article 169 of the EEC Treaty because of their wrongfully restrictive definition of "travellers" decided to accept the Commission's viewpoint and have amended their administrative procedures accordingly.

Finally, the Commission has forwarded to the Council a proposal for a regulation on the tariff treatment applicable to goods bought by travellers at duty-free shops in airports and on board aircraft, ships or hovercraft travelling between two or more Member States. The provisions of this proposal supplement, at customs level, the parallel measures which the Commission has put before the Council concerning harmonization of laws, regulations and administrative procedures applicable to turnover taxes and excise duties levied in passenger traffic.

#### *Customs valuation*

65. The Commission has noticed that certain differences still exist between Member States as regards customs valuation and these jeopardize the proper functioning of the customs union. Since these differences cannot be removed by measures pursuant to basic regulation No. 803/68,<sup>2</sup> the Commission has submitted a number of amendments to the Council which will make it possible to coordinate at Community level the assembling of the facts necessary for evaluation and to fix customs values on the basis of these facts by a Community procedure.

66. In 1972 the various standing advisory committees—apart from the agricultural committees<sup>3</sup>—responsible for issuing opinions on certain measures which were the subject of Commission proposals met 72 times, as shown in Table 1 below.

<sup>1</sup> *OJ* No. L 191, 5 August 1969.

<sup>2</sup> *OJ* No. L 148, 27 June 1968.

<sup>3</sup> Sec. 280.

*TABLE 1*  
**Activities of the standing advisory committees**

Description <sup>1</sup>	Customs valuation	Nomenclature	Transit	Origin of goods	Processing traffic
1. Number of meetings	10	20	8	8	7
2. Favourable opinions	5	1 <sup>2</sup>	2	4	—
3. Unfavourable opinions	—	—	—	—	—
4. No opinions	—	—	—	—	—
5. In cases 3 and 4, Commission proposals to the Council	—	—	—	1	1 <sup>3</sup>
6. Measures adopted by the Council	—	—	—	—	—
7. No decision by Council	—	—	—	1	1
8. In case 7, measures adopted by the Commission	—	—	—	1	—

<sup>1</sup> For full description see written reply No. 265/71, OJ No. C 1, 7 January 1972.

<sup>2</sup> This figure does not include the forty cases dealt with by the classification note procedure.

<sup>3</sup> This is a case on which the Committee rendered a favourable opinion in 1971.

### *III. Measures adopted as a result of enlargement*

67. The various aspects of free movement were given their due attention during the framing of the Act of Accession. It is, however, clear that the beginning of a new transitional period is bound to lead to checks and formalities in trade and in the movement of goods between the original Community and the new Member States and between the new Member States.

The fact that it has been accepted that the new methods of administrative cooperation should be organized as a part of the Community transit arrangements—applicable from 1 January 1973 in the enlarged Community—is of particular importance in the view of the Commission, which feels that, since two of the three new Member States have no common frontiers with their fellow partners, Community transit will remain the appropriate instrument to forge cohesion in customs matters between both the original and new Member States, and to give concrete form to the unity of the Community's customs territory.

Thinking along the same lines, the Commission worked throughout the negotiations for the adoption of a basic regulation concerning Community transit so as to take account of the important role maritime transport will play in intra-Community trade. The cases in which transport by sea must be effected under one of the Community transit procedures have become more numerous and the concept of "internal frontiers" has been extended for the purposes of applying these procedures in such a way that the movement of goods between a port of embarkation and a port of arrival will be equivalent to the crossing of a common land frontier between Member States. The basic principle of progressively doing away with a common "maritime" frontier between two Member States having thus been introduced into Community regulations, it will now need to be developed in the years ahead in the light of lessons learned.

68. The Council has passed a new regulation<sup>1</sup> covering the common customs tariff applicable on 1 January 1973. It should be recalled that, under the Treaty of Accession, the new Member States are to apply CCT nomenclature from the date of accession, although Denmark and the United Kingdom are authorized to defer application until 1 January 1974.

69. Preparations for the introduction of the enlarged customs union were made by calculating and fixing the customs duties to be levied during the transitional period by the Community, as originally constituted, on imports from the new Member States, and by taking the final steps to adapt the UK, Irish and Danish customs tariffs to the CCT. The result will form the basis of the customs tariffs to be applied by the new Member States during the transitional period and will allow the various phases of tariff reductions and alignments laid down by the Treaty to be calculated. Voluminous documentation on tariffs and statistics has been prepared, so that the GATT Contracting Parties may scrutinize the Treaty of Accession, in accordance with Article XXIV of the General Agreement.

70. Considerable attention was paid to the problems involved in determining the origin of goods in the context of the agreements concluded with the non-applicant EFTA countries. The Commission does not try to blink the fact that the task of administering the relevant protocols annexed to these agreements will certainly give rise to numerous problems in the months ahead, particularly in view of the complex nature of the rules governing cumulative origin.

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<sup>1</sup> Council Regulation (EEC) No. 1/73 of 19 December 1972: *OJ* No. L 1, 1 January 1973.

71. Finally, as regards customs valuation the accession of new Member States has inevitably given rise to various problems, mostly of a transitional nature. Solutions have been sought in collaboration with the representatives of the countries concerned.

#### QUANTITATIVE RESTRICTIONS AND MEASURES HAVING EQUIVALENT EFFECT

72. In its previous General Report the Commission recalled the part it has had to play in this field since the end of the transitional period and the entry into force of the *de jure* ban imposed by Articles 30 and 37 of the EEC Treaty and by the application of the directives adopted for its implementation.<sup>1</sup>

In 1972 the Commission continued to strive for a complete opening of public and semi-public works contracts to full Community competition. The liberalization of intra-Community trade in products to be used in the public and semi-public sector is still largely an objective to be achieved in the future.

In its awareness of the economic importance of this field and of the impact which its exclusion from the area of application of the Treaty might have on the completion of a single market, the Commission has implemented a whole series of measures designed to supplement and support the steps towards liberalization taken on the basis of the EEC Treaty rules. These measures follow three quite distinct lines of action: the framing of directives to coordinate the procedure for awarding contracts applied by public authorities judging tenders<sup>2</sup>; recourse to appropriate legal means with a view to liberalizing purchases of public corporations and companies managing services of general economic interest; support for further coordinated steps to achieve real liberalization of public and semi-public works contracts by means of a concerted policy on orders between the bodies inviting tenders.

In quite another field, that of "automatic" licences, upon which Member States make the import and export of certain products conditional, the Commission is continuing its work, in accordance with the principles laid down by the Court of Justice in its judgment in the consolidated cases 51 to 54/71, in order to achieve abolition of these licences even though they would be issued automatically, without delay or charge.

<sup>1</sup> *Fifth General Report*, Sec. 126 and *OJ* No. L 13, 19 January 1970.

<sup>2</sup> A directive, based on Article 100 of the Treaty, coordinating procedures for awarding public works contracts, was adopted by the Council on 26 July 1971 (*OJ* No. L 185, 16 August 1971). In addition, a proposal for a Council directive, based on Article 100 of the Treaty, coordinating procedures for awarding public procurement contracts, was submitted by the Commission to the Council on 15 March 1971 (*OJ* No. C 50, 22 May 1971).

## ABOLITION OF TECHNICAL OBSTACLES TO TRADE

*Industrial products*

73. Further progress in the implementation of the General Programme for the removal of technical obstacles to trade was achieved in 1972, although consideration of the legislation and problems of the acceding States did slow down work.

The Council adopted three directives on the suppression of radio interference produced by motor vehicles,<sup>1</sup> on the methods of analysis of binary textile fibre mixtures<sup>2</sup> and on air pollution by diesel engines.<sup>3</sup>

Furthermore, the Council, at its meeting of 19 December 1972, officially approved twelve directives, with the agreement of the acceding States.

These directives relate to the following subjects:

- (i) Electrical equipment for use within certain tension limits;
- (ii) Detergents;
- (iii) Methods of checking on the biodegradability of anionic surfactants;
- (iv) Acceptance of wheeled tractors for agricultural or forestry work;
- (v) Maximum speed and loading platforms of wheeled tractors for agricultural or forestry work;
- (vi) Certain elements and characteristics of wheeled tractors for agricultural or forestry work;
- (vii) Non-automatic weighing instruments;
- (viii) Materialized measurements of length;
- (ix) Amendment to the Directive of 27 June 1967 on the classification, packing and labelling of dangerous substances;
- (x) Classification, packing and labelling of dangerous preparations (solvents);
- (xi) Certification and marking of cables, chairs and hooks;
- (xii) Quantitative analysis of ternary textile fibre mixtures.

74. The Commission has forwarded to the Council twelve proposals for directives concerning the putting up for sale by volume of certain prepared liquids; bottles used as measuring recipients; protection against the non-authorized use of motor vehicles; driver's protection against the steering column in case of collision; safety glass for motor vehicles; radio interference caused by

<sup>1</sup> OJ No. L 152, 6 July 1972.

<sup>2</sup> OJ No. L 173, 31 July 1972.

<sup>3</sup> OJ No. L 190, 20 August 1972.



household electrical goods; portable tools, and similar equipment; radio interference caused by fluorescent lighting equipment; methods of analysis of ternary textile fibre mixtures; cosmetics; pressure apparatus; and non-welded gas bottles.

Amongst these various proposals particular attention should be paid to the importance of those on safety glass for motor vehicles and on cosmetics. The former will impose as soon as possible, bearing in mind the time required by industry to make the necessary changes, the use of windscreens of laminated glass of type HPR which provides the best possible security. Since Italy has until now been the only country insisting on the use of this kind of safety glass, the adoption of the proposal for a directive submitted by the Commission will make a substantial contribution towards the safety of motor vehicles.

The proposed directive on cosmetics is conceived on the principle of "total" harmonization, i.e., Community provisions should fully replace national legislation currently in force, thereby unifying basic concepts within the Community as a whole: cosmetics not conforming to the provisions of the directive would have to be banned by all Member States, and those conforming to the provisions necessarily accepted. It is quite obvious that the cosmetics allowed on the market must under no circumstances be likely to damage human health, when used according to the instructions accompanying them. The mode of presentation chosen must enable the health authorities to be absolutely sure that they represent no danger whilst at the same time allowing industry a certain amount of initiative necessary to stimulate dynamism: the proposed directive is in fact drawn up on the basis of the "negative list" principle, i.e., it lists the substances which must under no circumstances be used in preparing cosmetics and lists those which may be used only for certain specific purposes, or allowed in concentrations laid down in advance. It also imposes the obligation of complying with exact labelling requirements. The liberalization of trade which will follow from the Council's adoption of this directive, the guarantee of clear labelling, and the enhanced safety resulting from its application, should be of substantial advantage to both consumer and manufacturer.

With those recently forwarded, the number of proposals the Commission has submitted to the Council on the abolition of technical obstacles to trade in industrial products rises to 55. The Council, for its part, has adopted 24 of them, besides the 12 which it approved on 19 December 1972.

Starting in the first months of 1973, the Commission intends to submit five other proposals for directives which have been agreed upon and whose submission has been retarded solely for reasons of translation and finalizing of the text. They concern:

- (i) Electricity meters;

- (ii) Water meters;
- (iii) Automatic weighing instruments (conveyor belts);
- (iv) Forms of prepackaging;
- (v) Radio interference caused by television receiving sets;
- (vi) Mopeds (acceptance).

75. As in previous years, the Commission, in drawing up most of the directives, has worked in close collaboration with national experts, producers and users, and with the bodies which, at Community level or in a wider context, are concerned with standardization, that is to say, the technical aspect of harmonization. These harmonized standards should be mentioned in the "reference to standards" solution. In other cases they should, wherever possible, be adopted or specified by the directives, so that they may be mentioned in national rules.

In this connection, the work done in liaison with the European Committee for Coordination of Standards (CEN) and the European Committee for Standards Coordination in Electrical Engineering (CENELCOM) has been particularly important.

The Commission participates actively in the work of international organizations, such as OECD and GATT, on the removal of technical obstacles to trade. Special reference should be made to the links maintained with the Economic Commission for Europe, with which there is useful collaboration—especially with regard to motor vehicles.

On several occasions the Commission has received—under the *status quo* agreement of the General Programme—draft regulations and decrees amending national rules in the area covered by the Programme. In view of the size of the task involved in drawing up the directives and of the limited staff available for implementing the General Programme, the Commission deplores the fact that it has not been able to give as much attention as might have been necessary to the various national initiatives, which, moreover, have not always been forwarded to it early enough for effective Community action. The same may, unfortunately, also be said of the work of supervising the implementation of the directives by the Member States, which, for certain directives at least, seems to be hardly satisfactory.

76. Alongside the work of implementing the General Programme, the Commission has had to deal with the matter of examining with the acceding States the necessary adaptations to directives already adopted in order to take account of the particular position of these countries. The result of the greater part of these adaptations has been inserted into the Accession Treaty. Only a small

number of adaptations which were particularly delicate from the technical point of view were the subject of Council decisions, all taken after the signing of the Treaty, during the course of the year.

77. Despite the difficulties encountered in implementing the General Programme, adopted in May 1969—difficulties which were recounted in a document forwarded by the Commission to the European Parliament on 11 February 1972—the Commission has proposed to the Council the adoption of a supplement to this Programme. Development of intra-Community trade during recent years has highlighted the need to abolish obstacles to trade in areas which did not have a priority rating in 1969. The same is also clearly the case as regards enlargement of the Community, since the legislation and regulations of the new member countries which could not be taken into account when drawing up the General Programme are also the source of technical obstacles in sectors. The growing public awareness of the need to protect the environment has led Governments to introduce or consider introducing provisions which must be harmonized at Community level so that they too do not give rise to obstacles to the free movement of goods. The Commission attaches very great importance to this aspect of the problem and, in this context, it is studying, in accordance with the wishes of the European Parliament, the possibility of limiting the lead content of fuels. This addition to the General Programme, which has been very favourably received by the European Parliament and the Economic and Social Committee, has been discussed on several occasions by the Council and should be adopted early in 1973.

78. It should furthermore be pointed out that the Council meeting of Transport Ministers of 18 May 1972 called for the presentation and adoption within 18 months of all directives concerning certain motor vehicles (lorries). The Commission is aware that this sector is economically and commercially very important and it will take all necessary measures to ensure that these directives, whose repercussions are considerable as regards road safety and which require very special study, are completed within the set time-limit.

79. In particular because of the work on enlargement, the Commission was unable to forward to the Council new proposals for directives for the food industry. It intends, however, to forward such proposals on bread, yeasts, mustard and tea and coffee extract early in 1973. Another proposal concerning seasoning sauces other than emulsified is at present being framed.

*Special regulations applicable in trade in goods not covered by Annex II of the Treaty, derived from the processing of agricultural products*

80. Application of Council Regulation (EEC) No. 1059/69 of 28 May 1969,<sup>1</sup> which determines the import arrangements for the products concerned, continued to give satisfaction during 1972. The regulation underwent no important amendment, but a provision (Article 9a) was included in it whereby, when levies, charges or other measures are applied to exports of a basic product pursuant to a regulation on the common organization of a particular market, the Commission may decide to apply similar measures in respect of goods resulting from their processing.<sup>2</sup>

As regards the arrangements applicable to exports laid down by Council Regulation (EEC) No. 204/69,<sup>3</sup> the Commission has submitted to the Council a proposal for differentiating between lactoalbumin and ovoalbumin, to which, until now, the same system applied. The above regulation was also fully recast at the same time, this having proved necessary as this regulation had been amended on several occasions and sometimes in a quite substantial manner. This had given rise to certain difficulties in understanding the regulation as a whole, with the consequent risk of its being wrongly interpreted.

*Provisions adopted as a part of the monetary measures*

81. The Commission has adopted 11 regulations laying down the compensatory amounts, determined for the quantity of basic agricultural products contained in the goods subject to Regulation (EEC) No. 1059/69 and corresponding to the price differences noted between these agricultural products because of the fluctuation of the currencies of certain Member States.

#### EURONORM

82. The results of the work of the Coordinating Committee on the standardization of iron and steel products led in 1972 to the establishment of a large number of Euronorms. Thirteen new ones have been published. Four quality standards, including the very important revised standard on general-purpose structural steels and the standard on special quality structural welding steels, and a Euronorm on sizes and tolerances, were added to the twenty existing ones.

<sup>1</sup> OJ No. L 141, 12 June 1969.

<sup>2</sup> OJ No. L 75, 28 March 1972, p. 6.

<sup>3</sup> OJ No. L 29, 5 February 1969.

The collection of standards on test methods was increased by five units; the standardizing of methods of chemical analysis continued with the publication of three new standards. Three Euronorms on special steels are almost completed, as are several standards on methods of chemical analysis. A new list of European standard samples for chemical analysis of steel products and of steel industry raw materials and by-products is being prepared.

Revision of a series of Euronorms is well under way: it concerns general standards relating to the definition and classification of steel grades, the technical conditions governing delivery, and the conventional description of steels, together with quality standards and tolerances for cold-rolled sheet and strip.

## 2. Competition policy<sup>1</sup>

83. Continuing its efforts to keep the Common Market a single whole within which competition can operate properly, the Commission took action in a number of instances involving breaches of Articles 85 and 86 of the EEC Treaty. The work under Article 85 mainly concerned market-sharing agreements and other restrictive practices intended by undertakings to maintain the compartmentation of the market. The Court of Justice's judgment in the dye-stuffs action constitutes case law of the first importance for the future course of the Community's competition policy. With regard to state aids, the Commission went ahead with the establishment of its coordination arrangement for regional aids, while further moves have been made for the purpose of coordinating national aids in certain sectors.

84. These Commission measures are in line with the policy which must be followed, both at national and at Community level in order to stem inflation.<sup>2</sup> The task of competition policy here is to create conditions under which monetary and budget policy can exert their full effect. In addition, the Commission is combating inflationary stresses by eliminating state aids which merely serve to maintain existing structures and by seeing to it that such aids really do help necessary structural changes.

85. Another potential threat to the unity of the Common Market and the system of competition there—and also to the Community's commercial policy—consists in arrangements between undertakings or associations of undertakings which restrict imports from non-Community countries into the Community market or which subject them to private rules as to quantities, prices, etc.

Such arrangements fall under the ban in Article 85(1) of the EEC Treaty. Accordingly, the Commission decided to point out that agreements, or concerted practices engaged in, should be notified to it in good time.<sup>3</sup> Such notification is the sole basis for determining whether exemption under Article 85(3) can be granted, and also whether the Community should take steps in the framework of the common commercial policy to tackle the problems posed by certain imports from non-Community countries in a number of sectors.

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<sup>1</sup> For further details see *Second Report on Competition Policy*, annexed to this *General Report*.

<sup>2</sup> Sec. 153.

<sup>3</sup> Official notice of the Commission concerning imports into the Community of Japanese products coming within the scope of the Treaty of Rome, *OJ* No. C 111, 21 October 1972, p. 13.

*Application of the rules of competition to undertakings*

86. In 1972 a total of 14 Decisions were adopted under Articles 85 and 86 of the EEC Treaty, and 15 under Articles 65 and 66 of the ECSC Treaty; in the EEC sphere, 1822 cases were settled without a formal decision having to be taken, either because the agreements had been duly brought into line with the Treaty's rules or because a simplified procedure was followed. At 31 December 1972 the backlog of cases in hand stood at 2873, most of them relating to licensing agreements. In addition, 82 notifications and 13 complaints were received, and 44 procedures initiated *ex officio*. In 62 cases concerning exclusive dealing agreements, undertakings were required to furnish particulars by Decisions under Article 11(5) of Regulation no. 17.<sup>1</sup> The Commission also carried out checks to see whether previous Decisions had been complied with; it is planned to do this more extensively in the future.

*Prohibited agreements*

87. Following the Court of Justice's judgment in the dyestuffs case, the concept of "concerted practices" must be regarded as sufficiently clearly defined for the Commission to be able to enforce the ban in Article 85(1) of the EEC Treaty effectively. Accordingly, the Commission, acting by means of an *ex officio* procedure, has taken a decision imposing fines on the main Community sugar producers for engaging in a number of restrictive practices.<sup>2</sup>

The Commission's activities during the year included further measures to restore normal conditions of competition in the Dutch<sup>3</sup> and Belgian<sup>4</sup> cement markets. Certain arrangements for artificially maintaining different prices within the Community were ruled to be illegal and their authors fined.<sup>5</sup> The Commission also continued to issue decisions in cases concerning group exclusive dealing agreements.<sup>6, 7, 8</sup>

*Promotion of desirable cooperation*

88. The Commission adopted a Regulation granting block exemption for certain specialization agreements provided the share of the market and the

<sup>1</sup> Decisions of 28 September 1972, *OJ* No. L 267, 28 November 1972, pp. 17 and 20.

<sup>2</sup> Decision of 13 December 1972, *OJ* No. ... (in the press).

<sup>3</sup> Cementregeling voor Nederland-1971, Decision of 18 December 1972, *OJ* No. ... (in the press).

<sup>4</sup> Cimbel, Decision of 22 December 1972, *OJ* No. ... (in the press).

<sup>5</sup> Pittsburgh Corning Europe (fibreglass), Decision of 23 November 1972, *OJ* No. L 272, 5 December 1972.

<sup>6</sup> Central heating, Decision of 20 October 1972, *OJ* No. L 264, 23 November 1972, p. 22.

<sup>7</sup> Hibin, see *EC Bulletin* No. 5-72, Part Two, sec. 8.

<sup>8</sup> Gisa, Decision of 22 December 1972, *OJ* No. ... (in the press).

turnover of the undertaking concerned were not above a given size;<sup>1</sup> this opens more scope for cooperation to the small- and medium-sized undertakings. The Commission also authorized several specialization agreements under Articles 85(3) of the EEC Treaty and 65(2) of the ECSC Treaty.<sup>2, 3, 4</sup>

#### *Adaptation of distribution systems*

89. Since Regulation No. 67/67/EEC had worked well, the Commission decided to extend its period of validity by ten years.<sup>5</sup> In two specific cases, the Commission, after securing the dropping of certain clauses and restrictive practices which were incompatible with Article 85(1), intimated that it would give a favourable decision.<sup>6</sup> On the other hand, it fined an undertaking for having imposed bans on exports in order to protect the existing high price level in a Member State against the correcting effect of parallel imports.<sup>7</sup>

#### *Application of Article 85 of the EEC Treaty to licensing agreements*

90. The Commission issued two Decisions further clarifying its views concerning the application of Article 85 to the exploitation under contract of industrial property rights and know-how. The gist of the first Decision<sup>8</sup> is that any clause debarring the licensee from exporting to countries outside the sales area prescribed for him may fall under the ban in Article 85(1).

In the second Decision,<sup>9</sup> it was contended that the exclusive rights granted by the licensor to sundry licensees in respect of given areas constituted an appreciable restriction of competition. However, since the exclusiveness of these rights had to be considered as absolutely essential in order to exploit the patents and obtain the benefits the licences were intended to afford, they were exempted from the ban, in accordance with Article 85(3).

#### *Ban on abuse of dominant positions*

91. In a Decision under Article 86 of the EEC Treaty<sup>10</sup> the Commission found that a dominant position in the market for an intermediate product had been

<sup>1</sup> Regulation No. 2779/72/EEC of 21 December 1972 concerning application of Article 85(3) to certain classes of specialization agreements, *OJ* No. L 292, 29 December 1972.

<sup>2</sup> MAN/Saviem, Decision of 17 January 1972, *OJ* No. L 31, 4 February 1972, p. 29.

<sup>3</sup> Fine paper, Decision of 26 July 1972, *OJ* No. L 182, 10 August 1972, p. 24.

<sup>4</sup> Hoesch/Benteler, Decision of 9 November 1972, *OJ* No. L 283, 20 December 1972.

<sup>5</sup> Regulation No. 2591 of 8 December 1972, *OJ* No. L 276, 9 December 1972, p. 15.

<sup>6</sup> Saba, *OJ* No. C 116, 7 November 1972, p. 4.

<sup>7</sup> DuPont de Nemours (Deutschland) GmbH, *OJ* No. C 122, 24 November 1972, p. 30.

<sup>8</sup> WEA-Filipacchi Music SA, Decision of 22 December 1972, *OJ* No. ... (in the press).

<sup>9</sup> Raymond-Nagoya, Decision of 9 June 1972, *OJ* No. L 143, 23 June 1972.

<sup>10</sup> Davidson Rubber Co., Decision of 9 June 1972, *OJ* No. L 143, 23 June 1972, p. 31.

<sup>10</sup> Zoja, Decision of 14 December 1972.



abused in that supplies to an undertaking operating in the market for an end product derived from that intermediate product had been cut off. This being so, the Commission held that Article 86 entitled it to forbid the dominant undertaking to take steps whose effect in the short term was to oust its customers from its market.

### *Prior scrutiny of concentrations*

92. The Commission gave its authorization under Article 66 of the ECSC Treaty to a number of concentrations which met the requirements of the article; where these concentrations had implications for the processing sector, they were also vetted for compliance with the EEC Treaty's competition rules.

### *Application of the rules of competition to forms of state intervention*

#### *State aids*<sup>1</sup>

93. With regard to regional aids, the groundwork for implementation of the "coordination arrangement"<sup>2</sup> was completed, as planned, in the course of 1972. This involved the finalizing of a method of supervision by which to check for compliance with the coordinating principles. In addition, technical means were found for clarifying certain types of aids the precise scale and impact of which it had not been previously possible to ascertain. A method of analysis was also worked out for evaluating, from sector-by-sector statistics, any competition problems liable to be posed in particular industries by the provision of regional aids.

Under the terms of Article 154 of the Accession Treaty the coordinating principles are to apply to all the Member States of the enlarged Community from 1 July 1973 at the latest. The necessary technical studies are being conducted bilaterally with each of the acceding countries.

94. The Commission has duly applied the coordinating principles to new regional aid schemes in 1972.

On 26 April it issued a Decision<sup>3</sup> concerning the aids granted in Belgium under the Law of 30 December 1970 on economic expansion. As regards the regional aids instituted by the Law, it found the aid areas provided for

<sup>1</sup> For application of the Treaty's competition rules concerning agriculture see secs. 248 and 249.

<sup>2</sup> *Fifth General Report*, sec. 144.

<sup>3</sup> *OJ* No. L 105, 4 May 1972.

unacceptable as they stood, since these in effect covered practically the whole country and had not been determined on the basis of proper economic and social criteria. As it was nevertheless a fact that some of the less developed parts of Belgium did merit aid, the Commission refrained from rejecting the proposed aid areas in their entirety, and instead provisionally indicated those areas where it would be in order for the Belgian Government to grant regional aids. As regards the sectoral aids for which the Law also provided while not mentioning which sectors were to be eligible for them, the Commission stipulated that these should be granted in individual cases of some scale and importance after notification of particulars regarding the sector concerned.

On 30 June the Commission initiated the procedure prescribed in Article 93(2) of the EEC Treaty with respect to the new French regional aid scheme of regional development grants (PDR) and grants for setting up tertiary activities, because, firstly, it had not been sent the economic and social data to enable it to judge the aid areas properly, and secondly, the French authorities were reserving the right to grant regional aids anywhere in France, outside the areas defined.

95. With regard to aids to given sectors, the Commission continued its endeavours to get these either harmonized or brought within a framework of common rules.

On 20 July<sup>1</sup> the Council of Ministers adopted a Second Directive on shipbuilding aids,<sup>2</sup> representing a transition from the First Directive of 1969, which sought only to coordinate direct and specific aids to shipbuilding, to the further instrument planned for the end of 1973, which will deal with the whole spectrum of the shipbuilding industry's affairs.

In connection with its memorandum to the Council on future action with regard to the aircraft industry, the Commission states that for transnational civil aviation projects in the Community it favours repayable research and development aids; investment aids in the form of guarantees of undertakings' borrowings for these projects; and marketing aids in the form of long-term credits, subsidized or unsubsidized, and insurance against commercial risks, exchange risks and increased costs.

96. The Commission has been somewhat exercised on the subject of financial agencies which have been set up at the instance and with the backing of some Member States to take up temporary capital participations in certain undertakings facing problems of various kinds, with the object either of keeping

<sup>1</sup> *OJ* No. L 169, 27 July 1972.

<sup>2</sup> *Fifth General Report*, sec. 146.

these undertakings going or of facilitating their expansion. While these temporary participations are not, as such, tantamount to aids, they can in some circumstances operate much as if they were. The Commission has accordingly requested the governments concerned to let it have reports on what has been going on in this connection.

### *State-trading monopolies<sup>1</sup>*

97. Some months ago the Commission began infringement proceedings under Article 169 of the EEC Treaty in respect of the French monopolies on matches, basic slag and spirits and the Italian monopoly on matches. The Law of 4 December 1972 abolished the French monopoly on matches as far as imports from the other Member States are concerned, and the French Government has since informed the Commission that the necessary legislative procedure is under way to bring the other two monopolies into line with Article 37. The Italian Government has also said it is willing to abolish the match monopoly, though only providing certain social side-effects of this action are avoided. The French Government has further informed the Commission that laws are being passed regarding the potash monopoly with a view to ending the State's monopoly rights in respect both of potash fertilizers and of crude potash.

### *Matters concerning consumers*

98. In connection with the work on the elimination of technical obstacles to trade, the Commission submitted to the Council a number of proposals for directives of great importance to the consumer, notably on the preliminary bulk packaging of certain liquids for sale, safety panes of laminated glass for motor vehicles, cosmetics and bread. On the harmonization of legislation side, the Commission has had a preliminary discussion with experts from the Member States concerning questions connected with unfair competition. The Commission also held two meetings with the consumer and the television organizations which enabled discussions concerning the future bases of European consumer information to be continued.

Some members of the European Parliament asked the Commission to improve cooperation with the consumer organizations and to allot more money to the development of a policy to help consumers.<sup>2</sup>

<sup>1</sup> *Fifth General Report*, sec. 143.

<sup>2</sup> See, in particular, written questions No. 633/71 by Mr Adams, No. 2/72 by Mr Jahn, and No. 200/72 by Mr Cousté.

Following the dissolution of the Consumers' Contact Committee the Commission decided, on 28 June 1972, to consult the various European organizations which were represented in that committee, and also the liaison office of the CGT-CGIL. It also decided to put a sum of Bfrs. 7 million at the disposal of these organizations for 1973, to enable them to take a more active part in the Commission's work concerning them. Furthermore, it decided to expand its department for consumer questions.

In the final communique of 21 October from the Paris Summit Meeting, the Heads of State or Government asked the Community institutions to take action aimed at "strengthening and coordinating measures of consumer protection". The Commission intends to draw up a programme to this effect early in 1973.

### 3. Taxation policy

#### *Introduction*

99. The work on tax harmonization during 1972 was concerned more especially with the practical measures which the Council is committed, by its Resolution of 22 March 1971, to enact by the end of 1973 in order to enable the phased establishment of economic and monetary union to proceed.<sup>1</sup>

As is described more fully in the pages following, considerable headway has been made:

- (a) a draft directive on the standardization of VAT assessment has been finalized by the Commission's departments;<sup>2</sup>
- (b) a number of proposals for directives on harmonization of excise duties have been submitted to the Council;<sup>3</sup>
- (c) proposals for directives on harmonization of withholding taxes deducted at source on interest on bonds, and on harmonization of the systems of corporation tax and withholding taxes deducted at source on dividends, will be going before the Council shortly;<sup>4</sup>
- (d) a second directive on the progressive enlargement of the duty- and tax-free allowances for private individuals at frontiers was adopted by the Council on 12 June, and on 22 September the Commission submitted a draft third directive relating to the fixing of rules in line with the two directives as concerns certain arrangements for duty-free sales at airport shops and on board aircraft and ships;<sup>5</sup>
- (e) also on 22 September, the Commission, with a view to securing still freer movement of goods between Member States, submitted to the Council a draft directive on exemptions from tax and duty on importation of small consignments of goods to private individuals.<sup>5</sup>

<sup>1</sup> The measures in question are listed in the *Fifth General Report*, sec. 148, 2nd paragraph.

<sup>2</sup> Sec. 100.

<sup>3</sup> Sec. 103.

<sup>4</sup> Sec. 108.

<sup>5</sup> Sec. 101.

*Indirect taxes**Turnover taxes**Approximation of legislation*

100. With grave disappointment, the Commission has to record that value-added tax was still not in force in all the Community countries by the end of 1972: the Italian Government, which had succeeded in getting its deadline for the introduction of the common VAT system deferred a second time to 1 July 1972,<sup>1</sup> was unable to meet that deadline owing to the serious disruption of the country's legislative processes in consequence of the dissolution of Parliament only part of the way through its term, and accordingly asked for a further six months' grace, up to 1 January 1973. In view of the unusual circumstances in which the Italian Government found itself, the Council, upon a proposal from the Commission, agreed, subject to certain conditions,<sup>2</sup> to grant this respite.<sup>3</sup> The Order (*legge delegata*) concerning VAT was promulgated on 11 November 1972 and took effect on 1 January 1973.

Of the acceding countries, Denmark introduced VAT in 1967 and Ireland on 1 November 1972, and Britain plans to do so on 1 April 1973.

The work on the standardization of VAT assessment has been completed, and the Commission will certainly not fail to submit a proposal for a directive on the subject to the Council. Unified Community rules in this connection will be of outstanding importance with regard both to the Community's possession of resources of its own and to the abolition of tax frontiers as part of the establishment of economic and monetary union among the Member States.<sup>4</sup>

101. In the matter of travellers' duty- and tax-free allowances, the Council on 12 June adopted the proposed second directive on harmonization of laws, regulations and administrative provisions relating to turnover taxes and excise duties applicable in international passenger traffic<sup>5</sup>. This provides *inter alia* for higher allowances generally in traffic between Member States, minimum allowances for persons resident in frontier areas of the Member State of importation or the adjacent Member State, and arrangements with respect to certain duty-free retail sales to ensure that there are no grounds for non-taxation.

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<sup>1</sup> *Fifth General Report*, sec. 149.

<sup>2</sup> Sec. 102.

<sup>3</sup> Fifth Council directive on harmonization of Member States turnover-tax legislation (Directive No. 72/250/EEC), *OJ* No. L 162, 18 July 1972, p. 18.

<sup>4</sup> *Fourth General Report*, sec. 45.

<sup>5</sup> *OJ* No. L 139, 17 June 1972.

The Commission has published the coordinated text of the first and second directives on travellers' duty and tax-free allowances.<sup>1</sup>

In the furtherance of its work to bring about free movement of goods in advance of the eventual abolition of tax frontiers, the Commission submitted two new proposals for directives to the Council on 22 September.

The first is for further harmonization of laws, regulations and administrative provisions on turnover taxes and excise duties chargeable in passenger traffic. The instrument sets out to deal with certain specific points still outstanding in connection with duty-free retail sales, including in particular the matter of sales at airport shops and aboard different conveyances.<sup>2</sup>

The second concerns exemptions from tax and duty on small consignments of goods to private individuals; the object is to institute a system of exemptions for packages sent by one private individual to another and for newspapers, magazines and other periodicals, brochures and books sent by a person or body liable to VAT to such individual.<sup>2</sup>

#### *Elimination of discrimination*

102. By *Decreto-legge* No. 202 of 25 May 1972 deferring the introduction of VAT to 1 January 1973, the Italian Government instituted a number of transitional arrangements to apply up to 31 December 1972, including, at the Commission's desire, a reduction in the countervailing dues at the frontier. The arrangements were the subject of some comments—duly communicated by the Commission to the Council—as to their desirability and their compatibility with Articles 95 and 96 of the Treaty of Rome. In the subsequent enactment of 24 July (Law No. 321), giving effect to the *decreto-legge*, the Italian Government dropped some discriminatory provisions which had been criticized, *inter alia* placing home and imported capital goods on an equal footing.

The Commission examined the French *butoir* ("buffer") arrangements whereby those liable to lower rates of VAT were not able to claim a refund of the excess amount of their deductible VAT credit. This anomaly, which was moreover contrary to the second directive on harmonization of VAT, was partly rectified by the French authorities by Decree 72-102 of 4 February 1972, enacted pursuant to Article 7.1 of the Finance Law for 1972.

<sup>1</sup> *Supplement to EC Bulletin* No. 7-72.

<sup>2</sup> *OJ* No. C 113, 28 October 1972.

Belgium and Luxembourg, by a Royal Decree of 17 April and a Ministerial Order of 26 April, abolished the rule that duty- and tax-free allowances were subject to the traveller's having been out of the country for not less than 24 hours, thus bringing their respective legislation into line with the Community provisions.

### *Excise duties*

#### *Approximation of legislation*

103. The Commission in 1972 submitted to the Council five proposals for directives on harmonization of excise duties and one proposal for a decision setting up an Excise Committee.<sup>1</sup>

The first of these instruments is an outline directive laying down the system that is to obtain in the Community in regard to consumer taxes other than VAT when the economic and monetary union is in being, involving free movement of goods between Member States and hence abolition of import charges and export remissions. It provides for the retention and harmonization of five sets of excise duties, on manufactured tobacco, mineral oils, spirits, wine and beer. All other consumption taxes and duties will have to go before economic and monetary union. Save that to take account of conditions peculiar to individual Member States it will be permitted to continue levying taxes and duties on the consumption of specific products provided this does not involve export remissions or import charges. The directive contains nothing on the harmonization of rates of excise duty, but provides for a consultation procedure to be followed where a Member State makes changes in these.

The second directive, on harmonization of excise duties on spirits, provides that excise shall be chargeable on all ethyl alcohol save that naturally contained in fermented beverages such as wine, beer and cider. The excise is to be fixed at one and the same rate within each Member State, i.e. it may not be varied according to the raw material used or the size of the producer undertaking; an exception is made, however, for flavoured and fortified wines. The directive also provides for exemptions: alcohol is to be excise-free when employed in the making of products not for human consumption.

The third directive, concerning excise on wine, requires that wine bear a duty of not less than 1 u.a. per hectolitre. The fourth, on harmonization of excise on beer, provides that assessment for excise is to be in respect of the

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<sup>1</sup> OJ No. C 43, 29 April 1972, and *Supplement to EC Bulletin* No. 3-72.



finished product, viz. the actual beer: beer is divided into a number of classes corresponding to the different market categories, and the excise ratings graduated by class so that light beers carry a lower duty than heavy beers. The fifth, on mixed drinks, sets out to secure a harmonized system of charges on these where one or more of their ingredients are liable to excise duty.

The purpose of the proposed decision is the establishment of an Excise Committee to concern itself with Community measures in implementation of the specific directives.

The Council on 19 December adopted the proposed directive on harmonization of excise on manufactured tobacco. The Commission expects to submit a proposal for a directive on excise on mineral oils to the Council early in 1973.

#### *Elimination of discrimination*

104. With regard to excise duty on coffee, the Commission was able to note that Germany, by the Law of 23 December 1971, had reduced from 3.5 to 3.0 the green-coffee equivalence coefficient serving as basis for the import-duty rating of solid coffee extracts, thereby ensuring that home and imported solid extracts were chargeable at the same rates and eliminating the discriminating complained of.

Precisely the same problem existed in Italy, where the coefficient employed was 3.6. Italy has expressed willingness to reduce this likewise to 3.0.

#### *Other indirect taxes<sup>1</sup>*

#### *Approximation of legislation*

105. The Commission submitted to the Council a proposal for a directive extending the field of application of the lower rate of capital duty allowed for company mergers by the first directive on harmonization of capital duty, of 17 July 1969.<sup>2</sup> The new instrument provides that the lower rate is also to be charged for certain company restructurations which, from a business point of view, are on a par with the mergers to which the first directive relates.

<sup>1</sup> *Fifth General Report*, sec. 152.

<sup>2</sup> *OJ* Nos. L 249, 3 October 1969, and C 113, 28 October 1972.

*Elimination of discrimination*

106. France, Belgium and Italy had not by 1 January 1972 brought their laws into line with the Council Directive of 17 July 1969 on indirect taxes on capital-raising operations.<sup>2</sup> The Commission accordingly initiated proceedings against them under Article 169 of the EEC Treaty. France and Belgium thereupon conformed, France by Law No. 72-650 of 11 July 1972, and Belgium by a Law of 3 July 1972 supplemented by a Royal Decree of 18 July, and the Commission ceased proceedings and treated the matter as closed. Italy has still not complied with the directive, but has undertaken to do so with effect from 1 January 1973, the remodelling of capital duty being part of the broader reform of indirect taxation generally and the introduction of VAT in particular; the Commission is therefore keeping the infringement proceedings in abeyance until that date.

107. The Commission some time ago observed Italy's motor vehicle tax legislation to be in breach of Article 95 of the EEC Treaty: under the Law of 21 May 1955, Italian-made vehicles with four or more driving wheels, adapted for off-road use and with commercial-type body-work, are entitled for five years to a 50% reduction in the total amount of yearly tax payable on passenger vehicles, whereas imported vehicles of the same kind are charged at the full rate.

The Italian authorities admit the infringement, but have still not amended the law as they said they would. The Commission is accordingly proceeding against Italy under Article 169 of the EEC Treaty.

*Direct taxes*

108. As instructed by the Resolution on the phased establishment of economic and monetary union,<sup>1</sup> the Commission will shortly be submitting to the Council proposals for harmonizing the arrangements for withholding taxes on dividends and interest on bonds, and the systems of corporation tax.

Harmonization of direct taxes on undertakings cannot be confined simply to approximation of the systems of corporation tax, but must include further measures to pave the way for the subsequent approximation of the tax burden on undertakings, as called for by the European Parliament,<sup>2</sup> this being necessary by reason of the importance to the Community of undertakings'

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<sup>1</sup> *Fifth General Report*, sec. 154.

<sup>2</sup> *OJ No. C 56*, 2 June 1972, p. 8, point 10 of the Resolution on the *Fifth General Report*.

being able to select their location irrespective of tax considerations, and enjoying equal conditions of competition from the tax standpoint. The process of harmonization must start with the basic tax bases, that is to say, the calculation of profits: the object must be to render the calculation of profits transparent in its component elements, such as depreciations and the like, and thus make the taxation of undertakings more comparable. The Commission in collaboration with national experts, is increasing the pace of the highly technical studies already in hand in this field.

Also coming within its overall approach to harmonization of direct taxes are the measures to secure free movement of labour in the Community. The Commission is planning to go in more detail into the question whether and how far choice of place of employment is liable to be artificially influenced by certain effects of the system of direct taxation, and how this possibility can be obviated.

However, harmonization on concrete aspects of this kind would be largely ineffective if differences were to persist in the efficiency of tax collection and consequently in the real tax burden. The Commission has therefore been devoting special attention, as the Parliament has desired it should,<sup>1</sup> to the matter of stepping up cross-frontier cooperation among tax authorities, which is essential in a common market.

Proposals for Council regulations on the taxation of joint undertakings within the purview of the EEC Treaty are currently before the European Parliament and the Economic and Social Committee; consultation of the Parliament and Committee on provisions concerning taxation of joint undertakings in the petroleum sector has been completed and the instruments are now being considered at the Council.

<sup>1</sup> OJ No. C 70 / pages 14 *et seq.*, 13 July 1972, p. 14, sec. 12 of the Resolution on sundry matters arising in connection with the framing of a coordinated wages and incomes policy.

**4. Right of establishment, freedom to supply services,  
approximation of legislation on professions, trades and crafts,  
and of company law, and the creation of a Community company law**

*Preliminary remarks*

109. The Commission pressed forward with its work towards achieving full freedom of movement for the self-employed in the Community. Its main goal was to secure the adoption of draft directives submitted to the Council. By the end of 1972, the Council had received 56 proposed directives on the right of establishment and freedom to supply services, excluding banking and insurance. Most of these proposals, which had already been examined by the advisory bodies (in certain cases some time ago), concern the professions. Progress was made towards agreement among the Member States. At the same time, the Commission speeded up the preparation of proposed directives for some activities not yet liberalized.

With regard to the coordination of provisions laid down by law, regulation or administrative action concerning access to and pursuit of industrial, commercial and artisan work, preparations are in hand for certain of the relevant activities. The Commission feels, however, that the situations in each of the new member countries must be considered before concrete proposals can be laid before the Council.

Two sectors are particularly important if economic and monetary union is to be achieved: financial establishments and insurance, both so far somewhat neglected. The final process of adoption of the directives in the Council has apparently now begun, since the stage at which a common orientation is developed has been reached. It is therefore to be hoped that the work on these two fields will now be given a new lease of life, the objective being to create a common market for indemnity insurance and financial establishments.

As for companies, the Commission pursues a two-fold objective. In the first place, it aims at coordinating the rules in force in the various Member States with a view to increasing equivalent legal protection for both company members and third parties. The other aim, bearing in mind the needs of an enlarged market, is to make possible the implementation, from the legal angle, of certain combinations or merger operations at Community level, and to set up at the same time new "host" structures, the best known of which is, at present, a legal type of company—the European joint stock company.

### *Professions*

110. During the reference period, the Commission put before the Council two proposals for directives; the first of these was concerned with the coordination of certain provisions laid down by law, regulation or administrative action concerning self-employed activities connected with the retail sale of pharmaceuticals, and the second was concerned with the achievement of freedom of establishment and freedom to supply services for self-employed activities connected with the retail sale of pharmaceuticals. The two proposals follow up the group of proposed directives in this field which the Commission put before the Council during March 1969.<sup>1</sup>

As the European Parliament strongly urged in its Resolution of 18 November 1970, commenting on the Commission's preceding proposals<sup>2</sup> and as the Economic and Social Committee also recommended in its Opinion on the same proposals,<sup>3</sup> the first proposed directive offers a solution to the key issue of the geographical distribution of chemists' shops. It will also enable freedom of movement and freedom to supply services to be achieved in respect of the retail sale of pharmaceuticals, which is the subject of the second proposal.

111. During the same period, there were developments in respect of certain proposed directives already laid before the Council:

- (a) The European Parliament and the Economic and Social Committee rendered Opinions on the proposed directives relating to certain activities in the taxation field and in the film industry;<sup>4</sup>
- (b) The European Parliament rendered Opinions on the proposed directives concerning veterinary surgeons<sup>5</sup> and legal practitioners.<sup>6</sup>

By and large, the Parliament and the Economic and Social Committee endorsed the Commission's proposals. Further to the Parliament's Opinion on the proposed directives relating to opticians' activities,<sup>7</sup> the Commission introduced certain amendments to its original proposals in accordance with Article 149, second paragraph.

<sup>1</sup> OJ No. C 54, 28 April 1969.

<sup>2</sup> OJ No. C 143, 3 December 1970.

<sup>3</sup> OJ No. C 36, 28 March 1970.

<sup>4</sup> OJ No. C 67, 24 June 1972 and No. C 36, 12 April 1972.

<sup>5</sup> OJ No. C 19, 28 February 1972.

<sup>6</sup> OJ No. C 103, 5 October 1972.

<sup>7</sup> OJ No. C 78, 2 August 1971.

Under the procedure adopted by the Council and the Conference of Ministers of Education on 16 November 1971,<sup>1</sup> the Commission convened a working party on several occasions to consider how the general mutual recognition of degrees, certificates and diplomas could be speeded up, in view of the need to achieve freedom of establishment at a more rapid pace.

*Industry, commerce, crafts*

112. During the reference period, the Commission laid before the Council two proposed directives concerning the right to move and the right of sojourn. They concern the right of nationals of one Member State to remain in another Member State after a period of self-employment<sup>2</sup> and the widening of the scope of the Council Directive of 25 February 1964 on the coordination of special regulations relating to aliens with regard to moving and sojourn justified by considerations of public policy, public safety and public health, the scope of the directive to be broadened to nationals of a Member State invoking the right to remain within another Member State after a period of self-employment spent there.<sup>2</sup>

The aim of these directives is to establish the conditions which self-employed workers and the members of their families must fulfil when, at the end of a period of self-employment, they wish to remain in the country in which they have settled. The substance of the proposal is much the same as that of Regulation No. 1251/70/EEC of 29 June 1970<sup>3</sup> governing the same right for paid workers.

On 8 November 1972 the Council signified its agreement in principle regarding some proposed directives previously submitted to it, and on 29 November 1972 it communicated them to the acceding countries under an existing consultation procedure. These proposals concern:

- (a) The abolition of restrictions on the movement and sojourn of nationals of the Member States within the Community in connection with establishment and supply of services;<sup>4</sup>
- (b) Achievement of freedom of establishment and freedom to supply services, and the details of transitional measures, for some self-employed activities;<sup>5</sup>

<sup>1</sup> *Fifth General Report*, sec. 157.

<sup>2</sup> *OJ* No. C 94, 9 September 1972.

<sup>3</sup> *OJ* No. L 142, 30 March 1970.

<sup>4</sup> *OJ* No. C 91, 14 September 1971.

<sup>5</sup> *OJ* No. C 21, 19 February 1970, and No. C 6, 22 February 1971.

- (c) Achievement of freedom of establishment and freedom to supply services, and the details of transitional measures, for activities in the field of distribution of toxic products;<sup>1</sup>
- (d) Achievement of freedom of establishment and freedom to supply services, and the details of transitional measures, for self-employed activities of certain transport auxiliaries, travel agents, and warehousing agents.<sup>2</sup>

In 1972, the European Parliament and the Economic and Social Committee approved in principle proposed directives previously received on restrictions to movements and to sojourn<sup>3</sup> and on hairdressers.<sup>4</sup>

#### *Banks and other financial establishments*

113. In January 1972, the Monetary Committee adopted an Opinion on the draft directive of 30 July 1965 relating to the elimination of restrictions on freedom of establishment and on freedom to supply services for the self-employed activities of banks and other financial establishments.

In the Committee's view, freedom of establishment and freedom to supply services not connected with capital movements raise no monetary policy problems. As regards services linked to capital movements, the Committee, though believing that their liberalization is feasible, nevertheless suggested that certain restrictions should be imposed, and that a complete list of the services concerned should be drawn up. The Council, seeing this list as an appropriate means of restricting the scope of liberalization measures, agreed. Thereafter, at its session of 7 November 1972, after clearing up the technical problems arising in connection with regulations in force in certain Member States, the Council reached a joint position on the draft directive taken as a whole.

Work was continued on the coordination of Member States' legislation on banking control.

#### *Insurance*

114. On 24 April 1972, the Council adopted a directive on the approximation of the laws of the Member States relating to insurance against civil liability in respect of the use of motor vehicles, and to the enforcement of the obligation to insure against such liability.<sup>5</sup>

<sup>1</sup> OJ No. C 12, 4 February 1969.

<sup>2</sup> OJ No. 73, 23 April 1966.

<sup>3</sup> OJ No. C 19, 28 February 1972, and No. C 67, 24 June 1972.

<sup>4</sup> OJ No. C 103, 5 October 1972, and No. C 89, 23 August 1972.

<sup>5</sup> OJ No. L 103, 2 May 1972.

The aim of the directive is the elimination, at latest by 31 December 1973, of "green card" checking, both at internal frontiers within the Community and at the Community's external frontiers, for vehicles registered in the member countries. Elimination of green card control presupposes that the compulsory third party insurance for motor vehicles which exists in all countries also covers damage occurring within the other Member States. On 16 October 1972, the national insurance offices undertook to cover, in accordance with the legislation in force in their own countries, accidents caused within their areas by vehicles whose home base is in another Member State, and to refund to the insurance offices of the other Member States the sums the latter have paid out in settlement of the relevant claims.

In future, persons suffering damage caused by a vehicle registered in another Member State need no longer seek compensation abroad; they will be able to apply for and obtain compensation in their own countries. The elimination of green card checking will bring appreciable relief for a substantial proportion of the population. It constitutes a practical step towards the achievement of free movement in the common market.

115. On 19 July 1972, the Council arrived at a common standpoint regarding the proposed directives submitted respectively in 1966<sup>1</sup> and in 1967<sup>2</sup> for the coordination of legislations regulations and administrative rules concerning access to and engagement in the business of direct insurance other than life-insurance, and the achievement of freedom of establishment in this field.

The purpose of the first coordination directive is approximation of national legislation concerning the supervision of indemnity insurance. At the present time, supervision of these areas of insurance varies widely from Member State to Member State. The directive covers the nature and scope of such supervision by the governments. All firms providing insurance of this kind will be subject to the supervision of the responsible departments of the Member State in which the firm has its headquarters. Supervision covers all the activities of the firm within the Community.

Access to insurance business will be subject to official approval. The directive sets out in detail the conditions on which such approval is granted. It requires firms to establish adequate technical reserves and to create a margin of solvency proportional to the overall volume of their operations.

The branches of firms having their headquarters in a non-member country will be subject, for insurance they provide within the Community, to certain

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<sup>1</sup> *OJ* No. 175, 3 October 1966.

<sup>2</sup> *OJ* No. 62, 1 April 1967.



coordinated minimum requirements ensuring treatment equivalent to that given to firms having their headquarters within the Community, whilst preventing their activities from entailing distortions of competition on the Community insurance market. In order to allow for close relations maintained with insurance markets outside the Community, the directive empowers the Community to conclude agreements with non-member countries giving firms from these countries the same treatment as that given to Community firms providing it is reciprocal.

116. With a view to achieving freedom to supply services for insurance companies, and to establishing within the indemnity insurance sector similar conditions to those of a domestic market, the Commission continued its important work on the coordination of national regulations concerning insurance contract law, the liquidation of insurance companies, indirect taxes on insurance and the supervision of insurance companies.

### *Companies*

#### *Approximation of Member States' company law*

117. On 9 October 1972, the Commission submitted its proposal for a fifth directive concerning the structure of limited companies (*sociétés anonymes*).<sup>1</sup> In the future, any such company will have to have a board of managers running the company and a supervisory board controlling the managers, as well as a general meeting.

In carrying out this work, the supervisory board will have ample powers of control over the managers. The members of both bodies will be subject to severe civil liability rules. The board of managers will be appointed by the supervisory board. The appointment of the latter, on the other hand, except in small companies, cannot be left to the shareholders alone. In companies employing more than 500 workers, the workers will have to have a say in the appointment of the supervisory board. For this, the Member States will have a choice between two alternatives:

- (a) At least a third of the members of the supervisory board will be appointed by the workers, the general meeting to appoint the rest, though other powers may be established for these two thirds, providing, for example, for the election of members to represent the general interest;

<sup>1</sup> *Supplement to EC Bulletin* No. 10-72.

- (b) The members of the supervisory board are co-opted. Both the general meeting and the workers' representatives can oppose the appointment of a proposed candidate. When this happens, the appointment can become final only if and when such an objection has been found groundless by an independent body on which both the workers and the management are represented.

The proposed fifth directive also covers arrangements for the preparation and the agenda of the shareholders' general meeting. Adequate and standardized guarantees must be provided for shareholders with regard to the convening of the meeting and their representation at it, to oral and written information, to the exercise of their voting right and to appeal systems against any improper decisions. In addition, it must be possible for some of the shareholders' powers to be exercised by a minority of shareholders only.

118. On the basis of the Opinions rendered by the European Parliament and the Economic and Social Committee, and in view of the entry of the United Kingdom, Ireland and Denmark, the Commission amended its proposed second directive on the constitution and the capital of limited companies. The Council began discussing this directive again in October 1972.

On 16 November 1972 the European Parliament commented on the proposed third directive concerning mergers of limited companies and a fourth directive concerning the establishment of the annual accounts of companies with limited liability. The Commission submitted in November 1972 to the Council its proposed amendment of the third directive on the basis of the Opinions rendered by the European Parliament and the Economic and Social Committee. The amendment also takes account of the situation in the new member countries.

#### *Creation of a European Company Law*

119. In October 1972, the Economic and Social Committee rendered its Opinion on the proposed regulation concerning the statute of a European limited company.

The Committee warmly welcomed this regulation, based on Article 235 of the EEC Treaty, instituting a legal form for European companies which was dissociated from the national law of the Member States.

The Committee agrees with the fundamental principles of the proposal, but nevertheless would like to see access to this legal form enlarged. The Committee also agrees in principle on workers' representation within the European company. However, there are divergences of opinion regarding the

shape this representation should take, as also regarding the provisions concerning groups of companies laid down by the statute.

Unfortunately, during the period covered by the present report the European Parliament did not decide what position to adopt. In consequence, examination of the proposal by the Council might be delayed again. As far back as June 1971 the Council emphasized the urgency of the matter by stating that, if no opinion were received from the Parliament, it would not be able to start its work on the proposal. In autumn 1972, in the final communiqué of the Summit Meeting in Paris, the Heads of State or Government stressed the need to adapt rapidly this instrument for uniform organization in view of the implementation of the economic and monetary union.

120. The preparatory work begun in 1965 on the basis of Article 220, subparagraph 3, of the Treaty of Rome, on the drafting of a convention on international mergers, was completed at the level of the Government experts. The possibility of claiming the benefit of international merging is very important for the integration of firms within a common market. The draft convention and the report by Professor Berthold Goldman, chairman of the group of government experts, have been sent to the Governments of the six Member States and to the competent bodies of the European Communities.

The government experts have achieved a broad measure of agreement on the questions concerning company law. However, the question of workers' representation in the company taking over or the company resulting from the merger has remained open. This problem would be resolved if the Council were to approve the fifth directive on the structure of companies with limited liability<sup>1</sup> in the form proposed by the Commission.

The Commission will now have to prepare its position regarding the draft convention.

121. The work on a preliminary draft text establishing a European cooperation group was continued with government experts in the framework of a working party. In the near future, the Commission can be expected to define its position regarding the questions raised by the creation of such a form of cooperation.

#### *Application of directives approved*

122. The Commission devotes special attention to checking that the directives approved are in fact being properly applied. It has found that, generally speaking, the Member States are implementing the directives properly. In

<sup>1</sup> *Supplement to EC Bulletin* No. 10-72.

certain cases where they are lagging behind in implementing directives, or where the measures taken are at variance with Community law, the Commission has initiated the procedure provided for in Article 169 of the EEC Treaty. In 1972, 10 procedures were opened for infringement of the Treaty. Two have since been discontinued. In seven cases, the Member States concerned have announced implementing measures. During the same period, the Commission initiated two new procedures alleging infringement of the Treaty.

*Enlargement and the right of establishment*

123. By virtue of the Accession Treaties, the directives adopted are binding on the new Member States as soon as they join. Most of the directives have required only technical adaptations. In a number of cases, transitional periods have also been agreed for implementation of the directives in the new Member States.

The clauses that have been adapted are those listing restrictions against foreigners which are to be eliminated, the usual names of trades or occupations used in the Member States, or the activities referred to in Article 55 of the EEC Treaty. In each case, the information provided by the new Member States has been added to these clauses. Another technical adjustment concerns the clauses which, in a number of directives, demand the furnishing of a certificate of good character. Because some Member States do not have such certificates, the rules have been amplified so as to enable the certificate to be replaced by a sworn statement.

## 5. Approximation of legislation and creation of Community law by conventions

### *General*

124. Through the approximation of legislation and the creation of Community law by Conventions, the Commission has continued its efforts to complete the legal instruments required by the creation of economic and monetary union. At the Summit Conference in Paris on 19 and 21 October 1972, the Heads of State or Government reaffirmed their will to achieve this economic and monetary union irreversibly. This implies the establishment of an area in which people, goods, services and capital may circulate freely and without distortion of competition. Because of this process the creation of Community law by means of regulations, directives and Community conventions assumes an ever-growing importance.

### *Public law*

#### *Public works and supply contracts*

125. On 26 July 1972 the Council adopted a directive<sup>1</sup> concerning procedures and conditions for the publication of notices of public works contracts and concessions for public works in the Official Journal of the European Communities. This completes the not inconsiderable measures already adopted by the Council on this subject,<sup>2</sup> by presenting these notices in a concise and rational form. The notices will appear in the Official Journal and will be translated into the various official languages so that Community contractors may have an idea of all contracts of possible interest to them, provided these are worth one million u.a. or more.

126. During 1972 the Parliament and the Economic and Social Committee expressed their Opinion on the proposed directive to coordinate procedures for the award of public supply contracts, which aims at opening up this important section of the economy to Community competition. In accordance with Article 149 of the EEC Treaty, the Commission will submit to the Council various amendments of this proposal which take these Opinions into account.

<sup>1</sup> OJ No. 176, 3 August 1972.

<sup>2</sup> Fifth General Report, sec. 167.

*Penal liability and protection of officials of the European Communities*

127. The draft convention on "penal liability and protection of officials of the European Communities" has been completed and must now be submitted to the Governments and other parties concerned, for their opinion.

This draft is intended to fill in gaps, since no rules exist for officials of the Communities in penal matters. In all Member States there are provisions for infringements committed by officials in the exercise of their duties, but these do not apply to officials of the Communities. Furthermore, the latter are not protected in all Member States by penal provisions in the same way as officials who are nationals of the country concerned. The draft convention is based on the principle of assimilation, whereby an official of the Communities would be answerable, for certain infringements, to the Government of his country of origin and would benefit from the same penal protection as an official who was a national of that country. Courts of the country of origin would be invested with powers of jurisdiction. To ensure uniformity of interpretation the Court of Justice of the Communities would have powers to interpret the law.

*Private law**A European patent*

128. The work of the intergovernmental Conference on the setting up of a European system for the issuing of patents, which began in 1969, was concluded during 1972.<sup>1</sup>

After final study with representatives of the professional associations concerned, the Conference has sent to the Governments of the participating States drafts of a convention, of an implementing regulation and of protocols, on the centralization and introduction of the European system of patents.<sup>2</sup> A diplomatic Conference will be held in Munich during the second half of 1973 to draw up and adopt the final texts.

Parallel with this work, studies have continued on the framing of a draft convention concerning the European patent for the Common Market, the purpose of which is to regulate, by a unitary law in conformity with the aims of the Community, the effects of the European patent in the EEC member countries. The experts of the new member countries have already had the opportunity to make their views known on the draft convention in question, the

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<sup>1</sup> *Fourth General Report*, sec. 70 and *Fifth General Report*, sec. 170.

<sup>2</sup> A brief analysis of these documents appeared in *EC Bulletin* No. 9-72.

text of which can be sent to the Governments of all the Member States of the Community in 1973.

### *European trademark*

129. The Commission has decided to publish a preliminary draft convention for a European law on trademarks, already drawn up a few years ago by a group of governmental experts whom the Commission had brought together but whose work was interrupted following divergences of view between the States over fundamental questions of industrial property. After these divergences had disappeared and remarkable progress had been achieved with the European patent, it became highly desirable that the work should be resumed and quickly reach the point of creating a European trademark of standing. Conceived in relation to the Community's aims this trademark, like the European patent, is intended to be incorporated into an international system which is being worked out within the framework of the world organization for the protection of industrial property. Publication of the advance draft, which is no more at present than a document based on the preliminary studies, will enable the professional groups concerned to voice their comments and so help the experts in their work.

### *Unfair competition*

130. In November 1972 the Commission called a first meeting of experts from the old and new Member States. This meeting made it possible to draw up a list of the fields of unfair competition in which measures to harmonize national rules might be taken, in descending order of priority.

Before a start was made on this work field by field, it was decided that the comparative law studies which had previously been made for the six Member States should also be carried out in respect of the laws of the United Kingdom, Ireland and Denmark.

### *Manufacturers' responsibility*

131. The Commission's departments have made a comparative study of the law of Member States governing the responsibility of manufacturers for their products. This study is concerned not only with equalization of the costs of undertakings but also with the interests of consumers.

*Private international law*

132. By the middle of the year under report the work of the Committee of governmental experts on private international law, begun in 1970,<sup>1</sup> had produced a preliminary draft convention on law applicable to contractual and non-contractual obligations. This preliminary draft adopts, for contracts, the principle of autonomy of will and specifies, where the parties have not expressed a choice, the criteria of attachment to be observed in determining which law is applicable. In criminal cases, the provisions of the preliminary draft usually specify the law of the country in which the offence was committed. However, it is envisaged that another law may be applicable in certain circumstances. This convention also deals with questions of law applicable to the form and method of proof of instruments which give rise to obligations and with certain problems in the sphere of private international law, such as dismissal or public policy. Finally, the convention will be of a universal nature; it will be applied even if the law specified is not that of a contracting State. The text of the preliminary draft, together with a commentary on the articles of the convention, has been submitted to the governments of Member States.

Meanwhile, in accordance with its mandate, the Committee must continue its work of drawing up a second preliminary draft convention concerning the law applicable to tangible and intangible property. This second part of the work should be started at the beginning of 1973, with the help of experts from the nine Member States.

*International law on procedure*

133. The Convention signed by the Member States in Brussels on 27 September 1968 concerning legal jurisdiction and the execution of decisions in civil and commercial matters will enter into force on 1 February 1973. The last ratifications were made during 1972 and the instruments have been deposited with the Council Secretariat.

This implementation in six Member States crowns the efforts made by the Commission since 1959, when it invited the Governments to enter into negotiations to ensure, in accordance with the terms of Article 220 of the EEC Treaty, the simplification of formalities governing the mutual recognition and execution of legal decisions. The Convention has gone further. It not only guarantees that a judgment handed down on one Member State can be enforceable in all the others, but it also establishes a swift and uniform procedure to ensure this. Furthermore, the uniformity of application of this Convention will

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<sup>1</sup> *Fourth General Report*, sec. 71.



be the responsibility of the Court of Justice of the Communities, which was invested with the necessary powers of interpretation under the Protocol signed on 3 June 1971.

The new Member States have undertaken to accept the Convention as binding after negotiation of any necessary adjustments.

### *Commercial representation*

134. The Commission will shortly be submitting to the Council a proposal for a directive concerning harmonization of the status of commercial agents in the Community. This proposal relates to representatives or agents who, in an independent capacity, negotiate and possibly conclude commercial operations in the name and on behalf of dealers or producers. The obligations of the principal and the agent respectively are precisely stated. But the main purpose of the Directive is to harmonize the provisions concerning the agent's remuneration, which is usually in the form of commission, and the conditions under which the contract of representation may be terminated: system of compensation in the event of breach of contract and regulations against restricting competition.

### *Business law*

#### *Business law proper*

135. Work on comparative law to draw up as complete a list as possible of national economic regulations (aims and instruments) has been actively continued. Efforts to coordinate and synthesize on the basis of already existing reports constitute a first step towards the concrete measures to approximate legislation which will be embodied in the economic union. It was considered vital to associate the acceding countries with the work under way.

#### *Criminal law relating to business*

136. To fill in the gaps in the law to prevent and effectively repress the infringements of obligations deriving from Community law, the Commission has continued its research, bearing in mind the results of the meeting between the Council and the Conference of Ministers of Justice of the Member States, held on 3 June 1971. A document dealing with these matters was sent to all Member and acceding States, and subjected to a first examination with the national experts in November 1972.

### *Price legislation*

137. The present state of Member States' laws and regulations on prices, and specific problems deriving therefrom, have been studied in collaboration with the competent national administrations. A comparison of points of view from time to time may well prove useful.

### *Legislation concerning the quality of life*

#### *Legislation on pharmaceutical products*

138. Following the opening of proceedings under Article 169 of the EEC Treaty against States failing to fulfil their obligations regarding Council Directive No. 65/65 of 26 January 1965,<sup>1</sup> discussions began with the Governments concerned, in order to gauge more precisely how far the above-mentioned directive had been applied and the intentions of the said Governments.

A proposed directive on the approximation of legislation on veterinary drugs was finalized. It covers drugs, whether presented as branded specialities, as prefabricated medicaments or as basic mixtures for medicinal foods.

Work is continuing on the norms and protocols which will apply to tests of veterinary medicines.

#### *Protection of the environment*

(Legislation concerning control of the pollution of surface and ground water, laws against air pollution and noise, and laws on waste prevention and disposal.)

139. The Commission's memorandum of 22 March 1972 to the Council clearly showed the importance, for the respect of the rules of free competition and free trade, of harmonizing Member States' environmental protection arrangements, in particular for combating pollution.

The studies in collaboration with the competent national administrations have resulted in the establishment of lists—which will be kept up to date—of binding laws and regulations to limit, at local, regional, Community or international level, the pollution of surface and ground water and of the air.

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<sup>1</sup> OJ No. 22, 9 February 1965, modified by OJ No. 144, 5 August 1966.

Regulations on waste prevention and disposal and the anti-noise campaign are also being thoroughly studied by the Commission. The final list of these regulations is being drawn up. The possibility of formulating proposals for harmonization and of establishing priorities is also under consideration.

*The campaign against drug addiction*

140. The Commission has joined in efforts to strengthen the fight against drug addiction, in the desire to ward off the disastrous short-term effects which the achievement of the Common Market could cause in this sphere. These efforts affect the customs sector, the right of establishment, and the approximation of legislation.

## 6. The effect of the Common Market on the distributive trades and on consumers

### *The effect of the Common Market on the distributive trades*

141. The trend towards concentration and modernization in the distributive trades that was apparent in previous years continued in the Community in 1971.<sup>1</sup>

The number of outlets continued to fall, albeit at a slower rate in some countries. In France, for example, the number of retail establishments went down by 739 in 1971 as against 6 000 in 1970. Conversely, in Italy the number of outlets continued to increase, but at a slower rate than in the preceding years.

This development was accompanied by an increase in the size of commercial undertakings. Figures available for the retail trade in Germany reveal a marked trend towards larger undertakings. Establishments with a turnover of less than DM 500 000 accounted for 87% of all establishments, as against 95% eight years before, and their share in the total turnover of the retail trade dropped from 46% to 29% during the same period. As a result, the percentage of undertakings with a turnover of more than DM 500 000 has grown. The continuous increase in the number of outlets in Italy, on the other hand, leads one to suppose that the trend towards concentration is not yet very marked there.

The modernization process, which is reflected for example in the progress made in integrated self-service methods, is gathering momentum in all countries. Even in Italy, where progress towards new forms of sales outlets was less spectacular than in other countries, 1971 seems to point to a new trend with the opening of 69 supermarkets and the first hypermarket (Table 2).

Compared with the year before, there was a large increase in the number of modern outlets and in their respective share of total sales of foodstuffs. Competition between the various forms of outlet is becoming more intense and consequently the number of sales units is bound to fall each year.

This development gives rise to difficult problems to which the Commission has turned its attention, in close cooperation with the governmental experts meeting within the Working Party on the distributive trades. The Commission is working to promote and coordinate national measures to assist small and medium-sized undertakings in adapting to these changes.

The Commission considers that the social measures should be supplemented by increased efforts in the field of basic and advanced vocational training.

<sup>1</sup> The figures for 1972 were not available when this Report was being drawn up.

With this intention, it arranged, in collaboration with the International Centre for Advanced Technical and Vocational Training in Turin, the first of a series of seminars for executives dealing with training in the distributive trade (10-14 April 1972 in Turin, Italy). This seminar was devoted to the continuous training of the whole staff of commercial undertakings.

**TABLE 2**  
**Importance of large-scale outlets**  
(as at 1 January 1972)

Country	Number of supermarkets and hypermarkets per million inhabitants	Self-service sales as % of total sales of foodstuffs
Germany	52.1	90% <sup>1</sup>
France	43.0	39% <sup>2</sup>
Italy	11.1	approx. 10% <sup>3</sup>
Netherlands	47.1	85% <sup>2</sup>
Belgium	62.3	66% <sup>1</sup>

<sup>1</sup> Excluding specialized food shops.

<sup>2</sup> Including specialized food shops.

<sup>3</sup> Estimate.

This initial meeting triggered off activity that has since developed under the responsibility of training officers running vocational training centres in the distributive trades. A second seminar backed by the Commission was held from 27-29 September 1972 at IFOCOP (Institute of Continuous Commercial Training) at Rungis (France).

*Differences between retail prices in the member countries for comparable products*

142. The Commission, in agreement with the experts of the national statistical offices, found that, on account of technical difficulties and changes in data-collection methods, the results of the survey for 1971 could not be used. In October and November 1972 the national offices used an improved method to carry out a fresh survey, the results of which will be available at the beginning of 1973.

In the absence of accurate statistics, it would seem, however, from the indices available that, in spite of the growth of intra-Community trade in consumer goods (21% greater than in 1970), consumer prices still vary widely from country to country even if, to a degree depending on the country concerned,

imports of the products in question account for a sizeable share of total consumption. The information available on branded products shows that, as a general rule, dealers obtain their supplies of these products on the national market, i.e. from the producer's regular general importer. Only rarely do dealers avail themselves of the opportunities offered to them by Community rules on competition, for example in the form of parallel imports.

Owing to technical and administrative obstacles cross-frontier distributive trade is still rather limited.

Wholesale trade comes up against almost insurmountable difficulties when supplying frontier areas in a neighbouring member country. In the case of a delivery of assorted goods, for example, the formalities for each class of goods involve complex administrative formalities at the border and increased administrative and commercial costs.

These obstacles to the unrestricted growth of cross-frontier sales also hamper mail-order sales. Some mail-order trade flows have petered out on account of the onerous import formalities that have to be complied with. In other cases, mail-order firms have increased their domestic catalogue prices by a standard rate of 20% to cover all expenses (including the difference between VAT rates) incurred when supplying customers in another Member State. This led, in 1972, to several requests by commercial circles for the removal of these obstacles. The Commission and the national administrations are at present searching for a solution to these problems.

#### *The effect of the Common Market on consumers*

143. Examination of some economic indicators makes it possible to measure the rise in consumers' living standards and to ascertain how much they have been influenced by European economic integration.

In the first place, the development of trade between the Six from 1970 to 1971 shows that the demand for consumer goods is distinctly higher than that for products as a whole, following the general trend which has been manifest since 1958. In 1971 trade in household goods was 21% up in value on 1970, whereas the increase in trade for all products for the same period was 15%.<sup>1</sup>

This tendency has remained more or less the same ever since 1958, for from 1958 to 1971 the average percentage increase for all intra-Community trade was 15.21%, whereas the percentage increase for trade in household goods was 17.14% (from 1960 to 1971).<sup>2</sup>

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<sup>1</sup> Source: SOEC.

<sup>2</sup> The statistics for imports of household goods are available from 1960 onwards. Source: SOEC.

Analysis of the development of trade in some major consumer goods is also illuminating.

*Increase in trade from 1958 to 1971 and from 1970 to 1971  
for some major consumer goods*

(in %)

	1958-1971	1970-1971
Cars	+ 1 233	+ 18
Cameras	+ 2 270	+ 38
Radios	+ 72	+ 28
Household refrigerators	+ 385 (1960-1971)	+ 18

It can be seen that the growth of trade in these products from 1958 to 1971 has been substantial, averaging 20.35% for cars; 25.35% for cameras; 3.95% for radios; and 14.06% for refrigerators. It is all the more remarkable that this growth, except in the case of cars, was still greater from 1970 to 1971.<sup>1</sup>

We cannot establish the connections of cause and effect between these figures and those for the reduction in the rates of customs duties from 1958 to 1968 and the increased competition which resulted from this, but nevertheless it is interesting to compare the two groups of statistics.

*Level of EEC customs duties in 1958 for the products mentioned above*

(as percentage of value)

	Benelux	France	Germany	Italy
Cars	24	30	17-21	35-45
Cameras	15	25	6	25
Radios	20	24	15	25
Household refrigerators	12	15	5	20

144. The trend in the pattern of consumption is also important for measuring the rise in living standards.

<sup>1</sup> Source: SOEC, *Statistique du commerce extérieur*.

The composition of this pattern is progressing towards the model for an affluent society, and accordingly, as against a total increase in private consumption of 10.6% by value from 1970 to 1971 (average increase of 8.45% from 1958 to 1971), the rate of increase for the "food products" group is declining steadily, from 8.65% between 1969 and 1970 to 7.28% between 1970 and 1971, and that for clothing from 12.20% to 7.02%, whereas the rate of increase of expenditure on toilet and health articles rises from 10.36% to 12.21%, and on transport and communications from 13.9% to 14.92%, these last two groups of functions being typically those of an economically advanced society.<sup>1</sup>

This trend is confirmed by the transformation of the relative shares of the various components of private consumption in the whole of this consumption, which reflects an increase in final demand for toilet and health articles, transport and recreation as opposed to a decline in the demand for food and clothing products.

145. It is permissible to presume that, in the matter of food, this trend will continue at the same rate, bearing in mind the fact that quantitative saturation is not very far off and that the food pattern will change in the direction of more demand for quality. Already we are witnessing a growing consumption of the "rich" products (meat, cheese, fruit and vegetables) at the expense of the "poor" products (cereals, bread).

The same trend can be foreseen for the clothing sector, so that the resources thus freed can be used by households for greater satisfaction of needs other than primary ones—such as education, transport, communications, recreation and environment, needs whose satisfaction reflects a qualitative improvement in consumers' living standards.

The Commission is aware that this qualitative trend must be stimulated. In 1971 it continued its efforts to assure real protection for the consumer—especially in the field of legislation and in the elimination of technical obstacles to trade—as well as to assure the provision of information in order also to cover the qualitative aspects of the standard of living.

This awareness of the Commission was also demonstrated by the decision it took in 1972 to place at the disposal of the European consumer organizations Bfrs. 7 million to enable them to take a more active part in the Commission's work concerning them.

Finally, in 1971—as throughout the whole integration period—the common market appears to have had favourable effects on European consumers,

<sup>1</sup> Source: SOEC, *National Accounts*.



despite the increases in prices and the differences in them still existing between the Six for similar products.<sup>1</sup>

Furthermore, the increase in prices must be seen against the background of the increase in real income (and therefore in buying power) per head, which, from 1970 to 1971, has gone up by about 2.5% in the EEC as compared with 1.7% in the United Kingdom and 1.2% in the United States and, from 1958 to 1971, by about 74% in the EEC as compared with about 34% in the United Kingdom and 39% in the United States.<sup>2</sup>

In addition, the Commission, through the implementation of an effective competition policy, means to ensure that the common market works properly and to protect the consumer against price increases owing to situations obstructing competition in the Community, as can be instanced by a few cases dealt with in 1972.

In the sugar industry, the Commission took legal action and imposed fines amounting to 9 million u.a. on the main Community producers which, by concerted practices on the principle of "every man master in his own house", managed to shield the selling prices to the food industry and consumers from the competitive effects which could have resulted from free imports.

In the insulating materials industry, the Commission attacked a system of price discrimination by country of destination practised by the Pittsburgh Corning Europe company in conjunction with its distributors in Belgium and the Netherlands. This system had resulted in a compartmentation of the German market, where prices were found which were as much as 40% or more above those on the Belgian and Dutch markets.

In the gramophone record industry, the Commission has condemned agreements made between the producer WEA-Filipacchi Music SA Paris, and eighteen retailers of its products established in France, which prohibited the latter from exporting records, in particular to Germany, where a firm belonging to the same group as the producer retailed these same records at a distinctly higher price.

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<sup>1</sup> Sec. 142.

<sup>2</sup> Source: SOEC, *National Accounts*.

## CHAPTER IV

## TOWARDS ECONOMIC AND MONETARY UNION

## SECTION A

OVERALL POLICIES AND POLICIES FOR INDIVIDUAL  
SECTORS

## 1. Economic and monetary policy

## MOVES TOWARDS ECONOMIC AND MONETARY UNION

*Decisions in 1972*

146. As a start on restoring currency stability on the widest international plane, the Washington agreement of 18 December 1971 between the Group of Ten put an end to a state of uncertainty which could have both seriously affected economic activity, employment and trade in the Western world and jeopardized the launching of the first stage of the establishment of economic and monetary union.

For the Community, however, the agreement had one big disadvantage, inasmuch as with the margins of fluctuation widened to 2.25% on either side of the parity or central rate the spread between any two Community currencies' rates could be as much as 4.5% at any given moment, or 9% over a period. This state of affairs, and the Commission's Memorandum of 12 January 1972 to the Council on ways and means for dealing with it, were recorded in the *Fifth General Report*;<sup>1</sup> as the Central Banks had been obliged by the events of

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<sup>1</sup> *Fifth General Report*, sec. 194.

1971 to forgo the intended first effort to narrow the intra-Community margins, the proposal amounted, in the new context of exchange relations, to a step towards the formation of a distinct monetary area.

The Council, anxious to abide by the principle that the processes of monetary unification and of convergence of economic policies should go forward in parallel, decided to include provision for measures in respect of fluctuation margins in a more general Resolution also containing provision for enhancing the effectiveness of its Decision of 22 March 1971 on increased coordination of Member States' short-term policies, and for action in the regional, structural and social spheres. Accordingly, on 21 March 1972 it adopted a Resolution based on a general conspectus by the Commission of the conditions for achieving the first stage of economic and monetary union.<sup>1</sup>

147. The Resolution of the Council and of the representatives of the Governments of the Member States of 21 March 1972 in its four parts. The first is concerned with intensified coordination of Member States' short-term economic policies. It provides for the setting-up at the Council of a working party consisting of one special representative of the Ministry or Ministries responsible in each Member State, plus a representative of the Commission, to see that the Member States are kept regularly abreast of one another's short-term economic and financial policies and coordinate these policies in accordance with the guidelines laid down by the Council. The working party is to cooperate closely with the Permanent Representatives' Committee, especially in preparing the three Council sessions devoted to coordination of economic policies; should a Member State be contemplating measures or decisions which depart from the Council's guidelines, any Member State, or the Commission, may request that these be the subject of consultation beforehand in the working party, or even in the Council itself should they give rise to serious objections. In addition, the Resolution requires the Commission to submit to the Council as soon as possible a draft directive for the purpose of promoting stability, growth and full employment in the Community. Part II of the Resolution deals with regional and structural measures.

In Part III, the Council and the representatives of the Governments of the Member States request the Central Banks to intervene in their respective foreign exchange markets in such a way as to restrict the maximum spread existing at any given moment between the currencies of any two Community countries to 2.25% by 1 July 1972 at the latest. The Resolution specifies that intervention is to be in dollars if the dollar rate in the market concerned reaches the limit of fluctuation set by the International Monetary Fund, but

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<sup>1</sup> OJ No. C 38, 18 April 1972, and *EC Bulletin* No. 4-72, Part One.

in Community currencies where the purpose is to ensure compliance with the intra-Community limits. As a general rule the Central Banks are to intervene automatically when these limits are reached, but within the limits they are to do so only by concerted decision. Notwithstanding these arrangements, in world dealings full use will continue to be made of the margins of fluctuation permitted by the IMF.

In addition, the Resolution calls upon the Monetary Committee and Committee of Governors of Central Banks to submit by 30 June a report on the organization, functions and statutes of a European Monetary Cooperation Fund, pursuant to Part III(8) of the Resolution of 22 March 1971, to enable the Council to act on the findings before the end of 1972. The Resolution further records that the Council has adopted the Directive proposed by the Commission on 23 June 1971 concerning regulation of international capital flows and neutralization of their undesirable effects on internal liquidity. The Directive requires Member States where necessary to augment the means of action at their disposal "without delay" by adopting the measures referred to therein; the application of these remains a matter for the individual countries, but must take due account of the interests of the rest. Thus coordination and keeping the Council informed are duties which devolve upon the Commission in conjunction with the Monetary Committee and the Committee of Governors of Central Banks.

Finally, in Part IV of the Resolution, it is agreed that the Commission's proposals for the first stage of the economic and monetary union, and in particular those concerning tax harmonization and the progressive establishment of a European capital market, should be included as priority items on the Council's agenda.<sup>1</sup>

148. The coordinating working party referred to in Part I of the Resolution has been duly set up; it held its first meeting on 19 June and has met several times since, more particularly in connection with the preparation of the Council session of 30/31 October, the business of which consisted in approving the annual report on the economic situation in the Community and adopting the Commission's proposals for the containment of inflation.<sup>2</sup> So far, no Member State has found it necessary to ask for the consultation provided for.

A draft directive designed to promote stability, growth and full employment in the Community is in preparation.

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<sup>1</sup> These proposals are dealt with in separate sections of the Report.

<sup>2</sup> Secs. 157 *et seq.*

149. On 24 April 1972 the Governors of the Member States' Central Banks began to apply the narrower margins of exchange rate fluctuation within the Community. They had agreed beforehand on a scheme for financing and settling any balances arising out of intervention in Community currencies; under this scheme the Central Banks grant each other lines of very short-term credit, with debit positions to be settled through a transfer of reserve assets mirroring the composition of the reserves held by the debtor Central Bank. The four acceding countries decided to join the Community arrangement in May.

After working satisfactorily for a short period, the intra-Community exchange scheme came under considerable pressure at the end of June, owing to heavy speculation against sterling. Following a massive support operation, the British Government on 23 June 1972 decided to allow sterling to float temporarily. Denmark likewise withdrew from the agreement and reverted to applying the margin of 4.5%.<sup>1</sup> With the rise in the price of gold on the free market putting an end to the use of gold as a transferable reserve asset, the Council on 26 June 1972 authorized Italy to intervene for a time in dollars in order to maintain the intra-Community spread; later, this authorization was extended until 31 December 1972.

150. These vicissitudes provided fresh evidence of the need for all member countries to have at their disposal effective means of protecting themselves from disruptive movements of capital.

Since the adoption of the directive on the regulation of international flows of capital, several Member States have taken a number of measures that are consonant with the objectives pursued.

In addition, the Commission departments, in cooperation with the Monetary Committee in particular, looked into the various problems arising in this context. To help to solve them and enable the Commission to undertake the coordination and information work assigned to it by the directive, the Monetary Committee on 17 October 1972 decided to set up, in April, an *ad hoc* group to draw up a list of the instruments available to Member States, whether prescribed by the directive or not. Then in October the Monetary Committee set up a new group, for the collective study of the application of those instruments and of such instruments as the Member States might later adopt.

151. In April, the Monetary Committee and the Committee of Governors of Central Banks set up a joint group of experts to prepare a report on the

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<sup>1</sup> On 10 October 1972, Denmark resumed application of the 2.25% margin against the other Community currencies while reserving the right to decide itself on how to make the necessary interventions.

organization, functions and statutes of a European Monetary Cooperation Fund. On the basis of this report, the two Committees on 5 September and 11 September 1972 respectively sent an Opinion to the Council and the Commission.

Meeting in Rome, the Ministers of Finance of the Ten on 12 September 1972 agreed that in the first stage of economic and monetary union it was already necessary to set up such a Fund and that it should be administered by the Committee of Governors of Central Banks in the context of the broad guidelines for economic policy laid down by the Council.

The European Monetary Cooperation Fund is to have the following features:

- (i) It is to serve the Central Banks as a body within which to concert action, thereby contributing to the smooth running of the intra-Community exchange system;
- (ii) It will make it possible, through using the technique of the unit of account, to put the settlement of balances between Central Banks on a multilateral basis;
- (iii) It will manage the loans granted under the system of short-term monetary support, the mechanism being renovated but retaining its essential features.

152. The declaration adopted at the end of the summit Conference which the Heads of State or Government of the member countries of the enlarged Community held in Paris on 19 and 20 October 1972 includes a section on economic and monetary policy. In this section, the Heads of State or Government reaffirmed the determination of the Member States of the enlarged European Communities irreversibly to achieve economic and monetary union, confirming all the elements of the instruments adopted by the Council and the representatives of Member States on 22 March 1971 and 21 March 1972. The necessary decisions will have to be taken in the course of 1973 so as to allow the transition to the second stage of economic and monetary union on 1 January 1974, and with a view to its completion not later than 31 December 1980.

The Heads of State or Government declared that fixed but adjustable parities between their currencies constituted an essential basis for the achievement of the union and expressed their determination to set up within the Community mechanisms for defence and mutual support which would enable Member States to ensure that these parties are respected. To this end they decided, first, that the European Monetary Cooperation Fund was to be set up by 1 April 1973, by solemn instrument, based on the EEC Treaty, and, second, that the competent bodies of the Community were to submit reports by 30 Sep-

tember 1973 on the adjustment of short-term support and by 31 December 1973 on the conditions for the progressive pooling of reserves.

153. The Heads of State or Government stressed the need to coordinate more closely the economic policies of the Community and for this purpose to introduce more effective Community procedures. Under existing economic conditions they considered that priority should be given to the fight against inflation and to a return to price stability. They instructed their competent Ministers to adopt, at the meeting of the Council of the enlarged Communities to be held on 30 and 31 October 1972, precise measures in the various fields which lent themselves to effective and realistic short-term action towards these objectives and which took account of the respective situations of the countries of the enlarged Community.<sup>1</sup>

154. Lastly, the Heads of State or Government expressed their determination that the Member States of the enlarged Community should contribute by a common attitude to directing the reform of the international monetary system towards the introduction of an equitable and durable order. They considered that this system should be based on the following principles: fixed but adjustable parities; the general convertibility of currencies; effective international regulation of the world supply of liquidities; a reduction in the role of national currencies as reserve instruments; the effective and equitable functioning of the adjustment process; equal rights and duties for all participants in the system; the need to lessen the unstabilizing effects of short-term capital movements; and the taking into account of the interests of the developing countries. Such a system would be fully compatible with the achievement of economic and monetary union.

### *Implementation of the Third-Medium-term Economic Policy Programme*

155. The three main matters of concern in the Third Programme—the type of growth and quality of life (points 10 and 11 of the Programme), the danger of inflationary tendencies (point 8), and structural and regional disparities (point 7)—received increasing attention in 1972.

The debate on the issues connected with the type of growth and quality of life has taken on a new dimension this year and has led to greater awareness of what is involved; as a result, a number of ideas have been launched on the essential question of how to go about changing the type of growth.

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<sup>1</sup> The measures adopted are discussed in the Chapter "Overall policies".

As regards inflation, the guide figures for the trend of prices in the Community adopted by the Council in the Third Programme have already been exceeded. The concern expressed in the Programme over the mutual incompatibility of the overall trends (especially in the price field) has been partly allayed by the parity changes that have been made since the end of 1971; these changes have indeed eliminated the discrepancies that had developed in the past and have sometimes even provided some latitude for the future. But it is still difficult to assert that in the medium term member countries' economies will react in a coherent manner to the rise in prices should this rise continue.<sup>1</sup>

From the angle of medium-term economic policy, the crucial point is to transform the economic policy guidelines laid down in a general way by the Third Programme into instruments. The further consideration given to this matter since the completion of the Programme confirms that it is essential to attach the greatest importance, both at Community level and at national level, to the improvement of the instruments of overall management and, in the field of structural policy, to the employment and regional development problems.

As regards structural policy, the chapters of this Report dealing specifically with employment and regional development policy describe in detail the state of progress of the work undertaken in the Council to define the nature of the support to be given by the Community to the efforts made by member countries in these two priority fields.

On implementation of the Third Programme by the member countries, two important aspects are worth mentioning:

- (i) progress has been made, though to an extent that varies with the country, in work on the major reforms essential to the pursuit of progressive structural policies (sec. 53 of the Programme). It will be remembered that the guide figures of the Third Programme cannot be attained unless these policies are successful;
- (ii) in the inflationary situation prevailing in 1972, the question of the role to be played by the public finances in the national economy as a whole assumes major importance, which has special implications for the medium term.

156. When the Third Medium-term Economic Policy Programme was drawn up it was decided that for the period 1973-78 new projections should be established at the level of the enlarged Community. The relevant work has been put

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<sup>1</sup> See report by the Study Group on Medium-term Economic Forecasts on the "Outlook for 1975" especially p. 81.



in hand with a view to compiling information, available in the second half of 1973, that can go into the mid-period report on the implementation of the Third Programme. These medium-term projections are a means of keeping Member States informed on the economic outlook in the Community and helping to bring certain important and foreseeable problems to the attention of policy-makers.

The aim and content of the projections now being drawn up for the period 1973-78 consist in:

- (i) moving the time horizon for the medium-term guidelines forward again to the four or five years needed to ensure coordination of economic policies;
- (ii) making a more detailed assessment of the changes that have occurred, especially the changes in the assumptions concerning the international background and prices;
- (iii) throwing light on certain problems that arise, particularly in connection with the enlargement of the Community.

Moreover, work on these projections should make it possible to compile the basic information (in the form of quantitative indications and an analytical list of problems for consideration by the political authorities) necessary for drawing up a fourth programme, on the preparation of which a decision may be taken by the Community of Nine as from 1973.

In accordance with previous practice, the fresh work on the projections will include determination of the long-term outlook, an outline of alternative courses of development (on the basis of different assumptions concerning the international background and certain internal problems), and the drawing-up of mutually consistent central projections. The work being undertaken on the long-term outlook will make it possible to give a more homogeneous treatment to current projections. It deals in particular with trends in world trade, international price trends and the Community's external equilibrium in a world context. It is also hoped to look more closely into the problems of employment and public finances, two problems which have a vital bearing on consistency in medium-term trends in the various member countries. Continuation of this work calls for the strengthening of methodology in a number of comparatively new fields. These include the examination of the nature of the interdependence that has developed in member countries, the creation of a formal model for economic development in the Community (COMET), and projections of world trade.

## OVERALL POLICIES

*The economic situation in 1972**International background*

157. The expansion of world trade accelerated slightly in 1972, owing to stronger economic growth in most industrialized countries. In the United States, gross national product in real terms will probably have risen by over 6% in 1972, compared with no more than 2.5% or so in 1971. The pace of production was also distinctly faster than in the previous year in Japan, Canada and most European countries outside the enlarged Community. Imports by the developing countries, in contrast, slowed down during the first six months. Since the summer, however, this tendency may have been reversed, helped by the hardening of raw material prices and a number of other factors such as the strengthening of demand for basic materials in the industrialized countries. All in all, the expansion of the Community's exports to non-member countries, in terms of volume, was somewhat more lively in 1972 than in 1971.

The disruptions recorded in the monetary field were less sharp than during preceding years. However, in the weeks leading up to the British Government's decision of 23 June 1972 to allow sterling to float, there were again large undesirable movements of capital, which continued until the middle of the summer. Since then, the inflow of capital into the Community has virtually ceased, and some countries have even registered a fairly appreciable outflow.

*Economic situation in the Community*

158. In the Community, too, the economic situation differed considerably from that in 1971. Appreciable changes occurred during the year, and there were also sharp variations from one member country to another. But heavy inflationary tensions were the one feature that persisted throughout the year and in all countries.

The unusually mild winter encouraged the growth of industrial activity in the beginning. Later, the increase in enterprises' propensity to invest fell off somewhat, affecting the pace of growth in several member countries, especially Germany and the Benelux countries. In France, the rate of capacity utilization remained very high throughout the year, while in Italy there was hardly any evidence of a revival in business until the autumn.

Economic activity in the Community expanded more rapidly in 1972 than in the previous year, so that the growth in gross Community product for 1972

will probably at least match the rate of 3.5% registered in 1971. The acceleration was particularly evident in Italy, where GNP rose by 3% in 1972 compared with 1.5% in 1971, Luxembourg (3% in 1972 compared with 0.5% in 1971), and France (some 6% in 1972 compared with 5% in 1971). In Belgium and the Netherlands, the rate was of the same order as in 1971. In Germany, however, the expansion of production fell off, mainly because of the weakening in enterprises' propensity to invest and the slackening in export demand. Private consumer demand remained the main factor in the expansion of overall demand, while demand for capital goods strengthened only slightly. Even in France, where the expansion of domestic production was impeded by a shortage of capacity, enterprises' propensity to invest did not pick up to any significant extent. Stockbuilding, on the other hand, gained slightly in vigour, thereby contributing to general expansion.

159. All in all, the standard of living in 1972 improved at much the same pace as in the previous year. Private consumption per head of population in the Community rose by a little less than 4% in real terms, a rate which had hardly been exceeded in 1971.

In most member countries the situation on the labour market tended to settle down during the year. Taking the average for the full year, the number of wholly unemployed nevertheless remained higher than in 1971. Short-time working tended to shrink. Among young people looking for their first jobs, however, unemployment went up throughout the Community. In some member countries, the trend of activity increasingly revealed structural strains, especially at regional level.

Overall, the inflationary tendencies strengthened appreciably. The upward movement of prices gained additional momentum, despite the somewhat less rapid rise in unit costs. This was partly because, with economic activity picking up, firms found it easier to pass on in higher selling prices the rise in costs registered over the past few years, and partly because there were shortages of some products, especially agricultural products, which led to very sharp price increases. In addition, the public authorities put up public service charges in many cases. For 1972 as a whole, the rise in consumer prices in the Community was therefore yet sharper than a year earlier, reaching about 6% compared with 5% in 1971. In all member countries except Luxembourg the increase came close to this average rate, and in the Netherlands it was even higher.

160. In June, member countries' external equilibrium was seriously affected by the sterling crisis, which touched off large inflows of short-term capital until mid-July. Thereafter, the situation on the foreign exchange markets was com-

paratively calm, especially because most member countries took special measures to stem the speculative movements of capital.

The Community's balance of payments on current account closed with high surpluses. These were largely a result of the favourable position on the trade balance, attributable mainly to the improvement in the terms of trade and the comparatively weak trend of import demand.

The gross gold and foreign exchange reserves of the monetary authorities (including SDRs and credit balances with the IMF) rose by about 8 400 million u.a. in the first eight months of 1972, or more sharply than in the same period last year, when the dollar crisis had been affecting the foreign exchange markets. Between the end of August and the end of December 1972, however, the Community's monetary reserves were slightly down.

### *Short-term economic policy in 1972*

#### *Moves by the Community institutions*

161. As in 1971, efforts were made at Community level to coordinate short-term economic policy under the procedure laid down by the Council in its Decision of 22 March 1971.<sup>1</sup> In accordance with Article 1 of this Decision the Commission, in its Memorandum to the Council of 8 March 1972, proposed guidelines for short-term economic policy in 1972.

In the memorandum, the Commission stated that the slowdown in the economic trend had failed to entail any deceleration in the upward movement of prices and that the Governments of certain member countries had already put into effect programmes to stimulate demand, or at least measures to sustain it, while others were looking rather to the slackening apparent in their economies for a check on the trend of costs and prices. The Commission acknowledged that these differences in approach might be due to special factors peculiar to each country, such as labour force trends, the uneven way in which the reserves of manpower were distributed between regions and occupations, and the varying degrees of public sensitivity to the problems of unemployment and inflation, but expressed its fear that the persistence of the differences would in the end raise fresh obstacles to the achievement of overall equilibrium in the Community.

In its memorandum the Commission also put forward guidelines for monetary and budgetary policy. It took the view that the remedy to the current difficulties lay neither in giving an unrestrained boost to demand, in the hope

<sup>1</sup> OJ No. L 73, 27 March 1971, p. 12.

of maintaining full employment at any price, nor in having excessive recourse to the classic methods of dampening demand, used in the hope of checking an upward thrust of costs and prices which in present circumstances could hardly be attributed to an imbalance between supply and demand. The Commission rather advocated the pursuit, in close cooperation with both sides of industry, of a selective policy of supporting demand, especially in those regions and industries where plant capacity and manpower reserves were not sufficiently utilized.

The Council examined this memorandum at its meeting of 21 March 1972. In accordance with the proposals put forward by the Commission, it adapted the economic policy guidelines to economic developments.

162. In June, when the Government budgets were being drawn up, the Commission laid down the details of the line to be pursued under short-term economic policy. Acting under Article 3 of the above-mentioned decision of 22 March 1971 on the strengthening of coordination of short-term economic policies, it submitted a new memorandum to the Council on 14 June 1972. At that moment, the fears of a prolonged recession or stagnation of economic activity in the Community had already been dispelled. But the apprehensions about a persistence of the rapid increase in costs and prices turned out to be justified, for the upward thrust of prices remained lively, despite the gradual easing of strains between supply and demand. Realizing that there might yet be a fresh acceleration in demand, and seeing that the price and wage guidelines laid down for 1972 (annual rate of increase of some 3 to 3.5% for prices and some 6 to 7% for wages) could not be respected, the Commission in its memorandum expressed the wish that the rise in consumer prices between December 1972 and December 1973 should be kept to 3.5%. It added that if this was to be the objective of Member States' economic policy, there was in particular a need for the Government budgets to be implemented along very strict lines in 1972 and for work on the drawing up of the 1973 budgets to reflect the search for better equilibrium. Furthermore, the monetary authorities were asked to see to an appreciable dampening of the growth of lending and liquidity as from June 1972.

Basing itself on the Commission memorandum, the Council on 26 June 1972 carried out the second examination of the economic situation in the Community.

163. In its proposal to the Council for the annual report on the economic situation in the Community to be adopted in the autumn, the Commission considered that the outlook for the Community's economy held out the hope of the situation on the labour market coming very close to full employment, but that there was reason to fear a continuation of the inflationary process which it

had been impossible to bring under control for almost four years. The concluding passage of the Commission's proposal reads as follows:

"The difficulty experienced in restoring greater stability stems from various factors, internal and external, political and economic. The risk therefore is that the countries of the Community will tend to live with inflation and get accustomed to a rate of increase in prices and incomes which, though perhaps convenient in the short term, is fraught with dangers in the longer run. Once the state of the economy has radically deteriorated as a result of inflation, the necessary rehabilitation can indeed only be achieved through great sacrifices in terms of growth and employment.

"This is why the Community countries must continue, despite all difficulties, to try and combine sustained growth with stability. Over and above the considerations set out above, this is also an essential condition for the smooth working and the economic and social development of the Community."

Meeting in Luxembourg on 30 and 31 October 1972 the Council, on a proposal from the Commission, adopted the main lines of this report, making some amendments to the Commission draft in order to coordinate it with the programme to combat inflation.

164. At the same meeting the Council adopted a resolution<sup>1</sup> on measures to combat inflation. By these measures Member States are endeavouring to reduce the increase in consumer prices between December 1972 and the end of 1973 to a rate of 4%. Under the Council resolution the Member States must, in particular:

- (i) Endeavour to curb the rise, in terms of money, of income from employment and income from investment by means of a concerted drive by the various groups active in economic life, and to use the instruments available to them in order to supervise prices under conditions adapted to the various situations;
- (ii) Back up the drive against the upward thrust of prices by structural measures aimed at reducing regional imbalances in the distribution of available manpower and of plant capacity; this may include recourse to the European Social Fund and measures in the field of vocational training and retraining;
- (iii) Reduce the growth of the money supply (money and near-money) step by step;
- (iv) Observe strict budgetary discipline in respect of spending both in the current budget year and in 1973.

<sup>1</sup> Council resolution of 5 December 1972; *OJ* No. C 133, 23 December 1972, p. 12.

In addition, by 31 January 1973, the Council will have to decide upon such commercial policy measures concerning quantitative restrictions, the application of generalized preferences and, possibly, specific tariff reductions as may contribute to the fight against inflation.

Moreover, the Council decided on an immediate 50% reduction in the duties on imports of beef and veal; it also declared its readiness to adopt without delay agricultural policy measures that would promote the production of beef and veal, and to suspend quantitative restrictions on imports of potatoes from 15 November 1972 to 15 February 1973. The Council took note of the Commission's intention to step up its efforts to promote competition, and asked the Member States to ensure that the national rules were strictly applied in this field.

Lastly, the acceding countries recorded their agreement on the objectives laid down in the resolution. They declared that they were prepared to implement the measures which would enable them to attain these objectives, bearing in mind their respective situations and the instruments of economic policy available to them.

#### *Action in the Member States*

165. The line of action taken by the various Member States in the field of short-term economic policy, which was generally imbued, at the beginning of 1972, with the desire to limit the impact of the slackening of economic activity on the level of employment, gradually became less geared to expansion, or even restrictive, during the year, in order to cope with the persistent and rapid rise in costs and prices.

However, in view of the employment situation, economic policy remained generally expansionary in certain countries, such as Italy, whereas in others, such as the Netherlands and Belgium, dampening action was accompanied by selective measures to combat rising unemployment. The end of the year was characterized in all Member States by the implementation of measures under the Council Resolution of 5 December 1972 on action to fight inflation. In the following sections a brief analysis is given of the main provisions adopted in 1972 concerning credit and public finances.

166. The monetary authorities' policy on credit remained relatively relaxed until the summer of 1972 in most of the Member States, both for reasons due to the internal economic situation (employment problems, relative weakness of investments) and in order to promote the international payments equilibrium by means of differences in the levels of interest rates. However, since the middle

of the year, the monetary authorities of nearly all the Member States have made arrangements for stemming the increase in liquidity. At the beginning, these arrangements were basically aimed at neutralizing the effects of the capital inflow following the British Government's decision on 23 January 1972 to allow sterling to float for a while, but subsequently they were directed towards deliberately limiting the internal sources of liquidity creation.

As part of these operations, the monetary authorities in Germany and France raised the minimum reserve ratios several times (in Germany, a decision to raise the ratio was taken as early as 31 May 1972), and in September 1972 the Netherlands reintroduced the system abandoned in September 1963 of compulsory, non-interest-yielding reserves for the commercial banks, the agricultural credit banks and postal accounts.

In nearly all the Member States, the short-term interest rates have risen distinctly since August 1972, and the Central Banks have raised their discount rates and rates of advances on securities. At the end of 1972, the discount rate was 7% in France (5.75% in August), 5% in Belgium (4% in August), 4.5% in Germany (3% in August), and 4% in Italy and the Netherlands (same rate as in August).

167. In the budgetary field, the pace of public expenditure in most of the member countries will have outstripped the forecasts, and more especially the guide figures adopted by the Council on 26 October 1971, which, however, were revised upwards for certain countries, in particular Germany, when the Council examined adaptation of the economic policy guidelines for 1972 on 22 March 1972.

The rates indicated in the guide figures were exceeded partly because of measures taken to prime the economy, but also because of the impact of the strong boom in the prices of goods and services on the amounts of purchases by the public authorities. The discrepancy was particularly marked for the budgets of the central government and Länder in Germany, taken as a whole, and for the central government budget in the Netherlands and Belgium. In France, on the other hand, the probable final figures will be close to the guide figures adopted by the Council, while in Italy the rate of increase in central government expenditure in 1972 might even be slightly below the rate laid down in October 1971.

In Germany and Belgium, where the rise in expenditure has been steepest, an appreciable increase in the net borrowing requirement was observed, not only in relation to the results for 1971 but also in comparison with the balance which had been adopted as overall guide by the Council in October 1971. This trend is partly to be explained by an increase in tax receipts which was relatively moderate owing to the business situation. In the Netherlands, on



the other hand, despite an appreciable rise in expenditure, the substantial growth of receipts made it possible to reduce the financial shortfall below that for 1971 and approximately to attain the guide figures for the net borrowing requirement.

### *The Community and the reform of the international monetary system*

168. While the monetary upheavals registered in 1971 and 1972 helped to bring about a broad consensus in favour of the desirability of a reform in depth of the international monetary system, there was no lack of difficulties and divergencies over the direction to be given to the new system. In accordance with the responsibilities they have on this head in the Community, the Member States, together with the acceding countries, endeavoured to work out a common position.

Meeting in London on 17 and 18 July 1972, the Ministers of Finance of the enlarged Community thus arrived at an agreement on the general objectives for the reformed international monetary system.<sup>1</sup> Member States restated these objectives at the annual meeting of the International Monetary Fund, held in Washington from 25 to 29 September 1972. Generally speaking, participants expressed their determination to open effective negotiations on the reform of the international monetary system.

169. The framework for such negotiations had been created as early as July 1972 by the setting up of the Committee of Twenty. Composed of Ministers or Central Bank Governors and, at deputy level, of senior national delegates, this Committee has to advise the Board of Governors and submit reports to it on all aspects of the reform of the international monetary system, including the drawing up of proposals for amendment of the Articles of Agreement of the International Monetary Fund. The Committee started its work at the beginning of November 1972. So as to ensure that the countries of the enlarged Common Market maintain a common attitude within the Committee of Twenty, it had been agreed that the members of the Monetary Committee, appointed deputies of the Committee, are to meet whenever the need arises.

### *The development of a European capital market*

170. The Resolution of the Council and the representatives of the Governments of the Member States of 22 March 1971 on the establishment of economic and

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<sup>1</sup> Sec. 154.

monetary union called for a batch of measures, starting in the very first stage, in order to set up a European capital market.<sup>1</sup> It was agreed that work should be resumed on the progressive liberalization of capital movements within the Community and that a start should be made on coordinating the policies pursued by member countries with regard to the capital markets and on harmonizing the structures of these markets. This determination was confirmed by the resolution of the Council and the representatives of the Member States of 21 March 1972, under which it was agreed that the relevant Commission proposals should be examined as a matter of priority.

171. In the field of liberalization of capital movements, however, no progress has been made since 1960 and 1962, when the Council, acting under Article 67 of the Treaty, adopted the two directives on the subject. To stem disruptive inflows of capital, some Member States have had to adopt various restrictive measures under their foreign exchange rules. In adopting these measures they have made no distinction between inflows from inside and inflows from outside the Community, which shows how necessary it is to step up efforts to coordinate economic and monetary policies, in order not to jeopardize, in intra-Community relations, what partial liberalization of capital movements has been achieved in the Community, but, on the contrary, to take steps along this road.

172. Some progress has, however, been made in coordinating the policies on the capital markets and in harmonizing the structure of these markets.

Since the middle of 1970, a working party set up under the Monetary Committee and composed of experts from the authorities supervising the capital markets has made a quarterly examination of the situation on the Eurobond markets and on the Community's capital markets. It has been instructed to examine the concrete possibilities for promoting and facilitating the progressive integration of the latter.

In addition, in October 1972 the Commission placed before the Council a proposal for a directive and a draft recommendation on the content, supervision and distribution of the information material constituted by the "prospectus", to be published when securities are admitted to official quotation on stock exchanges in the member countries of the EEC.

The Community arrangements proposed by the Commission are designed to improve the information given to shareholders and bondholders and to make it equivalent in the various member countries. They are also intended to facilitate the interpenetration of capital markets by improving the quality and

<sup>1</sup> OJ No. C 38, 18 April 1972.

comparability of information published on securities quoted on the Community's stock exchanges, as the current inadequacy of such information impedes cross-frontier transactions in these securities.

Moreover, the Commission departments, with the help of experts from the Member States, undertook the work of drawing up a model of the sales prospectus to be published by open-ended investment funds of the unit trust type, aligning the conditions governing the admission of securities to stock exchange quotation, and eliminating existing discriminations.

### *Budget policy*

173. Last year already, the decision to establish economic and monetary union, adopted at the beginning of 1971, had prompted the Commission to set new targets for the work undertaken by its departments in the field of public finance policy. Taking account of the views expressed by the Budget Policy Committee, the Commission proposed to the Council guide figures for the 1973 draft budgets, and the Council adopted these figures in June 1972.

The Commission also arranged for the pinpointing of the budgetary implications of the work linked with the examination of the economic situation in the Community, an examination carried out by the Council in the autumn on the basis of the annual report. The disquieting outlook for the price trend, and the strengthening of inflationary tendencies since the summer, made it particularly urgent to establish the extent to which Member States' Governments could use budget policy to exert a dampening influence.

174. Although joint discussion of the budgetary problems enabled the objective of economic and monetary union to be pursued further in the field of public finance policy, it is essential to continue working pertinaciously towards ever closer coordination. Here, a quite considerable contribution was made by study of the structural aspects of the national budgets and by continuation of the discussion on the utilization of budget policy as an instrument of short-term economic policy, with working documents drawn up by the Commission serving as a basis. In addition, in view of the enlargement of the Community in January 1973, contacts with the acceding countries were intensified, with discussions centring first on institutional problems and then on harmonizing the timetables for the drawing-up of the national budgets and the adoption of these budgets by the parliaments. The Commission realizes that further efforts will have to be made in these fields.

Last year the Commission, acting under the Council Decision of 21 April 1970, had drawn up the first pluriannual forecasts for the Community budget.

In the autumn of 1972 it submitted similar financial forecasts for the three-year period 1973-75. These forecasts have been placed before the Council, which is required to obtain the European Parliament's opinion before assessing them.

Towards the end of the year, discussions were started with a view to ascertaining the trend of public spending not only in money terms but also in real terms. It was decided to deal with this issue in the Working Party on the Comparison of Budgets, which is also to look into the financing of deficits. In May 1972, this Working Party decided to continue examining the trend of the public finances in the member countries and to prepare a new study on the period 1966 to 1970, following up the one published in 1970. In September it began to examine the problems posed by the recording in Member States' national accounts of the "own resources" accruing to the European Communities since 1 January 1971 and of the payments which the Communities make directly in the Member States.

*Economic developments since the adoption of  
the Third Medium-term Economic Policy Programme  
and the work in hand*

175. A comparison of the guide figures for the four principal measures used in the Third Medium-term Economic Policy Programme (growth, unemployment, external balance and price level) with the results for 1971 and the provisional figures for 1972 reveals fairly wide gaps attributable largely to factors inherent in the economic trend.

In the first two years of the 1971-75 period covered by the Programme, the growth of GNP in real terms was affected quite distinctly by the slackening of economic activity, which in 1971 had started in Italy and Germany and in 1972 spread to all Community countries except France. In 1972, each member country except France thus registered a growth rate lower than the five-year average; for the Community as a whole, growth lagged slightly behind the lower of the guide figures. With activity expected to pick up in 1973, the guide figure for growth may still be achieved despite this very subdued trend.

Provisional figures for 1972 put the unemployment rate in all Community countries except Germany above the guide level laid down in the Third Programme. Here, too, the expected improvement in the business situation should enable figures to be achieved that do not fall unduly short of the Third Programme's objective.

Even though in 1971 and 1972 the trend of the external balance of goods, services and factor income deviated only moderately from the medium-term

guide figure (1% of GNP), the attainment of this objective for the Community as a whole remains largely subject to a return to normal in international monetary relations. The medium-term guide figure for 1972 was exceeded in Italy, Belgium and the Netherlands, while in Germany there was only a very small difference. But the guide figure was not achieved in France, where the external balance was slightly lower, and in Luxembourg, where there was a comparatively wide gap.

By contrast, the rise in the implicit price deflators for GNP and private consumption in 1971 and 1972 reached such proportions in all member countries that the average for the five-year period will certainly turn out to be higher than the relevant guide figures. The Community institutions are taking this problem very seriously. The joint anti-inflationary measures which the institutions of the enlarged Community decided to take were discussed earlier in this Chapter.

## 2. Regional policy

### *The organisation of Community instruments*

176. The Conference of the Heads of State or Government, which was held in Paris from 19 to 21 October 1972, established the Community regional policy, alongside economic and monetary union, as an essential factor for the strengthening of the Community. The Member States and the States acceding to the Community declared that they were "determined to strengthen the Community by establishing an economic and monetary union, the guarantee of stability and growth, the foundation of their solidarity and the indispensable basis for social progress, and by ending disparities between the regions".

The ways and means of the action to be taken were specified as follows:

"The Heads of State or of Government agreed that a high priority should be given to the aim of correcting, in the Community, the structural and regional imbalances which might affect the realization of economic and monetary union.

The Heads of State or Government invite the Commission to prepare without delay a report analysing the regional problems which arise in the enlarged Community and to put forward appropriate proposals.

From now on they undertake to coordinate their regional policies. Desirous of directing that effort towards finding a Community solution to regional problems, they invite the Community institutions to create a Regional Development Fund. This will be set up before 31 December 1973, and will be financed, from the beginning of the second phase of economic and monetary union, from the Community's own resources. Intervention by the fund in coordination with national aids should permit, progressively with the realization of economic and monetary union, the correction of the main regional imbalances in the enlarged Community and particularly those resulting from the preponderance of agriculture and from industrial change and structural underemployment."

177. This political decision, which will take legal shape in the decisions to be adopted before 31 December 1973, will enable basic work to be undertaken, the pressing need for which was demonstrated by the Commission in a Memorandum addressed to the Council in October 1969 on the main lines of a Community regional policy, accompanied by proposals concerning the organization of Community instruments.

This policy is designed to be the vehicle for an overall economic policy aiming to guide the development of economic structures so that full use may be

made of all growth opportunities in the Community as a whole, thus ensuring its stability and competitiveness.

It is with this in mind that the European Parliament has repeatedly made the point that decisions should be taken on all the proposals as a whole submitted by the Commission, stressing above all the need to launch a programme of action without delay in the field of "regional structural policy, without subordinating it to sectoral policies for which the Treaty makes different provisions".<sup>1</sup>

The enlargement of the Community is not likely to affect the essential lines of this policy, but the studies which are to be carried out will enable the various aspects of the policy to be spelled out in terms of the Community of the Nine. They must enable the Commission to submit to the Council, in the course of 1973, the appropriate proposals which the Heads of State or Government have asked it to prepare.

178. On 21 March 1972 the Council adopted a resolution on the basis of its Resolution of 22 March 1971<sup>2</sup> concerning the establishment of an economic and monetary union aiming to "ensure satisfactory growth, full employment and stability within the Community, and to remedy the structural and regional imbalances occurring in it", and on the lines also of the proposals submitted by the Commission. It ran as follows:

"In order to undertake without delay measures in the regional or structural field which are necessary to the ultimate achievement of economic and monetary union the Council agrees in principle that:

- (i) from 1972 onwards the EAGGF may be used for measures to foster regional development;
- (ii) a Regional Development Fund be set up or any other system that will provide the requisite Community resources for regional development.

The Council requests the Commission to place before it proposals in accordance with Part III, Section 4 of the Resolution of 22 March 1971.

The Council shall, before 1 October 1972, take the necessary decisions on the proposals submitted by the Commission."

179. In answer to the Council's request, the Commission sent a Communication<sup>3</sup> on 19 June 1972, reiterating its basic proposal of 1969 and its proposals

<sup>1</sup> *OJ* No. C 36, 12 April 1972 and No. C 103, 5 October 1972.

<sup>2</sup> *OJ* No. C 28, 27 March 1971.

<sup>3</sup> *EC Bulletin* No. 8-72, Part Two, Sec. 27 and *OJ* No. C 94, 9 September 1972.

for regulations of 1971 and confirming its analysis of the components of a Community regional policy.

In this Communication the Commission stresses the importance of the regional Development Fund as the most suitable instrument for dealing with the tasks which fall to the Community in the matter of regional development. At the same time it confirms that existing financial resources—studied by the Council on the basis of a Commission document—which must be put to better, coordinated use for regional development, are necessarily limited, since they are directed towards specific aims connected with specific sectors, but that these resources would be better employed if they were used for pursuing the coordinated aims of regional policy as well as their own objectives.

In this respect the use of EAGGF funds for the retraining of persons engaged in agriculture, as proposed in May 1971 following the Council Resolution of 25 March 1971 on the agricultural structure policy, is legally and economically a specific form of intervention in certain agricultural regions in connection with schemes involving the re-employment of persons working on the land.

180. In addition, the Commission considers that the proposed financial resources could be used more effectively if a regional development company were set up with the aim of seeking and informing investors, giving technical assistance and making possible temporary, minority acquisitions of holdings in small- or medium-sized undertakings, for example, established in the priority regions. Under the European guarantee system proposed in 1969 at the same time as the Regional Development Fund, this company would have Community backing for the purpose of its borrowings and to facilitate its access to the capital market.

181. With regard to the detailed arrangements for cooperation between the Member States and the Commission on regional policy, the Commission stressed in its Communication of 19 June 1972 that as regards the institutional position of the Regional Development Committee a solution can be found which would enable it to carry out its tasks effectively—tasks on which broad agreement was reached when the Council meeting on regional policy in October 1971 was being prepared—and which would ensure that the balance between the institutions of the Community is maintained. The Commission stated its willingness to examine in conjunction with the Council a solution which would have the Committee attached to both the Commission and the Council, on the pattern of the Monetary Committee and the Medium-term Economic Policy Committee.



182. On 16 March 1972 the European Parliament delivered favourable opinions on the proposals for regulations concerning the Regional Development Fund and the use of EAGGF resources,<sup>1</sup> and on 20 September 1972 it did likewise for the Commission Communication of 19 June 1972<sup>2</sup> discussed above.

The Economic and Social Committee also pronounced in favour of the Commission proposals, placing particular emphasis on "the will to tackle the priority problems of employment and investment".<sup>3</sup>

The Council met on 25 September 1972 to discuss the Commission Communication and its various proposals of 1969 and 1971.

Although it made progress on a number of points relating in particular to intervention mechanisms, the Council agreed to defer taking decisions on these matters until after the Conference of Heads of State or Government planned for 19 and 20 October 1972.

Continuing its discussions at its sessions of 4 and 5 December and 18 and 19 December 1972, the Council examined more particularly the Commission's proposal relating to the use of EAGGF monies for types of redevelopment benefiting former farmers leaving agriculture in priority farming areas.

Following these discussions, which dealt in particular with the methods of allocating aids to be granted by the EAGGF, the Council agreed to include this item on the agenda of an early session in 1973 and to decide at the same time on a timetable for work to be done on regional policy, for example to follow up the decisions regarding this policy taken at the Paris Conference in October 1972.

### *Regional development studies*

#### *Studies carried out in view of accession*

183. In view of the accession of the new Member States, three monographs on the regional economic structures and policies of the United Kingdom, Ireland and Denmark have been produced. These studies have brought out the importance of regional problems in the economy of these States and their similarities to those of the Community of the Six. The regional policies of these States—in some cases predating those of the Member States of the Community of the Six—employ considerable resources. The entry of these three countries into the Community will of course increase the weight of regional problems in the new economic grouping thus created.

<sup>1</sup> OJ No. C 36, 12 April 1972.

<sup>2</sup> OJ No. C 103, 5 October 1972.

<sup>3</sup> OJ No. C 21, 3 March 1972.

The Commission has also analyzed the situation and recent developments in the regions of the United Kingdom, Ireland and Denmark. Prepared by reference to the enlarged Community, this work is a supplement to the analytical assessment of regional developments in the Community which was published in 1971. The analysis deals more specifically with population, employment and the regional product. It helps to throw light, by quantifying them, on essential data regarding the economic structures of the regions concerned.

### *General and specific studies*

184. Within the framework of the Commission's programme of general studies, the institute commissioned to analyse the leisure and health requirements as factors of regional development through the employment of labour and the use of agricultural land has finished the work entrusted to it by the Commission. This study pays particular attention to the impact of tourism on regional development and includes an estimate of the area of land to be set aside for the development of recreational facilities in the next ten years. It also deals with the employment opportunities in this sector for people working in agriculture.

In 1972 the Commission went ahead with its programme of general studies. It asked an institute to begin a study on factors of location in Western Europe. This study will go into the development opportunities of the different types of region from the angle of optimum location of economic activities at European level, and also regional measures which are required to obtain certain developments that are judged desirable. Another institute has been commissioned to undertake a study on the future of the environment in the "megalopolis" that is forming in north-west Europe. A third study is concerned with examining nuclear energy potential and its contribution to the economic development of the Saar-Lorraine-Luxembourg region. The last general study carried out in 1972 concerns two textile areas in the Community, namely Prato (Italy) and Lille-Roubaix-Tourcoing (France). The aim is to work out measures to achieve sufficient regional growth permitting the restructuring and, where necessary, diversification of the textile industry.

185. As regards specific studies carried out following proposals by Member States, the institute responsible for the study—undertaken at the request of the Belgian Government—of the development of northern Belgium considered from the international angle has now concluded its work. This study provides an analysis of the economic structure of Flanders and of its development since the Second World War, using in particular Denison's explanatory model. It maps out the prospects of the Flemish economy for the next ten years, pin-

pointing the various economic policy alternatives for achieving regional development aims at both national and Community level.

At the instigation of the French Government the Commission continued in 1972 the study programme concerning the Aquitaine and Ouest-Atlantique regions, with a view to preparing solutions to the most pressing problems there. Three studies were completed in 1972: for the Aquitaine region, a study on the possible construction of an airport complex near Bordeaux (it revealed the bases for appropriate industrial promotion and specified the types of incentives which the authorities should employ to enable the complex to be launched and developed); for the Ouest-Atlantique region, a study on the opportunities for setting up maintenance and service companies (it surveys the current situation in the region from this angle and details the prerequisites for setting up such undertakings to meet the needs of industrialists in the region); and a study on the characteristics and geographic distribution of activities in the Brittany area (it helps to give definite shape to the overall aims as regards population and employment for the region under the Sixth Plan and for 1985, and to promote the achievement of those aims).

In 1972 the Commission, in collaboration with the French Government, began a study on the promotion of industrial and service activities in the l'Ouest-Atlantique area.

At the request of the Italian Government, it asked an institute to carry out the study on the prospects for the development of the non-electrical mechanical engineering industry in the Mezzogiorno. This study will involve an analysis of the factors and requirements regarding location of this industry in that part of the Community.

186. Several studies financed from the budgets for previous years<sup>1</sup> with the object of facilitating conversion operations by the French authorities in the coalfields of the Centre-Midi region have been undertaken under Article 46(4) of the ECSC Treaty and completed.

The work carried out by the Société d'équipement du département de la Loire (SEDL) (Supply Company of the Loire Department) under the auspices of the Association pour le développement industriel et la reconversion de la région stéphanoise (ADIRS) (Association for Industrial Development and Conversion in the Saint Etienne Region) and of the Commission has made it possible to map out and prepare the scheme for the development of the 200-hectare La Plaine industrial estate and to create the corresponding Zone d'aménagement concertée (ZAC) (concerted development area). Work on the

<sup>1</sup> *Fourth General Report* Sec. 116 and *Fifth General Report*, Sec. 218.

La Plaine industrial estate, which is now vital for the Saint Etienne region, should therefore start shortly.

At the close of the work carried out by various institutes since 1970 under the aegis of the Association pour le développement industriel et la reconversion de la région alésienne (ADIRRA) (Association for Industrial Development and Conversion in the Alès Region) and of the Commission, the following studies have been completed: employment and vocational training problems in the Alès area; a survey among German industrialists regarding possible investments in the Alès region; an investigation of new activities for the Ateliers Centraux des Houillères du Bassin des Cévennes (Central Workshops of the Cévennes Basin coalfields). Supplementary research will be done in 1973 on the problems of the combination of the Ateliers Centraux with some external undertakings with a view to conversion and introducing new activities.

The work which was carried out by the Syndicat mixte des zones industrielles d'Alès-Est (Association of Industrial Estates in the Alès-Est Region) under the auspices of ADIRRA and the Commission, has enabled the industrial estates of Brueges-Nord and Mazac to be mapped out and a development programme to be drawn up. The preparation of the ZAC development area is under way and the two estates are expected to be completed shortly. The whole Mazac estate has already been reserved by an important industrial company.

Industrial development studies for the Albi-Carmaux region have been in progress since 1970 under the aegis of the Délégation de l'aménagement du territoire et à l'action régionale (DATAR) (Delegation for town and country planning and regional activities) and the Commission. After revealing the main deficiencies in the region's structure for receiving new industries, for example in the matter of communication structures and availability of industrial land, the study has helped to bring into being three industrial areas, covering approximately 60 hectares in all, at Carmaux, Garric and Albi-St. Juery. At the same time a regional information and promotion programme has been carried out among industrial undertakings and services that could set up in the region and supply it with new jobs. This programme will be continued in 1973.

Under the same Article of the Treaty the Commission, at the request of the French Government, has undertaken to share equally with the National Association for the Development of the Mediterranean Coastal Area (ANDIFAM) in the financing of a programme of studies to throw light on how the economic development of the Mediterranean coastal area, in particular the Fos industrial growth centre, can be achieved.

187. The Commission has undertaken, as a result of various requests, to make an assessment of industrial conversion schemes in the Community's coal-mining and iron and steel producing areas.

Apart from the monograph on Dutch Limburg carried out by its own staff, the Commission has entrusted studies to experts in the member countries on:

- (i) Redevelopment of coal-fields in coalmining areas in the Federal Republic of Germany (Ruhr);
- (ii) Redevelopment of coal-fields in coalmining areas in the Federal Republic of Germany (Saar);
- (iii) Redevelopment of coal-fields in coalmining areas in the Federal Republic of Germany (Aachen);
- (iv) Redevelopment of coal-fields in southern Belgium;
- (v) Redevelopment of coalmining areas in France;
- (vi) Redevelopment in the coalmining and iron and steel industries in Italy.

188. A study has been made on the assessment of redevelopment policies in the Community. It is based on the above monographs and includes an examination of the conditions for introducing a method of comparative assessment and analysis of the results obtained, particularly in the light of employment policy.

189. As the Commission has been urged, in order to implement a common regional policy, to coordinate better the resources at its disposal, it has launched a study to undertake an analysis—overall and by industry—of Community financial aid measures with regional aims or effects and to assess them against national aids.

### *Creation of new activities and means of regional development*

#### *Redevelopment*

190. This year the number of schemes dealt with under Article 56(2) (a) of the ECSC Treaty was distinctly smaller than last year.

The number of requests submitted to the Commission by the Governments, which already last year was down to half the 1970 figure, has dropped to four. The general cutback in investment is one of the reasons.<sup>1</sup>

191. In 1972 twelve formal decisions were adopted by the Commission, following endorsement by the Council, on loans totalling 28 826 000 u.a.:<sup>2</sup>

- (i) 11 decisions concerning projects involving loans amounting to 25 921 000 u.a. for the purpose of facilitating investments worth 267 513 000 u.a. which should provide 6 699 new jobs;

<sup>1</sup> Table 2a: Loans granted per year and per country (p. 123).

<sup>2</sup> Table 2b: Distribution of redevelopment projects per year and per sector (NACE classification).

TABLE 2a  
Loans granted per year and per country

Country Schemes: (number amount of loan in million u.s.a.	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	Total per country
Germany (FR)	—	—	—	(1) 0.620	(1) 0.375	(3) 2.800	(5) 6.783	(8) 18.264	(6) 9.468	(5) 5.847	(14) 27.959	(6) 12.786	(49) 84.902
France	(1) 0.073	(1) 0.333	—	(1) 1.985	(1) 2.532	—	(5) 5.823	(4) 9.870	—	(5) 7.771	(12) 35.271	(3) 10.826	(33) 74.484
Netherlands	—	—	—	—	—	(2) 1.691	(6) 11.918	(2) 2.817	(6) 4.750	(5) 1.855	(9) 15.931	(1) 0.414	(31) 39.376
Italy	(1) 0.320	—	—	(1) 15.000	—	(7) 2.832	(1) 7.520	(1) 0.480	—	—	—	(1) 4.800*	(42) 30.952
Belgium	(2) 3.434	(2) 5.500	—	—	—	—	(2) 5.000	(3) 14.863	—	(1) 0.870	—	—	(10) 29.667
Total (per year)	(4) 3.827	(3) 5.833	—	(3) 17.605	(2) 2.907	(12) 7.323	(19) 37.044	(18) 46.294	(12) 14.218	(16) 16.343	(35) 79.161	(11) 28.826	(135) 259.381

\* Art. 54 and 56 ECSC

*TABLE 2b*  
**Distribution of redevelopment projects per year and per sector (NACE classification)**

Sector	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	Total
Production and distribution of electric energy, gas manufacture and distribution, steam and hot water supply				1						1	2		3
Extraction and preparation of metalliferous ores													1
Production and initial processing of metals	2	1		1		1	2	4		3	4	6	24
Manufacture of non-metallic mineral products						1	2		2		1	1	7
Manufacture of industrial chemicals					1	1	2	1	3	1	3	1	13
Manufacture of man-made fibres								1			1		2
Manufacture of fabricated metal products, except machinery and transport equipment	1					1	3	2	5	1	3	1	18
Manufacture of machinery and mechanical equipment						1				1	2		4
Manufacture of electrical and electronic products						1	3	1			1		6
Manufacture of motor vehicles and parts						1	3	1	1	3	10	2	21

TABLE 2b (ctd.)

Sector	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	Total
Manufacture of other transport equipment						1							1
Manufacture of precision instruments, optical goods and the like										1			1
Manufacture of food, beverages and tobacco						1	1		1				3
Manufacture of textiles		1				1							2
Manufacture of footwear and wearing apparel							1						1
Manufacture of wood and wooden furniture								1					1
Manufacture of paper and paper products; printing and publishing										1	3		4
Manufacture of rubber products; processing of plastic products		1				2	1	1			2		8
Construction and civil engineering										1			1
Other land transport (urban, road, etc.)													1
Development of industrial areas	1						1	3		1			6
Overall loans								2		2	3		7



- (ii) One decision concerning a loan of 2 905 000 u.a. to supplement partial financing already granted in 1971.

These decisions mainly affected Germany and France, involving loans totalling 12 786 000 u.a. for the Federal Republic and 10 826 000 u.a. for France. Further, a loan worth 414 000 u.a. was granted to a Dutch firm and a loan of 4 800 000 u.a. to an Italian firm.<sup>1</sup>

Six loans were granted for the metal production and first processing industries, and three for the motor vehicle and parts industry. The latter three loans are divided among the various sectors of the non-metallic mineral products industry, the chemical industry and the metal products industry.

*European Investment Bank operations in the territory of Community Member Countries*

192. In 1972 the Commission delivered 27 favourable Opinions on requests for loans representing investments totalling 2 069.2 million u.a.

The Commission also delivered a favourable Opinion on the granting of three aggregate loans, one in France amounting to 5 million u.a., one in Germany of 10 million u.a. and a third in Italy of 25 million u.a.

The number of requests for Opinions submitted to the Commission by the Bank in 1972—30 in all—was over a third down on the preceding year's figure, but the value of the business dealt with more than doubled, particularly because of the financing of large-scale undertakings such as nuclear power stations, motorways, gas pipelines, etc.

A small portion of the Bank's turnover has been given over to the financing of small-scale industrial projects by means of aggregate loans.

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<sup>1</sup> The latter loan was granted in equal shares under Articles 54 and 56(2)(a) of the ECSC Treaty.

### 3. Social Policy

#### *General*

193. An increasing tendency to consider social policy in an overall context, as opposed to the too generally compartmentalized view, could be said to have marked the Commission's activities in 1972 and the impulse given to them through the prospects afforded by the enlargement of the Community. Many questions were thus examined in the light of the participation of the acceding countries. This was particularly the case with the Regulation implementing social security provisions for migrant workers, effective from 1 October 1972.<sup>1</sup> For this a large amount of adaptation work had to be undertaken to enable the social security legislation of the acceding countries to be brought into line with Community rules from April 1973 and to enable the reformed Social Fund to start operating in these countries as soon as possible.

The most important decisions are undoubtedly those concerning the implementing procedures, which have become effective, for the reform of the European Social Fund.<sup>2</sup> The Commission had the opportunity to present its first proposals for specific decisions connected with common policies or situations in the Community—for agriculture, and the textiles and clothing industries. In both these cases it was a matter of tackling the sectoral problems by intervening systematically and in good time but with due regard for the background of general economic policy. On 9 November the Council adopted decisions on measures for agriculture and textiles.

This concern governed all the work connected with employment, which, once again, had top priority. For emphasis was placed on an active policy to facilitate continuity of employment without hindering the mobility necessary for economic and social progress. Nevertheless, particular problems like juvenile employment and different aspects of female employment have not failed to receive attention. In order to reduce geographical imbalances in the labour market, the idea was also mooted of having closer links between movements of labour in the Community and the development even of those regions where there is a surplus of demand for employment, through integrated schemes uniting both economic and social aspects and based, in particular, on vocational training and the assisted placement of workers. This is the setting for the preparation of a new action programme for vocational training entitled "First measures to implement a common policy of vocational training" and

<sup>1</sup> OJ No. L 74, 27 March 1972.

<sup>2</sup> OJ No. L 101, 28 April 1972.

for the achievement of a European system of distributing codified information on employment supply and demand (SEDOC). Furthermore, the reformed Social Fund has already proved to be a first-rate instrument for assuring the success of an overall policy.

Obviously this desire for a more integrated and consequently more dynamic concept of social needs will be favoured by the establishment of a "European social budget". A proposed programme concerning this has been put before the Council by the Commission.

194. In addition, safeguarding the environment has become a major matter of concern. The Commission's action programme provides for, among others, measures concerning the protection of health and the environment at the level of undertakings and regions. During the year the Commission paid special attention to the problem of handicapped workers, apart from continuing work on industrial health and medicine.

Finally, mention should be made of a point of internal organization which has a bearing on the desire to associate the two sides of industry more closely with Community policy. This is the creation, within the Directorate-General for Social Affairs, of a department designed more especially to develop and coordinate the activities of the Joint Committees which were established to deal with the social problems of the different sectors.

### *Social aspects of the common and Community policies*

195. For several years now the Commission has been convinced of the need to ensure close coherence between the economic and social fields in the integration process. This concern was especially marked at the Summit Conference in Paris, where one of the subjects discussed was economic and monetary union and social progress. The Commission, which was itself involved in developing the themes of the Conference, reiterated many times that economic and monetary union must help to achieve the main social objectives of the Community. This standpoint was endorsed by the declaration by the Heads of State or Government that "they attached as much importance to vigorous action in the social field as to the achievement of the economic and monetary union". The Conference invited the Community institutions to draw up by 1 January 1974, a programme of action which should aim in particular at carrying out a coordinated policy for employment and vocational training and improving working conditions and conditions of life, at closely involving workers in the progress of firms, at facilitating the conclusion of collective agreements at European level and at strengthening and coordinating measures

of consumer protection. The opening of this broad prospect certainly constitutes an event in the Community's history as regards social affairs. The first practical step was taken by the Council on 9 November, namely to call a tripartite Conference—Governments, Commission and both sides of industry of the nine countries—in the spring of 1973 to prepare the new social programme.

196. In 1972 activities connected with the various common and Community policies were more closely correlated with the social policy. In the short and medium-term economic policies, employment questions rank among the most important. Even though increased economic activity may enable the level of employment to rise, it still remains necessary to try to achieve a better balance on the labour market through structural measures. In this connection the Commission believes it would be preferable to step up the activities designed to remedy regional imbalances and to adjust vocational training and readaptation to the requirements of those sectors in which demand will grow.

On the other hand, the very marked increase in prices has made the damping-down of inflationary trends a major necessity. To remedy inflation, a whole series of measures is called for. One of these is the achievement of regulated growth of prices and incomes, which requires a collective effort to attain greater coherence in the economic and social fields. A special effort should be made to improve the position of the worst-off. Activity undertaken as part of the short and medium-term economic policies has increased, as appears from the Annual Report on the economic situation of the Community in 1972 and from prosecution of the Third Medium-term Economic Policy Programme.

Concern for improving the quality of life led the Commission to submit a memorandum to the Council on Community policy in environmental matters. This memorandum covers three plans: one for the introduction of a programme to reduce pollution and nuisance; one for the exchange of information with a view to harmonizing the urgent steps to be taken in environmental questions; and one dealing with the pollution of the Rhine.

With a view to achieving greater democratization of economic and social life the Commission, in its draft proposal for a fifth Directive on the harmonization of company law, provided for the introduction into all limited companies of an organizational system which would comprise a managing body and a supervisory body, with the participation of workers in the constitution of the supervisory body. This draft does not insist on uniformity but leaves the Member States free to choose between two models, both of which, despite the differences between them, give workers the same guarantees.

Social aspects also played an important role in the development of an industrial policy and a regional policy at Community level. Proof of this was

given at the conference on "Industry and Society in the European Community" which took place in Venice from 20 to 22 April 1972. The subjects discussed at this Conference included industrial development and the reduction of social and regional disparities and the multinational activities of enterprises.

Work undertaken with regard to agriculture, sea fishing, transport, and the coal and steel industries is dealt with later under industrial relations.

#### ACTIVITIES IN CONNECTION WITH EMPLOYMENT

197. The Commission put the first conclusions from the Italian memorandum on employment policy of 24 June 1971 before the Standing Committee on Employment on 27 April 1972 and before the Council on 12 June 1972. It emphasized the need to view employment problems in the setting of general economic policy and structural, regional and social policies. The conclusions of the Council meeting of 12 June 1972 complied at many points both with the suggestions of the Italian Government and those of the Commission. The latter is preparing proposals which will touch in particular on the following fields: support through Community action for the efforts made by the Italian authorities to improve the efficiency of their employment services, the revival of Community assistance in filling vacancies, aid from the European Social Fund for vocational training for migrant workers, and establishment of the machinery provided for in Regulation (EEC) No. 1612/68 for matching employment applications and vacancies. Finally a group of independent experts set up by the Commission has just brought out a draft programme for the practical achievement of a Community employment policy. After the draft has been examined by the Commission, it will be put before the Council.

198. At its meetings in 1972 the Standing Committee on Employment discussed the drafts and reports from the Commission concerning: implementation of the reformed Social Fund; the programme of work to improve the quality of employment statistics; the situation and trends of employment in the Community, and mass layoffs.

199. A report on the employment situation was distributed by the Commission. Drawn up in May, it is a summary of the major changes since November 1971 and the measures taken, and it outlines the trends in the coming months.

As regards employment forecasting, the Commission drew its conclusions from the in-training period organized at Erlangen.<sup>1</sup> These conclusions form

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<sup>1</sup> *Fifth General Report*, sec. 227.

the basis of a draft action programme which will be proposed to the Council, after due consultation with experts. The exchanges of information and experiences between the employment services in the Member States continued, with special reference to the use of computers in the employment field. The aspects dealt with mainly concerned harmonization of the criteria for job applications and vacancies and for establishment of the labour market.

The third report on the activities of the employment services in the Member States was sent to the Council and the Standing Committee on Employment. In the report the Commission outlined the measures taken by the Member States and put forward suggestions for developing the in-training periods and seminars which it organizes for the staff of these services.

Following the Council debates on the reports dealing with juvenile employment and unemployment, the Commission's conclusions will be examined by the Standing Committee on Employment. These conclusions suggest that priority must be given to: better information about employment prospects; access to jobs; various forms of aid; particularly from the European Social Fund; and the changeover from school to working life. The Commission will submit to the Council a final memorandum containing suggestions for possible action.

As regards employment and working conditions for women, the Commission helped in carrying out a survey on working conditions for women in paid employment in the private sector of the six Community countries. The Commission's contribution was possible due to the studies it had carried out and the many contacts it had made, particularly in 1972 at meetings with representatives of womens' organizations, the two sides of industry and government experts. The results of the survey will be widely distributed. Furthermore, the Commission elaborated its ideas and suggestions on the situation and prepared guidelines for an action programme. These will be submitted to the Standing Committee on Employment for an opinion before the Commission makes its final proposals to the Council.

#### ACTIVITIES IN CONNECTION WITH VOCATIONAL GUIDANCE AND TRAINING

200. In accordance with the General Guidelines for a Community Programme on Vocational Training the Commission finalized its new action programme<sup>1</sup> entitled "First measures to implement a common policy of vocational training".

<sup>1</sup> *Fifth General Report*, sec. 226.

The draft, which was adopted by the Commission on 25 October, was forwarded to the Council on 6 November 1972 to be adopted by mutual agreement. This initiative—limited still—will have to be integrated in more general action for vocational betterment in conformity with the general guidelines already referred to and with the provisions to be taken under the overall action programme for social matters which the Community institutions must adopt by 1 January 1974 as required by the decisions taken at the Conference of Heads of State or Government on 19 and 20 October 1972. This programme takes particular note of the efforts made in Community countries to enable people to develop their own personality and make a career for themselves in an economy undergoing constant evolution. The programme likewise underlines the development of a Community employment policy in which vocational training will be called upon to play an increasingly important role in connection with the hopes raised by the prospective utilization of the reformed European Social Fund. Furthermore, it points out the new conditions created by the enlargement of the Community and by the implementation of the Medium-term Economic Policy Programme and the common policies for agriculture, sea fishing, transport, industry, etc.

The programme includes activities concerning three groups of problems where Community action can assist in informing, studying certain key aspects, and encouraging collaboration between Governments and the areas concerned. These groups are: trends in vocational training policies, structures and organization; adaptation of training methods; priority for the training of certain categories of people, certain sectors and certain regions.

201. In conjunction with the Advisory Committee on Vocational Training, the Commission undertook or continued studies on training methods, the approximation of training levels, the training of workers leaving agriculture, and the provision of a legal framework for vocational training. Three seminars for training cadres were organized. They concerned the training of staff engaged in commerce (10 to 14 April), handicapped workers (5 to 10 June), and migrant workers (2 to 6 October). In addition a sixth seminar was organized on in-service training for African cadres on 15 and 16 June.

The working party of experts set up last year<sup>1</sup> met in 20 June to discuss the promotion and coordination of research into vocational training. Having established a list of the priority problems, it is now using this basis to define a number of pilot projects for Community cooperation.

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<sup>1</sup> *Fifth General Report*, sec. 226.

On 9 June a European Centre for Progress and Training in Agricultural and Rural Areas (CEPFAR) was established through joint efforts by the Commission and the employers and trade unions.

On the ECSC side the Vocational Training Committee agreed at its meeting on 2 June to concentrate more especially on the problems posed by the refresher and retraining of adult workers. Furthermore, the Commission published the third volume (steel works) of its manual on new processes in iron and steel production. Finally, the Commission adopted and published its fourth report on vocational guidance activities in the Member States, covering the years 1968 to 1970.

#### THE SOCIAL FUND, READAPTATION, REDEVELOPMENT AND REEMPLOYMENT

### *European Social Fund*

202. The European Social Fund, as reformed by Council Decision of 1 February 1971,<sup>1</sup> became operational from 1 May 1972.<sup>2</sup> In September 1972 the Commission published a memorandum relating to the submission of applications for assistance from the Fund,<sup>3</sup> this being a practical measure to supplement its administrative and financial rules. The Commission should be in a position to determine in January 1973 the maximum amount of assistance from the Fund for four of the types of aid set out in Council Regulation (EEC) No. 2397/71 (Article 2) of 8 November 1971.<sup>4</sup>

In July 1972 the Commission proposed that the Council should start applying Article 4 of the Decision of 1 February 1971. Under the common agricultural policy the Fund could help to finance schemes designed to aid retraining and reemployment of people leaving the land to work in other sectors. Under the Community's commercial policy, the Fund could be instrumental in helping to solve the employment problems created by the reorganization of the textile and clothing industry. As the Council took no decisions on this until 9 November 1972, no applications for assistance under Article 4 could be made in the 1972 financial year. It must be stressed that the Council reserved the right to decide later on the part of the Commission's

<sup>1</sup> OJ No. L 28, 4 February 1971, p. 15, and *Fifth General Report*, sec. 229.

<sup>2</sup> OJ No. L 101, 28 April 1972, p. 3, and *EC Bulletin*, No. 1-72, sec. 33.

<sup>3</sup> OJ No. C 96, 20 September 1972.

<sup>4</sup> OJ No. L 249, 10 November 1971.



initial proposals not adopted on 9 November 1972, subject to being able to have at its disposal supplementary documentation enabling an examination to be undertaken in good time. The main points are possible action by the Fund in the clothing industry and the provision of aid to maintain agriculture workers' income for six months following the training period.

However, some applications were filed under Article 5 of the Decision of 1 February 1971. They are listed in Table 3.

In this initial phase, applications for assistance mainly relate to vocational training schemes, usually from a body governed by public law. However, some of the applications have come from bodies governed by private law, which is sufficient justification for correspondingly broadening the scope of the European Social Fund. The measures concerned are designed to assist regions in difficulty, industries faced with demands made by technical progress, groups of undertakings experiencing basic changes in the conditions of production or marketing of their products, and handicapped workers.

**TABLE 3**  
**Reformed Social Fund: Applications under Article 5**

Country	Number of applications	Number of recipients <sup>1</sup>	Total cost (u.a.)	Assistance requested from Fund (u.a.)
Germany (FR)	12	—	182 775 454	89 885 328
Belgium	2	—	13 765 198	6 882 599
France	4	19 700	42 988 958	21 494 479
Italy	22	51 030	84 760 160	38 307 030
Luxembourg	2	650	46 000	23 000
Netherlands	3	3 000	3 987 071	1 921 933

<sup>1</sup> Forecasts

After obtaining the opinion of the Social Fund Committee the Commission granted 15 applications, and made available to the Member States appropriations totalling 50 062 289 u.a., of which about 37 million u.a. for schemes to be undertaken in regions where the development lag or the decline of the major industries causes serious, protracted disequilibrium in the employment situation, 6.5 million u.a. for schemes to keep the training of workers abreast

of technical progress, and 6.5 million u.a. for schemes concerning handicapped persons.

203. Side by side with this, the original Fund remained active under Article 125 of the EEC Treaty, in accordance with Article 12 of the general implementing Regulation No. 2396/71.<sup>1</sup>

Reimbursements totalled 54 085 657 u.a., allocated as shown in Table 4.

**TABLE 4**  
**Original Fund: assistance granted in 1972**

Country	For retraining	For resettlement	Total
Germany (FR)	21 312 512	634 681	21 947 193
Belgium	1 478 606	106	1 478 712
France	6 368 633	243 239	6 611 872
Italy	23 238 541	—	23 238 541
Luxembourg	2 741	—	2 741
Netherlands	1 520 999	5 599	1 526 598
EEC	53 922 032	883 625	54 805 657

The total amount applied for in 1972 was approximately 62.5 million u.a. Of this,

Germany asked for	32.8	million u.a.,
Belgium for	1.6	million u.a.,
France for	6.5	million u.a.,
Italy for	19.8	million u.a.,
Luxembourg for	0.003	million u.a.,
Netherlands for	1.8	million u.a.

In the above total amount only 0.8 million u.a. was for resettlement projects.

For the 1973 financial year the European Social Fund has been allocated a budget of 240 million u.a. Of this, 60 million u.a. is for the activities of the original Fund, 70 million u.a., is for assistance to be granted under Article 4 and 110 million u.a. is for assistance under Article 5. With respect to the last

<sup>1</sup> OJ No. L 249, 10 November 1971.

two types of assistance, it will also be possible to make appropriations in 1973 for the 1974 and 1975 financial years to the amount of 94 million u.a. (Article 4) and 90 million u.a. (Article 5).

The sum of 750 000 u.a. has been allocated for carrying out studies and pilot schemes.

As regards Community aid for redundant workers from the Italian sulphur mines,<sup>1</sup> a total of 345 714 u.a. was paid to the Italian Government during the 1972 financial year for miners discharged before 31 December 1970.

### *Readaptation and reemployment of workers*

204. In 1972 there was no overall increase in the credits available for readaptation: 15 million u.a. as compared with 16 million u.a. in 1971. There was a pick-up of readaptation schemes in the iron and steel industry, particularly in Lorraine (Table 5).

With respect to the methods of readaptation, a new sort of aid was instituted in the Federal Republic for those coal miners affected by cutbacks in employment during the five years preceding their retirement. Likewise, in France aid for vocational training was stepped up to facilitate reemployment outside the coal industry, with extension of the payment period where necessary.

### *Redevelopment and reemployment*

205. In 1972 only a few applications for redevelopment loans under Article 56(2a) of the ECSC Treaty were received. They concerned investment projects to create 590 jobs in the coal or iron and steel areas of France, the Netherlands or Italy. The decisions taken to grant loans or interest subsidies essentially referred to applications made earlier. The Commission therefore helped to create 6 700 new jobs; for 2 810 of these, priority will be given to former miners and steelworkers (Table 6).

Judging from inspections carried out periodically at enterprises in receipt of redevelopment loans, it can be said that, in general, they have fulfilled their obligations to reemploy ex-ECSC workers. However, it must be noted that they encountered difficulties in areas where the collieries are still in need of skilled manpower, especially in the Ruhr and Dutch Limburg. On the other hand there were no problems in meeting those obligations in areas where small collieries have been closed down for good. This was especially the case in

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<sup>1</sup> OJ No. 246, 31 December 1966, and *Fifth General Report*, sec. 230.

TABLE 5  
Readaptation of Workers

Country	Coal industry		Iron and steel industry		Iron-ore mines		Total	
	Workers aided	Amount furnished (in EMA u.a.)	Workers aided	Amount furnished (in EMA u.a.)	Workers aided	Amount furnished (in EMA u.a.)	Workers aided	Amount furnished (in EMA u.a.)
Germany (FR)	8 853	2 947 087.42	1 582	162 568.31	61	24 590.16	10 496	3 134 245.89
Belgium	—	40 000.—	—	—	—	—	—	40 000.—
France	3 672	7 597 867.56	3 589	4 110 500.36	—	144 035.42	7 261	11 852 403.34
Italy	—	—	307	160 000.—	126	200 000.—	433	360 000.—
Luxembourg	—	—	—	—	—	—	—	—
Netherlands	—	—	—	—	—	—	—	—
Community	12 525	10 584 954.98	5 478	4 433 068.67	187	368 625.58	18 190	15 386 649.23

France, where the new undertakings have thus been able to get established with the help of readaptation programmes.

**TABLE 6**  
**Alternative jobs created with Commission financial assistance in 1972**

Country and region	Jobs created	Of these: jobs reserved for miners and steelworkers
Germany (FR)	3 130	1 460
France	3 280	1 100
Italy	210	210
Netherlands	80	40
Total	6 700	2 810

#### FREE MOVEMENT OF WORKERS

206. As regards Community provisions on the free movement of workers the Commission considered what measures had to be taken in order to supplement the rules in force (Regulation (EEC) No. 1612/68 and Directive No. 68/360 EEC), and to create a better balance between employment supply and demand in the Community.

To this end the Commission has prepared various proposals including two for Council Regulations, one on conflicts between laws on labour relations and one on the drawing up of uniform statistics for foreign labour in the Community; further, the Commission prepared, after receiving on 12 October 1972 the opinion of the Advisory Committee on the free movement of workers,<sup>1</sup> a proposal for a Council Directive to guarantee the free movement and social protection of workers employed by temporary staff agencies when they work in a client enterprise situated in another Member State.

In the context of measures to promote priority of employment for Community workers the Commission put forward a plan designed to encourage assisted migration. This plan was examined in collaboration with the Advisory Committee on Freedom of Movement for Workers. It seems essential that freedom of movement should be backed up by measures to help in the placement of workers. To develop migration along these lines, it might be useful

<sup>1</sup> Fifth General Report, sec. 235.

to organize vocational training and language courses in the country of origin to start with and afterwards in the host country. Measures have been taken so that at the beginning of 1973 a first group of 800 workers should receive a crash vocational and language course for the purpose of employment in Germany.

Information systems have been substantially improved in order to enable workers to have a clearer idea of the state of affairs when making their decisions. With a view to facilitating Community manpower clearance, on 8 December 1972 the Commission adopted a uniform system for exchange of the information on employment supply and demand used by the Member States' employment services in their relations between each other. This is the "Système européen de diffusion des offres et demandes d'emploi et de compensation internationale" (SEDOC)—a European codification of occupations and the main criteria for describing them. This system, worked out in collaboration with the Technical Committee on Freedom of Movement for Workers, will be put into practice in the six Member States at the beginning of 1973; pending its extension to the acceding countries, the transitional provisions of Article 38 of Regulation (EEC) No. 1612/68 will apply to them.

The Commission, again in agreement with the Technical Committee, adopted on 14 December a codified Community scheme for stepping up exchanges of information on living and working conditions in each State between the specialized departments in the Member States.

The Commission initiated discussion in the Advisory Committee concerning the Member States' immigration policies for workers from third countries. A working party from the Advisory Committee was set up to examine this crucial problem with the Commission.

#### HARMONIZATION OF SOCIAL SECURITY ARRANGEMENTS

##### *General social security matters and European social budget*

207. This year saw the successful conclusion of the preparatory studies begun by the Commission with a view to drawing up a European social budget, a task which had been given priority by the Council of Ministers on 26 November 1970 in the programme to implement Article 118 of the EEC Treaty. In June 1972 the Commission put before the Council a report on the medium-term forecasts for social security expenditure and financing in the Member States, and in September it submitted a programme of work for the preparation of the

European social budget. Starting in February the Commission submitted to the Council, and subsequently to the European Parliament and the Economic and Social Committee, a survey of trends on financing social security arrangements from 1965 to 1975, and it also began to bring the forecasts included in the study for the 1970 to 1972 period into line with later developments. This forecasting represents an important step towards the preparation of the European social budget. At the Council session of 9 November on social affairs, decisions were taken enabling the Commission, together with the national experts, to begin working out the first European social budget, which will deal with the present content of the social accounts, and will cover 1970/72 in its retrospective part and 1973/75 as regards forecasts.

Various studies on social security questions have been completed: the effect of colliery personnel cutbacks on social security in mining; special social security schemes; relations between the medical profession and social security; consumption of pharmaceuticals under social security; the cost of hospital treatment under social security; an information memorandum regarding the occupational diseases on the European list, and a report on the implementation in the Member States of the recommendations concerning occupational diseases.

Furthermore, the German Government, in order to give effect to the decisions taken by the Heads of State at the The Hague Summit Conference relating to the concertation of social policies, suggested that the Commission should prepare a report on the categories of people eligible for social security, so as to enable the Council to discover what Community action could be undertaken in order to achieve harmonization. The Council adopted this proposal unanimously on 26 November 1970, stating "that it is important that alignment between Member States in the field of social policy should be based on concrete action". The report in question was drawn up by the Commission and sent to the Council on 20 June 1972. It will be examined by the Council so that conclusions can be drawn regarding the appropriate action to take on it. In order to prepare the conclusions the report was examined by the Directors-General of Social Security from the ministries of the Six founder states meeting with the Council Group for Social Matters on 24 October. A meeting was held on 17 November 1972 to enable the Commission to discuss the main activities in social security and the European social budget with the two sides of industry.

### *Social security for migrant workers*

208. The general revision of the regulations on social security arrangements for migrant workers was completed on 21 March when the Council adopted

Regulation (EEC) No. 574/72<sup>1</sup> on the procedures to implement Regulation (EEC) No. 1408/71 (revised Regulation No. 3), adopted on 14 June 1971.<sup>2</sup> The two new Regulations came into force for all six Member States on 1 October 1972. Their introduction, which brought about very considerable improvements, entailed a considerable amount of work for the preparation of the new Community forms needed (documents adopted by the Administrative Committee on Social Security for Migrant Workers).<sup>3</sup> At the same time the Commission, with the aid of the Administrative Committee and experts from the candidate countries examined technical adaptations which needed to be made to Regulation (EEC) No. 574/72 in order to take account of social security legislation in the acceding countries and in order to apply the technical adaptations made to the basic Regulation (EEC) No. 1408/71 in the Accession Treaty.<sup>4</sup> As provided for in Annex II to the Accession Treaty, supplementary adjustments have had to be made to Regulation (EEC) No. 1408/71 to take account of the considerable changes in Danish social security legislation made between 1 June 1971 and 30 June 1972 pursuant to the new regulations.

The bringing into force on 1 April 1973 throughout the enlarged Community of the regulations thus adapted involves the revision of the forms adopted by the Administrative Committee for the purpose of applying the new regulations in the six original Member States from 1 October 1972 to 31 March 1973. Further, it will necessary to reexamine some 60 decisions adopted by the Administrative Committee since 1959 implementing and interpreting Regulations No. 3 and 4, for those decisions lapsed on the entry into force of Regulations (EEC) Nos. 1408/71 and 574/72. While a number of the decisions are no longer applicable, others are still wholly or in part of importance and must therefore be replaced by new decisions.

In 1972 the Court of Justice delivered 5 judgments on the interpretation of Community provisions concerning social security for migrant workers.<sup>5</sup>

### *Industrial relations*

209. In searching for solutions to the problems arising in the course of economic and social development, the Commission has been led to take decisions, with a view to intensifying and rendering more effective discussions and cooperation

<sup>1</sup> *Fifth General Report*, secs. 239 and 240, and *OJ* No. L 74, 27 March 1972.

<sup>2</sup> *Ibid.*, sec. 232 and *OJ* No. L 149, 5 July 1971.

<sup>3</sup> *OJ* No. L 261, 20 November 1972.

<sup>4</sup> *Fifth General Report*, sec. 239 and *OJ* No. L 73, 27 March 1972, pp. 110-114.

<sup>5</sup> Cases 80-71, 1-72, 2-72, 14-72, 15-72, 16-72, 45-72.



between representatives of management and labour in the various industries at Community level, as well as between them and the Commission.

In the agricultural sphere the Council adopted three directives on 17 April 1972. These concerned the modernization of farms, measures to encourage the cessation of farming, provision of socio-economic guidance and the acquisition of occupational skills by persons engaged in agriculture.<sup>1</sup> The Commission also collaborated with government departments and trade organizations in increased efforts to improve safety and health in agriculture. In a report, the two sides of industry affirmed their willingness actively to stimulate the harmonization of working and living conditions for paid agricultural workers. The procedure they have chosen to achieve this entails the conclusion of new Community agreements and their adjustment to trends in the social field on the basis of permanent concerted action, the two sides having decided together that these agreements will serve as directives during their national and regional negotiations.

For sea fishing, the Commission submitted to the Council a proposed regulation on the granting of aid for conversion of the cod-fishing fleet and readaptation of those employed in it. The Commission also continued its efforts to improve safety and health in this sector in collaboration with government departments and the two sides of industry. Possibilities of improving training facilities and the social position of fishermen are also under review. Furthermore, it should be noted that on 7 June 1972 a joint declaration was signed at La Rochelle by the trade organizations for sea fishing concerning the levelling-up of working and living conditions for fishermen.

In the field of transport, the Commission sent the Council a proposed second Regulation on the harmonization of social provisions in road transport, supplementing Council Regulation No. 543/69. The Joint Advisory Committee on Social Problems in Road Haulage prepared an opinion on the equipment of cabs and bunks in lorries, buses and coaches. The Commission is also preparing a regulation on harmonization of the social aspects of inland water transport. As regards the railways, the tripartite Joint Advisory Committee, set up last year, was turned into a bipartite Committee (workers/employers), so that it now has the same structure as the comparable Committees for the other two modes of transport. Consultations have started with this Committee for the purpose of formulating a proposed regulation on the harmonization of social provisions. The Commission also began studies on the social problems peculiar to sea transport, ports, and air transport, three fields not yet covered by the common transport policy. For these the Commission intends to set up joint committees on the lines of those already in existence for the other fields.

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<sup>1</sup> *OJ* No. L 96, 23 April 1972.

Joint Committees on Harmonization of Terms of Employment established by the High Authority of the ECSC for the coal and steel sectors continued their work. Special attention was paid to analysing possible forms of discrimination practised against migrant workers in the coal industry. In the Joint Committee on Harmonization of Terms of Employment (Steel) it was suggested that the possibilities of concluding an outline agreement might be examined (for these sectors, see also sections on vocational training, readaptation of workers and redevelopment, housing, and industrial health and medicine).

Negotiations are under way for the creation of other committees in sectors where specific problems will arise in respect of which the Treaty makes no provision for a common policy. It was in this context that the first joint meeting for the construction industry took place on 25 October 1972. On 13 November 1972 there was a meeting with the representatives of the trade union and employers' organizations. This was devoted to examining the results of the Conference of the Heads of State or Government of the enlarged Community and their implications for a Community social policy.

### *Wages and terms of employment*

210. On 9 November 1972 the Council agreed on the Commission proposal for the institution of a European index of collective bargaining agreements. The Commission consequently started work on the systematic collation and evaluation of collective bargaining agreements in the Member States. In a first phase the collective bargaining agreements in 12 industrial sectors will be taken into consideration one by one when the time comes to renew or alter them. The Commission considers that this instrument will enable it to help make the development of the social situation in the Community easier to grasp.<sup>1</sup>

The Commission pursued its studies on the social problems posed by cross-frontier mergers and combinations and meetings were therefore held with government experts from the Member States and with trade union and employers' organizations.<sup>2</sup>

211. As regards wages the Commission drew up its sixth progress report on equal pay for equal work between men and women (Article 119 of the EEC Treaty). To put things in perspective before the three new States join the Community, the report points not only to the progress made since 1958 in

<sup>1</sup> *Fifth General Report*, sec. 245.

<sup>2</sup> *Ibid.*, sec. 246.

the six member countries, but also to the main gaps and insufficiencies which still persist and which the Commission proposes to abolish by a whole range of concrete measures. One particular study, now approaching completion, could lead to some of these measures being implemented. It concerns the way in which functions are classified and whether this could result in indirect discrimination against women.

Taking the report on wage drift submitted to the Council as a basis, the Commission, with the help of national statistical experts, has embarked on the examination of the indices for trends in contractual and actual wage rates. In addition, the study on incomes and assets in the Community countries was published.

Having completed the purely descriptive list of national incentives to asset formation by workers, the Commission drew its own conclusions, for submission to the Council. Their object is, firstly, to coordinate the various national measures, and secondly to present a number of guidelines and basic choices which could lead to the development at Community level of a coherent and more effective concept of policy on the formation of assets.

In the field of labour law the Commission sent the Council a report on the provisions for the benefit of workers in the event of dismissal, along with its own conclusions on the possibilities of harmonizing these provisions.<sup>1</sup> Following Council discussions of the matter, the Commission drew up a more detailed memorandum on the measures which could be taken at Community level to ensure better protection for workers against the effects of collective dismissal. The Council took note of this memorandum and laid down its own guidelines in the matter. It then put the problem before the Standing Committee on Employment, which examined it at its meeting of 26 October 1972, and then the Commission submitted a proposal for a directive to the Council. The proposal was given an initial examination by the Council at its session of 9 November, but it was decided to consult the Economic and Social Committee and the European Parliament before adoption of the proposal.

## HOUSING

212. A recapitulation of the assistance given over the years down to 31 December 1972 to the building of houses for workers in the ECSC industries shows that in all 122 584 dwellings had been part-financed by that date under the three experimental schemes and the seven major loan-aided schemes, 60%

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<sup>1</sup> *Fifth General Report*, sec. 246.

Graph  
ECSC subsidized housing financed and completed

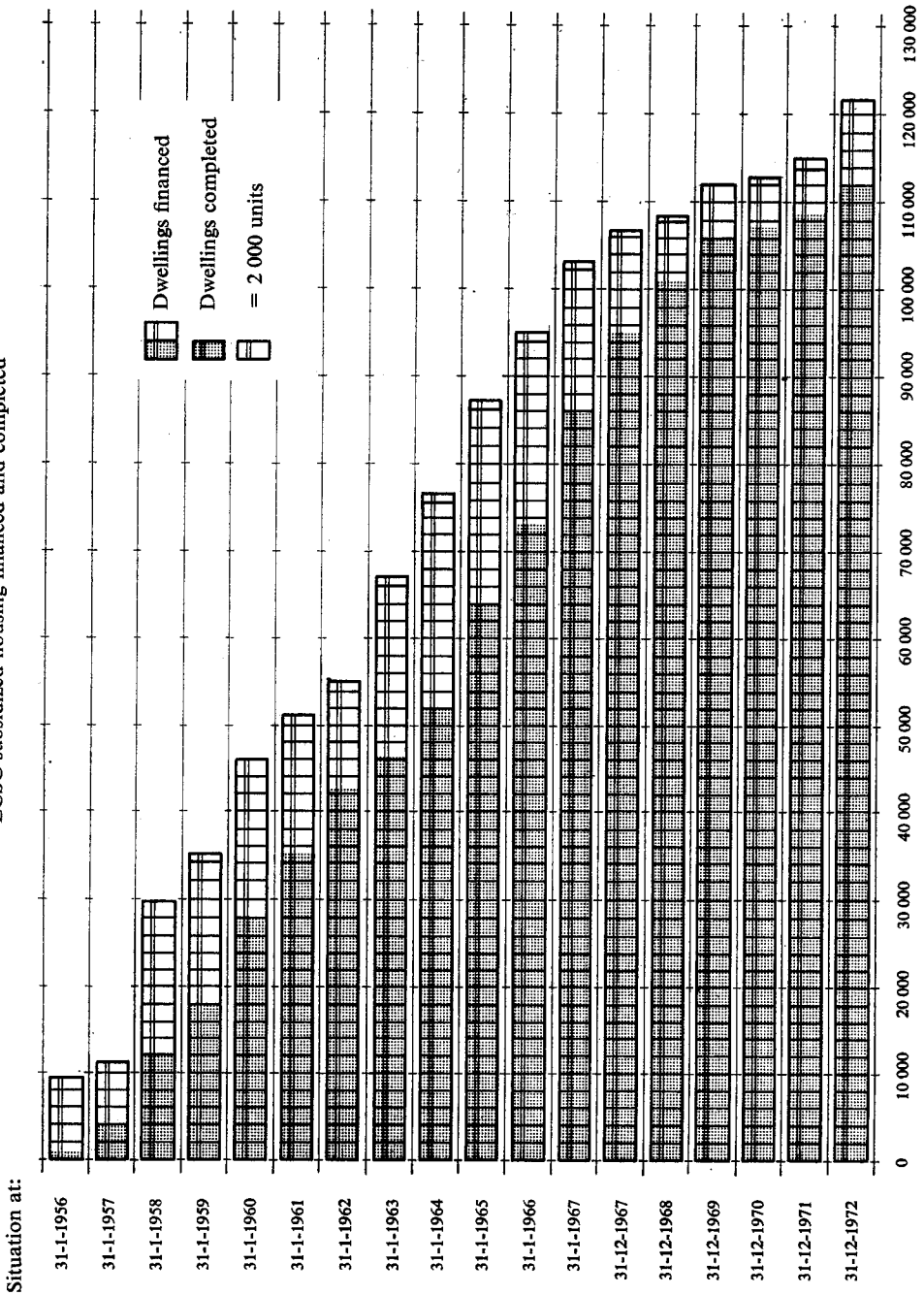


TABLE 7

**Work on the seven major schemes and the three experimental schemes  
(situation at 31 December 1972)**

Country	Dwellings financed	of which:		
		in preparation	building	completed
Germany (FR)	81 595	2 877	2 642	76 076
Belgium	7 029	—	326	6 703
France	22 855	896	1 798	20 161
Italy	6 164	344	754	5 066
Luxembourg	836	8	8	820
Netherlands	4 105	369	107	3 629
Community	122 584	4 494	5 635	112 455

TABLE 8

**Financing of the seven major schemes and the three experimental schemes  
(situation at 31 December 1972)**

(million u.a.)

Country	Commission advances		Additional funds mobilized at Commission instigation	amount advanced	Funds from other sources (housing associations etc)	Total cost of accommodation built
	from own resources	from borrowings				
Germany (FR)	53.04	13.24	122.69	188.97	733.31	922.28
Belgium	4.85	20.55	2.30	27.70	28.03	55.73
France	28.59	0.43	8.73	37.75	135.89	173.64
Italy	11.46	8.12	11.18	30.76	29.49	60.25
Luxembourg	2.55	1.70	1.43	5.68	8.02	13.70
Netherlands	6.23	2.14	6.52	14.89	23.57	38.46
Community	106.72	46.18	152.85	305.75	958.31	1 264.06

of them for renting and 40% for owner-occupation. Dwellings completed totalled 112 455.<sup>1</sup>

Scheme VII is on the way to being completed, with a first tranche initially totalling 10 million u.a. from the special reserve of the 1971-1972 budget.<sup>2</sup> On top of the 2 million u.a.<sup>3</sup> which could be earmarked in the 1971 budget, 1 million u.a. was added to the 1972 ESCC operational budget, bringing the total appropriation for the budgeting years 1971 and 1972 to 13 million u.a. The additional sums were used on a priority basis for the housing of migrant workers and of steelworkers at coastal plants. In all this first instalment will have made it possible to contribute to the financing of about 9 000 dwellings and 3 800 beds in hostels for workers living on their own.

On 22 December 1972 the Commission, desirous of advancing its policy to promote housing in accordance with the Paris Treaty, decided to allocate, for the enlarged Community, a total of 20 million u.a. for the second instalment (1973-1974) from the ECSC operational budgets for the same years. This sum is intended to help build housing for steelworkers at coastal plants, in connection with the ECSC restructuration scheme, for migrant workers, and for the purpose of modernizing existing dwellings.

213. As regards accommodation for migrant workers, the Commission has gathered information from the Governments on the progress the Member States have made in implementing the Commission's recommendation on housing for workers and their families moving within the Community.<sup>4</sup> This information made it possible to draw up and distribute a third report, covering the period from 1 January 1969 to 31 December 1970.

#### WELFARE AND FAMILY MATTERS

214. The Commission's efforts concerning the welfare activities of the six countries have borne mainly on the reception service provided for migrant workers and their families, and on the promotion of their well-being. Among the numerous problems in this field, that of schooling for the children of migrant workers turned out to be of prime importance. A meeting on this subject was organized at Naples on 27 and 30 November. It was attended by about forty social workers and teachers from the six countries and by regional

<sup>1</sup> See Table 7 and 8 and the graph.

<sup>2</sup> *Third General Report*, sec. 347; *Fourth General Report*, sec. 148; *Fifth General Report* sec. 247.

<sup>3</sup> *Fourth General Report*, sec. 148 and *Fifth General Report*, sec. 247.

<sup>4</sup> *OJ* No. 137, 27 July 1965.

delegates responsible for social questions in those regions of Italy which are most affected by emigration. The action taken by the Member States to follow up the Commission's recommendation on welfare activities for the benefit of migrant workers<sup>1</sup> is described in a fourth report<sup>2</sup> dealing with the years 1969 and 1970.

The social problems of old people also received the necessary attention from the Commission, which prepared a general study on the subject establishing the lines along which action should be taken. Furthermore, in connection with the surveys and studies made by the Commission on working conditions for women, discussions took place with trade unions and women's and family organizations concerning the sort of social facilities required (crèches, kindergartens, etc.) to cater for children whose mothers are gainfully employed outside the home.

## COMMON HEALTH AND SAFETY POLICY

### *Handicapped persons*

215. A seminar on vocational training for the handicapped was held at Heidelberg from 5 to 10 June 1972.<sup>3</sup> Furthermore, the working party set up to prepare a long-term Community programme,<sup>4</sup> submitted an interim report in which it analyses the experiences acquired in finding points of departure for rehabilitation and the action leading to them. This report, which has been sent to the Council by the Commission, contains the basic elements for immediate implementation of plans for occupational rehabilitation and for the best use of the handicapped in a free market economy. A documentary account of the results of research encouraged by the ECSC has been prepared,<sup>4</sup> and these results will be discussed in April 1973 at the study sessions on "the traumatology of work: basis for the retraining of accident victims".

### *Industrial medicine*

216. The research programme on chronic respiratory disease<sup>5</sup> is going forward as planned. All the working parties are active (epidemiology, respiratory physiopathology, the standardization of respiratory tests, therapeutics, and

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<sup>1</sup> Recommendation of 23 July 1962 (OJ No. 75, 16 August 1962).

<sup>2</sup> Doc. V/338/71.

<sup>3</sup> This is one of the three meetings referred to in sec. 201.

<sup>4</sup> *Fifth General Report*, sec. 249.

<sup>5</sup> *Ibid.*, sec. 250.

the rehabilitation of sufferers from respiratory trouble). In connection with this programme, the Commission is endeavouring to promote and coordinate epidemiological surveys on chronic bronchitis in order to improve knowledge of the causes of this disease. A study has just been completed in one Community country on the social and economic costs of chronic bronchitis. The relevant departments will take note of any useful methodological lessons which could be drawn from it with a view to extending this study to other countries.

Four new studies will help in correlating and imparting the research results obtained from the programme on the physiology and psychology of work. These studies relate to safety training, the evaluation of physically laborious work, ergonomic methods and criteria, ergonomic directives for application when industrial installation projects are conceived and carried out.

The secretariat for Community ergonomic research undertook the distribution of the reports drawn up by the teams working in the coal and steel sectors on job organization. These reports will be sent out to all ECSC enterprises.

217. In 1972 the Consultative Committees laid the foundations for a new research programme, designed to study the problems of adaptation in an industrial environment and ways of improving work as such as much as possible; consultations about this may be held in the early months of 1973. In October a study on the problems raised by organizational changes was undertaken, especially with a view to achieving an enrichment of tasks, which could help in the launching of the new programme.

The working party on ECSC works medical departments drew up a programme of activities which goes well beyond the level of exchanges of information. It covers practical details of medical examinations given to personnel on engagement; means of preventing and reducing noise in enterprises; and the application of information science in industrial medicine.<sup>1</sup>

### *Industrial health*

218. Completion of the second programme on health in mines<sup>2</sup> led to publication of a brochure chronicling the main results achieved in six years of joint activity by twelve specialized institutes. The working parties concerned made

<sup>1</sup> *Fifth General Report*, sec. 249.

<sup>2</sup> *Ibid.*, sec. 252.



great efforts in such fields as the epidemiology of pneumoconiosis, the dusting of coal faces and heading machines, pollutants in iron ore mines, etc. The programme also led to study and information sessions being organized in Luxembourg from 11 to 13 October 1972 at which 400 people were present. These sessions showed that the risk of contracting pneumoconiosis in Community collieries had been considerably reduced. Work on carrying out the third programme will begin in 1973.

The decision to allocate 658 000 u.a. to eight new research projects meant the completion of the second programme on the control of air pollution in the iron and steel industry. A brochure recounts the progress made up to 30 June 1972, and a new programme is in preparation to continue the work of the previous one. It will deal with the pollution of air and industrial waste water, and with the various problems connected with the disposal of waste in the iron and steel industry.

During the year the Commission initiated the necessary consultation procedure for granting financial aid under Article 55 of the ECSC Treaty to the "COST 61 a" project for investigating the physico-chemical behaviour of sulphur dioxide in the atmosphere. This research project was the subject of one of the seven cooperation agreements signed on 22 and 23 November 1971 by the governments of the 19 member countries of the European organization for cooperation in scientific and technical research.

Finally, the Commission began a first set of exploratory studies aimed at drawing up an action programme for protecting health on the job in all economic sectors.

### *Industrial safety*

219. The Commission caused a study to be set on foot regarding the measurement of material damage. This will draw on experiments now in progress in the British iron and steel industry, and its object is to enable the risk of accidents to be gauged in a more precise way. At the same time the Commission published a document on the relation between safety and organization of work (reliability and safety—elements in the ergonomics of industrial systems). This publication is based on studies carried out by three research teams working together.

The cooperation between the national safety establishments, begun in 1971,<sup>1</sup> is continuing in the following fields: standardization of safety signs and notices in enterprises and public buildings, production of accident pre-

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<sup>1</sup> *Fifth General Report*, sec. 254.

vention films (film catalogue, coordination and co-production); exchange of information and cooperation in promoting research on the causes of accidents; exchange of experiences of large-scale safety campaigns and the methods applied in carrying them out.

An exchange of information material and the ten case studies carried out in industrial enterprises will enable the Commission to start tackling the problems connected with the reception of migrant workers and their training in safety matters. The eventual goal is to work out methods based on as wide a range of experience as possible.

During 1972, 42 factory inspectors benefited from the in-training programme, which covered protection against noise, safety establishments, protection against fires and explosions, and shipbuilding and repair.

In the agricultural sector, attempts to establish a European code of good practice<sup>1</sup> were continued; thus, safety regulations were laid down for the use of powered agricultural machinery, rotary cultivators and rotary hoes.

In mining, the first phase of a research programme on trigger barriers and the rescue of trapped miners was completed.

### *Steel Industry Safety and Health Commission*

220. The Steel Industry Safety and Health Commission met at Amsterdam on 15 and 16 June 1972 and accepted the conclusions of its working parties on:

- (i) Installations for the distribution and use of oxygen (managing bodies of these installations, lubrication and degreasing, intermediate storage tanks);
- (ii) Tapping of pig-iron at blast furnaces (construction of floors, preparing the tapping, use of machines for taphole sealing and unsealing);
- (iii) The adoption and use of measures to protect personnel.

The SISHC recommended the distribution of a document on accident prevention policy brought out by the British Steel Corporation, considering this to be of interest to the industry.

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<sup>1</sup> *Fifth General Report*, sec. 254.

### *Mines Safety and Health Commission*

221. In 1972 the Mines Safety and Health Commission approved the following documents:

- (i) An amendment to the recommendation of 20 April 1960 concerning the use of sprinklers for fire-fighting in mines;
- (ii) In the electricity field, a report and its conclusions on the high tension caused by lightning, a report with recommendations and conclusions on the use of electrical equipment for safe use in firedamp conditions for tensions of over 1 100 volts;
- (iii) The eighth report on the organization of rescue operations.

The newly established working parties began their studies on accidents<sup>1</sup> connected with sudden releases of firedamp and heavy discharges, and on the problems of the mutual recognition of safety certificates for electrical equipment to be used underground.

From 26 to 28 September 1972 information sessions were organized at Gardanne, at the request of the miners' trade unions, dealing with the reactions of miners to mechanization and its effect on safety. The MSHC continued to support the preparation and carrying out of safety campaigns in Community collieries.

The board of the Paul Finet Foundation met for the fifteenth time on 30 June.

Since it was set up in 1965, the Foundation has made (by end 1972) 2 342 grants, totalling Bfrs. 18 126 349 to the children of workers in the ECSC industries who died as a result of occupational accidents or diseases.

### *Health and Safety (Euratom)*

222. In the field of radiation protection, Community policy on the special danger of radioactivity is put into practice mainly via Regulations, technical harmonization, research and studies and training in radiological protection.

New provisions were drawn up by West Germany, France and Italy to improve on existing legislation resulting from the application of Directives fixing the Euratom Basic Standards. A particularly important proposal for a Regulation on the drawing up of general principles for protection against X-rays was sent to the Commission by the West German Government under

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<sup>1</sup> *Fifth General Report*, sec. 258.

Article 33 of the Euratom Treaty, and an opinion was duly given by the Commission. An opinion was also given by the Commission on three draft decrees communicated by the French Government. These concern amendments to the Decree of 11 December 1963 relating to nuclear installations, a regulation governing the discharge of liquid and gaseous radioactive waste from basic nuclear installations, and finally the protection of workers against ionizing radiations in basic nuclear installations. Italy sent the Commission two draft decrees on the amount of radioactive material being used in the installations covered by the decree of 13 February 1964, and on the procedure for authorizing the use of radioactive isotopes. The Commission also gave an opinion on these. In Belgium two royal decrees came into force concerning a general military ruling on protection against the danger of ionizing radiation, and the amendments of Table A in the Annex to the Royal Decree of 28 February 1963. The Commission gave an opinion on both these documents.

The consultation procedure on the proposed general revision of the radiation protection standards continued in 1972. It was brought into perspective by the Commission and received the opinion of the Economic and Social Committee (from which certain suggestions were extracted and included), after which the Commission sent the final proposals to the Council for decision after consultation with the European Parliament. At the moment the Commission is using explanatory studies as a basis for examining, at expert level, the prospects of applying the guiding principles for standards to other areas of risk similar to ionizing radiation, such as laser and maser radiation and microwaves.

The harmonization of methods and techniques employed in personal dosimetry continued in collaboration with specialized national laboratories, with the aim of improving the precision and reliability of measurements of photon and neutron doses. Studies have been undertaken which should result in technical recommendations being made in the field of thermoluminescent dosimetry. In addition, a scientific seminar was organized jointly with the Physikalisch-Technische Bundesanstalt in Braunschweig to discuss possible ways in which the inherent effects of exoelectronic emissions could be applied to personal dosimetry.

Studies at present under way include several which are directly related to the application of the Basic Standards on a national level and will serve as a basis for future action. These concern radiation protection in the medical applications of ionizing radiations, medical information and training in radiation protection.

223. Under Article 37 of the Euratom Treaty Member States are obliged to supply the Commission with the technical information relevant to any

plans for disposing of radioactive waste, thus enabling the Commission to determine whether such plans threaten to contaminate the air, water or soil of another Member State. The Commission is giving an opinion on this point after conferring with a working party. To date, the Member States have submitted 55 projects covering 77 different installations. During 1972 the Commission gave an opinion on six projects: Würgassen nuclear power plant (FRG), the FERAB and bituminization plants at Karlsruhe (FRG), the Joint Research Centre at Ispra, Italy, the nuclear power plants at St Laurent des Eaux 2 and Bugey 1, both in France, and Stade nuclear power plant (FRG), as well as the communication of general information on the nuclear power plant at Niederaichbach (FRG). The number of projects submitted for nuclear power plants rose in 1972, accounting for five out of the seven projects proposed. Furthermore this method was often presented as a model of how to handle non-radioactive pollution affecting neighbouring States.

224. The monitoring of background radioactivity in the vicinity of nuclear installations is a subject which continues to receive special attention. As in previous years, measured data sent to the Commission under Articles 35 and 36 has been analysed and published in special manuals covering the Community as a whole. Areas around nuclear sites are gradually coming under a system of monitoring because of the importance they have for controlling radioactive contamination of the environment. A programme of intercomparison was carried out in collaboration with the IAEA in 1972 for the rapid detection of radioactive contamination in milk. It is one of the Commission's aims to draw up a practical guide so that monitoring methods around nuclear installations can be harmonized at Community level. The data file published in 1963 is in the process of being revised and the proceedings of the Symposium on Radioecology held in Rome in September 1971 were published.

An important part of the activities was devoted to exploratory studies on non-radioactive environmental hazards. A Community action programme on the environment was submitted to the Council by the Commission on 24 March. It proposed a joint methodology for the objective evaluation of the dangers which pollution constitutes to health and the environment. This methodology should lead to the drawing up of scientific criteria and environmental quality objectives which could serve as common reference data for the elaboration of health and ecology standards. A common terminology for the different concepts and ideas used in this methodological approach has already been drawn up at Council and Commission level.

The following pollutants are to be examined on a priority basis for their effects on health and the environment: lead, sulphur dioxide, carbon monoxide, nitrogen oxides and pesticides. Consultations took place during the year in an

effort to draw up an inventory of the measuring methods used; a preliminary examination was made of their effect on health. Lead came under special scrutiny; studies went ahead on the health aspect of reducing the lead content in petrol, and four intercomparison programmes were undertaken during the year, involving over 40 laboratories. In April 1972 a seminar was held on the metabolism of lead in the human body. The results were published in report form in September.

A Symposium was held in Amsterdam from 2 to 6 October 1972 on the health problems created by the presence of lead in the environment. It was organized by the Commission in conjunction with the US Environmental Protection Agency and aroused considerable interest throughout the world. The Symposium was attended by about 500 participants from 27 countries and seven international organizations. It pointed in particular to the large gaps in our present knowledge and the differences of opinion existing on the importance of certain levels of lead recorded in man and the environment. The results of the conference were examined at a special meeting of experts, who have created a Community precedent by making a first attempt to lay down criteria for a toxic substance on which no useful reference document is as yet available.

225. The multiannual research programme in the fields of biology and health protection continued as planned with respect to radiation protection problems, such as contamination of the environment and the food chain, radiotoxicology, the irradiation of foodstuffs, dosimetry of humans and the working environment and epidemiological studies on certain groups of people which are particularly exposed. The existence of this programme, approved in 1972, is extremely helpful to the Commission, as the studies provide essential scientific backing for basic and derived radiation protection standards.

#### 4. Dissemination of information

##### *Community policy on dissemination of information*

226. An overall Community policy on the exploitation and dissemination of information has become essential, inasmuch as the political, economic and technological decisions must, if they are to be the right decisions, be taken in the light of more and more numerous and complex facts and figures—so numerous indeed, and so scattered, that even where they are public and not confidential it is difficult if not impossible to get at them all.

The Council Resolution of 24 June 1971 laid down that there should be coordination of “the action of Member States with regard to scientific and technical information and documentation”,<sup>1</sup> and provided for the progressive establishment of a European information and documentation network. The terms of the Resolution extend beyond the scope of the three Treaties, and its preamble, stressing the importance of “ready access to scientific, technical, economic and social data”, suggests that the future cooperation should cover other matters besides science and technology.

The year 1972 saw the adoption of a new line and a more comprehensive approach on dissemination of information, the Community’s policy on which had hitherto been sectoral only, concerned solely with action under the Euratom and ECSC Treaties.

The Scientific and Technical Information and Documentation Committee (STIDC), intended to assist the Commission and the PREST Committee, was duly set up, and embarked on the preparations for organization of the network and on sectoral studies in the fields of agriculture, medicine and patents.

##### *Developments in 1972*

227. Activity consisted mainly in defining the problems involved by the coordination of Member States’ arrangements and the establishment of the planned European information and documentation network.

This meant, firstly, making a start on cataloguing the documentation facilities already in being or in process of becoming so, and secondly, considering the feasibility of interlinking the existing documentation systems, either

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<sup>1</sup> *Fifth General Report*, sec. 361.

by conventional means or by making use of highly advanced computer and telecommunications techniques.

228. The Scientific and Technical Information and Documentation Committee (STIDC) met four times in 1972, and drew up a plan of operations for the years ahead. Part of this consists in promoting the exchange by Member States of full particulars of their respective STID policies and the concerting of their attitudes on major international projects.

At the same time, various "horizontal" tasks in connection with the establishment of the network were formulated, such as the study of the economic and financial aspects (including charging for the services of the documentation centres), ways and means of setting about the interlinking process, a documentalists' training programme, standardization of data presentation, etc. Priorities were laid down in respect of the "vertical" operations to be undertaken, the Committee agreeing that, when the metallurgy documentation system had been set up, action should be taken on agricultural and medical documentation and patent information.

The study work on the agricultural side is the most advanced. It has been conducted with two ends in view: the keeping of a regular inventory of agricultural research projects in hand in the Community, and the establishment of a Community bibliographical reference system. The Community is in close touch with the Food and Agriculture Organization, in order to ensure compatibility between this system and FAO's own agricultural information system, AGRIS.

The possibility of Community action to organize documentation with respect to medical literature has been under discussion for some years. Since there are already a number of international systems at different stages of development, the Community's policy so far has been to give these every chance of proving themselves, and to promote their coordination rather than seek to set up a separate European system. However, these schemes do not cover all documentation requirements in so wide a field as medicine. One suggestion which has been considered is that there should be Community systems focused not so much on medical literature as on medical data, e.g. case studies.

Concerning patents, a detailed survey was conducted in 1972 among the leading potential users in the Community as to what they would expect a future documentation system to do for them. The survey aroused much interest, and made it clearly apparent that improvement was needed in the assembly and exploitation of the information contained in patents.

The need for documentation on environmental matters was emphasized in the Programme for the Environment which the Commission submitted to the Council in 1972. The conference of Ministers of the enlarged Community, held



in Bonn on 30 October 1972, which dealt with the environment, recommended the study of an information and documentation system.

229. Some difficulties have been encountered in launching the metallurgy information and documentation system. Its operation is subject to the signing by the national centres and the Commission of a provisional technical agreement on the allocation of functions, and at the end of 1972 two countries had still not signed, with the result that the system has so far operated only in part. However, with the enlargement of the Community a more satisfactory division of labour will be possible and the last obstacles will be overcome, as the workload on each centre will be lightened.

230. The Commission continued with the administration and expansion of the European Nuclear Documentation Service (ENDS): 140 000 new documents were stored in the system in 1972, bringing the total retrievable material at the end of the year to some 1 350 000 items. Approximately 700 retrievals were effected and close on 800 subscribers were regularly sent abstracts of new documents corresponding to their interest "profile."

Meanwhile the Community contribution, relating to nuclear documents published by the Commission, was duly furnished to the INIS-SIDON system of the International Atomic Energy Agency.

231. In 1972 the Commission went ahead with various projects, and added some new ones, for improving the flow of information to itself and the other Community institutions. The main one is the ECDOC scheme for processing the institutions' own documentary material, the chief purpose of which is to provide up-to-date facilities affording ready and complete access to the data the Commission needs daily to support its decisions. A second project, for an Agricultural Management Information System (AMIS) to handle the legal, social and economic aspects of agriculture, has progressed as regards the technical details to the stage where it could become operational in 1973; it is designed more especially to provide supporting material for the common agricultural policy. A third project is for the setting-up of a documentation system for the Commission to draw on in its work concerning the environment, notably in regard to health protection and technical obstacles.

The Commission's patent office began work in 1972 on assembling and evaluating documentation on patents; this is providing valuable background material for the Commission's activities in connection with industry, competition, the environment and technological forecasting.

232. The Commission was active during 1972 in securing the dissemination of research results and scientific and technical information by means of conferences, reports, restricted "communications" and periodicals. During the year, the proceedings of 12 conferences and some 200 reports on research results (just under half in microfiche and the rest in printed form) were published. In addition, over 100 Euratom "technical notes"—restricted documents giving first sight of certain results suitable for industrial development to persons and undertakings in the Community—were sent out.

The periodicals "Euro-Abstracts", "Euro-Spectra" and "Transatom Bulletin" (with its supplement "Eastatom") continued to appear. The Commission also continued its support to the CAMAC Bulletin, three issues of which appeared in 1972.

This Bulletin is published largely for the purpose of providing information on the CAMAC modular standardized instrumentation system evolved by the ESONE (European Standards on Nuclear Electronics) Committee.

The Commission acted as before to protect the results of the Community nuclear research programmes by taking out patents. The number of first applications for patents, incidentally, was lower than in 1971. The flow of patentable information from research being done under contract for the DRAGON project, though falling-off somewhat in quantity, is at any rate steady; that from the Joint Research Centre on the other hand is scrappy and uneven, owing to the uncertain future of the Centre's programme. For the present, therefore, a consistent long-term patent policy in the nuclear sector is not a practical possibility.

Increased efforts were made in 1972 to turn the upshot of the documentation work to account: five licensing contracts for exploiting patented knowhow were concluded, and a further 10 or so were under negotiation at the end of the year.

The Commission showed some 30 inventions based on JRC research at NUCLEX, the exhibition held at Basle in October, which is among the most important occasions of its kind for nuclear industry. These had a considerable success: eight firm applications for licences were received on the spot, to say nothing of the many tentative approaches made which could lead to the negotiation of contracts.

## SECTION B

### SECTORAL POLICIES

#### 1. Common agricultural policy

##### *Introduction*

233. The Council's decisions of 24 March 1972 mark the beginning of a new phase in the common agricultural policy: on the basis of the principles adopted in its resolution of 25 May 1971, the Council, by deciding on joint measures in the field of agricultural structure supplemented the common agricultural policy with a socio-structural policy. These joint measures, presented in the form of three directives, concern the modernization of farms, the cessation of farming, and the provision of socio-economic guidance and acquisition of skills by persons engaged in agriculture.

The Council did not follow the lines of the Commission in its proposals on the grant of income subsidies to certain categories of farmers, but asked it to submit to it a report on the subject.

An agreement was reached by the Council on 24 March 1972 on the guidelines relating to the measures to be taken to compensate for the effects on agriculture of revaluation measures to be taken in certain Member States. No definitive solution has yet been found here and in relation to the American dollar the Member States' currencies continue to fluctuate beyond the margins laid down by the European Monetary Fund. The narrowing of the margins of fluctuation between the Member States' currencies themselves after 24 April 1972 and the devaluation of the United States dollar on 8 May 1972 have nevertheless attenuated the adverse effects of the monetary situation on agriculture. It remains true that a great part of intra-Community trade is still carried out under a system of compensatory amounts applied to imports and exports. Substantial progress in the field of economic and monetary union is more than ever indispensable if the common agricultural policy is to be conducted satisfactorily. In this connection the agreements concluded on 19 and 20 October 1972 at the European Summit Meeting in Paris, especially the decision irreversibly to achieve economic and monetary union make it possible to look forward in a not too distant future to more stable monetary conditions than those reigning at present.

In conjunction with the decisions taken in the socio-structural field, the Council fixed on 24 March 1972 the common agricultural prices for the 1972/

73 marketing year taking account of their delayed adaptation and the opportunities offered by the agricultural markets.

The Commission is anxious about the effects of general inflation on production costs in agriculture. It considers that the general measures taken by the Council at the end of October to combat inflationary expansion are likely to improve the general economic climate in which the agricultural sector is developing. It will be necessary to see that the increase in the common agricultural prices does not aggravate the already strong tendencies towards inflation. In this context it should be noted that increases in those prices made since 1967/68 have been lower than the rates of depreciation of currencies.

Because of monetary instability and the prospect of the enlargement of the Community, the Commission has decided not to submit price proposals to the Council regarding agricultural products as a whole for the 1973/74 marketing year until after 1 January 1973.

234. The accession of Denmark, Ireland and the United Kingdom to the European Communities has moreover necessitated numerous adaptations of Community agricultural regulations and the establishment of implementing regulations for transitional measures provided for in the Act of Accession, including the fixing of prices and "compensatory amounts" in respect of the new Member States.

It is still necessary to follow developments in the agricultural markets with great attention. The Commission is concerned about the trend of the milk products market, especially butter. Despite a number of measures taken to limit it, the stock of butter is at a high level: 305 000 tons at the end of 1972 as against 106 000 tons at the end of 1971. With regard to cereals it should be noted that after an already very plentiful harvest in 1971, that of 1972 (81.6 million tons) was the heaviest ever obtained.

## I. GUIDELINES OF THE COMMON AGRICULTURAL POLICY

### I. *Joint action on agricultural structure*

235. During its session of 13 to 24 March 1972 the Council gave practical substance to the new policy for the reform of agriculture in the Community.<sup>1</sup> The decisions taken by the Council implement the Council Resolution of 25

<sup>1</sup> OJ No. L 96, 23 April 1972, p. 1; EC Bulletin No. 4-72, Part One, Ch. I and Part Two, sec. 40; EC Bulletin No. 5-72, Part Two, sec. 36.

May 1971 on the new guidelines for the common agricultural policy,<sup>1</sup> which contained the basic principles for joint action on socio-structural policy in agriculture.

In the socio-structural field, the Council adopted the following three directives:<sup>2</sup>

- (a) Council Directive No. 72/159/EEC of 17 April 1972 on the modernization of farms,
- (b) Council Directive No. 72/160/EEC of 17 April 1972 concerning measures to encourage the cessation of farming and the reallocation of utilised agricultural area for the purposes of structural improvement,
- (c) Council Directive No. 72/161/EEC of 17 April 1972 concerning the provision of socio-economic guidance for and the acquisition of occupational skills by persons engaged in agriculture.

236. The first directive provides for a selective system of aids for farmers whose main activity is farming and who wish and are able to modernize their farms so that after the modernization stage such farms can provide for one or two persons at least an income comparable to what is earned by persons employed in non-agricultural work in the region; certain national aids for investments can supplement the Community system provided they are in conformity with the competition rules relating to aids.

For other farms the Member States can grant aid to investment in limited circumstances. Furthermore, in order to provide a flexible changeover to the system set out in the directive, it has been accepted that during a transitional period of five years the Member States may give certain forms of inducement for particular farms on more favourable terms. The directive also allows the possibility of establishing a special system of aids in certain regions in which the maintenance of a minimum level of population is not ensured and in which minimum agricultural activity is indispensable for the preservation of the natural surroundings. The directive forbids all aids to investment other than those corresponding to the measures quoted.

The second directive provides for the grant of a bonus and an annual allowance to farmers aged between 55 and 65 years, and to persons employed and family helpers, who undertake to withdraw from all farming activity and use the agricultural area thus released for the enlargement of farms which are modernized under the directive concerning the modernization of farms or for non-agricultural purposes.

<sup>1</sup> *OJ* No. C 52, 27 May 1971, p. 1.

<sup>2</sup> *OJ* No. L 96, 23 April 1972, p. 1; *EC Bulletin* No. 4-72, Part One, Ch. I and Part Two, sec. 40; *EC Bulletin* No. 5-72, Part Two, sec. 36.

The third directive comprises a system of promoting the creation, development and improvement of socio-economic guidance in agriculture and the retraining and further training of persons engaged in agriculture. The directive also provides for the possibility of establishing a national scheme to assist persons who wish to change over to non-agricultural activity. As soon as the arrangements relating to the establishment of a Social Fund have entered into force the aids for these measures will be financed by this Fund.

237. The three directives stipulate that the Member States may differentiate the financial inducements of the system according to the region, or in certain regions not apply any or some of the measures envisaged. On 29 June 1972 the Commission submitted to the Council a proposal for a directive on general provisions relating to the regional differentiation of certain measures required by the directives on the reform of agriculture;<sup>1</sup> it puts forward the conditions for the non-application or partial application only of the inducement measures as decided on in the three directives concerning the reform of agriculture.

As for the differentiation of financial encouragement according to the region, the proposal includes some provisions to remedy the great diversity in this connection within the Community. Discussions on the proposal are being continued by the Council.

In accordance with the directive's provision concerning the modernization of farms, the Commission submitted to the Council a proposal for a directive in which a bonus tapering off over three years is prescribed for farms which can be developed and move over to the production of beef, veal, mutton and lamb.<sup>2</sup>

The Commission is preparing a proposal for a directive in connection with the provisions in the same directive concerning domestic special systems of aid for certain regions. It is also preparing a proposal for joint action to promote the afforestation of agricultural land and another for joint measures concerning hill farming.

238. The Commission is also considering submitting shortly to the Council proposals for recommendations in fields connected with joint action already decided upon enabling the efficacy of such action to be increased.

In the field of joint action relating to market structure, the Council at its session of 13 to 24 March 1972 adopted a resolution in which it was agreed to decide on joint action on groupings and unions of producers, and also, on a proposal from the Commission, joint measures on the marketing and processing

<sup>1</sup> *OJ* No. C 75, 12 July 1972, p. 18.

<sup>2</sup> *OJ* No. C 107, 13 October 1972, p. 17.

of agricultural products. The discussions in the Council on the proposal for a regulation concerning groupings and unions of producers were continued in the first half of 1972.

The other joint measures concern in particular the long-term contracts concluded between purchasers of agricultural products and groups of producers, the improvement of certain processing activities and the development of marketing and processing, and also the improvement of the transparency of the agricultural markets.

The proposals relating to these measures require the study of complex problems and are being prepared. The fundamental problems of the marketing and processing of agricultural products are being discussed with the trade organizations concerned.

## II. *Agricultural price policy*

239. The Commission based itself, for its initial proposals of 16 June 1971 on common agricultural prices for 1972/73, on a new concept of the price policy, which was the logical outcome of the principles for socio-structural policy adopted by the Council in its resolution of 25 May 1971.<sup>1</sup> In view of this the Commission, convinced of the need to attain greater objectivity in the determination of the general level of agricultural prices, took into account certain objective criteria. Furthermore, and for the first time, the Commission submitted to the Council, together with the other price proposals, those fixing the prices of wine and fishery products; these proposals thus concerned all products except fruit and vegetables.

The proposals embraced a proposal to introduce income subsidies for farms which are undergoing modernization in implementation of the relevant directive<sup>2</sup> and for farmers who are no longer able to modernize their farms or immediately cease agricultural activity and cannot obtain adequate incomes under the common agricultural price policy.

Following the European Parliament's opinion of 18 November 1971, the Commission submitted amended proposals to the Council on 2 February 1972.

240. The difficulties experienced by the Council in agreeing on the common agricultural prices for the 1972/73 marketing year are illustrated by the fact that the decisions were taken only a few days before the beginning of the new

<sup>1</sup> *EC Bulletin* No. 4-71, Part One, Ch. IV.

<sup>2</sup> *OJ* No. L 96, 23 April 1972 and *EC Bulletin* No. 4-72, Part One, Ch. I.

TABLE 9  
Common agricultural prices for 1971/72 and 1972/73

*u.s. per ton*

Product	Type of price	Price fixed for 1971/72	Price fixed for 1972/73	Percentage increase in 1972/73 over 1971/72 <sup>1</sup>	Period of application 1972/1973
Durum wheat	Target price	127.50	132.60	4.0	1. 8.1972- 31. 7.1973
	Minimum price (wholesale) guaranteed to producer	147.90	153.80	4.0	
Common wheat	Target price	109.44	113.80	4.0	1. 8.1972- 31. 7.1973
	Basic intervention price	100.72	104.75	4.0	
Barley	Target price	100.21	104.25	4.0	1. 8.1972- 31. 7.1973
	Basic intervention price	92.02	95.70	4.0	
Rye	Target price	100.42	105.45	5.0	1. 8.1972- 31. 7.1973
	Basic intervention price	92.82	97.45	5.0	
Maize	Target price	96.90	101.75	5.0	1. 8.1972- 31. 7.1973
Husked rice	Target price	202.00	211.50	4.7	1. 9.1972- 31. 8.1973
Sugar	Minimum price for beet	17.00	17.68	4.0	1. 7.1972- 30. 6.1973
	Price for "half-lean" beet	10.00	10.40	4.0	
	Target price for white sugar	238.00	245.50	3.2	
	Intervention price for white sugar	226.10	233.40	3.2	
Olive oil	Production target price	1 187.50	1 247.00	5.0	1.11.1972- 31.10.1973
	Market target price	756.00	796.00	5.3	
	Intervention price	683.50	723.50	5.8	

<sup>1</sup> Round figures



TABLE 9 (contd.)

Product	Type of price	Price fixed for 1971/72	Price fixed for 1972/73	Percentage increase in 1972/73 over 1971/72 <sup>1</sup>		Period of application 1972/1973
				u.a. per ton		
Oilseeds	Target price: Colza and rapeseed Sunflower seeds	202.50	208.50	3.0		1. 7.1972- 30. 6.1973
		202.50	210.50	4.0		
	Basic intervention price: Colza and rapeseed Sunflower seeds	196.50	202.50	3.1		
		196.50	204.50	4.1		
Cotton seeds	Standard subsidy (per hectare)	70.00	80.00	—		1. 8.1972- 31. 7.1973
Flax and hemp	Standard subsidy (per hectare) Flax Hemp	110.00	135.00	—		1. 8.1972- 31. 7.1973
		80.00	115.00	—		
Milk	Target price for milk Intervention price: Butter Skim milk powder Cheeses: Grana Padano 30-60 days 6 months Parmigiano-Reggiano Direct subsidies for skim milk: Powder Liquid	109.00	117.70	8.0		1. 4.1972- 31. 3.1973
		1 780.00	1 800.00 <sup>2</sup>	1.1 <sup>2</sup>	4.5 <sup>3</sup>	
		470.00	540.00 <sup>2</sup>	14.9 <sup>2</sup>	14.9 <sup>3</sup>	
		1 320.50	1 423.50 <sup>2</sup>	7.8 <sup>2</sup>	10.3 <sup>3</sup>	
		1 566.00	1 685.50 <sup>2</sup>	7.6 <sup>2</sup>	9.2 <sup>3</sup>	
		1 710.00	1 829.50 <sup>2</sup>	7.0 <sup>2</sup>	8.4 <sup>3</sup>	
		130.00	176.20 <sup>2</sup>	—		
		16.50	16.50 <sup>2</sup>	—		

<sup>1</sup> Round figures<sup>2</sup> Prices valid until 14 September 1972.<sup>3</sup> Prices valid from 15 September 1972 to 31 March 1973.

TABLE 9 (contd.)

Product	Type of price	Price fixed for 1971/72	Price fixed for 1972/73		Percentage increase in 1972/73 over 1971/72 <sup>1</sup>		Period of application 1972/1973
			750.00 <sup>2</sup>	780.00 <sup>3</sup>	4.0 <sup>2</sup>	8.3 <sup>3</sup>	
Beef and veal	Guide price for mature cattle (live weight)	720.00	750.00 <sup>2</sup>	780.00 <sup>3</sup>	4.0 <sup>2</sup>	8.3 <sup>3</sup>	3. 4.1972-31. 3.1973
	Guide price for calves (live weight)	942.50	942.50 <sup>2</sup>	965.00 <sup>3</sup>	0.0 <sup>2</sup>	2.4 <sup>3</sup>	
Pigmeat	Basic price (slaughtered)	800.00	825.00		3.1		1.11.1972-31.10.1973
Wine	Norm price	4	4		7.0		16.12.1972-15.12.1973
Tobacco	Norm price Intervention price	4	4		5.0		1. 1.1972-31.12.1972
Fisheries	Guide price Community production price Intervention price	4	4 & 5		0.0		1. 1.1972-31.12.1972

<sup>1</sup> Round figures

<sup>2</sup> Prices valid until 14 September 1972.

<sup>3</sup> Prices valid from 15 September 1972 to 31 March 1973.

<sup>4</sup> Various prices depending on the categories concerned.

<sup>5</sup> Prices fixed by the Council on 20 July 1972, valid from 1 August 1972 to 31 December 1972 and increased by approximately 6% compared with the prices previously in force.

marketing year for milk and milk products and beef and veal (April 1972), and more than nine months after the date on which the Commission had submitted its initial proposals to the Council. After obtaining the opinion of the European Parliament and the Economic and Social Committee and consulting the acceding countries, the Council agreed on the common agricultural prices (see Table 1) at its session of 13 to 24 March 1972.<sup>1</sup> It was only possible to take these decisions once a general agreement had been concluded as to how it would be possible to react to events likely to occur in the monetary field, in particular any changes of parity.

The decisions taken on the common agricultural prices took the form of an increase in the general price level of about 5% to 6% compared with the preceding marketing year. The Council decided, in particular, to make the more appreciable increase in the prices of beef and veal and certain milk and milk products in two stages, the second of which began on 15 September 1972.

In spite of the European Parliament's favourable opinion, the Council was unable to reach an agreement on income subsidies for certain categories of farmers and asked the Commission to examine the problems arising from the grant of such aids and to submit a report on the subject. A report on farm incomes will be submitted to the Council very soon.

241. Owing to the imminent enlargement of the European Communities and the effect of the monetary situation, the Commission considered it advisable not to submit to the Council the proposals as a whole for the 1973/74 common agricultural prices until the Commission of the enlarged Communities had taken office. As, however, the new marketing year for fishery products begins on 1 January 1973, the Council adopted at the end of December 1972,<sup>2</sup> on a Commission proposal, the common prices for those products.<sup>3</sup>

### *III. New basic regulations on the common organization of the agricultural markets or fundamental adaptations*

242. The Council has adopted regulations concerning certain adjustments to Community provisions relating to the common organization of the fruit and vegetable market.<sup>4</sup> The amendments concern the following measures: system of intervention on the internal market, system of reference prices, safeguard

<sup>1</sup> *EC Bulletin* No. 4-72.

<sup>2</sup> *OJ* No. L 291, 28 December 1972, pp. 7-13.

<sup>3</sup> Sec. 264.

<sup>4</sup> *OJ* No. L 266, 25 November 1972, pp. 1-9.

clause, provisions relating to export refunds and provisions concerning the grubbing of apple, pear and peach trees.

On 17 November 1972 the Commission proposed to the Council amendments to the regulations prescribing special measures to improve the production and marketing of Community citrus fruit and to those prescribing special measures to encourage the processing of certain varieties of oranges. The main purpose of the amendments is to maintain the measures beyond the dates originally stipulated.

Amendments have been made to the basic regulation for the wine and vine products market to make the intervention system more effective.<sup>1</sup> Another proposal for the same purpose and a proposal to include grape juice in the basic regulation are now before the Council. The latter proposal would bring another product within the scope of the wine and vine products market in order to consolidate the bases of guarantee of income for wine growers. A proposal for an organization of the alcohol market<sup>2</sup> has also been submitted to the Council to standardize and stabilize in the Community the incomes of producers of alcohol of agricultural origin and of their suppliers of raw materials.

On 20 December 1972<sup>3</sup> amendments were made by the Council to the basic regulation for the market in beef and veal in order to render the intervention arrangements more effective. The introduction of a "permanent" intervention system is intended to encourage the production of beef and veal, which is insufficient to meet the Community's needs.

The Council has adopted a regulation prescribing special measures to foster silkworm breeding.<sup>4</sup> They cover the possibility of encouraging steps taken by breeders themselves and in conjunction with other industries to improve quality and of granting a subsidy for silkworms bred in the Community; for the 1972/73 breeding year it amounts to 30 u.a. per box of silkworm eggs used.<sup>5</sup>

#### IV. Harmonization of legislation

243. As in the preceding years many proposals for harmonization had been submitted to the Council, the main job in 1972 was to examine and supplement the proposals at the various levels in the Council. In particular, priority was given to all work directly or indirectly connected with the environment and environment policy.

<sup>1</sup> Regulation (EEC) No. 1651/72, *OJ* No. L 174, 1 August 1972.

<sup>2</sup> *OJ* No. C 43, 29 April 1972; *EC Bulletin* No. 5-72, Part Two, sec. 38.

<sup>3</sup> *OJ* No. L 298, 31 December 1972, p. 1.

<sup>4</sup> *OJ* No. L 100, 27 April 1972, p. 1; *EC Bulletin* No. 6-72, Part Two, sec. 45.

<sup>5</sup> *OJ* No. L 125, 31 May 1972, p. 3; *EC Bulletin* No. 7-72, Part Two, sec. 39.

At the beginning of the year, eight Commission proposals relating to veterinary legislation remained to be adopted by the Council. The work chiefly related to four of them, which concerned the import of cattle and pigs and fresh meat from non-member countries, health control problems arising out of intra-Community trade in fresh meat, raw whole milk and thermally treated milk. The first two proposals were adopted by the Council on 12 December 1972.

The Commission's working party on livestock breeding legislation continued its work with completion under the Six of the draft regulations on pedigree cattle for breeding. After consultation with the acceding countries the draft will be submitted to the Council simultaneously with a draft decision setting up a Standing Committee for Livestock Breeding.

At the end of an 18-month trial period, the Council recognized the effectiveness of the procedure of the Standing Committee for Feedingstuffs and in consequence amended the directive concerning the introduction of Community methods of taking samples and making analyses for official feedingstuff control purposes.<sup>1</sup> The procedure has enabled the Commission to adopt two new directives on the analysis of twenty or so products. In order to amend the technical content of the directive on additives in feedingstuffs more rapidly, the Commission has suggested using what is known as the Standing Committee procedure instead of that of amendment by the Council.

In connection with the rules on trade in agricultural, horticultural and forestry seeds and seedlings within the Community, the Council adopted an initial three decisions recognizing the equivalence of the certification systems and controls of certain non-member countries.<sup>2</sup> It also made certain adjustments to the certification directives. The Commission specified the criteria and minimum conditions for the inclusion of varieties of species of agricultural and kitchen-garden plants in the catalogues of the Member States.<sup>3</sup> It also published the first common catalogue of varieties of kitchen-garden plants of which the seed may be marketed freely throughout the Community.<sup>4</sup>

Concerning food legislation a common line was arrived at within the Council with regard to instruments for the harmonization of cocoa and chocolate products for human consumption, emulsifying, stabilizing, thickening and gelling agents that may be used in food, and certain types of sugar for human consumption. The Commission has followed very closely activities under the joint FAO/WHO programme on food standards (Codex Alimentarius), which with the enlargement of the Community seem particularly important.

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<sup>1</sup> *OJ* No. L 171, 29 July 1972, p. 39.

<sup>2</sup> *OJ* No. L 186, 16 August 1972.

<sup>3</sup> *OJ* No. L 103, 2 May 1972 and L 108, 8 May 1972.

<sup>4</sup> *OJ* No. C 69, 29 June 1972.

### *V. Agricultural research*

244. The Commission has finalized a second programme of Community research to combat ordinary swine fever and African swine fever. In the light of the results obtained during the initial four-yearly programme, new fundamental guidelines have been given to this research programme consisting of: activities related to the study of viral particles, studies on the transmission of these particles and studies on the preparation of vaccines. Ten laboratories in the Community and two laboratories in the Iberian peninsula dealing with aspects of African swine fever are working together on the programme, which is planned to begin in 1973 and last four years and is at present being studied by the Council.

Apart from this specific action the Commission has commenced work preparatory to the coordination of agricultural research within the meaning of Article 41 of the Treaty. A number of meetings with the Directors-General for agricultural research have in particular made it possible to work on the definition of the main subjects of agricultural research for which coordination of efforts under the common agricultural policy would be necessary. To this effect six working parties were set up at the meeting of Directors-General for agricultural research on 20 December 1972, namely: effluents from intensive stockbreeding, avian leukosis complex, beef and veal, soil potentiality, market structures, plant improvement.

These working parties will meet in late February and will set out their initial reactions, on the basis of which the Commission will study the advisability of undertaking coordinated action at Community level.

The Commission has drafted a proposal for a Council regulation to coordinate agricultural research by exchange of information between the Member States and the Commission on the situation of such research which has been planned or begun and by pooling research to concentrate on subjects of clear Community interest. This pooling of efforts could, if the need were felt, be backed by a financial contribution from the Community, the size of which would be decided by the Council.

The Commission intends to submit proposals to the Council to this effect; in 1973 it will try out the system of continuous information already referred to.

## II. ADMINISTRATION OF THE COMMON AGRICULTURAL POLICY

### *I. Repercussions of monetary problems on the common agricultural policy*

#### *(a) Repercussions on implementation of the common agricultural policy*

245. In 1972 implementation of the common agricultural policy was again affected by the floating of Member States' currencies and by the absence of decisions to adopt new official parities for some of those currencies. Nevertheless, the monetary measures which were taken during the period have in certain cases provided an answer, if not a complete one, to the Commission's concern which had been caused in 1971 by the monetary development and the protective measures at the frontiers.

The effective non-revaluation of certain Member States' currencies, however, may again jeopardize the integration of the common agricultural market. In its resolution of 16 June 1972<sup>1</sup> the European Parliament "emphasized that the system of 'compensatory amounts' as at present in force will have to be maintained until the time when the Member States, jointly if possible, have declared the new parities of their currencies to the International Monetary Fund". At the end of 1972 there seemed to be no sign that these monetary measures were at hand.

#### *(b) Application of the system of compensatory amounts at the frontiers*

246. The monetary measures taken in 1971 have continued to make an impact on the agricultural markets. The compensatory amounts, which were introduced in 1971 for a transitional period and should in principle not exceed a few months, have as a consequence taken on a less provisional aspect. They were made compulsory with effect from 1 July 1972 in order to enable them to be financed by the Community in the framework of the common agricultural policy. The Commission had already expressed its grave concern regarding this system in 1971 and found that, as the application of compensatory amounts was extended, the drawbacks made themselves felt: reintroduction of obstacles to free movement between the Member States, insufficient adaptation to the day-to-day movement of rates and the very approximate nature of the system.

Applying a decision taken by the Council in the framework of a working hypothesis linked to the re-establishment of fixed parities, the Commission proposed to the Council measures to limit to fixed flat-rate amounts the charge

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<sup>1</sup> OJ No. C 70, 1 July 1972.

between Member States and to re-establish the market gradually. As this assumption did not materialize, the proposal was not adopted. Two measures, however, have made it possible to lessen certain harmful effects of the system: the Council decision to maintain the differences in rates between the Community's currencies within a limit of 2.25% on either side of parity or the central rate has led, in practice, to some stability of the amounts fixed and the disadvantages arising from frequent changes in the amounts were thus eliminated; secondly, devaluation of the American dollar on 8 May 1972 resulted in the effect of this devaluation being taken into account in the calculation of levies and in the compensatory amounts applicable in trade with non-member countries being reduced to a corresponding extent or, in the case of Italy, even being abolished. This led to a more balanced situation regarding the Community's external arrangements. Reduction of the amounts levied in this way also made it possible to remove from the list of products subject to compensatory amounts a number of products which were, what is more, the subject of tariff binding under GATT and for which the danger of disturbance seemed slight.

This reduction gave rise, however, to a problem regarding old contracts concluded before the introduction of the system which had enjoyed exemption; this problem was resolved in certain cases by transforming this exemption from the compensatory amount into a partial exemption from the levy. On this point the Commission had found that the exemption clause has been applied very differently in the various Member States and has been extremely difficult to supervise. And so it may be asked whether clauses of this kind are justified; there have however been frequent requests for them in the past by the trade circles concerned.

(c) *Application of measures taken following the revaluation of the DM in 1969*

247. In accordance with the provisions adopted by the Council in December 1969,<sup>1</sup> the German Government submits to the Commission each year a report concerning the effect on German agricultural income of the measures established. The Commission made some remarks on the first report. The second report, in the preparation of which account was taken of certain specific remarks made by the Commission, was forwarded by the German Government to the Commission in April 1972. The Commission continues to keep an eye on the effects of the measures applied in Germany both from the angle of the rules of competition and from that of particular Community provisions.<sup>1</sup>

<sup>1</sup> *Third General Report, Sec. 130.*



## II. *Establishment of conditions permitting free competition in agriculture — Aids*

248. Special attention has been paid to the continuing examination of aids to agriculture undertaken under Article 93(1) of the EEC Treaty according to the time-table proposed by the Commission and laid down by the Council in its resolution of 25 May 1971 concerning the new guidelines for the common agricultural policy.<sup>1</sup> The Commission has communicated to the Member States its proposals relating to appropriate measures to be applied in respect of vegetables and preparations thereof, of live plants and of beetroot, sugar cane and sugar.

The directives adopted by the Council on 17 April 1972 on agricultural structures<sup>2</sup> also represent an important stage in the harmonization of agricultural aids. Because of these directives, in particular those concerning the modernization of farms, the Commission is finding it necessary to review certain proposals and decisions regarding appropriate measures which had been issued earlier under Article 93(1) of the EEC Treaty.

Pending the adoption by the Member States of the necessary measures in conformity with the provisions of these directives, that is by 18 April 1973 at the latest, the Member States will have to maintain a standstill by refraining from introducing any new aids which do not conform to the provisions of the directives in fields which the latter govern in an exhaustive fashion.

249. The Commission, moreover, pursued its work in accordance with the procedure under Article 93(3), namely the examination of projects to introduce or modify national aids. In all, 28 new systems of aid have been notified. In the case of six systems of aid the examination undertaken has resulted in these aids being considered incompatible with the common market and procedure being initiated in respect of them under Article 93(2) of the Treaty. The measures in question chiefly concerned aid to the functioning of farms or the processing of agricultural products which did nothing to achieve a lasting restructuring of the sectors concerned.

On the cases begun in 1971 the Commission took in 1972 three decisions pursuant to Article 93(2)<sup>3</sup> and delivered a reasoned opinion in accordance with Article 169 of the Treaty.

Generally, a number of national aids were granted in 1972 for products not yet governed by a market organization (potatoes) or in respect of which the

<sup>1</sup> OJ No. C 52, 27 May 1971.

<sup>2</sup> OJ No. L 96, 23 April 1972.

<sup>3</sup> OJ No. L 156, 12 July 1972, No. L 163, 19 July 1972, No. L 164, 20 July 1972.

market organization is still to be completed, whether by a common system vis-à-vis non-member countries (products processed from fruit and vegetables), by specific aid measures (fishery structure) or by measures to promote better organization of their production, processing or marketing (poultry, pigs). Each time the introduction of these aids was motivated by concern to compensate for the absence of Community provisions.

### III. *Functioning of the common organizations of agricultural markets already in force*

#### *Crop products*

250. On the basis of its communication on the equilibrium of the agricultural markets, submitted to the Council in November 1969,<sup>1</sup> the Commission made every effort in 1972 too to adapt the regionalization of cereal prices and rules on intervention for the purpose of fairer market management. In February it again proposed to the Council to reduce the intervention period and improve the derivation of intervention prices. Simultaneously it began a discussion in the Council on tightening the conditions for buying in cereals and on abolishing the special premium for breadmaking rye. The idea was to offset the effects on producers' incomes of the measures proposed by a corresponding increase in the prices of cereals.

As in the past, nevertheless, the Council accepted neither the amendment proposed for the intervention period, a reduction of which had already been approved by the European Parliament the year before, nor the improvement concerning regionalization, nor the abolition of the special system for breadmaking rye. A tightening of the conditions of intervention was obtained to a very limited extent only. On the other hand the Commission was again obliged to accept, for the 1972/73 marketing year, some relaxing of quality for the purposes of intervention in order not to run contrary to the Council's decisions on the prices of cereals. This policy of the Council, which is designed to prevent a greater share of financial responsibility falling upon producers, again led in 1972 to decisions which were necessary for the proper management of intervention stocks and gave rise to considerable expenditure. Conversely the Commission's proposal to maintain in 1972/73 the possibility for Italy to reduce the levy by 7.5 units of account per ton was accepted by the Council.<sup>2</sup> In its Opinion of 13 March 1972 the European Parliament decided in favour of limiting this

<sup>2</sup> *Third General Report* sec. 136.

<sup>1</sup> *OJ* No. L 94, 21 April 1972; *EC Bulletin* No. 6-72, Part Two, Sec. 37 and *Ibid.* No 4-72, p. 19.

reduction to four units of account per ton in 1972/73 and of abolishing the exception system completely from 1973/74.

Work to implement the Treaty of Accession in the cereals sector has made progress. The framework within which cereals transactions will be effected from 1 February 1973 in the enlarged Community was prepared in July<sup>1</sup> by the fixing of the derived intervention prices for the chief marketing centres in the new Member States and of the compensatory amounts for the main cereals in accordance with Articles 51, 55 and 74 of the Act concerning the Conditions of Accession and the Adjustments to the Treaties.<sup>2</sup>

No amendment has been made to the existing rules concerning products processed from cereals or rice and compound feedingstuffs.

The export of cereals in the form of processed products has progressed favourably.

251. The set of provisions adopted by the Council in July 1971<sup>3</sup> amending regulations on the common organization of the rice market and the ensuing implementing measures have made expansion of intra-Community trade possible as from 1 September 1971. For the first time this trade exceeded 100 000 tons while the traditional flows of rice imports were maintained. The considerable demand for export certificates at the beginning of 1971/72 and the grant of Community food aid of 43 000 tons to Bengali refugees gave rise to a very marked increase of internal market prices throughout the marketing year. This situation persisted at the beginning of 1972/73 (September and October 1972) for other reasons: new harvest less abundant than the preceding one, lower milling yield. Since at world level supply was smaller than demand, particularly in the second half of 1972, world prices of rice have been very firm.

In the present circumstances it appears at the Community level that, with a smaller harvest, a noteworthy development of intra-Community trade and weaker world competition, exporting of Community rice surpluses—which in any case are smaller—should be less difficult and less costly.

252. In spring 1972 a particularly marked rise in sugar prices, which subsequently slackened, was recorded on the international markets. Because of this situation, it was urgently necessary to supplement, within the system of Community prices, the provisions designed to guarantee supplies. In this connection

<sup>1</sup> *OJ* No. L 182, 10 August 1972.

<sup>2</sup> *OJ* No. L 73, 27 March 1972.

<sup>3</sup> *OJ* No. L 164, 22 July 1971.

mention must be made of an amendment to the basic regulation<sup>1</sup> in order to provide, in addition to the relevant provisions already existing, for the possibility of charging a special export levy. This provision is applicable when it is likely that the supply of sugar in the Community or in one of the regions can no longer be maintained at a price within the limit of the threshold price.

For the first time 4 000 tons of white sugar has been supplied as food aid to the United Nations Office responsible for assistance to Palestinian refugees.

According to the present forecast a sugar harvest of 7.5 million tons is expected for the current year (1972/73). The result will be a surplus of 0.8 to 0.9 million tons for export under the Community's financial responsibility. Because of the present trend of world prices, which suggests there will be some excess demand, marketing difficulties are not expected for these surpluses and it should be possible to cover the relevant costs by the production levy paid by manufacturers.

253. The Commission has submitted a report on the trend of the olive oil market in Italy from 1966/67 to 1970/71. The report shows that the Community system of aid in force up to 1971/72 has given rise to implementing difficulties in the Member State principally concerned. New coefficients of equivalence for the various types and qualities of olive oil have been adopted by the Commission to ensure correct application of the levies.<sup>2</sup> The Commission has specified the chemical characteristics of olive oil, and of certain products containing olive oil, particularly in connection with the grant of the export refund.<sup>3</sup> Since the volume of traditional exports of olive oil in small containers is not influenced appreciably by the trend of world prices, the Commission has laid down that the export levy is not fixed—subject to certain conditions—for such oil.<sup>4</sup>

254. With regard to oilseeds, following an examination of the causes underlying the economic difficulties in Italy concerning the trituration of colza and rapeseed for the production of oil the Council has decided to maintain for a further marketing year the grant of supplementary aid to offset these difficulties.<sup>5</sup>

Pursuant to the provisions adopted by the Council in September 1971<sup>6</sup> establishing a certificate of Community aid valid throughout the Community, the Commission has adopted<sup>7</sup> a regulation containing the detailed rules for

<sup>1</sup> Regulation (EEC) No. 607/72, *OJ No. L 75*, 28 March 1972.

<sup>2</sup> *OJ No. L 115*, 17 May 1972, p. 5; *EC Bulletin No. 7-12*, Part Two, sec. 33.

<sup>3</sup> *OJ No. L 78*, 31 March 1972, p. 5; *EC Bulletin No. 5-72*, Part Two, sec. 42.

<sup>4</sup> *OJ No. L 274*, 7 December 1972, p. 11.

<sup>5</sup> *OJ No. L 147*, 29 June 1972, *EC Bulletin No. 8-72*, Part Two, sec. 59.

<sup>6</sup> *OJ No. L 222*, 2 October 1971; *EC Bulletin No. 11-71*, Part Two, sec. 29.

<sup>7</sup> *OJ No. L 133*, 10 June 1972; *EC Bulletin No. 8-72*, Part Two, sec. 59.

applying the system of aid. In the same sphere the Commission has also decided<sup>1</sup> to extend the period of advance fixing of aid for colza from 3 to 5 months.

Since the market situation did not warrant maintaining the system of compensatory amounts applicable to oils and fats, the Commission decided on 26 January 1972 to abolish it from 2 February 1972.<sup>2</sup> On account of the monetary situation, however, and in the absence of compensatory amounts, the marketing of colza and rapeseed harvested in the Community in the new marketing year could not be carried out under normal conditions and so the Council has laid down special measures<sup>3</sup> for these seeds (in the form of differential amounts) from 26 July 1972. For the first time the Council fixed<sup>4</sup> the intervention prices for colza and rapeseed in the new Member States. They are applicable from 1 February 1973.

### *Specialized crop products*

255. Implementation of Community regulations in the fruit and vegetable sector in 1972 has, on the basis of the purchasing prices fixed at the beginning of the marketing year, made possible operations to clear the markets of certain products. As imports from non-member countries were involved, the Commission had to cope with a number of difficulties due to the volumes and prices of imported produce, especially with regard to oranges and peaches. The abundant crop of oranges in the Mediterranean countries and their supply at very low prices have obliged the Commission to take the following measures:

withdrawal of the preference and levying of compensatory charges on oranges from certain non-member countries offered for sale at abnormally low prices, grant and increase of the market promotion bonus for certain varieties of oranges shipped by Italy to other Member States, increase of the export refund in order to enable Community products to compete with oranges from other countries on the markets of non-member consumer countries.

Furthermore, the faster growth of imports of peaches has impaired the Community marketing. Consequently the Commission has taken measures consisting in levying compensatory charges on the import of peaches from certain non-member countries which did not abide by the minimum level of prices set for shipments of products to Community markets and has adopted safeguard measures applicable to the import of certain qualities and sizes of peaches.

<sup>1</sup> OJ No. L 77, 30 March 1972; EC Bulletin No. 5-72, Part Two, sec. 42.

<sup>2</sup> OJ No. 24, 28 January 1972, p. 85; EC Bulletin No. 3-72, Part Two, sec. 22.

<sup>3</sup> OJ No. L 167, 25 July 1972, p. 9; EC Bulletin No. 9/10-72, Part Two, sec. 48.

<sup>4</sup> OJ No. 270, 1 December 1972, p. 1.

Nevertheless, in order to take account of the economic interests of the Associated African States and Madagascar, the Community has agreed to import arrangements exempting from customs duties certain fresh fruits and vegetables originating in the AASM and Overseas Countries and Territories and from the Partner States of the East African Community. This exemption from customs duties is linked to a timetable<sup>1</sup> for some of these particularly sensitive products.

256. Generally speaking, application of the regulations in the sector of products processed from fruit and vegetables has not given rise to difficulties. A few difficulties of interpretation arose, nevertheless, as to determination of the various forms of added sugar contained in different products for the purposes of collecting the "sugar" levy upon their import into the Community. Following two successive actions brought before the Court of Justice concerning this levy, the Commission has submitted a proposal for a regulation to the Council specifying that the notion of "various forms of added sugar" used in the regulation in question must be treated as a legal fiction.

The Commission's proposals concerning the commercial policy are still being discussed by the Council. An adaptation of the proposals in question is being studied and will shortly be submitted to the Council. The Commission has submitted a communication to the Council concerning the application of safeguard measures introduced in 1971 for imports of tomato concentrates. Subsequently, as a result of the Council's discussions, the Commission has decided to maintain the measures in question.

257. No difficulties were encountered in 1972 in implementing the regulation establishing a common organization of the market for live plants.

In accordance with this regulation, the Commission fixed<sup>2</sup> the minimum export prices of certain tubers and bulbs in flower for the 1972 harvest. Furthermore, the Commission adopted<sup>3</sup> a regulation amending Commission Regulation (EEC) no. 1767/68 on the system of minimum prices for exports of third countries of flowering corms, bulbs and tubers. This amendment contains an adaptation for purposes of the trade.

Following on examination of points arising in connection with the application of quality standards to fresh cut flowers and foliage, the Commission submitted to the Council proposals concerning adjustments to be made to the standards.

<sup>1</sup> *OJ* No. L 101, 28 April 1972.

<sup>2</sup> *OJ* No. L 82, 6 April 1972, p. 6.

<sup>3</sup> *Ibid* p. 12.

Discussions in the Council on the commercial policy measures proposed by the Commission have not yet been completed. Discussions are also going ahead on the proposal for a directive on the financing and coordination of product advertising at national level in this field.

258. For the organization of the market in wine the important measures listed below were adopted during the 1972 marketing year:

- (i) Distillation of table wines.<sup>1</sup> This measure seemed necessary in spring 1972 in order to reduce the surplus supply on the wine market;
- (ii) Rehousing of table wine.<sup>2</sup> This regulation was to facilitate the changeover from one crop year to another in view of the relatively high level of stocks;
- (iii) Regulation drawing up Community accompanying documents<sup>3</sup> for the shipping of wines. These documents should to a large extent prevent fraudulent practices in the wine trade;
- (iv) Fixing of detailed rules of application relating to the additional conditions with which wines imported from non-member countries must comply.<sup>4</sup> This measure is to facilitate control of imports of wines originating in non-member countries;
- (v) Regulation on certain measures for examining the suitability of certain vine varieties for cultivation.<sup>5</sup>

259. For flax and hemp the Council has defined<sup>6</sup> the conditions for the application of safeguard measures. Possible community action may take the form of suspension of imports or exports and the levying of export charges.

260. For the unmanufactured tobacco market a number of implementing regulations have been adopted in addition to those already adopted in 1971. The regulations concern the forwarding by the Member States of data necessary for the implementation of the basic regulation, detailed rules for the conclusion of contracts for the initial processing and preparing for sale of tobacco held by the intervention agencies, and the selection of intervention centres. The Council decided on the prices for the 1972 harvest and the derived intervention prices of baled tobacco from the same harvest<sup>7</sup>.

<sup>1</sup> Regulation (EEC) No. 766/72, *OJ* No. L 91, 18 April 1972, p. 1.

<sup>2</sup> Regulation (EEC) No. 1718/72, *OJ* No. L 181, 9 August 1972, p. 14.

<sup>3</sup> Regulation (EEC) No. 1769/72, *OJ* No. L 191, 21 August 1972, p. 1.

<sup>4</sup> Regulation (EEC) No. 1770/72, *OJ* No. L 191, 21 August 1972, p. 31.

<sup>5</sup> Regulation (EEC) No. 2314/72, *OJ* No. L 248, 1 November 1972, p. 53.

<sup>6</sup> *OJ* No. L 120, 25 May 1972, p. 1; *EC Bulletin* 7-72, Part Two, sec. 37.

<sup>7</sup> Regulations (EEC) Nos. 2483/72 and 2484/72, 29 November 1972, *OJ* No. L 229, 30 November 1972.

261. The Council fixed the general rules relating to the grant and Community financing of the aid for hop growers.<sup>1</sup> The Commission laid down the procedures for implementing these rules.<sup>2</sup> It also adopted a regulation relating to the recognition by the Member States of producer groups.<sup>3</sup> On 18 December 1972 the Council fixed the amount of aid to hop growers in respect of the 1971 harvest.<sup>4</sup>

262. A number of Council and Commission regulations were adopted pursuant to the regulation on the common organization of the market in seeds<sup>5</sup> in order to enable the organization to function from 1 July 1972. The general rules were laid down on the grant<sup>6</sup> and financing of aid<sup>7</sup> in the seeds sector and the amount of such aid for the 1972/73 marketing year relating to the species and groups of varieties listed in the Annex to the basic regulation. Certain transitional measures were adopted for stocks of seeds harvested before 1 January 1972<sup>8</sup> or to take account of contracts concluded between seed firms and seed growers before this organization of the market came into operation,<sup>9</sup> or to authorize a Member State to grant a domestic subsidy for the production of a species not listed in the Annex.<sup>10</sup> In addition, an advisory committee on seeds was set up.<sup>11</sup> At the request of the three Member States which produce flax the Commission has made a proposal to the Council to amend the Annex to the basic regulation by adding to it certified seed of flax textile purposes.

### *Livestock Products*

263. In the beef and veal sector the market prices of adult bovine animals on the Community's reference markets have increased regularly since the end of 1971. Since 1 January 1972 no levy has been applied to imports of live adult bovine animals or of fresh or chilled meat thereof. Since 7 February 1972 imports of frozen meat have not paid any levy either, despite increases in the guide price of adult bovine animals on 3 April and 15 September 1972.

<sup>1</sup> Regulation (EEC) No. 1037/72, 18 May 1972, *OJ* No. L 118, 20 May 1972.

<sup>2</sup> Regulation (EEC) No. 1350/72, 28 June 1972, *OJ* No. L 148, 30 June 1972 and comments in *EC Bulletin* No. 8-72, Part Two, sec. 66.

<sup>3</sup> Regulation (EEC) No. 1351/72, 28 June 1972, *OJ* No. L 148, 30 June 1972.

<sup>4</sup> Regulation (EEC) No. 2717/72, 19 December 1972, *OJ* No. L 291, 28 December 1972.

<sup>5</sup> *OJ* No. L 246, 5 November 1971, p. 1.

<sup>6</sup> *OJ* No. L 177, 4 August 1972, p. 1.

<sup>7</sup> *Ibid.*, p. 3.

<sup>8</sup> *Ibid.*, p. 27.

<sup>9</sup> *Ibid.*, p. 28.

<sup>10</sup> *OJ* No. L 285, 22 December 1972, p. 27.

<sup>11</sup> *OJ* No. L 236, 18 October 1972, p. 14.



In 1972 there was a shortage of beef and veal in both the Community and world markets. Under Article 17 of Council Regulation (EEC) No. 805/68, the Council and the Commission took the necessary measures to avoid an excessive increase in market prices. These measures led to a total or partial suspension of customs duties applicable to all or some of the products in this sector from 5 June to 9 August 1972.<sup>1</sup>

The measures brought about some reduction of prices at wholesale level during the suspension of duties. Prices began to rise again and went beyond the maximum levels previously reached once duties were re-established at their earlier levels.<sup>2</sup> From 1 August 1972, because of the persistent world shortage of calves and young cattle for fattening, customs duties on imports of animals referred to in Article 11 of Regulation (EEC) No. 805/68 were re-established at 4% only for calves and at 8% for young cattle, instead of 8% and 16% respectively before application of the measures taken to combat the shortage.

As part of the anti-inflation campaign the Council decided,<sup>3</sup> on a proposal from the Commission, that from 6 November 1972 and until 31 January 1973 levies on slaughter cattle and meat thereof would be removed and customs duties reduced by half and that for animals referred to in Article 11 of Regulation (EEC) No. 805/68 levies and customs duties would be removed for the same period. Following application of these measures there was first some stabilization of prices and then a moderate rise.

In the matter of measures to be taken following accession, the guide prices for the current marketing year for the three new Member States was fixed on a proposal from the Commission, at the last Council meeting in December and a regulation was adopted laying down the system of compensatory amounts to be applied during the transitional period.

264. In 1972 a feature of the pigmeat sector was a cyclical rise in prices; a relatively high price level can be expected in 1973. Except in Italy—where the establishment of quotations for slaughtered pigs according to the Community scale must be effected by 31 October 1973—the Community scale for grading pig carcasses was applied on 1 February 1972 in the Community's slaughtering centres involved in the establishment of quotations for slaughtered pigs. In Germany, as in other Member States, the definition and demarcation of quotation regions for slaughtered pigs was carried out on the same date. Thus, as from 1 February 1972, in almost the entire Community the prices of slaughtered pigs charged in the slaughtering centres of a quotation region are collected

<sup>1</sup> *OJ* No. L 128, 3 June 1972, p. 13.

<sup>2</sup> *OJ* No. L 154, 8 July 1972.

<sup>3</sup> *OJ* No. L 266, 25 November 1972.

in a quotation centre where the regional quotation is established. In this way, comparison of the prices of the products in question as between regions of the Community has been made possible and the generalization of payment to the producer according to quality has been facilitated.

Besides the usual quarterly review of the cost of feedingstuffs by reference to the trend of feed grain prices on the world market, the other two factors considered the calculation of the sluice-gate price were modified on 1 November 1972. On a proposal from the Commission, the Council decided to raise the flat-rate amounts corresponding to the factors involved in the production of pigmeat, in view of the trend of the world prices of those factors, particularly overhead production costs.

At its 191st session held on 13-16 and 20-24 March 1972, the Council stated that a working party will be set up to produce a report on problems in the pig sector. Its particular task will be to study the market situation with due regard to the latest developments and the production situation bearing in mind its industrial aspect, vertical integration and essential requirements imposed by concern about environment and protection of animals.

At its session of 11-12 December 1972 the Council introduced the system of advance fixing of refunds for pigmeat.

265. In the milk and milk products sector, the situation on the milk market, as that in large-scale milk-producing countries outside the Community, experienced a rapid turnabout beginning in spring 1972. The policy pursued in the sector had to deal with a market which was now in surplus once again; the difficulties were all the greater because it was not a chance phenomenon but the result of an underlying trend evolution that had to be tackled. The big increase in milk production is principally due to a marked increase in yield per cow whereas the total number of cows has remained stable. The milk surpluses are for the most part processed into skim milk powder or butter. Stocks of butter resulting from intervention have risen from 60 000 tons on 1 April to 305 000 tons on 31 December 1972. The Community adopted a number of measures to cope with this situation.

In the first place the level of export refunds was changed to allow for the trend of the world market, particularly in butter. The export charge on skim milk powder, established in October 1971, was abolished and refunds reintroduced. Demand for butter in non-member countries has nevertheless remained very small. In order to help reduce stocks of butter, most of the various measures to sell milk at a reduced price which had been applied until the beginning of 1971 have been brought into force again. They relate to sales at reduced prices

to certain food processing<sup>1</sup> or exporting<sup>2</sup> industries and to certain classes of consumer,<sup>3</sup> and also sales in the unaltered state or in the form of concentrated butter for direct consumption.<sup>4</sup> The programme drawn up under the heading of food aid has been completed and will be followed by a new programme of supplies<sup>5</sup> involving, according to present figures, 15 000 tons of butteroil and 60 000 tons of skim milk powder.

In the present economic climate the difficulties of selling Community milk products, particularly butter, are proving very serious. The enlargement of the Community will not help appreciably to modify the situation because consumption is diminishing in the United Kingdom and there are considerable stocks of butter in that country. It is therefore clear that, while measures adopted may prevent deterioration of the market trend in the immediate future by limiting the growth in stocks, they none the less represent a heavy financial burden and do not constitute a solution to the fundamental problems of the milk sector. These problems call for long-term, structural measures, which alone can bring about a balance of supply and demand.

266. The main feature of the eggs and poultrymeat markets has been a better balance between supply and demand, which has been reflected in the trend of prices which—though higher than in the preceding year—barely covered the costs of production. The scarcity of red meat probably boosted sales of poultrymeat, the prices of which are relatively low and attractive for the consumer. In order to improve short and medium term forecasts and to give greater support to initiatives within the industry to facilitate the adaptation of supply to market requirements a regulation has been adopted to make it possible to have a more precise idea of the means of production by the regular provision of statistical data concerning the incubation of hatching eggs and the placement of day-old chicks.<sup>6</sup>

At the Council's request, the Commission set up a working party on which experts of the governments and the industry are represented for the purpose of studying the market situation from the angle of the Community organization and the trend of production and marketing structures. The Commission has laid

<sup>1</sup> Regulation (EEC) No. 1259/72, *OJ* No. L 139, 17 June 1972, p. 18.

<sup>2</sup> Regulation (EEC) No. 1519/72, *OJ* No. L 162, 18 July 1972, p. 1.

<sup>3</sup> Regulation (EEC) No. 1282/72, *OJ* No. L 142, 22 June 1972, p. 14.

Regulation (EEC) No. 1717/72, *OJ* No. L 181, 9 August 1972, p. 11.

<sup>4</sup> Regulation (EEC) No. 2474/72, *OJ* No. L 267, 28 November 1972, p. 13.

Regulation (EEC) No. 2561/72, *OJ* No. L 274, 7 December 1972, p. 12.

<sup>5</sup> Regulation (EEC) No. 442/72, *OJ* No. L 54, 3 March 1972, p. 1.

Regulation (EEC) No. 602/72, *OJ* No. L 72, 25 March 1972, p. 13;

Regulation (EEC) No. 1692/72, *OJ* No. L 178, 5 August 1972, p. 1.

<sup>6</sup> *OJ* No. L 148, 30 June 1972, p. 7; *EC Bulletin* No. 8-72, Part Two, sec. 65.

before the Council a proposal for a regulation concerning certain marketing standards applicable to poultrymeat. The object of this regulation is to obtain greater uniformity in the method of putting up for sale and the definition of poultry and their cuts, classification into commercial categories, packaging and marking.

267. Community prices of fishery products, fixed for the first time in 1971 and extended for 1972, proved to be too low in 1972.<sup>1</sup> The Council therefore increased<sup>2</sup> the guide prices from 1 August 1972, taking into consideration the part of the increase which corresponds to the persistent tendency of the rise in prices (5.8%). At the same time the withdrawal and reference prices depending on the guide prices have been increased by the same amount.<sup>3</sup> The quantities of fresh products which were withdrawn from the market as a result of these measures have remained considerably below the estimates.

On 20 December 1972 the Council and Commission adopted the required regulations concerning Community prices for 1973, taking into account the particular situation in two of the new Member States. It should be noted that, apart from an exception or two, Community prices will apply for the enlarged Community from 1 February 1973.

The provisions concerning the creation of producers' organizations in the fisheries sector have been supplemented by regulations relating to their statutes,<sup>4</sup> to determination of the concept of management costs,<sup>5</sup> to conditions and procedure for recognition of producers' organizations,<sup>6</sup> and by the regulation defining the conditions for the grant of financial compensation to such organizations for certain fishery products.

#### IV. *Farm accountancy data network*

268. On 26 September 1972 the Commission submitted to the Council two reports relating to the EEC's farm accountancy data network.<sup>7</sup>

The first report contains the principal accountancy results for the first three financial years (1968-70). This is the first time that a survey of the technical and economic situation of the principal types of farm in the Member States has been

<sup>1</sup> *EC Bulletin* No. 9-72, Part Two, sec. 58.

<sup>2</sup> *OJ* No. L 167, 25 July 1972.

<sup>3</sup> *OJ* No. L 171, 29 July 1972.

<sup>4</sup> *OJ* No. L 59, 10 March 1972.

<sup>5</sup> *OJ* No. L 54, 3 March 1972.

<sup>6</sup> *OJ* No. L 207, 9 September 1972; *EC Bulletin* No. 10-72, Part Two, sec. 96.

<sup>7</sup> *EC Bulletin* No. 10-72, Part Two, sec. 101.

put out by a unified accountancy source. These initial results correspond to a running-in period. The form in which they have been presented is of an experimental character. They should nevertheless enable the Commission to establish certain essential points which will help to facilitate the guidance and management of the common agricultural policy. In 1973 the data collected will be subject to more thoroughgoing specific analyses, which are likely to make this first collection of data even more valuable and to improve the functioning of the network in the years ahead.

The second report submitted to the Council deals with the functioning of the information network. The network's running-in period is over. This instrument of information must be developed in the light of experience gained so that a figure of 40 000 accounts in the enlarged Community is gradually reached.

### *V. Financing the common agricultural policy*

#### *Guarantee section*

269. The main features of 1972 were the improvement in the functioning of the new financing system, which came into force on 1 January 1971, the use made of communications from the Member States and the completion of preparatory work which will enable the acceding States to commence payments in February 1973. On 7 November 1972 the Council adopted a special financial regulation for the new system of financing the guarantee section. One of the provisions is that expenditure for January 1973 comes under the 1972 financial year so that the acceding states do not have to provide a share of the funds for that month.

Account taken of the financial resources still available on 31 December 1971 and the advances decided upon the cover expenditure until 31 January 1973, the Member States had at their disposal under the system of advances a total of 2 563 761 450.70 u.a., distributed in the following manner: Belgium: 140 669 582.02 u.a.; Germany: 505 920 398.55 u.a.; France: 926 755 178.99 u.a.; Italy: 643 049 877.58 u.a.; Luxembourg: 1 849 040.58 u.a.; Netherlands: 345 517 372.98 u.a.

Expenses paid between 1 January 1972 and 31 January 1973 are broken down among the main sectors of the common organization of the markets as shown in Table 10.

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<sup>1</sup> *Fifth General Report*, sec. 277.

**TABLE 10**  
**Payments made by the Member States between 1 January 1972**  
**and 31 January 1973<sup>1</sup>**

*(u. a. millions)*

Sector	Refunds	Intervention
Cereals, including rice	686.980	407.316
Milk and milk products	160.556	457.902
Oils and fats and textile fibres	5.861	424.350
Pigmeat, eggs, poultrymeat, beef and veal	77.418	0.219
Sugar	75.614	94.137
Fruit and vegetables, including processed products	38.102	32.118
Wine	0.402	62.462
Tobacco	—	111.729
Fishery products	0.636	1.047
Products outside Annex II	23.976	—
Seeds	—	1.922
	1 069.545	1 593.202
Total	2 662.747	

<sup>1</sup> Calculated on the basis of payments made between 1 January and 31 October 1972 and of forecasts of expenditure for November and December 1972 and January 1973.

The rate at which payments were made speeded up distinctly in 1972 by comparison with 1971, when the system in its final form had been slow to take off the ground, especially in Italy. Although there are still certain difficulties in that country, the delays in payments experienced at the end of the 1971 financial year were partially made good in 1972. Furthermore, the particularly favourable conditions of certain markets, such as cereals and milk products, which had marked 1971 did not recur in 1972 and this led to a rise in expenditure, particularly during the second half of 1972.

270. Apart from the payment of advances for expenditure in the 1972 financial year, the Commission pursued its efforts to take into account the expenditure declared by the Member States, which it was not able to do in 1971 because of the absence of financial provisions relating to the execution of the budget and applicable to the expenditure of the EAGGF's Guarantee Section. In 1972 it carried out the allocation for disbursement purposes of expenditure committed in 1971 and took administrative measures so that the different allocation periods may henceforth follow more closely upon the payments made by the Member States.

Regulation (EEC) No. 729/70<sup>1</sup> provides that the Commission shall make up the accounts of the paying authorities and bodies before the end of the financial year following that in which the expenses were paid, i.e. before 31 December 1972 for the expenses of the 1971 financial year. On 26 July 1972 the Commission adopted a regulation relating to the making up of the accounts of the EAGGF (Guarantee Section).<sup>2</sup> This regulation sets out the detailed rules relating to the drawing up of Member States' requests for the annual making up of accounts as from 1971. The complexity of the problems raised by the new financing system has delayed the adoption of this regulation and consequently means the putting back of the date for the filing of requests by the Member States; this will cause postponement of the deadline for the making up of the 1971 accounts (31 December 1972).

Independently of the system of advances, the Commission paid to Germany in November 1972, 60 million u.a. as the Community contribution to the financing of compensatory measures taken by that Member State in order to save its farmers from suffering the effects of the revaluation of the DM in 1969.<sup>3</sup>

271. In order to solve the cash holdings problems arising from the changeover from the reimbursement system to direct financing, the Council had adopted on 21 April 1970 an "accumulation" resolution.<sup>4</sup> It provides for provisional half-yearly payments in respect of the periods prior to 1 January 1971, pending decisions on aid by the Commission. As, however, the breakdown is different from that initially planned, the Council adopted on 30 May 1972 a new resolution<sup>5</sup> which provides for different payments to be made in two instalments by 31 December 1972.

272. With regard to the reimbursement system before 1 January 1971, the Commission decided on 26 January 1972<sup>6</sup> that the EAGGF Guarantee Section would provide aid for the 1966/1967 period totalling 395 540 429.31 u.a. The amount of this aid is covered by financial contributions from the Member States determined on the basis of the fixed scale contained in Article 3 of Regulation (EEC) No. 130/66.<sup>7</sup>

The definitive closure of the accounts for this period had been preceded by a payment on account which was decided on 16 November 1968 and amounted

<sup>1</sup> *OJ* No. L 94, 28 April 1970, p. 13.

<sup>2</sup> *OJ* No. L 186, 16 August 1972, p. 1.

<sup>3</sup> Council Regulation (EEC) No. 2464/69, 9 December 1969; *OJ* No. L 312, 12 December 1969.

<sup>4</sup> *OJ* No. C 50, 28 April 1970.

<sup>5</sup> *OJ* No. C 105, 10 October 1972, p. 12.

<sup>6</sup> *OJ* No. L 61, 13 March 1972.

<sup>7</sup> *OJ* No. 165, 21 September 1966.

to 277 785 000 u.a. This decision to grant aid was taken after verification by means of supporting documents and on the spot of the requests for reimbursement submitted by the Member States. The results are shown in Table 11.

The accounts for 1967/1968 and 1968/1969, the second half of 1969 and 1970 have still to be closed. However, the Commission has drawn up a programme gradually to make good the delays in the closure of the accounts for these periods; for this purpose provisions enabling the Member States to submit their requests for reimbursement to the Commission were adopted by the Commission on 14 April 1972.<sup>1</sup> Furthermore, the Commission submitted to the Council on 21 June 1972 a proposal for a regulation to alter the dates for filing requests and for aid decisions on these periods.

273. In 1972 further progress was made in establishing Community rules. The Community financing system was extended to cotton seed, silkworms and, from 1 July 1972, the compensatory amounts paid in trade with non-member countries. These rules were supplemented by the adoption by the Council of five regulations laying down the financing details for intervention in fisheries, fruit and vegetables from 1970/71, hops, seeds and cotton seed. Furthermore, several proposals for regulations have been submitted to the Council for various special matters.

Article 3 of Regulation (EEC) No. 729/70 provides that the Council shall adopt, following the entry into force of the definitive system for the financing of agricultural expenditure, the general rules for Community financing of intervention in order to replace the measures which used to be taken under Articles 5 and 6 of Regulation No. 17/64/EEC and have become obsolete. The Commission therefore submitted to the Council in August 1972 a proposal for a regulation to organize the financing intervention according to definitive rules replacing the measures taken under the transitional arrangements.

The Council did not immediately act upon the whole of the Commission's proposal, but adopted an initial regulation<sup>2</sup> in late December containing the general intervention rules and extending until 1 January 1974 the validity of current provisions for purchase and stocking operations.

### *Guidance Section*

274. The Commission continued to grant aid for financing schemes to improve agricultural structure under Council Regulation No. 17/64 EEC of 5 February 1964<sup>3</sup>. This aid was provided in several instalments in order to limit delays

<sup>1</sup> Regulation (EEC) No. 773/72; *OJ* No. L 97, 24 April 1972, p. 1.

<sup>2</sup> *OJ* No. L 298, 31 December 1972, p. 5.

<sup>3</sup> *OJ* No. 34, 27 February 1964.



**TABLE II**  
**Aid decided on from the guarantee section**  
**(1966/1967)**

	Reimbursements		Contributions		Debit balances u.a.	Credit balances u.a.
	u.a.	%	u.a.	%		
Belgium	21 113 481.71	5.34	31 445 464.13	7.95	10 331 982.42	
Germany	28 895 004.17	7.32	121 945 114.36	30.83	93 850 110.19	
France	155 150 248.40	39.22	115 735 129.62	29.26		39 415 118.78
Italy	108 978 514.41	27.55	87 018 894.45	22.---		21 959 619.96
Luxembourg	199 543.47	0.05	870 188.94	0.22	670 645.47	
Netherlands	81 203 637.15	20.52	38.525 637.81	9.74		42 677 999.34
Community	395 540 429.31	100	395 540 429.31	100	104 052 738.08	104 052 738.08

between the submission of claims and the taking of aid decisions; for example three instalments were approved for 1971 (21 June 1972, 26 July 1972 and 22 December 1972) totalling 199 943 196 u.a. This was the largest amount of aid ever granted by the Commission under the Guidance Section and it created administrative problems particularly difficult to solve. The aid, for 723 schemes, is broken down as in Table 12.

Some 700 new schemes were submitted for 1972. To these may be added about 180 schemes which were not approved for 1971 for lack of funds. Examination of them was commenced at the end of 1972. For 1972, 150 million u.a. were earmarked for schemes.<sup>1</sup> Payments of the subsidies follow the aid decisions after a greater or lesser interval because often several years are required to implement the schemes. And so the number of payments after checks against supporting documents and, in some cases after on-the-spot checks, is tending to increase appreciably.

TABLE 12  
Aid from the guidance section of the EAGGF for 1971

(u.a.)

Member State	Schemes to improve production structure	Schemes to improve marketing structure	Mixed schemes	Total	
				Absolute Figures	%
Belgium	8 003 091	3 817 333	704 963	12 525 387	6.3
Germany	40 353 234	15 780 367	989 033	57 122 634	28.6
France	28 816 829	14 562 407	1 694 410	45 073 646	22.5
Italy	46 584 055	17 550 957	3 766 357	67 901 369	34.-
Luxembourg	1 072 930	77 980	486 880	1 637 790	0.8
Netherlands	8 262 255	7 281 994	138 121	15 682 370	7.8
Total	133 092 394	59 071 038	7 779 764	199 943 196	100

275. The total number of projects financed by the Fund has risen from 57 in 1965 to 408 in 1967, and to 2560 at 1 September 1972. The number of requests for payment examined has risen from 15 in 1966 to 42 in 1967, 106 in 1968, 191 in 1969, 325 in 1970, 430 in 1971 and was up to 782 at 1 September 1972.

<sup>1</sup> OJ No. L 100, 27 April 1972.

On 31 December 1972 some 149.5 million u.a. had been paid out of total commitments of 708 million u.a. The breakdown by Member State of payments up to 31 December 1972 is shown in Table 13.

*TABLE 13*  
Payments made for projects

Member State	Payment (million u.a.)	% of total commitments
Belgium	15.8	31.60
Germany	61.3	30.65
France	29.1	18.49
Italy	20.4	8.50
Luxembourg	2.1	49.53
Netherlands	20.8	36.51
Community	149.5	21.18

The biggest commitments date from 1969, 1970 and 1971, but relatively few payments were made for these years, because of the time needed to complete schemes.

276. From the angle of joint steps to reform agriculture, features of 1972 were the first Council decisions on the subject, preparations to implement them, and the proposals being dealt with by the Council.<sup>1</sup>

The three directives adopted by the Council on 17 April 1972<sup>2</sup> concerning the reform of agriculture stipulate that the EAGGF (Guidance Section) shall reimburse the Member States 25% of expenditure incurred in implementing the directives, this percentage being however brought up to 65% in certain specified cases. For countries to be entitled to this financial help, domestic implementing measures must have been approved by the Commission.

The Council also adopted a regulation<sup>3</sup> on December 1972 concerning the financing by the EAGGF (Guidance Section) of conversion measures in the cod-fishing sector. It is stipulated that the Guidance Section shall grant aid in

<sup>1</sup> *EC Bulletin* No. 4-72, Part One, pp. 17 and 18, and see 235 of this report.

<sup>2</sup> *OJ* No. L 96, 23 April 1972, p. 1.

<sup>3</sup> Regulation (EEC) No. 2722/72 of 19 December 1972, *OJ* No. L 291, 28 December 1972.

the form of capital subsidies for schemes to convert cod-fishing boats and shore installations for drying cod.

The Council went on in 1972 with its examination of the proposal for a regulation submitted in May 1971 concerning the financing by the Guidance Section of schemes under development operations in priority agricultural regions. This proposal requires the Guidance Section to facilitate the creation of non-agricultural jobs for former farmers or their direct descendants in agricultural regions which are in difficulty. The schemes eligible for aid from the Fund would receive a bonus of 1 500 u.a. per new job thus created and assigned to an ex-farmer. The Council has undertaken to study this proposal in 1973.

Furthermore, the Commission submitted to the Council in July 1972 a proposal for a regulation relating to the grant and refund of aids given by the Member States to recognized groupings of producers in the hops sector.

It must be pointed out that the financing of the joint action has priority over that of individual schemes within the annual total of 285 million u.a. This is why in recent years the Council has reserved a part of the annual credits for the financing of joint action. The sums reserved amount to 438.4 million u.s. for 1969 to 1972.<sup>1</sup>

277. In December 1972 the Council adopted, in accordance with the provisions for adapting Community regulations following enlargement, a regulation which increases from 285 to 325 million u.a. the annual amount available for the Guidance Section.

The following amounts were paid as special appropriations decided on by the Council in 1972 following decisions by the Commission:

- (i) 3 149 856 u.a. to finance schemes connected with the floods in Italy;
- (ii) 26 971 u.a. to Italy for research into African swine fever;
- (iii) 7 568 473 u.a. to Belgium, Germany, the Netherlands, France and Luxembourg in repayment of subsidies paid in 1970 for grubbing fruit trees;
- (iv) 390 903 u.a. to Italy in repayment of aid granted in 1970 to groupings of fruit and vegetable growers;
- (v) 1 864 702 u.a. to Germany, Belgium and Luxembourg in repayment of subsidies paid in 1970 for slaughtering dairy cows and withholding milk and milk products from the market;

<sup>1</sup> *OJ* No. L 299, 13 December 1969; *OJ* No. L 189, 2 August 1969; *OJ* No. L 280, 26 December 1970; *OJ* No. L 100, 27 April 1972.

### *Financing food aid*

278. Under the heading of Community financing of food aid several new provisions were adopted in 1972 adapting the current financial rules to the system of own resources and extending Community financing to the 1971 aid convention and to new sectors. On 3 August 1972 the Council adopted new financial provisions under the 1971 Food Aid Convention (wheat)<sup>1</sup> which provide in particular for the extension to such aid of the system of advances used by the EAGGF Guarantee Section and the financing in certain cases of the costs of transport and distribution. Furthermore, it took note of the report submitted by the Commission concerning the implementation of the earlier regulation on financing aid.

From the financial execution angle, advances from the Guarantee Section were decided upon periodically to finance the fob refunds for cereals and the supply of milk products from the intervention stocks. Furthermore, the Commission decided on advances worth 8 million u.a. for operations in cereals, 21.4 million for milk and milk products and 1 million u.a. for sugar.

On 29 December 1972 the Commission decided to refund the gift part expenses ensuring from Community activities under the 1968/69 programme of the 1967 Convention: these expenses amount to 18 842 681 u.a. Furthermore it decided on aid worth 4.9 million u.a. for the supply of 43 000 tons of rice and 7 000 tons of cereals to the Bengali refugees. Various bills have been settled with the International Committee of the Red Cross for costs incurred in respect of action taken through the Committee.

In conclusion, 1972 may be considered a transitional period during which the system of advances for food aid has tended to become general and the first decisions on aid have been taken.

### *General provisions*

279. On 7 February 1972 the Council adopted Regulation (EEC) No. 283/72<sup>2</sup> concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the common agricultural policy and the organization of an information system in this field. This regulation, which will make it possible to step up the campaign against fraud in the agricultural sphere, covers all the EAGGF's items of expenditure except those relating to the individual schemes financed by the Guidance Section. During the year the Commission completed

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<sup>1</sup> Regulation (EEC) 1703/72, 3 August 1972, *OJ* No. C 180, 8 August, 1972.

<sup>2</sup> *OJ* No. L 36, 10 February 1972, p. 1.

a number of measures to implement this regulation. Some of the information requested from the Member States has reached the Commission and is being examined. In addition, cases of irregularities noted and the situation of the recovery procedures have been communicated by certain Member States.

Article 10 of Regulation (EEC) No. 729/70<sup>1</sup> stipulates that the Commission shall submit to the Council and the European Parliament a financial report on the administration of the Fund during the past financial year. Studies have been carried out during the third quarter of 1972 in order that the first of these financial reports covering the EAGGF's activities in 1971 may be submitted by the Commission shortly.

#### VI. *List of activities of Management Committees and agricultural regulation committees*

280. In this period under review the committees listed in Table 14 met 353 times. A total of 1031 votes were taken, of which 983 were favourable and 47 resulted in no opinion.

#### VII. *Cooperation with farming circles*

281. Consultations with professional circles have been continued and even been intensified. The 16 advisory committees and their working parties have met regularly, with 116 meetings, in which they expressed their opinions at the request of the Commission regarding certain problems of the implementing Community rules and exchanged information with the Commission's departments.

In addition 14 meetings for purposes of consultation and information were attended by farming circles and the Commission departments: they dealt, for example, with the organization of the markets, harmonization of laws and the implementation of directives on agricultural reform.

Two new advisory committees were set up for hops and seeds.

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<sup>1</sup> OJ No. L 94, 28 April 1970.

TABLE 14

## Activities of the Management Committees and of the agricultural regulation committees

Committees	1 January to 31 December 1972			
	Meetings	Favourable opinion	No opinion	Unfavourable opinion
Management Committees for:				
Cereals	55	401	21	—
Pigmeat	13	16	2	—
Poultrymeat and eggs	20	60	1	1 <sup>1</sup>
Fruit and vegetables	22	39	6	—
Wine	18	22	2	—
Milk and milk products	38	163	9	—
Beef and veal	25	37	1	—
Oils and fats	31	48	—	—
Sugar	53	130	1	—
Live plants and cut flowers	1	1	—	—
Processed fruit and vegetable products	4	4	—	—
Tobacco	7	7	1	—
Hops	1	2	—	—
Flax and hemp	4	4	—	—
Fishery products	11	20	2	—
Seeds	5	6	—	—
EAGGF	15	14	1	—
Standing Committee for Foodstuffs	—	—	—	—
Standing Committee for animal feedingstuffs	2	2	—	—

<sup>1</sup> On 11 January 1972 the Management Committee for poultrymeat and eggs rendered an unfavourable opinion on a proposed measure to abolish the supplementary amount for eggs in shell other than hatching eggs. After re-examination of the matter, a draft measure to change the supplementary amount was put before the Management Committee on 25 January. The Committee unanimously rendered a favourable opinion on this, and it was then adopted by the Commission.

TABLE 14 (contd.)

Committees	1 January to 31 December 1972			
	Meetings	Favourable opinion	No. opinion	Unfavourable opinion
Standing Veterinary Committee	2	1	—	—
Standing Committee for seeds and seedlings	13	6	—	—
Standing Committee for agricultural structures	6	—	—	—
Standing Committee for fishery structures	2	—	—	—
Standing Committee for the farm accountancy data network	5	—	—	—



## 2. Industrial, Technological and Scientific development policy

### THE ENVIRONMENT

282. Two important series of events stood out in 1972: the progress made in the preparation and discussion of a Community programme of action and the Conference on the Environment held in June under the aegis of the UN in Stockholm. In addition, the Commission carried out a considerable amount of work on the protection and improvement of the environment in the context of its other activities, in particular those concerned with the removal of technical barriers to trade, social policy, agricultural policy, research policy and radiological protection policy, whilst at the same time continuing, on the basis of studies and meetings of experts, to extend its knowledge and proficiency in this field.

#### *The preparation and discussion of a Community programme of action*

283. On 22 July 1971 the Commission adopted a first memorandum on the Community's environment policy. In this document it stressed that the fight against the spoilage of our natural environment was in future to have an important place among the Community's objectives. The Commission was aware that the measures taken by Member States in this field could have very serious effects on the functioning of the Common Market, and more generally on the unity of the European economic area. It set out a number of fields where action was to be taken as quickly as possible. During the first quarter of 1972 thoroughgoing consultations were held with the competent government departments of the Member States and acceding States and with employers' and trade-union organizations in order to obtain all appropriate comments and suggestions.

On the basis of the opinions obtained in these consultations, the Commission presented to the Council on 24 March 1972 a Communication on a European Communities' Programme Concerning the Environment, i.e., a body of proposals regarding procedure and action to be taken for the protection and improvement of the environment in the Community<sup>1</sup>.

284. This programme consists of five major categories of action to be taken<sup>2</sup>:

- (i) a programme for the reduction of pollution and for the protection of the natural environment;

<sup>1</sup> *EC Bulletin* No. 5-72, Part One, Ch. III.

<sup>2</sup> *OJ* No. C 52, 24 March 1972, p. 3 and *Supplement to EC Bulletin* No. 5-72.

- (ii) keeping the Commission informed of national projects with a view to possible harmonization, for the Community as a whole, of priority measures concerning the environment;
- (iii) efforts to arrive at a common attitude towards non-member countries and to international organizations concerned with environmental problems;
- (iv) action in respect of the improvement of the working environment inside factories;
- (v) action for improving and disseminating knowledge and information concerning the environment.

In pursuance of this plan of action, the Commission submitted to the Council three documents on which it asked the latter to take a decision:

- (i) a draft resolution of the Council concerning a programme for reducing pollution and for the protection of the natural environment;
- (ii) a draft agreement of the representatives of the governments of the Member States in the Council on providing the Commission with information with a view to possible harmonization, for the Community as a whole, of priority measures concerning the environment;
- (iii) a draft recommendation of the Council to the Member States signatories of the Berne Convention establishing the International Commission for the Protection of the Rhine against Pollution, concerning the cleaning-up of the Rhine.

285. In April, the Committee of Permanent Representatives instructed an ad hoc working party to examine these proposals. The working party gave priority to the proposal concerning notification to the Commission of the Member States' draft legislation and regulations concerning the environment. In July the working party reached an agreement on the technical level, the legal form of this document remaining the subject of further discussion. Discussion in the ad hoc working party of the programme for the reduction of pollution and for the protection of the natural environment began in September 1972. In order to simplify the work, the Commission, with the help of experts from the Member States in this field, presented a draft common terminology which was adopted in September. The basic terms, such as criteria, levels, guides, standards, quality objectives, etc., were embodied in common definitions. The delegations from the Member States and the acceding States expressed their readiness to promote the adoption of this terminology in the activities of those international organizations which are also concerned with protection of the environment.

The Commission called upon the Member States and the acceding States to make known their opinion on the programme which it had put forward for

the reduction of pollution. These opinions were received during September and October. On this basis the Commission drew up two working documents containing in condensed form the various observations made by the Member States.

286. The European Parliament also continued its examination of the Commission proposals within its various committees and in plenary session. On 18 April 1972 the Parliament adopted a report of the Committee for Social Affairs and Public Health on the memorandum of 22 July 1971 in which a generally favourable opinion was expressed concerning the Commission's proposals. On 4 July the Parliament adopted a report from the same committee on the Commission's action programme of 24 March 1972. Generally speaking, this report is in favour of the measures taken by the Commission.

*The Paris Summit Conference and the Ministerial Conferences at The Hague and Bonn*

287. The meeting of Heads of State or Government in Paris and the Ministerial Conferences which took place in The Hague and Bonn during October also stressed the significance of environmental problems.

The declaration of the Heads of State or Government of 21 October 1972 underlined the importance of a Community policy for the environment and called upon the Institutions to draw up a programme of action, together with a precise time-table, before 31 July 1973.

The Member States signatories of the Berne Convention establishing the International Commission for the Protection of the Rhine against Pollution met at The Hague on 25 and 26 October 1972 at ministerial level to discuss the problems posed by the fight against the pollution of the Rhine. The Commission was represented by Mr Spinelli. During this conference important decisions were taken with the aim of reducing the level of salt and thermal pollution. The International Commission for the Protection of the Rhine against Pollution was given the task of preparing a medium-term action programme, a study of the chemical pollution of the waters of the Rhine and proposals for improving its own working methods. The Commission noted with satisfaction that the proposals concerning the preparation of an overall medium-term programme for cleaning up the waters of the Rhine and the creation of a European agency for the Rhine basin had occupied the attention of the governments concerned.

On 30 and 31 October a ministerial conference on the environment was held in Bonn. Discussion here centred round the general principles of a Community policy for the environment and the results of the United Nations Conference in Stockholm. The Ministers responsible for the environment in the en-

larged Community considered, as did the Commission, that a common environment policy should aim at improving the quality of life and could not be limited to purely economic considerations. In particular, the conference came out in favour of the principle of pollution prevention, the principle of making the polluter pay, and the principle of the need to examine the decisions of public authorities in the light of the effects they have on the environment. In addition, the conference called for the creation of a common methodology and of a common system of dissemination of information. The Ministers further placed on record the necessity of making provision for a number of meetings in the Council in order to set up the action programme before 31 July 1973, in accordance with the decisions taken at the Summit.

#### *Participation in the Stockholm Conference on Man and his Environment*

288. The principal aim of the first world conference on the environment, which took place in Stockholm in June 1972, was to make world opinion aware of the growing dangers of pollution, rapid population growth and degradation of the soil and natural resources and also to lay the foundations for international action which would help towards resolving these problems, particular attention being given to the problems of the developing countries.

In the opinion of the Commission, this Conference seems to have achieved its aim. It highlighted the rapidity with which environmental problems are evolving, the constant increase in their geographical compass and their growing economic, social and cultural involvement in the full range of human activity. It brought out the close links between protection of the environment and the economic development of the most handicapped countries. It showed that solutions which are acceptable as regards the economic and social aspects and appropriate from the ecological and health standpoints can no longer be found solely on the local and national level. Agreements on the continental and world level have become necessary. Solutions to environmental problems can no longer be found in the context of any particular sector of economic or social activity, but must be sought for in the light of the full range of human activity. These two basic conclusions are in conformity with the lines followed by the Commission in the formulation of its proposals.

The Member States of the Community, the acceding States and the Commission took an active part in the preparation of the Conference. The harmonization of standpoints, which began in April in a Council ad hoc working party, continued each day in Stockholm and was resumed in October in order to prepare the ground for the General Assembly of the United Nations, which has to approve the recommendations of the Conference.

A common position was arrived at regarding the problems inherent in the

setting-up of a secretariat, an environment fund and the creation of a system of references.

*Continuation of work in hand*

289. Pending the setting-up of a common programme for the environment, the Commission has continued and developed the activities already undertaken pursuant to the provisions of the Treaties.

Under the ECSC research programme, work was carried out on pollution and on working conditions in the coal and steel sectors. Euratom went further ahead with its activity in respect of protection of workers and the general public against the dangers arising from ionizing radiations, in accordance with the provisions of Chapter III of the Treaty. The Commission also continued its work on the harmonization of laws by calling together groups of experts to draw up a list of the laws and regulations on air, water and noise pollution and on waste. With regard to the elimination of the technical barriers to trade in products, the Commission submitted to the Council on 23 March 1972 a plan to extend the general programme for the elimination of technical barriers. This extension provides for the introduction of new products likely to have harmful effects on man and his environment, such as vehicles, public-works machinery and fuels.

The Commission set about increasing its experience and knowledge of environmental problems by studies<sup>1</sup> and investigations relating to particular questions (economic aspects, pollution of the air by sulphur dioxide, thermal pollution of waterways, pollution of the Rhine basin and pollution caused by certain industries, in particular petrochemicals). Within the PREST Group it provided the secretariat of the committee set up to manage activities in the field of town planning: Working Party on "Town Planning and Structure of the Habitat".

Finally, in the course of the year, the Commission asked for and obtained the agreement of the Member States and the acceding States to work together and, where possible, to adopt a common attitude in international organizations which are concerned with problems of the environment. This cooperation, achieved through the work of the Environment Committee of the OECD and the principal committees of that organization on the one hand and the United Nations on the other enabled Member States to adopt a common attitude on a considerable number of questions.

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<sup>1</sup> In July, the Council adopted a proposal from the Commission granting the latter an appropriation of 370 000 u.a. for preliminary studies on the environment.

## INDUSTRIAL POLICY

290. The schedule for 1972 was to consist essentially of the following stages: conclusion of the general exploratory discussions, within the Council, on industrial policy; formulation of concrete proposals by the Commission for the implementation of this policy; discussion of objectives and qualitative guidelines for Community industrial development; preparation by the Commission of documents containing guidelines or proposals for those sectors in which Community action is required as a matter of priority.

Before dealing with these various points, the Commission must again underline the difficulties it encountered in the economic analyses and forecasts necessary for the preparation of guidelines on a dynamic industrial policy. This work is at present being hampered by the inadequacy of the industrial statistics available in the Community. Gaps of this kind should eventually be closed, however, as a result of the Council directive of 6 June 1972, which provides for the holding of coordinated annual surveys on industrial activity. Meanwhile, in order to ensure the immediate availability of certain economic data on industrial activity in the Community, the Commission is endeavouring to develop a coordinated system for the analysis of firms' activities in accordance with a plan harmonized at Community level.

291. The Council was unable during 1972 to complete its work on the general guidelines on industrial policy, which had been undertaken following the submission in 1970 of the Commission's memorandum on Community industrial policy. Nor did the Committee of Permanent Representatives succeed in eliminating all the difficulties and reservations embodied in the report of 30 March 1971 submitted by the Working Party on "Industrial Policy", which on 24 June 1970 had been given the task of examining a number of general problems concerning industrial policy. These difficulties and reservations relate primarily to the liberalization of public and semi-public contracts, the procedures for the coordination of public procurement policies, the adoption of a common approach to foreign investments and, finally, the status and terms of reference of an Industrial Policy Committee, proposals for the creation of which had been submitted by the Commission to the Council on 28 April 1971.

The will to achieve progress in the field of industrial policy, as expressed in the Paris Declaration by the Heads of State or Government of the enlarged Community, constitutes a pledge that differences will henceforth be overcome and that the Community will very soon be able to adopt the first concrete decisions on industrial policy<sup>1</sup>.

<sup>1</sup> Under the sub-heading "Industrial, scientific and technological policy", the final communiqué of the Conference underlines the need to provide a common industrial basis for

292. Notwithstanding the difficulties that arose during the discussions on problems of principle, the Community has taken all the necessary measures for the preparation and adoption of decisions of general application affecting industrial policy. These decisions were announced in the Fifth General Report<sup>1</sup>.

In May 1972 the European Parliament delivered its Opinion on the proposed regulation for the creation of Joint Undertakings within the meaning of the EEC Treaty, which the Commission had submitted to the Council on 14 September 1971. Having duly taken this Opinion into account, the Commission then submitted for the Council's consideration appropriate amendments to its proposal. On 26 November 1972 the Economic and Social Committee delivered its Opinion on the proposal.

On 18 July 1972 the Commission adopted a proposal for a Council regulation on the implementation of Community industrial development contracts. The machinery proposed by the Commission was selected after a detailed study of national experience acquired in this field and after numerous consultations with public bodies and professional circles. The underlying aim of this proposal is to sustain technological cooperation between firms in the various Member States, since the existing national machinery is not conducive to the development of such cooperation. These contracts could also be made to serve objectives in the public sector which the Commission might wish more specifically to pursue. The contracts would be concluded between the Community and the firms concerned and would take the form of loans repayable only in the event of success. The necessary appropriations would be entered annually in the Community budget. Projects submitted by industry would be examined and managed by the European Investment Bank. The final decision as to conclusion of a contract or rejection of an application will be taken by the Commission on the basis of the opinion rendered by the European Investment Bank. Scrutiny of this proposal has already begun in the various institutions of the Community.

On 24 July 1972 the Commission transmitted to the Council a First Memorandum on the current situation with regard to the liberalization of public contracts and of contracts with firms responsible for providing a service of economic interest in the field of procurement. This report contains an economic analysis of the extent to which these contracts have been liberalized and proposes a number of actions or measures designed to overcome the obstacles or diminish the difficulties that still hamper the proper functioning of the Community in this sector. Although in the case of standard supplies the liberalization of public contracts in the Community shows some progress and seems likely

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the entire Community, lists the measures that must be taken to achieve this objective and calls upon the institutions of the Community to adopt an appropriate programme and timetable before 1 January 1974.

<sup>1</sup> *Fifth General Report*, secs. 319 and 320.

to be achieved within a reasonable time on the basis of Community measures already adopted or currently under discussion, the same cannot be said of certain capital goods and advanced-technology items such as computers, aircraft, conventional and nuclear power plant equipment, railway and telecommunications equipment.

Where these goods are concerned, the implementation of all or some of the following measures is essential: introduction of procedures to ensure that all competent suppliers in the Community are consulted; elimination of technical barriers to trade (harmonization of standards and technical specifications); elimination of administrative and customs barriers; joint definition by the purchasing bodies or the competent public authorities of the future equipment to be developed; Community support, where necessary, for the joint development of certain types of new equipment; a policy of reorganization or conversion for certain industries in the event of sectoral or regional difficulties.

On 20 September 1972 the Commission laid before the Council a Memorandum on the setting up of an intra-Community business liaison office. This document is the outcome of an inquiry by the Commission into the advisability and the ways and means of creating a body to assist firms seeking cooperation with undertakings in other Community countries. The usefulness of such a body has been stressed by all the Governments and by numerous professional organizations. It would be of particular value to small and medium-sized firms which do not have the same facilities for establishing contacts as do large companies. The tasks of such an office would be: (a) to supply firms with general information on national or Community provisions; (b) to effect contacts between companies seeking cooperation: the role of the office, which would act in a strictly neutral capacity, would be confined to the establishment of such contacts; (c) to inform Community institutions of the barriers to cooperation.

These various tasks could have been performed, with Community support, by a body set up jointly by the professional organizations concerned. However, the professional organizations in question rejected this solution and the Commission was therefore prompted to consider setting up an office of this kind as one of its own departments. This office would enjoy full autonomy vis-à-vis the other departments of the Commission. It is expected to be set up at the beginning of 1973.

293. In its Memorandum on Community industrial policy the Commission had stressed that this policy had to be geared increasingly towards qualitative aims associated with the original blueprint for living which the Communities must help to promote<sup>1</sup>. Research on these qualitative objectives and on means of

<sup>1</sup> Memorandum on Industrial Policy, "Principles" (see *Supplement to EC Bulletin* No. 4-70).



realizing them can only be carried out through a collective effort on the part of all the political, social and economic circles throughout the Community. It was for this reason that the Commission organized a wide-ranging conference on the subject of "Industry and Society" which was held in Venice on 20-22 April 1972 and was attended by 120 representatives from industrial and trade union circles in the Community as well as by officials of Community institutions and of the various national authorities.<sup>1</sup>

In all, ten subjects were discussed by three separate Working Groups.

*First Working Group: "Industrial development and the reduction of social and regional disparities"*

- (a) The industrial development of the Community: problems and outlook.
- (b) Man's role and status within the enterprise.
- (c) Necessary conditions for an increased flow of investments by companies based in the various Community countries towards the less developed regions of the Community.
- (d) The role of industry and of the public authorities.

*Second Working Group: "Industrial development, public requirements and the quality of life"*

- (a) Development of public and private requirements in European society: future options and resulting prospects for industry.
- (b) Consequences of environmental improvement measures to industrial development and the siting of enterprises.
- (c) Increased costs of infrastructures and public-sector equipment and the financing problem vis-à-vis the harmonious development of the Community.

*Third Working Group: "The Community's place in the world"*

- (a) Aims and tools of a European policy on technological development.
- (b) Development of multinational companies; positive and negative aspects; economic, social and political measures and adjustments necessitated by this development.
- (c) Promotion of industrialization in the developing countries and the consequences to Community industry.

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<sup>1</sup> EC Bulletin No. 5-72, Part One, Chapter II.

For each of these subjects, three reports had been prepared: (a) by a representative of industry; (b) by a trade union representative; (c) by an independent expert. During the discussions the participants made numerous constructive contributions. The chairman of each Working Group presented an initial survey of the work of his Group.

The results of the Conference's work are currently being studied by the relevant departments of the Commission. Certain guidelines on general economic policy have been supplied to the Medium-term Economic Policy Committee, which will thus be in a position to draw the necessary conclusions as regards the Community's future medium-term programmes. In the case of certain subjects the discussions did not progress sufficiently to enable the Commission to propose any concrete measures at this stage; this applies in particular to the problems of man's role and status within the enterprise, industrial investment in the less developed regions of the Community, the development of multinational companies and the industrialization of the developing countries. The Commission intends to pursue vigorously the study of these various problems in collaboration with both sides of industry. In short, the suggestions or guidelines on environmental and technological development problems have been or will be instrumental in the implementation of the proposals already submitted or currently being prepared by the Commission.

On the other hand, despite repeated approaches, the Commission has so far been excluded from international conferences dealing with the protection of the seas around the Community.

### *Action in specific industries*

294. In the mechanical-engineering field, the Commission has concentrated its efforts essentially on numerically controlled machine tools, for which a concerted research programme covering a period of three years (1973-76) and costing 1.8 million u.a. is in course of preparation. This programme takes in nine subjects, all of which arise from the need to evolve new methods of automating the production process.

The problems in the field of clock and watch manufacture, which stem essentially from the interpretation of the designation "Swiss made" in respect of watch movements, have been virtually solved under the addition to the agreement between the EEC and Switzerland on clocks and watches.

In the shipbuilding sector, the year 1972 was marked by a rapid shrinkage of the firms' order books. Since the industry world-wide is having to face up to

threats of serious overcapacity, the Commission was prompted to resume the study of this question with employers and labour. In addition, the Council, in adopting Directive No. 72/273/EEC<sup>1</sup> on aids to shipbuilding, requested the Commission to study, with the assistance of the Member States, the various factors of imbalance between supply and demand in this market and to submit proposals for action to prevent developments in supply which might jeopardize the market equilibrium.

In the non-ferrous metals sector, lead and aluminium, the prices of which dropped appreciably, were subjected to control pursuant to Regulation No. 1025. The Commission participated as a member in the meetings of the International Tin Council, under the terms of the IVth Agreement relating to this metal. It was also present as an observer at consultations conducted by UNCTAD on tungsten and manganese. The Commission has studied in greater detail the problem of the supply of raw materials for non-ferrous metals.

295. With regard to textiles, the Commission approved on 22 July 1971 a document on the policy to be implemented in the Community for this sector. The recommended measures place particular emphasis on the need for a commercial policy geared to Community action regarding employment, the promotion of joint research, the provision of a regulatory framework for State aids and the setting-up at a Community level of an Economic Observation Centre.<sup>2</sup> In 1972 the Commission set out certain of these guidelines in concrete proposals.

With respect to commercial policy, it has laid before the Council a memorandum on the standardization of arrangements concerning imports of textiles made from synthetic, artificial and woollen fibres (SEC(72)2924). This Community commercial policy, which is gradually opening up the market, especially with regard to the most underdeveloped countries, must take into account both the requirements for adaptation of the sector on a Community scale and the conditions in which international trade develops. As regards intervention measures on employment, the Commission has proposed to the Council that the provisions of Article 4 of the regulations of the reformed Social Fund should apply to this sector. On the subject of aids, the Commission has endeavoured to ensure that certain national arrangements recommended by the Member States and designed to guide the restructuring process should be brought into force only where their aims are compatible with the rules of the Treaty and the objectives of the sectoral policy. With regard to research, the Commission has begun to list the activities of those institutes in the enlarged Community which are carrying out joint research in this sector, and hopes that this will lead to the coordination of their programmes. Structural developments in the chemical-

<sup>1</sup> *OJ* No. L 169, 27 July 1972 p. 28.

<sup>2</sup> *EC Bulletin* Nos. 9/10-71, Part Two, sec. 78.

fibre sector were watched very closely throughout 1972, mainly because of the possible implications for the employment situation. The Commission, which has requested that the problems in this sector should also be studied by the GATT Working Party on Textiles, in which it participates on behalf of the Community, has initiated a survey among the principal firms of the enlarged Community with the aim of collecting the information necessary in the search for possible solutions at both Community and world levels.

296. Moreover, the excess capacities which have become all too apparent in other branches of industry, particularly the chemical industry, have provoked lively political discussion on the desirability of coordinating investments. The Commission has begun an examination of these problems.

In the plastics-processing sector, the Commission has started a number of studies designed to promote the exchange of information and technological cooperation within the Common Market. They concern, in particular, problems connected with the reduction of process tailings, with correlations between the natural ageing and the accelerated artificial ageing of plastics, and with plastic waste in the Community.

In the paper sector, the Commission examined, following its statement to the Council on 26 and 27 June, the various means of Community action which could be applied.

In the construction sector, the Commission noted that the effects of the Common Market had not been felt to any significant extent in this sector. It is having a full analysis made of the factors determining the industry's activity with regard to the requirements expressed by the market, as well as of research and development activities and of the technical and legal obstacles to interpenetration between regional and national markets. The Commission also requested the opinion of government experts in order to obtain a better insight into the problems encountered.

The survey on the agricultural and food industries, in particular as regards their chief characteristics, the stresses to which they are subject and their prospects on the food side, was nearing completion at the end of 1972. In addition, a comparative study was undertaken on the profitability factors of certain food industries (chocolate and confectionery, biscuit and cake manufacture and brewing, taken as test cases) in the Community of the Six and in the United Kingdom. A project has also been initiated with the aim of identifying the principal problems that arise in food research and technology and of finding Community solutions where necessary.

297. In the aviation sector, the Commission adopted on 12 July 1972 and forwarded to the Council on 19 September 1972 a memorandum on "Action

<sup>1</sup> *EC Bulletin* No. 9-72, Part One, Chapter II.

to be taken in the aviation sector in line with Community technological and industrial policy".<sup>1</sup> This memorandum consists of three parts: (1) "Present situation and future prospects of the aviation industry"; (2) "Long-term objectives and measures and the means of realizing them"; (3) "Measures of immediate interest". It is followed by several implementing texts, namely:

- (i) Draft Council recommendation on coordination of the development policies of the Member States and on the structural alignment of undertakings in the aviation sector.
- (ii) Memorandum from the Commission to the Member States on the provision of a regulatory framework at Community level, for research and development aids, on capital investment and on marketing within the Common Market with regard to civil aircraft constructed in the Community under supranational programmes.
- (iii) Proposed Council directive on the adoption of joint provisions on the subject of credit insurance, credit, exchange guarantees and guarantees against cost increases in respect of exports to non-member countries of civil aircraft constructed in the Community under supranational programmes.
- (iv) Memorandum from the Commission to the Council on the tariff situation in respect of aviation products.

This document stems from three basic ideas, namely to place the industry on a European footing, to strengthen the responsibility of the firms in industrial terms, and to pursue a more selective policy as regards the choice of programmes. The proposed measures are in line with the cementing of the supranational collaboration recommended in the Memorandum on industrial policy. The speedy adoption of the implementing texts submitted to the Council could contribute effectively to the strengthening of the European aviation industry, particularly in relation to foreign competition.

298. The study which the Commission had initiated on the inventory, balance and prospects of the research and development activities in the field of new means of transport was completed at the beginning of the year. A summary of this study was forwarded to the European Parliament's Committee on Energy, Research and Atomic Problems and to its Transport Committee. On the basis of the information provided by this study and after consultation with the circles concerned, the Commission has prepared an initial set of proposals which relate both to industrial and technological policy and to transport policy. Execution of COST project 33 ("Forward study of passenger transport requirements between large European conurbations") was assigned to the OECD by the Ministerial Conference of 22-23 November 1971. The other two COST projects (project 30: "Electronic aids to traffic on major roads" and project 32: "Marine

hovercraft of between 1 000 and 2 000 tonnes") were the subject of detailed studies, the conclusions of which will be ready in January 1973.

299. The electronics sector, as regards both popular consumer durables (radios, television sets, tape recorders) and products for industry (small computers, components), was marked by increased competition from Japan and certain low-wage countries whose goods sell extremely cheaply in Community markets. The Commission therefore decided in July 1972, in pursuance of Regulation No. 1025, to supervise imports of desk calculators from Japan. Furthermore, it is actively studying, in cooperation with the Member States, the phenomenon of imports of the other products mentioned above with the intention of evolving a course of action calculated to eliminate any possible distortion of competition.

In the data-processing and telecommunications sector, comprehensive documents on the prevailing problems and the measures that could be taken to alleviate them were in the course of preparation at the end of 1972. The economic effects of the existence of different national telecommunications systems on research and development, industrial production and markets in the Community were the subject of a study.

### *Iron and Steel Policy*

300. The increasingly marked world-wide nature of the iron and steel industry's problems, the vast scale of the production facilities employed and the speed of technical development continue to lay ever greater emphasis on the importance of a Community policy governed by the provisions of the ECSC Treaty, despite the fact that certain other Community policies, such as those relating to foreign trade, competition and, especially, social progress, have taken on their own particular characteristics.

*The contribution of means of observation and information to the stabilization of markets. Action taken by public authorities*

301. After the considerable fluctuations referred to in the Fifth General Report<sup>1</sup> the market of the Six showed some faint signs of recovery in 1972. The end of the cycle of reduction in stocks and the increase in consumption (except in Germany) contributed to this improvement. But despite this recovery, one of the causes of market instability still persists, namely the low utilization factor of the

<sup>1</sup> *Fifth General Report*, sec. 326.

production facilities. This was one of the problems highlighted by the Memorandum on "General Objectives for Steel", published in September 1971. Gross steel production increased by 2.8 million tons between 1970 and 1972, whereas production capacity increased by 15 million tons. In addition, up to 1971 at least, imports remained at the extraordinarily high level reached in 1970 owing to the flourishing state of the economy at that time. Exports, however, show a slow rate of increase which is insufficient to offset the heavy pressure exerted by imports on the domestic market; this pressure has had repercussions not only on the quantitative balance but also on the price level. The hardening of prices is far from being as marked as it might appear: although some list prices have been increased, alignments have multiplied, and this has led to a decline in the proportion of deliveries at the firms' own list prices. This tends to confirm speculations on the trend of steel prices over a long period; in real terms these prices have not increased. Production costs in the iron and steel industry have risen appreciably, one of the most pronounced phenomena being the repercussions on firms' charges of a rate of increase in the cost of living higher than that of the increase in productivity.

In these circumstances, forward programmes are one of the main methods of informing the quarters concerned and of indicating courses of action compatible with the existing and foreseeable market situations. In order to allow the actual trends to emerge more clearly, it has been decided, in particular, to forgo quarterly programmes, which are unduly subject to numerous uncertainties, and to produce annual ones instead, with a reappraisal half-way through the year. Moreover, these programmes will in future apply to the territory of the nine Member countries, and the calculation models have had to be adapted to the peculiarities of the economic structures of the new Members. Regulations in respect of prices constitute another means of avoiding policy errors. Free-trade agreements with a number of EFTA countries have meant that price regulations identical or similar to those laid down in the Treaty of Paris now apply to these countries.

Finally, the fact that the balance of the market was so delicate prompted the public authorities to take a cautious line in commercial policy<sup>1</sup>. The system of quantitative restrictions on imports from State-trading countries has been retained for most iron and steel products, with the corollary of the prohibition of alignments on the prices of those countries.

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<sup>1</sup> Chapter V.

*Indigenous raw materials and procurement on the world market: balances to be maintained*

302. During 1972 the raw-materials supply situation<sup>1</sup> was on the whole satisfactory. Some questions did, however, arise as regards indigenous iron ore, certain ferrous alloys and scrap. Community production of iron ore fell by about 3.5% and imports increased: indigenous iron ore accounted for less than 30% of consumption, as against 55% ten years ago. Import prices remained stable, owing mainly to a decrease in sea-borne freight charges. Additional demand for scrap amounted to four million tons and was covered only to a very small extent by an increase in imports. Most of it was obtained by recourse to trading stocks accumulated in 1971 and to grades not previously used which were made available by new processing installations.

The development of the market was therefore relatively calm if one discounts some temporary upward pressures on prices for grades in great demand. This made it possible to renew in successive stages,<sup>2</sup> the export liberalization measures taken on the basis of the decisions of 27 September 1971 (low-grade scrap) and 20 December 1971 (other categories of scrap: liberalization expired in principle on 31 October 1972).

The new steelmaking and casting techniques, together with the growing proportion of high-grade and special steels, have led to an increase in specific and overall consumption of the various ferro-alloys. In view of the fairly slow adaptation of domestic supply to demand, particularly in respect of individual grades, additional quotas at reduced duties were opened for the importation of ferro-silicon and ferro-silico-manganese.

*Implementation of the general objectives, and long-term planning*

*Security and rationalization of raw-materials supply*

303. The development of the sources of supply of iron ore confirms the dependence of the Community's iron and steel industry on outside sources for its raw materials. In view of the size of the problem the Commission decided to put into concrete form its policy of encouragement and support as defined in the Memorandum on General Objectives for 1975-80.<sup>3</sup> It has established contact with the quarters concerned and, with their cooperation in specialized study groups, it is making a thorough examination of the prospects and conditions for the supply of ferrous materials and alloying constituents.

<sup>1</sup> Fuels are dealt with in the section on "Energy Policy".

<sup>2</sup> See *EC Bulletins* No. 2-72, sec. 72; No. 5-72, sec. 50; No. 9-72, sec. 68.

<sup>3</sup> *Fifth General Report*, sec. 327, and Part 2, sec. 1, of the Memorandum.



*Iron and steel trends over the next fifteen years*

304. Research on long-term development prospects (up to about fifteen years ahead) assumes an increasing importance as the development of markets and metallurgical techniques accelerates. The Commission launched the first research projects several years ago. These problems are now arousing great interest, particularly on the international level, where several private bodies are making considerable efforts for the purpose of producing forward estimates. The Commission, moreover, is taking part in the work of the EEC/UNO Committee on Steel, which has had to give priority to the study of long-term prospects.

The Commission for its part has associated with its work all the quarters concerned. At the end of 1971, for instance, the representatives of the iron and steel industry met those of the construction industry, the main user sector, for a thorough exchange of views on the work in progress.

During 1972 the studies of the Commission of the European Communities were concentrated on the construction sector. Research on the relative competitiveness of steel and the other materials will be resumed in 1973 and extended to cover the economic aspects of the problem.

*Development of production structures, and coordination of investments*

305. The production facilities have undergone considerable further modernization. In the blast-furnace sector, some new units, including a few very large ones, have been put into service, most of them being intended to replace other blast furnaces of smaller capacity. This modernization, in conjunction with the ever-extending application of new techniques in the production of pig iron, has led to a further fall in the specific consumption of coke, which is now running at 525 kg per ton of pig iron. The proportion of oxygen-blown steel has increased continuously at the expense of the open-hearth and basic Bessemer steelworks, some of which have been closed down: it is now approaching 60%, as against 52% in 1971. The continuous casting technique is becoming more widespread, particularly downstream of electric furnaces.

306. According to the annual survey of investments,<sup>1</sup> the Community's iron and steel industry expects to maintain a rapid rate of expansion in the coming years; from 1971 to 1975 the production capacity for crude steel should increase from 135 million to 163 million tons/year. Under these circumstances the cumulative annual growth rate should reach 4.7%.

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<sup>1</sup> "Investments in the Community's coal and steel industries—Situation on 1 January 1972", Luxembourg, July 1972.

According to estimates made by the firms, capital investment by the iron and steel industry as a whole, which in 1971 reached a record level of more than 2200 million u.a., should amount in 1972 to some 2600 million u.a., the highest figure yet recorded; the forward estimate for 1973 indicates that the value will remain very high. The forward estimates suggest that, up to 1975, the supply prospects outlined in the memorandum on "General Objectives for Steel" will be fulfilled. The estimates confirm the anxieties, already expressed by the Commission during the boom years, regarding a sudden and massive increase in the investment propensity. The rapid growth of production capacity raises the problem of abrupt increases in supply which are liable to upset the balance of the market. Although technical progress must often entail the replacement of capacities which have become uncompetitive by much larger capacities, closer cooperation when investment decisions are taken might sometimes facilitate the making of the desirable adjustments, possibly on a multinational basis.

The continued investment growth observed at the time of the 1972 survey is primarily the result of decisions taken during the period of high prosperity that marked the years 1969 and 1970. Since then the investment propensity of the firms has decreased considerably, at the same time as activity in the iron and steel sector was seen to slow down. In spite of the signs of recovery shown by the Community market as a whole from the end of 1971, the prior notifications of new investment projects related in 1972, just as in 1971, to what were modest sums in comparison with those recorded during 1969 and 1970.

(u.a. millions)

Average 1956-59	1960	1961	Average 1962-68	1969	1970	1971	1972
347	1 808	1 371	363	1 848	4 000	669	806

Of the total of 806 million u.a. declared in 1972, Germany accounts for 448 million, France for 61 million, Italy for 186 million and the Benelux countries for 111 million.

The Commission rendered reasoned Opinions on certain declared projects which were of interest from the Community standpoint in the context of the "General Objectives". By means of these Opinions, which tend to go beyond mere business management, the Commission can either grant its support for the realization of certain investment projects or, if necessary, prompt promoters to make desirable adjustments. Opinions directed to firms, as well as those rendered in respect of certain investment programmes at the time of the study of long-term financing in the Community, formed the basis of the Commission's industrial loans policy.

*Technical research and industrial innovation*

307. The Commission has intensified its activity aimed at encouraging technical and economic research concerning steel production and the expansion of steel consumption in the Community. Anxious to maintain the competitiveness of the Community's iron and steel industry in the face of competition on the world markets, which is becoming ever fiercer, the Commission has encouraged projects relating to modern processes for the direct reduction of iron ore, to steelmaking methods designed to produce better-quality steels, as well as to the automation of production processes. In the automation field, research is being carried out for the first time into the solving of management problems in the iron and steel industry by means of electronic computers. The Commission has also continued its efforts in the field of use characteristics with the object of increasing steel consumption. Finally, mention must be made of the support given to three research projects in the iron-mining sector which, apart from its economic interest, is of social importance for the regions concerned.

*The Nuclear Sector**Investment declarations (Articles 41-44 of the Euratom Treaty)*

308. Through the expression of its views on all nuclear investment projects which must be notified to it, the Commission is able to draw the attention of the Member States and the investors concerned to the rules and obligations of the Euratom Treaty, particularly with regard to the attainment of a nuclear common market. The expression of these views also provides the Commission with an opportunity to work for better coordination of national policies in this field. The realization of the Community's illustrative nuclear programmes can also be checked upon at the same time. In 1972 the Commission rendered two views on nuclear investment projects to a total amount of approximately 1900 million u.a.

The following were the investment projects concerned:

- (i) eight light-water nuclear power stations with a total net capacity of 7650 MWe:

in Germany:	Philippsburg II	864 MWe	BWR
	Biblis B	1146	„ PWR
	Krümmel	1260	„ BWR
	Isar	870	„ PWR
	Neckarwestheim	775	„ PWR
in France:	Fessenheim II	890	„ PWR
	Bugey II and III	1850	„ PWR

- (ii) a swimming-pool type research reactor at Neuherberg, Germany;
- (iii) a new unit for the reprocessing of irradiated fuel elements from all types of reactor (high activity, oxide) at Cap de la Hague, France;
- (iv) an addition to the capacity of the nuclear fuel-element fabrication plant at Grosswelzheim, Germany.

*Joint Undertakings (Articles 45-51 of the Euratom Treaty)*

309. The year 1972 saw the continued examination, within the Council, of the question of granting of Joint Undertaking status to the Franco-Belgian company SEMO (the Tihange plant). A decision on the subject should be taken by the Council in the near future.

The Commission has continued its examination of the application from Hochtemperatur Kernkraftwerk (HKG) for establishment as a Joint Undertaking and has carried out the inquiry among the Member States as prescribed in Article 46(1) of the Euratom Treaty. Also, in May 1972, it received an application for the granting of Joint Undertaking status to Schnell-Brüter-Kernkraftwerksgesellschaft (SBK), which was set up with a view to the construction of a 300 MWe prototype power plant equipped with a sodium-cooled fast reactor.

*Safety techniques in nuclear installations*

310. Efforts designed to bring into closer alignment the methods used for the safety assessment of specific light-water nuclear power plants were continued with the collaboration of national experts.

All the various guideline criteria, safety codes and supplementary safety requirements pertaining to the construction and operation of nuclear equipment, and all the comparative studies in this field, have been updated. The principal technical problems on which intensified joint consultation with the representatives of the circles concerned has taken place relate to:

- (i) research in the field of sodium-cooled fast reactors, under the aegis of the specialist Safety Panel set up by the EAEC Coordinating Committee on Fast Reactors, augmented by the inclusion of United Kingdom representatives. This Panel has drawn up a schedule of research tasks;
- (ii) the mechanical and material aspects of steel components (e.g., pressure vessels and primary-system pipes), which are being examined from the safety standpoint by the thirteen-nation panel of experts set up for this purpose in 1970 under the joint auspices of the Commission of the European Communities and the OECD's Nuclear Energy Agency

(Committee on Reactor Safety Technology—CREST), for which the Commission of the European Communities provides the scientific secretariat.

*Promotion of the use of radiation and isotopes in industry and technology*

311. The activities of the Eurisotop Office are characterized by Community projects undertaken with a view to improving existing techniques and introducing new ones into industry. These projects, in which industry and private and public research laboratories participate, are the means of obtaining results which would be difficult, or even impossible, to secure in the private sector or at national level.

These Community projects are directed towards consumer requirements and towards public and industrial interests, some of the research subjects being, for example: the improvement of methods of preserving potatoes, eggs intended for processing, and shrimps; the fireproofing of textiles; the improvement of the technology used in the field of non-ferrous and precious metals. These technical activities are supplemented by a programme for the dissemination of information on the results of the projects and on potential applications of new industrial methods. During the year about 100 publications appeared (information booklets, working documents, technical and economic information hand-outs).

The experience accumulated by the Eurisotop Office in the promotion of the use of radiation and isotopes has indubitably made it possible to stimulate and coordinate efforts to further this technology in various sectors of industry.

#### GENERAL RESEARCH AND TECHNOLOGY

312. The Commission has continued its Community action as regards scientific and technological research and development in accordance with its general guidelines. In order (1) to analyse more closely the situation in this field and the research and development requirements to be met at Community level and (2) to submit new proposals concerning the instruments which the Community should have for action, the Commission has sent to the Council a comprehensive document entitled "Objectives and instruments of a common policy for scientific research and technological development".<sup>1</sup>

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<sup>1</sup> *EC Bulletin* No. 8-1972, sec. 73. *EC Bulletin* No. 7-1972, Part One, Chapter II and *Supplement* No. 6/72.

In 1972, the Commission instituted a number of analyses, mainly via contracts, in order to enable medium- and long-range development forecasts to be made with the aim of determining the role of technological research and development in social evolution. At the same time the Commission increased its efforts to pinpoint the research needs in the various sectors with a view to drawing up a list on a sector basis which would enable a choice to be made as regards priorities and the corresponding proposals for action. In order to obtain optimum results at both the Community and the national level, the Commission has also set on foot more detailed analyses of national programmes and budgets in the Member States of the Community. These analyses will enable a comparison and a decision to be made with regard to duplication or gaps in relation to established needs.

The Commission has submitted proposals, based on information already available, for a multiannual programme (1973-77) covering the nuclear and a number of new fields, notably environmental protection and the Community Bureau of References (CBR). Some of the objectives proposed will be achieved by the JRC and some by means of contracts with national research organizations.

The Commission has also continued to work through the PREST Group, under which several projects have been prepared and launched on a transnational cooperation basis. The Commission has supported these activities, in particular by providing the various secretariats and playing an active part in the implementation of certain projects.

In the wake of the conference, held on 22-23 November 1971, of the Ministers of Science and Technology of the 19 European countries, the Commission assisted in the formation of the management committees of, and in particular provided the secretariats for, the eight projects decided upon.

For the purposes of the five-year programmes in the fields of fusion and biology—health protection, the Commission has negotiated and signed about 60 contracts of association in these fields.

313. The Paris Summit final communiqué recalled that “objectives will need to be defined and the development of a common policy in the field of science and technology ensured. This policy will require the coordination, within the institutions of the Community, of national policies and joint implementation of projects of interest to the Community”. To this end the Heads of State or Government have made provision for a programme with deadlines to be drawn up by the Community institutions before 1 January 1974.

### *Fast Reactors*

314. In the field of fast sodium-cooled reactors, the PHENIX prototype reactor was completed in France and the PFR prototype in the United Kingdom during 1972, both of which should go critical in 1973, and preparations for site work to begin on the SNR 300 and PEC reactors in Germany and Italy respectively have also been planned for 1973. The subsequent phase will still be that of building the two demonstration plants producing at least 1000 MWe which are covered by an agreement between the major electricity utilities in the Community. Bearing in mind that the United Kingdom also intends to start work on a CFR plant developing about 1300 MWe around 1976, the Commission feels that there is a need in this field for rationalizing the efforts to be made at an enlarged Community level by coordinating and aligning the various phases of these activities.

The Commission will use every means at its disposal to promote the creation of multinational industrial groups which will be able to pool the experience acquired in this field from the various programmes of the Member States.

### *High Temperature Gas Reactors*

315. During the past year, the Commission and the other signatories negotiated a further extension of the Dragon Agreement. The Agreement, which expires on 31 March 1973, has been renewed for a further three years. During 1972 the Dragon reactor operated in normal conditions at a power of 22 MWth. Various types of fuel rod for power HTGRs from the Community and the United Kingdom were tested.

The Commission has continued its coordinating activities, a salient feature of which is the formation of groups of experts in various fields of technology, including fuel elements for the HTR reactor. A programme covering behaviour of graphite and fuel in the HFR and BR-2 reactors under irradiation has been followed through with the participation of Dragon, KFA, CEN, Belgo-nucléaire and RCN and the first results will be available towards the end of the year.

### *Fuel Cycle*

316. With regard to long-term supplies of enriched uranium, the special study group under the Consultative Committee on Nuclear Research sent a report to the Council and to the Commission on 12 June 1972, acting on instructions from the Council dated 16 December 1970.

This study has demonstrated that as from about 1980 it will no longer be possible to guarantee that the Community's enriched uranium requirements can be met by existing (or planned) sources of supply. If use were made in good time of at least one of the technologies available within the Community, the latter would achieve security of enriched uranium supply.

In order to take account of the work of the special study group and of developments in the situation over the last three years, the Commission has sent amended proposals to the Council, dated 23 June 1972, with the object of laying down, as soon as possible, and at the latest during 1974, the underlying principles of a joint policy on supplies of enriched uranium to the Community, creating the instruments necessary for concerted action, and defining a phased set of deadlines.

In the field of fuel element fabrication, the Commission is closely following the capacity, market, and structural trends connected with the development of the various families of reactors. Certain increases in available capacity for LWR fuels have been made by industry to match the demand for finished fuel.

In the sphere of irradiated fuel processing, the Commission noted that available capacity has been adapted to the industrial requirements made necessary by the guidelines set by national programmes. The La Hague (CEA) plant, for instance, will be modified and extended in order to process the oxide fuels for the LWR family and the Phénix PFR. In addition, the Commission has examined, in the light of the competition rules laid down in the EEC Treaty, the agreement on the marketing of reprocessing services reached in late 1971 by British Nuclear Fuels Ltd., the French Commissariat à l'énergie atomique and the German group Kernbrennstoff-Wiederaufarbeitungs-Gesellschaft (KEWA).

The EUREX installation (Euratom/CNEN Agreement) did not function during 1972, pending the granting of a permanent operating licence.

The Commission is also examining uses for any surplus of plutonium which might occur before the placing of the fast reactor family on an industrial footing. During June 1972 there was a wide-ranging exchange of views in Brussels with all the Community organizations involved, which enabled the broad outlines of a concerted policy in this sector to be mapped out. The Commission's first act in this sphere was to submit proposals to the Council under Articles 6 and 7 of the Euratom Treaty with a view to promoting plutonium recycling in Community LWRs in order to enable the Community industry to make its competitive position felt despite the initially restricted market for plutonium fuel elements.



As regards the transportation of nuclear fuels, existing agreements between various specialist firms have been extended, thus enabling a trans-national European company to be formed. The Commission is closely observing the pattern followed by problems and structures of this sector in relation to the speed-up in the development of the nuclear fuel industry.

### *Nuclear technology*

317. Nuclear heat is still used chiefly in the production of electricity, but the Commission, alive to the problems raised by the growth in energy demand and supply, has also undertaken the development and extension of certain activities aimed at using nuclear energy for applications other than the production of electricity alone. In particular, the Commission has carried out several technological fact-finding studies for the purpose of analysing the various fields of application (notably iron and steelmaking, chemistry and petrochemicals), determining the essential role of hydrogen in the energy market and examining alternative ways of producing it. In the last-named of these sectors the Commission has set up concerted action, concurrently with its direct action.

The Commission has continued and expanded its technological promotion of LWR power plants: i.e., participation in power reactors; Joint Undertaking status; transfer of knowhow and experience relating to new nuclear power plant projects; systematic exchanges of technological experience with operators of nuclear power plants; operating techniques and components (concerted action and study contracts).

### THE JOINT RESEARCH CENTRE

318. 1972 was another year of transition for the JRC programme and thus of uncertainty as regards its future, especially since delays in the approval of the budget have caused appreciable holdups of the new projects decided upon by the Council. As regards these new projects it is particularly significant that important research contracts covering non-nuclear work in the fields of environmental protection and standard reference materials have been drawn up between the Member States and the JRC. Although these are only valid for a year, they have enabled the JRC to diversify towards aims considered by the Community to deserve special priority. The communiqué issued at the end of the Paris Summit held on 21 October 1972 should pave the way for the continuation of these activities on a multiannual basis through the application of Article 235 of the EEC Treaty.

In the context of the application of the Council resolution stating the role of the JRC in relation to national activities, 1972 has been particularly busy through the preparation of programmes with the close cooperation of the General Consultative Committee, which held several meetings during the year. While this work was proceeding, the decision was taken not to propose the construction of the SORA reactor to the Council of Ministers, since the tender submitted by the industrial consortium carrying out the study was extremely high. For this reason the work in the field of pulsed reactors will be extensively modified.

The financial year has been characterized by the introduction of a functional budget which allots charges according to the objectives pursued, rather than to the nature of the expenditure. Experience will show how this will need to be adapted in order to achieve optimum efficiency.

### *Ispira Establishment*

319. In the fast reactor sphere, efforts have been concentrated on thermo-hydraulic studies, and in particular on a study of the parameters affecting liquid metal boiling and overheating.

The studies on reactor safety were performed in the following areas: engineering research into disastrous accidents or their prevention; research into certain thermohydraulic phenomena in the coolant which are associated with accidents; problems linked with the preventive detection of malfunctions; systems and structural reliability; reactor space dynamics.

As regards information centres, 1972 was the year in which a start was made on activities aimed at analysing and disseminating information within specific sectors dealing with technological development. The work concerned the setting-up of two information analysis offices i.e.: INDAC (Integral Nuclear Data Centre), which operates in the field of integral nuclear data for reactor calculation purposes, and ESIS (European Shielding Information Science) operating in the radiation protection field (reactor shielding).

In conformity with Council decisions, activities in the HWR sphere have been restricted to the operation of ESSOR for fuel irradiation in the CART loop and of ECO for measuring vacuum and temperature coefficients.

Activities in the HTR field have been concentrated on the use of this type of reactor for purposes not concerned with the generation of electricity. New types of chemical cycle for producing hydrogen from water have been studied, in addition to which existing chemical processes (already used by the chemical industry) in which the heat required could be supplied by HTGRs have been

examined. Research into fuel materials includes experiments on coated particles (nucleus and coating) in order to obtain better fuel performance. The studies on graphite include fracture strength, creep, (in-pile and out-of-pile tests) and the development of computer codes in order to provide better characterization of graphite materials.

In the field of fissile material safeguards, the systems analyses have provided the Commission with the technical support required for the discussions with the Vienna Agency on the application of the Nuclear Non-Proliferation Treaty in the Community countries. Work in the experimental field on the development of measuring and identification techniques has led to the development of equipment which is now being used in the practical application of fissile material safeguards.

As part of the research into solid state physics, the magnetic resonance, X-ray diffraction, and optical and neutron spectrography techniques have been closely associated with a view to studying the dynamics of crystal lattices, transport phenomena, phase shift, damage caused by radiation, the dynamic behaviour of impurities, liquid crystals and molecular movements within adsorbed systems.

The study of the SORA pulsed reactor project was continued and completed in collaboration with an industrial consortium. A study of the scientific and experimental programme for this reactor was carried out concurrently. All this led to a detailed file being sent to the JRC's consultative bodies.

The research into materials has been aligned on structural studies: fault formation and behaviour; microcracks and their propagation; advanced materials, in particular fibre-reinforced alloys; and compatibility and corrosion problems.

CETIS (European Scientific Information Processing Centre) has concentrated its activities upon data-processing methods and equipment along two complementary lines: support for both internal and external users in the solution of scientific problems and automated management, and the development of the Centre's own research programme with the aim of widening the scope of the methods used and producing software for applications of general interest. The areas concerned were: computer program library, data transmission, document retrieval, management information systems, numerical analysis, programming systems. The following can be quoted among the concrete achievements: the development of basic software for the computer processing of information expressed in natural language; an automatic, conversational information retrieval system (SIMAS) for managing the computer program information centre; the completion of an integrated system for the automated

management of the Ispra library; the extension of the CARONTE modular computer system facilitating the automatic run-through of a sequence of correlated programs.

Under a treaty between the Member States and the Commission (JRC), work relating to environmental protection and a project on standards and reference substances was planned during 1972. As part of its research into environmental protection, Ispra has started to examine the following subjects: analysis and monitoring (multidetector unit for organic micropollutants, remote sensing and measurement of pollutants), transport and effects of pollutants (studies of the behaviour of atmospheric lead and of the biological indicators of water pollution) and systems models and analysis (eutrophication of an alpine lake, new models of atmospheric pollution, the relationship between energy production and environmental pollution).

In addition, preparatory work has been performed on the creation of a data bank for industrial chemicals discharged into the environment. With regard to the standards and reference substance project, the temporary secretariat, which was set up in April 1972, has continued and expanded the surveys commenced in 1971, prepared a "users' guide to reference substances" and, with the assistance of national experts, defined the priority objectives of a concerted European programme. As far as laboratory activities are concerned, special mention should be made of the technical support given to the competent departments of the Commission, active participation in the certification of reference subjects with a specific composition, preparatory work aimed at the certification of reference substances having specified physical and technological properties. All this work is making for a realignment of the JRC towards activities of a public service nature.

#### *Central Bureau for Nuclear Measurements — Geel*

320. The Bureau has continued and expanded its public service activities with the funds available. As regards direct services, the cooperation with teams from the CEN (Belgium), the CNEN (Italy) and the CEA (France) led to requests for a number of measurements to be given priority in order to improve reactor design and construction, e.g., neutron flux and cross-sections. The neutrons required for these experiments were supplied by the linear and Van de Graaff accelerators and BR-2. The radioactivity and isotopic composition of a large number of samples were determined at the request of various institutes, organizations and private plants. These results were used in production control, and for research and safety monitoring purposes. The CBNM also participated in several international comparative studies in the

fields of isotopic and chemical analysis of actinides. The laboratory has been acknowledged as an arbitrating body for several types of analysis. In addition, a large number of widely varying samples were prepared chemically, metallurgically and by vacuum techniques. These samples were sent to universities, national and international research centres and private industry.

321. In the field of indirect services, the CBNM has proceeded further with the laying-down of standards and nuclear reference constants. Several members attended seminars on standardization and nuclear standards; the Bureau has also continued to accept trainees and grant-holders for training.

#### *Karlsruhe Establishment*

322. A detailed examination of oxide fuels which had been subjected to high burnups in the Dounreay fast reactor revealed the phenomena enumerated below.

The initial oxygen content of the oxide has virtually no effect on the behaviour of the fission gases, but has a pronounced effect on the chemical state of the solid fission products and on oxygen activity (corrosion of canning materials). Fundamental research into the mechanism of void formation, simulation tests and thermodynamic research have provided comprehensive data for the elucidation of these observations. Irradiation in instrumented capsules has been initiated with a view to supplementing these underlying data. The shielded microprobe has been placed in service.

The high-performance fuel (nitrides and carbonitrides) irradiation programme went further ahead and the initial examinations in hot cells were completed. Investigations of thermodynamic and kinetic phase diagrams of material transfer have begun on these materials so that their in-pile behaviour can be interpreted.

Efforts aimed at developing isotopic methods of analysis have been largely directed towards simplifying the mode of determining the burnup of fuels irradiated under a fast flux and setting up an analytical data bank enabling the internal consistency of the analytical results to be verified through correlation. Irradiation of the TACO capsules in the Rapsodie reactor has been completed and the essential elements of the analytical methods have been developed far enough to enable certain neutron physics parameters to be determined.

In the field of transplutonium elements, two different methods of preparation have yielded large quantities of high-purity metallic americium upon which structural studies were done and, in collaboration with the University of Liège, a new value for the heat of decomposition of the metal

and the resultant thermodynamic values were determined. These new values agree with the theoretical values. The preparation of high-purity metallic curium and of certain intermetallic compounds is under way.

The development of methods of chemical analysis and of dosimetry for radiation-protection purposes rounded off this programme.

### *Petten Establishment*

323. The HFR (high-flux reactor) operated in normal conditions at a power of 45 MW for more than 270 days.

The studies on the use of new fuel elements of the type known as "burnable poison" have been completed. From 1973 these new elements will enable more homogeneous flux conditions to be obtained at the irradiation positions throughout a reactor operating cycle. The duration of the cycle can be increased, thus resulting in a certain reduction in annual running costs. Development of irradiation devices continued along the same lines as in 1971. In particular, the devices for measuring creep in structural materials and fuels have been improved. Graphite creep under irradiation at temperatures of 750-900°C was being investigated. The devices for measuring creep in fuels were developed with the use of UN pellets which were irradiated at temperatures of 750-1050°C for 3,500 hours under variable stresses of 0-60 MN/m<sup>2</sup> and a fission rate of  $5 \cdot 10^{13}$  fissions/cm<sup>3</sup>·sec.

A programme of cooperation with thermocouple manufacturers and other research centres, notably Harwell and Saclay, has been launched for the purpose of drawing up specifications and studying the effect of long-term irradiation on high temperature thermocouples. A large number of irradiation projects have been carried out, either for outside persons, industrial concerns or other nuclear centres, or under the JRC's own research programme. A boiling-water capsule for irradiating instrumented fuel pins has been developed for this programme. Fuel pins designed for the production of actinides have been irradiated in the high-pressure loop for GFK, Karlsruhe.

Graphite for high-temperature reactors has been irradiated as part of the cooperation with the Dragon project, RCN and KFA, Jülich. In this cooperation scheme, which has been in progress for many years, the role of the Petten establishment is to study the mechanical properties of graphites and to relate them to the more general behaviour of a brittle substance. Studies of the behaviour under irradiation of HTGR (high-temperature gas-cooled reactor) fuels continued within the framework of cooperation which was broadened still further by the participation of Belgo-nucléaire and AGIP Nucleare.

Methods of checking the quality of coated particles were developed, using the distribution function of the breaking strength as a basis.

The studies on composite matrix creep under irradiation were performed by (a) the prestressed sample method and (b) direct in-pile measurements. The aim of the studies on vanadium is to determine the influence on its mechanical properties and the irradiation behaviour of the various metallic impurities. During 1972 numerous patents were filed. Special mention should be made of a new method of reprocessing HTGR fuels, based on the wet dissolving of the matrix. Another patent covers the development of instrumentation for electron microscopes for direct filming with intensification of grey shading.

### *Thermonuclear fusion and plasma physics*

324. 1972 was the second year of the third five-year programme on controlled thermonuclear fusion and plasma physics, carried out through six contracts of association between the Commission and specialist institutions in the Member States.<sup>1</sup> The salient features of activity during this year have been the determination, on the basis of recommendations issued by the Liaison Group, of a number of specific projects accorded priority status, account being taken of technical opinions supplied by the scientific experts in the associations. In accordance with these recommendations and the provisions of the Council Decision of 21 June 1971 concerning this programme, the Commission has raised its share in the financing of the investments in these activities from about 25% to 44%.

In accordance with the undertaking it gave when it adopted the third programme in 1971, the Commission has prepared, in collaboration with the Liaison Group and the Committee of Directors of the participating laboratories, a draft amendment to the programme so as to incorporate the activities pursued in the specialist institutes in the acceding countries.

### *High-flux irradiation*

325. The joint operation of the BR-2 reactor (Belgian Reactor 2) and its associated equipment continued under the revised agreement between the Commission and the Centre d'Études de l'Énergie Nucléaire (CEN) at Mol.<sup>2</sup>

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<sup>1</sup> *Fifth General Report*, sec. 356.

<sup>2</sup> *Ibid.*, sec. 357.

*Biology and health protection*

326. The year 1972 witnessed the resumption of the new five-year programme adopted by the Council on 21 June 1971. This programme is to be amended so as to take account of the accession of the new Member States and to enable them to participate in the Community research effort. Since it thus has resources enabling it to set up medium-term projects, the Commission's main concern is not only to ensure continuity of the projects under way, but also, and in particular, to procure for itself the possibility of altering their content to take account of scientific progress.

Coordinated research has been carried out into the genetic effects of radiation. This research covered a wide range of subjects, from molecules to man, and concentrated on securing that understanding of the mechanism of induced mutagenesis which is necessary for any real chance of assessing the radiological damage to man. The studies of the short-term effects were basically directed towards impairments of the hemopoietic system, bone-marrow transplants and the related immunological problems. These studies have follow-ups which largely transcend radiobiology and are being conducted jointly by the members of the European cancer treatment research organization and by other specialist European research groups. Apart from the research already carried out under the second programme, the long-term effects will henceforth continue to be studied in a new organization which has undertaken to conduct this type of research along coordinated, standardized lines at European level, i.e., the EULEP (European Late Effects Programme group).

From the studies on food-chain contamination levels has emerged a digest of the major results acquired in ten years' work. This digest will be published in 1973.

Microdosimetry studies embraced coordinated research, carried out in nine European institutes, on the microdistribution of the process of energy absorption and transfer, this being of major importance in the interpretation of the effects of low radiation levels. In the field of neutron dosimetry, the Commission has launched a comparative study project. Together with the GSF it organized a symposium on neutron dosimetry in biology and medicine which was held in Neuherberg on 15-19 May 1972 and attended by more than 130 participants from 18 countries.

The programme of the main association for the application of nuclear techniques to agricultural engineering has been redirected towards the priority objectives of agricultural engineering research, such as the induction of resistance to certain plant diseases, and the improvement of protein balances.



### 3. Energy policy

#### *General*

327. In its programme for 1972, the Commission stressed the need to accomplish real progress in the implementation of an energy policy for the Community. It made known its intention of drafting new proposals for a common policy in the sector covering trade in and supply of hydrocarbons. It also underlined the advantage of reducing the growing import requirements by giving nuclear energy a more important place in energy supplies.

On the basis of these general principles, the Commission's energy policy activity has consisted in continuing to implement the "First guidelines for a Community energy policy", forwarded to the Council at the end of 1968. Furthermore, in order to bring these guidelines up to date and amplify them, the Commission forwarded to the Council memoranda on "The problems and resources of the energy policy for 1975-85" and "Necessary progress in Community energy policy".

#### *Necessary progress in Community energy policy*

328. The Community's energy demand will show an average annual increase of 5.2% over the next few years; from 973 million tce in 1970, the total requirements will thus increase to 2 000 million tce in 1985 and will be covered as to 2% by lignite, 7% by hard coal, 11% by primary electricity, 15% by natural gas and 65% by oil. The change in the proportion of imported energy in the coverage of requirements means an increase in the Community's current energy dependence until about 1980, but this trend may be reversed subsequently as a result of nuclear energy's contribution.

This is the basic conclusion to be drawn from the energy forecasts established by the Commission to define the framework of action announced in the "First guidelines". These studies showed in particular the changes in the energy context since 1968/69, the most important factors in which are the emergence of a sellers' market for the majority of energy products, the changing attitude of energy-exporting countries and the discussions in progress throughout the industrialized countries on the improvement of the quality of life. Moreover, the major consuming regions other than the Community which will have increasing recourse to imports are preparing and implementing a supply strategy without delay; this means that in the enlarged Community the common energy policy, which is mainly a supply policy, must be pursued unremittingly.

Supply problems are so much a matter for consideration in a world context that national-scale attempts at solution are seen to be doomed to failure from the outset.

329. The memorandum to the Council on "The problems and resources of the energy policy for 1975-85" summarizes the problems which will arise between now and 1985 and seeks to determine the options which might be adopted and to evaluate their consequences. The document thus contains the bases and justifications of the guidelines adopted by the Commission in its memorandum to the Council on the "Necessary progress in Community energy policy"<sup>1</sup>. While bearing out the fundamental arguments of the "First guidelines", the changes which have occurred in the world energy market since 1968 are causing shifts of emphasis in the energy policy and make it necessary for this document to be updated and amplified.

330. The document on "Necessary progress" enumerates 46 projects which the Commission considers it necessary to carry out in the various energy sectors—oil, natural gas, coal, electricity and nuclear energy. It supplements or amplifies the proposals already put forward or envisaged in "First guidelines", principally in the light of the changes which are causing major concern and which require energy policy measures.

The foremost in importance of these changes is the improvement in the quality of life. In this respect the energy sources which best conform in the long term to the characteristics of dependability of supply and low price, i.e., natural gas and nuclear energy, are also the least harmful to the environment. Nevertheless, problems will arise in the immediate future for which a solution must be found in the combined actions which the Commission proposes concerning the environment. Rational utilization of energy could help towards this end and at the same time considerably reduce the scale of the supply problems. Technical and scientific research can also make a significant contribution to their solution. In the Community, efforts should be stepped up in two categories of research: those ensuring a better yield from energy and those aimed at the discovery of new energy sources or resources or new uses of known resources. The Commission considers it necessary to draw up a schedule of energy research projects in progress in the Community and to examine the possibilities of cooperation with other countries.

With regard to energy-importing countries, a certain interrelation already exists between them and will be intensified in the future, since energy supply is increasingly becoming a matter for consideration on a world scale. The Com-

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<sup>1</sup> *Supplement to EC Bulletin No. 11-72.*

mission recommends the initiation or further development of contacts between the importing countries in order to ensure better reciprocal information on the problems and to arrive at solutions in common. However, an improvement in supply conditions will also require economic and social cooperation with the exporting countries in all fields of common interest and on the basis of mutual advantage; this would promote, through the industrial and economic development of regions producing energy, the establishment, between partners on an equal footing, of a desirable stability in relations.

The Commission hopes that the memorandum on "Necessary progress", which is to be discussed with the Council, the European Parliament, the Economic and Social Committee and the ECSC Consultative Committee, and the special proposals which it has submitted or is to submit to the Council shortly, will continue to help towards the implementation of a Community energy policy. The Conference of Heads of State or Government gave a significant impetus to this subject when it declared there was a need for the Community institutions to formulate as soon as possible an energy policy guaranteeing dependable and permanent supply in satisfactory economic conditions.

### *The activities of the Communities in 1972*

331. Contemporaneously with the drafting of the memoranda described above, the Commission continued the implementation of the "First guidelines for a Community energy policy".

First, it endeavoured to secure the adoption of various proposals previously submitted to the Council, without achieving progress in every field, however. It may be noted that the Council long ago received proposals concerning an amendment to Chapter VI of the Euratom Treaty, the Community's enriched uranium supplies, the alignment of specific taxes on consumption applicable to liquid hydrocarbons used as fuels, the application of Joint Undertaking status to activities relating to the hydrocarbon industry and the application of Article 172(4) of the Euratom Treaty.

More generally the Commission, relying on the provisions in force, continued its work on the establishment of a "framework of action" for energy policy measures, the gradual attainment of the common market, the preparation of measures for the improvement of security of supply and the establishment of a supply policy.

By means of collaboration with the Parliament, the Council, the advisory bodies of the Communities and the Governments, and by constant discussion with all the economic and social quarters concerned, progress was achieved in these various fields.

### *Framework of action*

332. As in previous years, the Commission prepared a report on the energy situation in the Community, describing the situation in 1971 and giving the outlook for 1972. It examined more especially the situation of and short-term outlook for coal in the Community in a report on the "General situation of the coal market—Estimates for 1972" which was submitted to the ECSC Consultative Committee and published in the Official Journal.<sup>1</sup>

The framework of action as defined, however, centred on the compilation of medium-term forecasts and estimates, which outline both trends and the modifications to be made to them. The Commission has drawn up tables of estimates for primary energy demand in the Community (1975-1980-1985). It has examined the supply conditions in respect of the main energy sources by formulating medium-term estimates and guidelines for the oil sector in the Community, medium-term estimates and guidelines for the gas sector and a second illustrative nuclear programme, the last-named in accordance with the Euratom Treaty provisions. These documents, which form a concrete basis for following up the implementation of the common energy policy, mainly concern the period from now until 1985 and apply only to the Six. They do, however, constitute a starting point for the work necessary to establish such a "framework of action" for the enlarged Community.

### *Establishment of the common market*

333. As it foreshadowed in the Fifth General Report,<sup>2</sup> the Commission drew up, in cooperation with the government experts, inventories of the national administrative regulations and practices concerning the construction and operation of fuel refineries, pipelines and service stations and also concerning oil prices. It made the contacts necessary for supplementing these inventories as quickly as possible in respect of the new Member States.

The Commission's examination of the provisions concerning transport by pipeline prompted it to draft a proposal for a Council regulation on oil and gas pipelines crossing frontiers<sup>3</sup> between the Member States which are to be integrated gradually into a Community network. On the basis of EEC Treaty Article 75, the proposal makes provision for these pipelines to be recognized as being "of common interest from the European point of view", by Council decision; this will require transporters to effect transport for outsiders at prices

<sup>1</sup> OJ No. C 40, 24 April 1972.

<sup>2</sup> *Fifth General Report*, sec. 371.

<sup>3</sup> OJ No. C 134, 27 December 1972, p. 22.

and on terms of a non-discriminatory nature. These arrangements would facilitate the exchange of hydrocarbons between the Community Member States.

In order to arrive at a satisfactory transparency of the energy market, the Commission has developed and tested successfully a procedure for the periodical gathering of information on the prices actually charged for the various energy products,<sup>1</sup> on the basis of voluntary cooperation by firms operating at different stages in the production, marketing and consumption of energy. The operational phase of this procedure will, by means of regular and more extensive surveys, enable the Commission to observe changes in the energy market in the Community and to exchange views with the governments and other interested bodies.

#### *Measures to improve security of supply*

334. At its 221st session, on 18-19 December 1972, and after consulting the future Member States, the Council approved a directive<sup>2</sup> amending Council Directive No. 68/414 of 20 December 1968 requiring the Member States to maintain a minimum level of stocks of crude oil and/or oil products.<sup>3</sup> In pursuance of this directive, the Member States are required by 1 January 1975 to bring the compulsory stocks of oil up to a level equivalent to 90 days' consumption in the previous year.

The Commission also considers it necessary to develop a Community storage policy and is endeavouring to do this by harmonizing the Member States' storage policies, in particular on the financial plane, and by conferring Joint Undertaking status upon projects of Community interest, notably for underground storage. It is also examining the technical and financial problems which the raising of stocks to 120 days' consumption would involve.

An examination of the laws and regulations in the Member States<sup>4</sup> has shown that some States do not have the necessary powers for adopting any appropriate measures needed to remedy energy supply difficulties. The Commission has proposed to the Council a directive based on EEC Treaty Article 103,<sup>5</sup> requiring the Member States to obtain the powers to make laws or regulations which will enable them to intervene in case of necessity on the energy market to reduce the effects of hydrocarbon supply difficulties. In addition, the Commission will, when supply difficulties occur, convene a group of experts

<sup>1</sup> *Fifth General Report*, sec. 371.

<sup>2</sup> *OJ* No. L 291, 28 December 1972, p. 154.

<sup>3</sup> *OJ* No. L 308, 23 December 1968, p. 14.

<sup>4</sup> *Fifth General Report*, sec. 370.

<sup>5</sup> *OJ* No. C 134, 27 December 1972.

which will undertake the necessary consultations, in order to ensure Community coordination of the practical measures to be adopted.

### *Common supply policy*

335. The primary requirement of this policy is that the Community institutions should possess a general view of the Community's energy supply situation and its possible development.

Despite the gaps which still exist in the field of information, and concerning which the Commission, in its memorandum on "necessary progress", has made a number of concrete proposals, significant progress has proved possible in this field. At its session of 18 May 1972, the Council, after consulting the future Member States, adopted Regulations No. 1055/72 on notifying the Commission of hydrocarbon imports<sup>1</sup> and No. 1056/72 on notifying the Commission of investment projects of Community interest in the oil, natural gas and electricity sectors.<sup>2</sup>

Under the regulation on hydrocarbon imports, the Member States must notify the Commission, not later than 30 September and 21 March each year, of the imports of crude petroleum and natural gas by the various undertakings during the preceding calendar half-year; 31 December each year they must supply composite information for all undertakings under their jurisdiction concerning the imports planned for the following year, with a breakdown by origin. Should the need arise, these notifications may be made in shorter periods or relate to other periods or, in the case of anticipated imports, may be made on a temporary basis, the breakdown being by firms. The Commission will use this facility, intended to enable it to assess the supply situation, only after consultation with the responsible officials of the Member States.

At its meeting on 20 December 1972, the Commission decided, after consulting the senior officials responsible for oil problems in the Member States, to ask the Member States to provide it with the relevant information, broken down by firms, on hydrocarbon imports planned for 1973. The information in question will make it possible to assess all aspects of the Community's hydrocarbon supply situation.

Under the regulation on investments, the Member States have to supply the Commission by 15 February each year with information on industrial investment projects concerning production, processing, storage and distribution of hydrocarbons or electrical energy which it is planned to carry out in their

<sup>1</sup> OJ No. L 120, 25 May 1972, p. 3.

<sup>2</sup> *Ibid.*, p. 7..

territory and the execution of which should in the normal course begin in three years' time. The annex to the regulation sets out the projects which are subject to this obligation.

The Commission is submitting to the Council summaries of data collected in implementation of these regulations; it is to organize exchanges of views with the Member States and companies concerned.

336. However, a hydrocarbon supply policy will also have to be backed by commercial policy instruments if it is gradually to acquire the efficiency and coherence which are still wanting at Community level. On the one hand, the various methods of obtaining supplies should develop as freely as possible; on the other hand, it may also prove necessary for protective measures to be adopted at Community level to ensure security of supply. To this end, the Commission has forwarded to the Council a proposal for a regulation establishing common arrangements applicable to imports of hydrocarbons from non-member countries.<sup>1</sup> By including hydrocarbons in the scope of Council Regulation (EEC) No. 1025/70 of 25 May 1970,<sup>2</sup> this proposal provides for liberalized arrangements to be applied to them, together with supervisory and/or protective measures which can be adopted not only for the reasons set out in these provisions but also if the supply situation so warrants.

337. The proposal for a regulation on the application of Joint Undertaking status to activities stemming from the hydrocarbon industry<sup>3</sup> has been the subject of a European Parliament resolution.<sup>4</sup> Consultation with the Economic and Social Committee and discussions at Council level have not yet been completed.

338. With regard to the coal sector, the trend of coal production in the Community is still governed by the decisions of the Member States and the Community institutions. These decisions reflect not only social and regional considerations but also the importance of coal production as regards energy supply. In order to obtain an exact idea of the part played by coal—both Community and imported—in the Community's future energy supply, the Commission has begun to draft medium-term guidelines for the coal sector.

339. In accordance with Article 5 of Decision No. 3/71/ECSC of 22 December 1970,<sup>5</sup> the Commission has submitted to the Council for consultation purposes

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<sup>1</sup> *OJ* No. C 134, 27 December 1972.

<sup>2</sup> *Ibid.* No. L 124, 8 June 1970, p. 6.

<sup>3</sup> *OJ* No. C 106, 23 October 1971.

<sup>4</sup> *Ibid.* No. C 46, 9 May 1972, p. 21.

<sup>5</sup> *OJ* No. L 3, 5 January 1971.

the memorandum on the Member States' financial aid to the coal industry in 1972. An examination of the aid planned for 1972 revealed that it was no obstacle to the smooth running of the common market for coal. In accordance with the provisions of Decision No. 3/71, therefore, the Commission authorized the aid granted by Belgium, France, Germany and the Netherlands by Decision Nos. 72/372-375/ECSC of 19 October 1972.<sup>1</sup>

At the beginning of December, the Belgian, French and German governments informed the Commission of their intention of granting additional aids to the collieries for 1972. These aids are now being examined in the light of Decision No. 3/71/ECSC.

In accordance with Decision No. 70/1/ECSC of 19 December 1969 concerning coking coal and coke,<sup>2</sup> the Commission authorized the Belgian, French and German governments to let their collieries have aid at the rate of 1.50 u.a./t for coking coal production in the Belgian Campine (Kempen) and Sud basins, the French Nord/Pas-de-Calais and Aquitaine basins and the German basins during 1972.

The above-mentioned memorandum shows that the direct aid granted under Articles 6-9 of Decision No. 3/71/ECSC amounts to 329.6 million u.a., or 13.3% less than in 1971 (380.1 million u.a.). Altogether, i.e., including aid to coking coal and indirect measures, Community coal aid is 5.3% less than in 1971 (497.7 compared with 525.7 million u.a.). These figures do not include the additional aid notified by the Belgian, French and German governments; nor do they include the financial aid under Article 4 of Decision No. 3/71/ECSC for covering the deficits of social security organizations, which in 1972 were nearly 1 600 million u.a. (an increase of 11.3% over 1971).

340. In July 1972, the Commission approved the second report on the Community steel industry's coking coal and coke supply situation.<sup>3</sup> This report, which was forwarded for information to the Council and the Consultative Committee, forms the basis for discussions on the problem of aid for coking coal and coke, since Decision No. 70/1/ECSC is applicable only until 31 December 1972.

At its meeting on 4 October 1972, the Commission adopted the text of a Decision on a new system of Community aid for coking coal and coke for the Community steel industry<sup>4</sup>, which, in accordance with Article 95 of the ECSC Treaty, was submitted to the Council for its assent and to the Consultative

<sup>1</sup> *OJ* No. L 256, 14 November 1972.

<sup>2</sup> *Ibid.* No. L 13, 17 January 1970.

<sup>3</sup> Doc. No. (72)2427 Fin.

<sup>4</sup> *EC Bulletin* No. 12/1972, Part Two, Chapter II.



Committee for its Opinion. The Decision in question provides for two distinct types of aid, depending on whether it is intended to facilitate production of coking coal in the Community or the sale of coking coal in zones far from the production basin or in intra-Community trade. The level of the aid is to be determined by the governments in accordance with common criteria. Aid for marketing in other Community countries will be financed by the Community, the burden being shared between the Member States and the steel industry. With regard to the fixing of selling prices for coking coal, the draft Decision broadens the provisions of the ECSC Treaty by permitting coal firms to make reductions in their price lists, even when there is no effective competition at the place of utilization with coking coal and coke from non-member countries.

The Council examined this draft text at its meeting on 19 December 1972. Since there was no prospect of the unanimous assent provided for in Article 95 of the ECSC Treaty and a compromise proposal for extending the validity of Decision No. 70/1/ECSC beyond 31 December 1972 for a brief period had likewise been rejected, the Council instructed the Permanent Representatives Committee to draw up by 31 March 1973, in the light of the discussions which had taken place in the Council, the elements of a proposal affording an acceptable solution.

The European Parliament, on the other hand, delivered a very favourable Opinion on this project at its session of 11 December 1972.

A very large majority of the ECSC Consultative Committee also regarded the project favourably in principle.<sup>1</sup>

341. In its annual survey of investments,<sup>2</sup> the Commission noted that, according to the data supplied by the coal industry, the annual coal-winning potential in general would contract by about 27 million tons until 1975 and would then amount to only 147 million tons. The value represented by the advance investment declarations recorded by the Commission in 1972 was 131 million u.a. In accordance with Article 54 of the ECSC Treaty, the Commission rendered an Opinion on a programme for the extension of a thermal power plant.

342. The "Second illustrative nuclear programme for the Community" determines the Community's nuclear energy objectives, the attainment of which involves a number of measures.

In this context, the Commission recalls its proposal of July 1971 requesting the Council, in accordance with Article 172(4) of the Euratom Treaty, for permission to raise loans for the purpose of a Community contribution to the

<sup>1</sup> *EC Bulletin* No. 12/1972, Part Two, Chapter II.

<sup>2</sup> *EC Bulletin* No. 9/1972, sec. 72.

financing of nuclear power plants.<sup>1</sup> So far, the Council discussions have not resulted in an affirmative decision on this proposal. The same applies to the amendment to Chapter VI of the Euratom Treaty, concerning which Council discussions are continuing on the basis of Commission proposals initially made in 1964 and revised in 1970.

343. In the field of nuclear fuel supplies, the Commission concluded the negotiations which it was conducting with the American authorities, in pursuance of the Council's instructions of 29 June 1971 and the complementary directives of 26 May 1972, with a view to improving the conditions governing the supply to the Community of enriched uranium from the United States. It submitted to the Council a report on the results of these negotiations and a draft amendment to the 1960 Additional Agreement which had been approved by the American authorities. The Council approved this draft and on 20 September 1972 an agreement on the amendments in question was signed with the US government.

The Special Study Group of the Consultative Committee on Nuclear Research was instructed by the Council to submit a report to enable the latter to adopt a position on the Commission proposals concerning the creation of a uranium enrichment facility in the Community; the Group submitted its report on 30 May 1972. Taking into account the conclusions of that report, the Commission brought its proposals of 22 May 1969<sup>2</sup> up to date, suggesting that the Council approve a resolution recognizing the need for the Community to have a uranium enrichment facility for covering a substantial and increasing proportion of Community requirements as from the beginning of the next decade. Because of the capital importance of such projects to the Community, it is necessary to set up a legal framework, e.g., a Joint Undertaking, which, by pooling efforts and integrating measures, would be responsible for carrying out the preparatory work to enable the Council to come to a decision no later than in 1974. The proposal is under discussion in the Council's committees.

#### *Technical research on coal*

344. Since 1970 the Commission has been implementing a programme of medium-term aid for coal research (1970-74); it has now revised this programme<sup>3</sup> to take into account technical developments and the problems concerning protection of the environment, in particular with regard to product processing.

<sup>1</sup> OJ No. C 106, 23 October 1971, p. 5.

<sup>2</sup> *Third General Report*, sec. 210.

<sup>3</sup> OJ No. C 74, 10 July 1972.

Under this medium-term programme, the Commission has decided, in pursuance of Article 55 of the ECSC Treaty, to grant aid in 1972 totalling 3 280 000 u.a. for the execution of research projects on the following subjects: methods of roadway drivage, firedamp control, deformation in shafts, reliability of winding ropes for high-production shafts, coking of coal, and new chemical and physical methods for coal processing.

In order to disseminate the results of some of these research projects, the Commission organized two information seminars, held in Luxembourg in May 1972 and attended by some 350 experts, on automation in coal mines. The seminars were followed by roundtable discussions which afforded a wide exchange of experience between research scientists, operators and manufacturers. In addition, quite apart from the publication of what in some cases were incomplete results in specialized journals, five retrospective collections giving the results of completed research have been published and disseminated to interested parties in the Community.

### *Euratom safeguards*

345. In this field covered by the Euratom Treaty, the new technical verification methods, constantly adapted to the realities of the nuclear industry, have been improved. The various systems of inspection, in particular the continuous checks in reprocessing plants and increased surveillance in fuel-element fabrication plants, have proved their efficiency. An increasing number of conventional inspections have been carried out in other nuclear installations.

The application of non-destructive measuring techniques tested in plants which fabricate highly enriched uranium and plutonium fuel elements enabled checks to be made with an appreciably increased degree of confidence on the material balances of the installations concerned. The Joint Research Centre provided substantial technical assistance in the development of portable measuring instruments by extending their application to the various types and compositions of inventory material, in particular fabrication wastes.

Computerized materials accounting was continued for the verification of the materials which nuclear plants are required to declare periodically to the Commission. A total of 390 installations, including mines, send balances and inventories every month covering 15 611 metric tons<sup>1</sup> of natural uranium, 36 635 kg<sup>1</sup> of uranium enriched in uranium-245 and 1 862 kg<sup>1</sup> of plutonium.

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<sup>1</sup> At 30 June 1972.

Participation in the safeguards research programmes being conducted jointly with the JRC, the GFK, the Belgian CEN, the CNEN and the RCN was continued. New research contracts were concluded.

In addition, the Safeguards Directorate provided effective technical assistance in the negotiations with the International Atomic Energy Agency on the subject of a verification agreement under the Treaty on Non-Proliferation of Nuclear Weapons.

### *Supply Agency*

346. During the past year the uranium market continued to be characterized by an excess of supply over demand. In the first few months, however, what had been a constant downward trend came to an end. There has since been a fairly appreciable increase in offerings from the leading uranium producers.

As in previous years, Community users arranged for long-term cover as regards natural uranium for toll enrichment, but contracts rarely went beyond the end of the present decade. With the aid of the Agency, users concluded contracts for 3 505 tons of natural uranium during the financial year 1972.

In the case of enriched uranium, users continued to cover their needs regarding enrichment services in the United States by contracts which were generally of longer duration than those for natural uranium. Twelve new contracts were made in 1972; they related to an enrichment expenditure of \$193 million. In the performance of contracts concluded, imports of enriched uranium rose to about 404 tons of, for the most part, slightly enriched uranium, involving an enrichment expenditure of \$36 million and delivery to the USAEC of some 1 500 tons of natural uranium. (The enrichment price, namely \$32.0/kg per separative work unit, remained unchanged in 1972.)

Research reactor requirements continued to be covered by multisale and, especially, multilease contracts on the same terms as before. The value of materials on lease throughout the Community was \$9 706 911 53, including \$1 129 105 01 for the ten new contracts concluded during the financial year. (It should be noted that four of these contracts relate to materials intended for non-member countries after processing and fabrication in the Community.) Moreover, negotiations took place with a view to obtaining from the US Congress a rise in the ceiling quantity of 215 tons of  $U^{235}$  available for the Community. The new ceiling will enable the requirements for reactors due to come into service before the end of 1978 to be covered up to the end of 1995. It will correspond to an installed capacity of 35 000 MWe in 1976.

In contrast to previous years, there were signs of activity in the plutonium market. Outlets were found in the Community for fuel recovered from a nuclear power plant.

Generally speaking, studies on recycling are being actively pursued by all producers of nuclear electricity in the Community, and this should have a favourable, albeit limited, effect on the demand for enriched uranium. Apart from contracts for small quantities, transactions on an industrial scale totalled about 130 kg of Pu, valued at about \$780 000.

## 4. Common transport policy

### I. General

347. The following were the main features of the Community institutions' activities in the transport sector in 1972:

- (a) The Commission made a special effort to provide an effective impetus for the implementation of the common transport policy by submitting a number of proposals which, in conformity with the ideas it put forward in its communication of 8 November 1971, are aimed at promoting an efficient organization of the transport market or furthering harmonization of the conditions of competition,<sup>1</sup> and also at enlarging the scope of this common policy to other sectors such as traffic safety.

The Commission also took steps to make a start on Commission action in the field of air travel and ports.

- (b) The Council, which met three times in the course of the year, was also very actively occupied in promoting progress in the implementation of the common transport policy.

From the angle of the number of provisions adopted, the balance sheet of the results achieved may appear at first sight not very satisfactory. It must be stressed, however, that the problems which the Council had to deal with were particularly complex on both the technical and legal planes. On this point it is sufficient to call attention to the provision relating to the adjustment of charges on commercial vehicles, which required very considerable work on the methods of calculating social marginal costs and the decision relating to the opening of negotiations with Switzerland, which involved an examination of very delicate problems, particularly from the institutional angle.

Further, compliance with the procedure of consulting the acceding States on the various problems slowed down the process and revealed the existence of divergences of opinion which could not be settled and made it necessary to postpone any decisions till the next year. Such is the case, for instance, of the proposal relating to the weights and dimensions of commercial vehicles, on which the general agreement reached between the Six was not accepted by the new States.

- (c) An important point of principle was resolved by the adoption of the decision relating to the opening of negotiations with Switzerland on the

<sup>1</sup> Supplement 8/71, Annex to *EC Bulletin* No. 12-71.

laying up of vessels. For the first time the Council took a decision on the Community's external responsibilities in the matter of transport by authorizing the Commission to conduct the negotiations on behalf of the Community. This is a practical application of the principles laid down by the Court of Justice in the AETR judgment.<sup>1</sup>

- (d) Various procedures for breach of rules have been instituted by the Commission in respect of Member States for failing to comply with obligations incumbent on them in the matter of adopting measures implementing Community provisions.

This situation, which is sometimes accompanied by deficiencies in the supervision machinery and penalties set up by the Member States, reveals the risk of a certain ineffectiveness of Community rules and of a considerable reduction in the extent of progress achieved to date in implementing the common transport policies.

## II. *Achievement of the common transport policy*

348. A brief account is given below of the results obtained in the various fields in which the common rules provided for under Article 75 *et seq.* of the EEC Treaty are being established, and of the adoption of provisions for implementing these rules on Community territory, supervision of the application of Community provisions and implementing measures.

### *Establishment of common rules*

349. As regards access to the transport market the Council adopted, at its session of 18 and 19 December, a regulation relating to the Community quota<sup>2</sup> which, pending the establishment of a definitive system, which in the eyes of the Commission should aim at generalizing the Community authorization, makes it possible to continue for two years—with the possibility of a further extension of one year—the experiment of the Community quota for road haulage between the Member States as established by Council Regulation (EEC) No. 1018/68 of 19 July 1968.<sup>3</sup> This Regulation provides for a 15% increase per year in the total quota. The breakdown by Member State of the quota is based on new methods which for the first time take into account to a certain extent the use of Community authorizations during the preceding years. The Council agreed

<sup>1</sup> *EC Bulletin* No. 5/71, sec. 80 and *Fifth General Report*, sec. 586.

<sup>2</sup> Council Regulation (EEC) No. 2829/72 of 28 December 1972 relating to the Community quota for road haulage between Member States; *OJ* No. 298, 31 December 1972.

<sup>3</sup> *OJ* No. L 175, 23 July 1968.

to take a decision by 31 March 1973, on a proposal from the Commission, on a possible increase in the number of authorizations, in addition to the regular increase, by reference to growth of road traffic since 1969 between those countries and the original Member States.

350. Moreover, the Commission has submitted, in accordance with the relevant provisions of the Accession Treaty, proposals to adapt certain Community rules and regulations to the situation in the enlarged Community.

Special mention should be made of the amendment<sup>1</sup> to the first Directive of 23 July 1962 on the establishment of certain common rules for international transport (carriage of goods by road for hire or reward).<sup>2</sup> The purpose is to extend the liberalization measures to transport by vehicles which under certain circumstances use sea transport. Further, the Commission proposed to the Council that the same directive should be amended in order to liberalize completely certain categories of transport on own account and transport undertaken with vehicles having a carrying capacity not exceeding 3.5 tons.<sup>3</sup>

351. Finally, on 26 May 1972 the Commission adopted, in compliance with the relevant provisions of the Community regulations relating to regular services and shuttle services by coach and bus between Member States,<sup>4</sup> a regulation<sup>5</sup> establishing standard forms for applications for authorizations and for authorizations; such harmonization will facilitate the controls and reduce administrative formalities.

352. As regards transport rates and conditions, the Council adopted at its session of 28 December a regulation<sup>6</sup> extending and amending Council Regulation No. 1174/68 of 30 July 1968 relating to the setting up of a system of bracket tariffs applicable to road haulage between the Member States.<sup>7</sup> The extension of the regulation on tariffs, which is to be in force for the same period as the new regulation relating to the Community quota,<sup>8</sup> is intended above all to permit sufficient experience to be gained of application of the tariff system.

<sup>1</sup> *EC Bulletin* No. 9-72, sec. 89.

<sup>2</sup> *OJ* No. 70, 6 August 1962.

<sup>3</sup> *EC Bulletin* No. 11-72, Part Two, sec. 60.

<sup>4</sup> Council Regulations Nos. 516/72 and 517/72 of 28 February 1972; *OJ* No. L 27, 20 March 1972.

<sup>5</sup> *OJ* No. L 134, 12 June 1972.

<sup>6</sup> Council Regulation (EEC) No. 2826/72 of 28 December 1972; *OJ* No. L 298, 31 December 1972.

<sup>7</sup> *OJ* No. L 194, 6 August 1968.

<sup>8</sup> Sec. 349.



353. Because of the importance of harmonization of the conditions of competition for the further development of the common transport policy and, more particularly, for the liberalization of road transport, the Commission has made every effort to submit proposals to finish off implementation of the programme mapped out by the Decision of 13 May 1965.<sup>1</sup>

354. On social harmonization, the Commission submitted to the Council on 3 August 1972 a proposal for a regulation<sup>2</sup> amending and supplementing Regulation No. 543/69. It contains provisions relating to driving periods, rest periods, annual and public holidays, and prohibiting premiums for distance covered and load carried.

Consultations between management and labour continued within the Joint Advisory Committee on social questions arising in the inland waterways, and also in the relevant Committee for the railways which was set up on 24 April 1972<sup>3</sup> and began its work on 4 July 1972.

355. On the harmonization of State intervention, the Commission submitted to the Council on 18 and 19 December respectively two proposals for regulations<sup>4</sup> to extend the scope of Regulation No. 1191/69 on public service obligations and of Regulation No. 1192/69 on the normalization of railway accounts.<sup>5</sup>

Work on the introduction of a common system of rates for the use of infrastructures, undertaken pursuant to the Council Decisions of 3 December 1971,<sup>6</sup> has been continued by the Member States in cooperation with the Commission. The European Parliament and the Economic and Social Committee have for their part continued their examination of the proposal submitted by the Commission to the Council for a decision on the matter.<sup>7</sup>

#### *Technical harmonization*

356. In the field of technical harmonization, the Council pursued and speeded up its examination of the amended proposal for a Directive relating to the weights and dimensions of commercial road vehicles and certain supplementary technical conditions. This proposal had been submitted by the Commission in 1971<sup>6</sup>. As a result of this examination the Council adopted at its session of

<sup>1</sup> Council Decision on the harmonization of certain provisions affecting competition in transport by rail, road and inland waterway, (OJ No. 88, 24 May 1965).

<sup>2</sup> EC Bulletin No. 9-72, sec. 84.

<sup>3</sup> Commission Decision of 24 April 1972 setting up a Joint Advisory Committee on social questions arising in the railway industry, OJ No. L 104, 3 May 1972.

<sup>4</sup> EC Bulletin No. 12-72, Part Two, Ch. II.

<sup>5</sup> OJ No. L 156, 28 June 1969.

<sup>6</sup> Fifth General Report, sec. 384.

<sup>7</sup> OJ No. C 62, 22 June 1971.

17 and 18 May, subject to certain reservations, a number of guidelines<sup>1</sup> which reflect for the first time since the matter was referred to the Council in 1962 unanimous positions on the principal technical standards for commercial road vehicles. These guidelines provide in particular for the introduction from 1 January 1980 of a maximum load per single axle of eleven tons and a total laden weight of vehicle combinations of 40 tons, and also faster adoption of all the directives required by the general programme to eliminate technical obstacles to trade in order to arrive rapidly at a reciprocal recognition of type approvals for commercial road vehicles.

In accordance with the procedure specified for this purpose at the signing of the Accession Treaty, consultations with the acceding states were held at ministerial level on the occasion of the Council sessions of 6 and 7 November and 18 and 19 December. Although the acceding states have moved appreciably nearer the Community's views on a large number of points, these consultations have not unfortunately made it possible to overcome the principal divergence between the Member States and the acceding states regarding the maximum weight per single axle, for which the acceding States do not wish to accept more than ten tons.

This being so the Council, after a further examination at its session of 18 and 19 December of a draft directive permitting the elimination of most of the reservations expressed in May, adopted a declaration stating that the text of this draft directive continues to express the common position of the six Member States.

Moreover, the Commission has been anxious to give concrete form to the ideas it had developed in its communication to the Parliament on road safety and reiterated in its communication to the Council on the development of the common transport policy.<sup>2</sup> It submitted to the Council two proposals for Council directives,<sup>3</sup> one concerning harmonization of legislation relating to licences to drive road vehicles and the other on approximation of the Member States' legislation relating to technical controls for motor vehicles and trailers.

As has been pointed out above, the two proposals are part of a set of measures advocated by the Commission with a view to improving traffic safety, reducing the number of accidents or lessening their seriousness and consequences.

357. Steps taken by the Commission to extend the scope of the common transport policy, so far restricted to the various modes of land transport, to include air transport would appear to be of particular significance.

<sup>1</sup> *EC Bulletin* No. 7-72, sec. 49.

<sup>2</sup> *Fifth General Report*, sec. 396.

<sup>3</sup> *EC Bulletin* No. 9-72, sec. 79.

The Commission proposal<sup>1</sup> submitted to the Council on 28 June 1972 goes no further than providing for the examination—in conjunction with the Member States—of possible ways of initiating certain steps in air transport which have become necessary owing to technical and economic developments in air transport during the last few years and in view of the enlargement of the Community.

However, the restricted scope of the action advocated in no way reduces the importance of the initiative which, if it met with success, would at last enable Article 84 of the Treaty to be brought into operation.

358. Finally, in order to undertake a revision more satisfactorily in practical terms of the position it had expressed in its communication to the Council on the development of the common transport policy, particularly as regards the scope to be given to this policy in order to achieve the general aims of the Treaty of Rome, the Commission submitted a communication<sup>2</sup> to the Council on 6 November 1972 with the aim of specifying the role of transport as an instrument of regional policy and of town and country planning policy at Community level.

#### *Supervision of bringing into force and implementation of Community rules*

359. Although under the Treaty of Rome Community regulations are directly applicable, their practical application and effectiveness remain dependent on certain implementing provisions which must be adopted by the Member States, particularly as regards penalties and controls. There is often much delay in bringing them into force and the implementing measures are sometimes inadequate for ensuring that the provisions adopted are observed. Such a situation is likely to do considerable harm to the harmonious development of the common transport policy appreciably reduce the progress made in adopting the common rules required by Article 75 of the Treaty.

That is why the Commission, aware of the magnitude of the problem, has continued its drive to ensure that measures implementing Community regulations enacted in the transport sector are adopted in good time.

360. To this end the Commission has arranged meetings of government experts, who have studied various measures which could ensure a more uniform application of Regulation No. 543/69<sup>3</sup> on social questions. Nevertheless, it must be

<sup>1</sup> *EC Bulletin* No. 8-72, sec. 81.

<sup>2</sup> *EC Bulletin* No. 11-72, Part Two, sec. 57.

<sup>3</sup> Council Regulation (EEC) No. 543/69 of 25 March 1969 on harmonization of certain social legislation relating to road transport. *OJ* No. L 77, 29 March 1969.

pointed out that Italy has not yet put into force the draft implementing measures on which it had consulted the Commission; similarly, Luxembourg has not yet enacted the expected measures regarding penalties. The procedure provided for in Article 169 of the EEC Treaty has been started against these two Member States.

361. In the matter of transport tariffs the Commission has continuously been urging the Member States to apply Regulation No. 1174/68<sup>1</sup> correctly and uniformly so that the experience gained from the system introduced by this regulation may be of value and not lead to disturbances on the international road transport market. To this end, it has begun a new procedure for infringement under Article 169 of the EEC Treaty against the six Member States.

362. Moreover, the Commission has, in compliance with its obligations, been very active in supervizing the practical application of provisions adopted at Community level to ensure that they are observed and to assess their effect and impact for the purpose of achieving the express objectives.

During 1972 several reports were submitted to the Council concerning the implementation of regulations relating to the normalization of railway accounts, public service obligations, and the rates and conditions for the carriage of goods by road between the Member States.

363. An initial assessment of the results of applying Council Regulations (EEC) Nos. 1196/69 and 1192/69 of 26 June 1969<sup>2</sup> relating to action by the Member States on public service obligations in transport by rail, road and inland waterway and concerning also the normalization of the accounts of railway undertakings, will only be possible for the Community as a whole from 1972, since in 1971 Regulation No. 1191/69 was applied in practice in four Member States<sup>3</sup> only. However, a first assessment of 1971 shows that the Member States generally maintained the existing public service obligations and paid very large sums in compensation to the undertakings concerned. As regards the application by all Member States of Regulation No. 1192/69 as from 1971, it should be noted that the largest sums in compensation concerned costs in respect of pensions and retirement and relating to crossing facilities.

<sup>1</sup> Council Regulation (EEC) No. 1174/68 of 30 July 1968 on the introduction of a system of bracket tariffs for the carriage of goods by road between Member States, *OJ* No. L 194, 6 August 1968.

<sup>2</sup> *OJ* No. L 156, 28 June 1969.

<sup>3</sup> Subsequent to a request from the Italian Government, the Commission moreover submitted to the Council on 31 July 1972 a proposal for a Council decision authorizing the Italian Government to extend for international carriage by road certain time-limits specified by Articles 6 and 9 of Council Regulation (EEC) No. 1191/69 [*EC Bulletin* No. 9/72, sec. 85].

364. The Commission has presented to the Council a first report on the provisions adopted by the Member States to implement Regulation No. 1174/68 on transport tariffs. This report shows that there are appreciable divergences between the implementing measures adopted by the Member States and that some of these show omissions, with the most marked differences occurring in controls and penalties.

The Commission is preparing a second report to show State by State the degree of effectiveness of the measures taken and the manner in which they are put into effect, particularly as regards the supervision arrangements which have been introduced.

365. As in previous years the Commission has prepared statistics and established a consolidated report on the use of authorizations granted under the Community quota established pursuant to Council Regulation No. 1018/68.<sup>1</sup>

As analysis of the resulting figures has shown that the satisfactory trend of the preceding years has continued, as may be seen from the following:

	1969	1970	1971
Metric tons/km	732 000	881 200	1 034 000
Vehicles/km	57 500	68 700	78 000

The degree of use of capacity authorized within the Community quota has risen as follows:

	1969	1970	1971
	72.3%	76.5%	76.8%

366. The Commission has noted that the Member States very often fail to refer to it in good time, in accordance with the procedures specified by Community rules and with the necessary details, any information required on aid granted in the transport sector. The Commission has therefore taken the initiative of reminding them of their obligations under the EEC Treaty, in particular under Article 93, and under the regulations in force, and has also let them know what information it needs to be able to keep under constant review aids to transport within the meaning of Article 93(1) of the EEC Treaty.

The Advisory Committee responsible for helping the Commission in its examination of aids has been kept informed of the nature and amount of these

<sup>1</sup> Council Regulation (EEC) No. 1018/68 of 18 July 1968 establishing a Community quota for the carriage of goods by road between the Member States, *OJ* No. L 175, 23 July 1968.

aids and, in general, all relevant details concerning aid granted to transport companies which has been notified to the Commission.

367. In order to prevent a number of situations which could involve discrimination the Commission urged the French and German Governments not to impose, or to cease imposing, a tax-like charge on transport operations carried out on their territory by vessels registered in the other Member States. As a result of the Commission's intervention the relevant changes have been made.

368. The Commission has continued to examine certain agreements in the transport sector to determine whether they are compatible with Regulation (EEC) No. 1017/68<sup>1</sup> applying competition rules to transport by rail, road and inland waterway.

369. The Commission has begun consultations, in accordance with Article 80(2) of the EEC Treaty, with all the Member States on any support tariffs in force within the Community for which it had given an authorization with no specific time-limit.

It has continued to examine a large number of transport rates and conditions—whether published or not—to determine whether they conform to Articles 79 and 80 of the Treaty.

#### *Consultation of the Commission*

370. In conclusion to this survey of the Commission's work in 1972 mention should be made of the opinions and recommendations it delivered in connection with consultations held under provisions adopted by the Council.

It should be stressed here that consultation of the Commission concerns provisions to be adopted by the Member States within the national setting; hence these are the only means—until Community provisions are adopted for the matters at issue—whereby the Community can approximate and harmonize measures adopted at national level and ensure that they are compatible with the guidelines of the common transport policy.

371. In application of the procedure for prior examination and consultation in respect of certain laws, regulations and administrative provisions proposed by the Member States in the field of transport concerned by the Council

<sup>1</sup> OJ No. L 175, 23 July 1968.

Decision<sup>1</sup> of 21 March 1962, the Commission delivered two Opinions in 1972<sup>2</sup> addressed to the Government of the Netherlands and an Opinion<sup>3</sup> addressed to the Government of the French Republic.

On 22 September 1972 the Commission submitted to the Council a proposal<sup>4</sup> to amend the above Council Decision of 21 March 1962 by extending the period during which the Commission must define its position on intended measures from 30 days to two months, or from 10 days to one month if the emergency procedure is invoked. The reason for these extensions is that in some cases consultations with all the Member States do not allow the Commission to define its position within a period of one month. Enlargement of the Community makes it absolutely vital to revise these time-limits.

372. In accordance with the procedure for consultation in respect of transport infrastructure investment instituted by the Council Decision of 28 February 1966,<sup>5</sup> the Commission held consultations with the Member States on 6 and 7 March 1972; these revolved around a number of long-term schemes or groups of schemes.<sup>6</sup>

These consultations enabled a great deal of technical and economic data to be taken into account and brought out clearly the investment coordination problems caused by the schemes or plans communicated to the Commission by the Member States. In dealing this time with long-term schemes or groups of schemes the scope of these consultations was considerably broader than on earlier occasions. The question therefore arose whether the consultation procedure could constitute a suitable framework for examining schemes of this type and whether it might not be necessary to strengthen the procedure in order to make it the effective instrument of real coordination of investment at Community level, particular account being taken of technological develop-

<sup>1</sup> *OJ* No. 23, 3 April 1962.

<sup>2</sup> Commission Opinion of 18 February 1972 on a draft law regulating the financial position of the Dutch railways, *OJ* No. L 56, 7 March 1972.

Commission Opinion of 18 December 1972 on a draft law approving and implementing the Convention concluded on 29 May 1972 in Luxembourg between the Netherlands, Belgium and Luxembourg on the standardization of excise duties.

<sup>3</sup> Commission Opinion of 22 December 1972 on the draft decree fixing the conditions of application of Article R 55 of the highway code relating to the maximum permitted running weight of vehicles.

<sup>4</sup> *EC Bulletin* No. 10-72, sec. 139.

<sup>5</sup> *OJ* No. 42, 8 March 1966.

<sup>6</sup> They cover the following:

- (i) Plan for the development of Federal long-distance roads in Germany (1971-1985) and the first Five Year Plan for the development of Federal long-distance roads (1971-1975);
- (ii) Belgian schemes for the development of a European railway network providing fast transport for passengers;
- (iii) Transalpine communications.

ments, the demands of area development and protection of the environment. The discussions which took place generated some useful material for the preparation of the proposals on the coordination of infrastructure investments which the Commission means to submit to the Council.

In connection with the desire already expressed in the *Fifth General Report* to give the common transport policy a new dimension, with the aims of investment coordination and with the practical, immediate problems posed by high-speed transport schemes communicated under the consultation procedure, the Commission has been studying future modes of transport. On 9 February 1972 the Commission reviewed the situation on the occasion of an oral question followed by discussion in the European Parliament.<sup>1</sup> The details of Commission measures in the field of transport policy, which must be coordinated with those to be taken in the sphere of industrial policy, will be specified later.

373. The Governments are also under the obligation to consult the Commission—under the specific provisions of various Community rules and regulations—on the implementing measures they propose to adopt, particularly in respect of penalties and controls.

In this connection the Commission delivered 3 opinions<sup>2</sup> in 1972.

#### *The Community's external responsibilities in respect of transport*

374. At its session of 18 and 19 December the Council adopted, on a proposal from the Commission, the text of a decision authorizing the Commission to open negotiations on behalf of the Community with Switzerland for the purpose of concluding an agreement on the implementation of rules regarding the temporary laying up of vessels for transport of goods, applicable to certain waterways. On the basis of this decision it will now be possible to set about instituting agreed rules applicable to all shipping on the Rhine and Moselle which will make it possible to reduce temporary imbalances between hold capacity and demand likely to provoke serious disturbances of the market. The Governments of the

<sup>1</sup> *EC Bulletin* No. 4-72, secs. 65 and 111.

<sup>2</sup> Commission Opinion of 17 March 1972 addressed to the Government of the French Republic regarding a draft amendment of the Highway Code in connection with certain provisions of Council Regulation (EEC) No. 1463/70 of 20 July 1970 relating to the introduction of recording equipment for road transport, *OJ* No. L 91, 18 April 1972. Commission Opinion of 18 July 1972 addressed to the Government of the French Republic on measures implementing Council regulations relating to social harmonization and to the introduction of recording equipment for road transport, *OJ* No. L 250, 6 November 1972. Commission Opinion of 6 October 1972 addressed to the Government of the Kingdom of Belgium regarding a draft royal decree relating to the implementation of Council Regulation No. 543/69 of 25 March 1969 concerning social harmonization in road transport, *OJ* No. L 238, 20 October 1972.



two Member States concerned plan to extend these rules simultaneously to other German and Dutch waterways. The Member States which are at the same time contracting parties to the revised Rhine Shipping Convention and to the Convention on the canalization of the Moselle will take part as such in the negotiations between the Community and Switzerland, which will probably commence in early 1973.

This Council decision is to be looked at from two angles: one, it constitutes an important step towards the organization of the inland waterway transport market, for which the Commission had put forward proposals as early as 1967;<sup>1</sup> secondly, it embodies certain principles set out by the Court of Justice in its judgment of 31 March 1971 concerning the AETR case in respect of the Community's external responsibilities for transport.<sup>2</sup>

375. The adoption and implementation of regulations—already referred to—concerning regular and shuttle services for the carriage of passengers by road have supplemented the rules laid down by Council Regulation No. 117/66/EEC of 28 July 1966.<sup>3</sup> Pursuant to Article 4 of that Regulation the Commission will submit to the Council in the first weeks of 1973 a proposal for a decision relating to the opening of negotiations on an agreement between the EEC and non-member countries concerning the arrangements to be applied to international carriage of travellers by coach and bus. The Commission considers that such an agreement should make it possible to solve the problems connected with carriage transiting through non-member countries and to achieve greater uniformity of the arrangements applicable to transport by Community carriers in traffic with non-member countries.

Contrary to the original schedule, negotiations for a World Convention on International Combined Goods Transport (CGT Convention), in view of which the Commission had in 1971 proposed common action<sup>4</sup> based on Article 116 of the EEC Treaty, did not take place at the international conference on international container transport, which was held in Geneva from 13 November to 2 December 1972.

The Commission is examining the action to be taken on this point in the light of the results of the Conference as to general policy on arrangements

<sup>1</sup> Proposal for a Council Regulation relating to access to the market for the carriage of goods by land waterway, submitted to the Council on 29 November 1967, *OJ* No. C 95, 21 September 1968. Amendments submitted (Article 149) second paragraph, of the EEC Treaty) on 28 April 1969 (Doc. COM. (69) 311 final).

<sup>2</sup> *Fifth General Report*, secs. 392 and 393, and sec. 347 above.

<sup>3</sup> Council Regulation No. 117/66/EEC of 28 July on the introduction of common rules for international carriage of travellers, by coach and bus (*OJ* No. 147, 9 September 1966).

<sup>4</sup> *Fifth General Report*, sec. 394.

regarding responsibility in the case of such transport so that a Convention on those arrangements may be established following the principles embodied in the Commission's proposal, on which the Council has yet to give a decision.

### III. *Development of the common transport policy*

376. Enlargement of the Community seems likely to have a decisive influence on the development of the common transport policy in the coming years.

The new dimensions of the Community transport market and the structural changes which will result from the access of the new Member States will make it necessary to go beyond the concept of a common transport policy limited to land transport and will require the establishment of a Community strategy for sea and air transport and in the matter of ports. One of the enlarged Community's essential tasks will therefore be to determine the nature and limits of action to be undertaken in this matter.

Further, as the common transport policy develops it will very likely be necessary to review certain concepts which *de facto* or *de jure* were considered to form part of the Community heritage. It is to be expected, for instance, that because of the guidelines underlying the policies of the new States, certain problems such as those concerning pollution, environment and traffic safety, will have a more decisive influence on the choices and decisions to be made in setting up the common transport policy.

Certain guidelines which had already taken shape in the Community institutions in past years—for example decisions relating to the organization of the market and harmonization of conditions of competition—and which form part of the Community's common stock, will, in accordance with Accession Treaty, continue to be valid.

It is to be expected, however, that the means of implementation and the contents of measures to be taken to formulate in rules and regulations the said guidelines will in future have to take into account the particular features of the new Member States' transport markets.

All this means that an alignment of the different positions will involve an extra workload. If it is borne in mind, furthermore, that the problems to be resolved constitute the keystone of the common transport policy structure, it must be realized that the success of Community action is dependent, on the one hand, on the manifestation of a clearly expressed political will and, on the other hand, on the adoption of procedures which make it possible to overcome, in application of the Treaty provisions and in particular Article 75, the paralyzing effects of the present practice of taking decisions unanimously.

*Rates and conditions of carriage for ECSC products*

377. The High Authority, and later the Commission, considered that for the purpose of implementing Article 70(3) of the ECSC Treaty and Recommendation No. 1/61<sup>1</sup> of the High Authority the functioning of the ECSC common market did not necessitate an exact knowledge of all rates of carriage but that a margin of uncertainty of 5% for the carriage of coal and 10% for the carriage of steel were permissible.

Work done on this basis over many years has certainly produced considerable practical results. However, it has not been possible to achieve the necessary disclosure of rates for certain transport sectors, some of them important. The details of disclosure arrangements are not all satisfactorily efficient and the results obtained may well be undone by the current trend towards liberalization of price formation. Furthermore, this trend has, by increasing the competitiveness of the transport markets, reduced the likelihood of discrimination.

After examining this trend and its consequences for the functioning of the ECSC common market, the Commission has reached the following conclusions: the principle of disclosure of ECSC transport rates must be maintained. Moreover, since the transparency of the transport market is also one of the basic principles of the common transport policy, an effort should be made to arrive at a system of disclosure in accordance with harmonized rules for all transport covered by the two Treaties. On the basis of this new approach the Commission is investigating the various situations and the outstanding problems.

The case of disclosure of transport rates takes on a completely new dimension with the enlargement of the Community. As from the accession of the new Member States and without prejudice to the implementation of Article 70, it will be necessary to introduce tide-over measures for a certain period for operations involving transport by sea.

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<sup>1</sup> *OJ* No. 18, 9 March 1961.

## CHAPTER V

## EXTERNAL RELATIONS

## TRENDS AND LINES OF APPROACH

378. The Community's external relations, both multilateral and bilateral, extend to roughly more than one hundred countries—in a world which is in full process of political, economic and social change—and concern fields and forms which are variable and evolving. The Heads of State or Government affirmed in Paris “that their efforts to construct their Community attain their full meaning only in so far as Member States succeed in acting together to cope with the growing world responsibilities incumbent on Europe.”

The implementation of an action programme which the Commission must define following the Summit implies that the various elements of external policy should be integrated into a global and coherent concept of the role of the enlarged Community in the world.

In 1973 already this Community will have to face up to four major negotiations: the commercial negotiation which will open in the framework of GATT; the monetary negotiation in the IMF; the new association agreements with the AASM, the East African countries and the associated Commonwealth countries; the corpus of agreements with the countries bordering the Mediterranean. To these negotiations, which are interlinked, must be added the need for a common stance by the Member States and a coherent division of the tasks of the Community in the Conference on Security and Cooperation in Europe.

379. The global concept to be defined, a great number of whose basic or factual data are mentioned in this chapter dealing with the events in 1972, will have to take account of certain points at which the Community's external and internal policies are interdependent. For example, greater liberalization of international trade or more extensive action in favour of the developing countries are linked with a policy of adjustment of internal structures—agricultural, industrial, regional and social—or again increased financial and technical aid to the third world implies an economic policy guaranteeing regular growth within the Com-

munity. The implementation of a Community external policy further presupposes the achievement of a development cooperation policy, a policy of cooperation in the industrial, technological, scientific and environmental fields and a long-term raw materials and energy supply policy for the Community. Finally, a global concept of Community external policy renders indispensable a strengthening of the institutional machinery, notably that used in dealing with the outside world, in such a way that the Community may obtain in international organizations a status corresponding to its competences and develop a policy of active "presence" in certain countries or groups of countries. As stressed by the final Paris communiqué it is becoming increasingly impossible to separate the Communities external economic policy from external policy in general.

## 1. Relations with the Mediterranean basin

380. During 1972 the Commission has endeavoured to lend its help in finding solutions to the problems posed by the development of the Community's special relations with the countries of this region.

The Community has been particularly conscious of the difficulties arising from the disparity of the systems set up pragmatically to deal with trade, of the concern to help to improve the organization of markets and production and of the inadequacy of the commercial and tariff machinery to ensure an effective cooperation in harmonious economic developments of the whole of the Mediterranean Basin.<sup>1</sup>

The problems of the Community's relations with the countries of the region have moreover become increasingly important because of the enlargement of the Community. In the final communiqué of the Conference of the Heads of State or Government in October published after the Paris Summit it was stated that the Community attaches "essential importance... to the fulfilment of its commitments to the countries of the Mediterranean Basin with which agreements have been or will be concluded, agreements which should be the subject of an overall and balanced approach".

Already at its session of 27 and 28 June, the Council decided to examine a global approach to the problems arising in the region which could lead, if appropriate, to a renegotiation of the existing agreements before their expiry.

To this end the Commission, on 27 September and 29 November, submitted a number of recommendations to the Council.

The first aim of these recommendations is the gradual elimination of obstacles to trade while taking account of the degree of development and of the competitive capacity of the industries of the countries in question. In the agricultural sphere the Commission has endeavoured to reconcile the traditional export interest of these countries, which are often considerable, and the concern to maintain the proper functioning of the market organizations in the Community.

As regards cooperation, the Commission, in June, submitted to the Council concrete proposal for measures for economic, technical and financial cooperation with the Maghreb countries and certain measures in favour of workers from these countries who have migrated to the Community. The Commission has indicated that these proposals could serve as a reference for cooperation with the other less developed countries of the region.

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<sup>1</sup> Resolution of the European Parliament of 9 February 1971, *OJ* No. C 19 of 1 March 1971, p. 15.

These studies should be actively pursued within the Council with a view to meeting the deadlines agreed upon for the Maghreb countries (negotiations with which should be concluded by the summer of 1973) and make it possible, after enlargement, to resolve by negotiations before the end of 1973 the problems which this might pose for certain countries in the region.

### *The Association with Greece*

381. The application of the Athens Agreement continues to be confined to routine business, as there were no fresh developments in Greece in 1972<sup>1</sup> to warrant the Community's reconsidering its position.<sup>2</sup>

Negotiations took place between the Community and Greece for the establishment under Article 64 (3) of the Association Agreement of an additional protocol consequent on enlargement of the Community.<sup>3</sup> These negotiations will be concluded during the first quarter of 1973.

The Association Council met twice, at ambassadorial level: among other business, it considered an objection by Greece to the Community's charging minimum import prices for Greek tomato concentrates,<sup>4</sup> and held consultations under Article 64 (1) and (3) with regard to the GATT negotiations between the Community and EFTA on the one hand and Greece and certain of the developing countries on the other.

By a new reduction on 1 November 1973 Greece brought its customs duties and surcharges applicable to the Community for goods subject to demobilization periods of 12 and 22 years, down to 20 and 72% respectively of the rate in force of 1 November 1962. At the same date Greece increased to 80% the rate of liberalization of its imports from the EEC. Furthermore, a fresh increase of 10% in the quotas for the benefit of the Community took place in 1972.

Trade between the Community and Greece in 1971<sup>5</sup> was about 10% up on 1970, at \$1 132 million compared with \$1 030 million. Receipts from Community tourism and from remittances by migrant workers in the Community rose

<sup>1</sup> In the course of a speech on 16 December 1972, the Greek Prime Minister, Mr. Papadopoulos, announced the ending of the state of siege for Salonika and a few measures in favour of persons imprisoned or condemned on political grounds. However, no information was given concerning the date of the future elections.

<sup>2</sup> See *inter alia* EC Bulletin No. 7-72, Sec. 59 and Commission replies to written questions No. 118, by Mr Couste (OJ No. C 78, 19 July 1972), and No. 155 by Mr Vredeling (OJ No. C 90, 25 August 1972).

<sup>3</sup> EC Bulletin No. 3-72, sec. 58, No. 5-72, Sec. 75, and No. 10/72, Sec. 154.

<sup>4</sup> EC Bulletin No. 8-72, Sec. 93.

<sup>5</sup> The 1972 figures are not yet to hand.

respectively from \$11 to 28 and from 144 to 200 million, and the inflow of private capital from the EEC from \$88 to 121.5 million (as against 88 million in 1970).

### *The Association with Turkey*

382. The main feature of relations between the Community and Turkey in 1972 was the application of the interim agreement which came into force on 1 September 1971, enabling the reciprocal trade concessions under the additional protocol to become operative ahead of schedule. The substantial increase in Turkish exports to the Six in 1972 (a 73% rise for the first six months) was largely due to this interim agreement (tariff exemption for practically all industrial goods) and, more generally, to the steadily growing interest of Turkish business circles in the Community market. The Commission considers these results as particularly encouraging for the achievement of the transitional phase of the Association which has just begun following the entry into force of the additional protocol on 1 January 1973.

By the end of the year 1972 the European Investment Bank had instituted an initial portfolio of projects eligible for financing under the second financial protocol (which also took effect on 1 January 1973). The Turkish Government's applications for loans for these projects amounted in all to 75 million u.a.

The Community and Turkey have begun negotiations with a view to drawing up an additional protocol laying down the measures of adaptation and transition necessary to enable the association to be extended to the enlarged Community. These negotiations also concern the measures which, following the requests made by the Turkish Delegation, could be taken with a view to making more flexible certain provisions of the additional protocol by reason of the economic consequences that the accession of the new Member States would be likely to have for Turkey.

The Association Council held two ministerial-level meetings, both in Brussels, in April and July, at which it dealt among other matters with points arising in connection with the enlargement of the Community.

The Joint Parliamentary Committee also met twice, at Marmaris in June and at Catania in October: the recommendations formulated at these meetings were particularly helpful in tackling the various problems which had arisen for the Association in 1972, more especially with the regard to the implications of enlargement. The Joint Parliamentary Committee also expressed its concern as to the consequences for the development of trade of its non-inclusion in the system of generalized preferences.



### *Relations with the Maghreb countries*

383. At its meeting on 20 and 21 March, the Council decided to propose to Algeria that negotiations be opened for a comprehensive agreement making provision for preferential trade arrangements and also for technical, economic and financial cooperation.

At the same time the Community informed the Moroccan and Tunisian Governments that it was prepared to start negotiations for comprehensive agreements with these two countries, in parallel with the negotiations with Algeria; it expressed the hope that the Agreements with the three Maghreb States could come into force on the same date, and if possible before the existing Agreements with Morocco and Tunisia expired on 31 August 1974.

384. As a first step, talks took place on 10 and 11 July between a Community and an Algerian delegation, on the basis of provisional directives on the trade arrangements. The Commission submitted a report on the proceedings to the Council on 21 September.

At the same time, at the Council's request, the Commission sounded out the delegations of the Moroccan and Tunisian Governments concerning the nature and practical details of the cooperation desired with the Community. Following these talks and soundings, the Commission on 6 October and 19 November 1972 recommended the Council to adopt a formal decision to open or to continue on a broader basis negotiations with the three Maghreb countries. The Commission is expecting to receive directives from the Council by the end of 1972 concerning the trade arrangements and the main lines of the cooperation to be envisaged with the Maghreb States.

In addition, negotiations are planned with Tunisia and Morocco for the purpose, firstly, of adjusting the existing agreement as required by the enlargement of the Community and secondly of amending the arrangements for imports of raw olive oil, as these have run into some difficulties in their practical operations. These negotiations should lead to the signature, in January 1973 of additional protocols to the existing association agreements.

### *The Association with Malta*

385. The Association Council met for the first time in Luxembourg on 24 April, to adopt its rules of procedure and consider the application of the Agreement which had come into force on 1 April of the previous year. The Maltese delegation put forward requests going beyond the present terms of the Agreement, for industrial and financial cooperation, the inclusion of Maltese agricultural

products in the Agreement, and amendment of the rules of origin in respect of certain specific cases. The Council then instructed the Commission to conduct exploratory talks with the Maltese Government in order to ascertain in more detail what these requests involved.

The talks duly took place in Valletta from 7 to 10 June; they were concerned mainly with the requests for financial and industrial cooperation and for preferential treatment for Malta in the agricultural sector. The Commission reported to the Council on 25 July, proposing that negotiations be begun with Malta on cooperation and the inclusion of Maltese agricultural products in the Agreement.

### *The Association with Cyprus*

386. On 30 December 1971 the Council took a formal decision to open negotiations with Cyprus, and a Commission and a Cypriot delegation met in Brussels on 24 and 25 January, 17 and 18 April, and 6 December 1972, to negotiate an Association Agreement. At the closing session the two delegations also considered the adjustments and transitional measures called for by the enlargement of the Community; the upshot was an additional protocol in which it was provided that Cyprus as a Commonwealth country would remain entitled to some of its existing trade preferences in the British and Irish markets. The Agreement establishing an Association between the European Economic Community and Cyprus, together with the additional protocol, was signed in Brussels on 19 December 1972, and both instruments will come into force at the beginning of 1973.

The Agreement is on much the same lines as the others concluded in recent years in the Mediterranean area, and particularly that with Malta. It provides for a first stage, ending on 30 June 1977, and a second to last five years in principle and during which Cyprus is to move gradually into customs union with the Community.

### *The Agreement with Spain*

387. The Joint EEC/Spain Committee held its second meeting in Brussels on 25 February 1972. The Agreement was considered to be working to the general satisfaction from the economic angle. The meeting discussed in particular some aspects of Spain's import arrangements as affected by the Agreement, and the operation of the Community's concessions to Spain in respect of certain citrus fruits and of olive oil.

The Community's tariff quota concessions for sherry, Malaga, and Jumilla, Priorato, Rioja and Valdepenas wines finally came into force on 15 October 1972.

An additional protocol to the Agreement, containing adjustments and transitional arrangements necessitated by the Community's enlargement, was signed in Brussels on 29 January 1973. It provides in particular that certain arrangements under the agreement would not be applied to the new member countries in 1973.

### *The Agreement with Israel*

388. The Joint EEC/Israel Committee administering the Agreement held its second meeting in Brussels on 26 January. It considered the trend in trade between two parties, and concluded that, in addition to there having been an appreciable improvement in this respect, implementation of the Agreement as such had proceeded without any particular complications.

The Israel delegation expressed disquiet, however, at the implications for trade of the fact that Israel was not included in the generalized preferences system, and drew attention to the problems that the Community's enlargement would create for some of Israel's industrial and agricultural exports if appropriate arrangements were not devised in time.

An additional protocol to the Agreement, containing the adjustments and transitional arrangements made necessary by enlargement, was signed in Brussels on 30 January 1973. It lays down in particular that certain arrangements under the Agreement shall not apply to the acceding States in 1973.

### *Relations with the Arab Republic of Egypt*

389. As part of the effort to maintain balanced relations with the Middle East countries, a preferential trade agreement was signed with Egypt in Brussels on 18 December 1972.

The Agreement which is the fruit of a series of negotiations begun in September 1970, is designed to promote increased trade between the parties and so help the expansion of international trade generally. It is to run for five years, with the option of negotiating a new and broader-based agreement, eighteen months before the expiry date, under which endeavours to dispose of major obstacles to trade transactions could be continued. It thus represents only a first step towards closer cooperation between the Arab Republic of Egypt and the

Community, though already according preferential treatment to a sizable portion of Egypt's exports.<sup>1</sup>

The agreement, coupled with an additional protocol signed on 19 December 1972, which effects the necessary adjustment to the position resulting from the Community's enlargement, brings Egypt within the purview of the Community's Mediterranean policy.

### *Relations with Lebanon*

390. Pending completion of the negotiations for a preferential trade agreement begun in October 1970, the trade and technical cooperation agreement which expired on 30 June 1972 was renewed in July for a further year by consent of both parties.

In addition, the final phase of the negotiations with a view to the conclusion of a preferential agreement took place on 11 December 1972. Agreement was reached on all the points under negotiation. The signing of this Agreement took place in Brussels on 18 December 1972. This Agreement is similar in all its elements to those concluded with other Mediterranean countries particularly the Arab Republic of Egypt. It is to last for five years and to lead on to a further one, more broadly based, under which the elimination of obstacles to the bulk of trade would be continued.

This Agreement will have to be further adapted to the situation resulting from the enlargement of the Community so that it may come into force during the first quarter of 1973.

### *Agreements with Yugoslavia*

391. Explanatory talks between the Commission and the Yugoslav Mission took place on 27 and 28 November 1972 in anticipation of expiry of the trade agreement between the Community and Yugoslavia on 30 April 1973. Yugoslavia specified the problems it would like to see discussed in the future negotiations and indicated the possible guidelines of commercial and economic cooperation with the EEC.

The Joint EEC/Yugoslavia Committee met in April 1972 to consider the working of the Agreement to date.<sup>2</sup>

<sup>1</sup> *EC Bulletin* No. 10-72, sec. 164.

<sup>2</sup> *EC Bulletin* No. 6-72, sec. 65.

The scientific and technical cooperation between the EEC and Yugoslavia, which started in 1971 with Yugoslavia's participation in the Council's COST working party, duly continued. Yugoslavia has signed six cooperation agreements, and is taking part in the work of the administrative committees set up under them.<sup>1</sup> The cooperation established between the Community and Yugoslavia in the beef and veal sector functioned throughout 1972 to the complete satisfaction of both parties.

### *Relations with Jordan*

392. In July 1972 the Jordanian Government asked that negotiations should be opened with the Community for a preferential trade agreement, as it was anxious to prevent Jordan's exports to the Community from being handicapped in relation to exports of like products, notably in the agricultural sector, by other Mediterranean countries. Jordan also asked to be included in any programme of technical and economic cooperation the Community might launch for the Mediterranean area.

The Council, at its session of 9/10 October 1972, instructed the Commission to begin exploratory talks with Jordan.

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<sup>1</sup> OJ No. C 39, 24 April 1971.

## 2. Relations with African countries and Madagascar

### THE ASSOCIATION WITH THE AFRICAN STATES AND MADAGASCAR (AASM)

#### *The functioning of the institutions*

393. The thirteenth meeting of the Association Council<sup>1</sup> was held in Luxembourg on 10 October 1972.

It was decided that representatives from Mauritius could be admitted as observers to meetings of the Association Council and the Association Committee and their working parties during the period preceding the entry into force of the Association Agreement between the Community and Mauritius. Likewise, to avoid further delay while awaiting ratification of the Treaty of Accession with Mauritius, the Council instructed the Association Committee to give a ruling on the temporary arrangements to be made for industrial products from Mauritius by way of derogation from the rules of origin.

The Community informed the AASM of the consequences of enlargement for the institutions of the Association: the Community's delegation, consisting of (in addition to members of the Commission) members of the Council of the European Communities, will be joined in future by members representing the new Member States, but without that implying the right to vote, when the common position of the representatives of the Community is adopted.

In addition, the Association Council adopted the decision amending the definition of "originating products" in view of amendments to the Brussels nomenclature, and a resolution laying down general guidelines for financial and technical cooperation (training, maintenance and functioning of investments, industrialization).

During the discussion on the results of UNCTAD III, at which AASM gave their own assessment, the Community announced that an *ad hoc* group was to present a final report before 1 May 1973 on "all" aspects of development aid policy. The Community officially informed the AASM of the contents of the agreements it had concluded with the EFTA States not applying for accession.

An exchange of views took place on the present and future situation regarding the application of generalized preferences; the AASM asked for cer-

<sup>1</sup> *EC Bulletin* No. 10/1972, sec. 167.

tain guarantees and the Community announced a satisfactory solution: maintenance of the 1972 ceiling and reduction of the cut-off price for veneered wood and plywood. This was embodied in Council Regulation No. 2761/72 of 19 December 1972 which entered into force on 1 January 1973.

As regards the customs procedure applicable to certain fruit and vegetables from the AASM, these States were not satisfied with the regulation whereby total exemption from duty would be limited by a timetable (this regulation was adopted on 25 April 1972 by the Council of the European Communities).<sup>1</sup> As the AASM had made the timetable a subject of dispute, the contracting parties agreed to entrust the solution to a mediation mission. The problem of sugar from the AASM will be the subject of further study in the institutions of the Association.

Finally, the AASM drew attention to the current study on natural vanilla from Madagascar and bananas from the AASM.

394. Three meetings of the Association Committee held on 24 March,<sup>2</sup> 30 June<sup>3</sup> and 29 September 1972<sup>4</sup> had preceded and prepared the way for this meeting of the Association Council.

The 8th annual meeting of the Parliamentary Conference of the EEC/AASM<sup>5</sup> Association was held in The Hague from 12 to 14 January 1972. A representative from Mauritius and an observer from the East African States were present.

The main purpose of the meeting was to approve M. Armengaud's report on the seventh Annual Report on the activities of the Association Council. The latter report dealt with problems of the Association (institutions, trade, financial and technical cooperation, the accession of Mauritius and the enlargement of the Community) and those of the future. The proposed resolution in the annex was adopted unanimously (with one abstention).

Those who spoke at the meeting, both Europeans and Africans, were anxious that remedies should be found to counter the effects of the international monetary crisis on Euro-African trade. The Commission's representative insisted on the need to strengthen and improve the Association: it "should allow none of its three essential components, trade, financial cooperation and the institutions, to be weakened". He stressed the importance attached in the Treaty on the enlargement of the Communities to the safe-guarding and extension of the policy of association.

<sup>1</sup> *EC Bulletin* No. 6/1972, sec. 73.

<sup>2</sup> *EC Bulletin* No. 5/1972, sec. 79.

<sup>3</sup> *EC Bulletin* No. 8/1972, sec. 108 to 113.

<sup>4</sup> *EC Bulletin* No. 10/1972, sec. 167.

<sup>5</sup> *EC Bulletin* No. 3/1972, sec. 63 to 65.

The Joint Committee of the Parliamentary Conference held two meetings to prepare for the 9th meeting of the Parliamentary Conference: one on 14 January 1972 at The Hague, and another on 29 May and 1 June 1972<sup>1</sup> at Luxembourg; there was also a third meeting from 24 to 27 October 1972 at Ouagadougou. The subjects discussed were connected in particular with Mr Glinne's working paper on "coordination of the action of the 24 partner states of the Association, in the framework of the international organizations for economic cooperation and development, in particular the application of protocol No. 5 of the second Yaoundé Convention", with the memorandum of the Commission of the European Communities on the Community's development cooperation policy (rapporteur, Mr Aigner), and with Mr Briot's report on the developing of the tourist resources and infrastructure of the African countries and Madagascar. The results of UNCTAD III in Santiago were also discussed.

### *Trade with the AASM and the East African Associates*

#### *EEC/AASM*

395. In 1971 imports into the EEC from the AASM declined as compared with 1970. They fell from \$1 863 million in 1970 to \$1 638 in 1971. This unfavourable development was due to the combined effect of the fall in prices of cocoa and more especially, copper, and stagnation as regards the quantities of major export products from the associated countries imported into the EEC, which itself largely resulted from a slowing-up in the expansion of economic activity in the Community. Thus the decline in the earnings which the AASM receive from the sale of copper to the EEC amounting to 193 million u.a. largely explains the decline in their total sales to the EEC amounting to \$225 million. It must be remembered that, despite this drop, AASM exports to the EEC are at an average rate of 6.2% per annum, i.e. a higher rate than that of exports—petroleum products included—from the developing countries as a whole to the EEC, which is 5.5% p.a.

EEC exports to the AASM have continued to increase, rising from \$1 265 million in 1970 to \$1 401 million in 1971, i.e. an increase of 10.8% as compared with 1970. This trend is probably connected with the high level of earnings by the AASM from their sales to the EEC in 1969 and 1970.

<sup>1</sup> *EC Bulletin* No. 8/1972, sec. 101 to 107.



*EEC—East Africa*

396. EEC imports from East Africa have slightly risen from 1970 to 1971, from \$96.7 to \$99.3 million, i.e. a growth rate of 2.7%. EEC exports to East Africa have risen from \$148 in 1970 to \$181 million in 1971, i.e. a growth rate of 22.1%.

*Adoption of regulations governing fresh fruit and vegetables*

397. As regards the system of trade for agricultural products, the Council of the European Communities, at the request of the Associated States concerned and after consulting them, approved a Commission proposal that an import system more favourable than the general system for third countries should be applied to certain fresh fruit and vegetables originating in the AASM, the OCT<sup>1</sup> and the Associated Countries of East Africa.<sup>2</sup>

When adopting the relevant regulations, which are applicable up to 31 January 1975, the Council stated that it was prepared, in order to take all interests into account, to review the importation timetable, laid down for certain of the products by the regulation concerned, one year after its application, in order to make such amendments as might prove feasible in the light of the way in which trade in those products developed.

*Financial and technical cooperation in 1972*

398. At the end of its second year of operation and two years before the end of the second Yaoundé Convention, the third European Development Fund is committed to about 440 750 000 u.a. i.e. nearly half its endowment. The satisfactory rate of its commitments is largely due to the cooperation established between the Associated States and the Community authorities with a view to determining and working out priority intervention programmes to meet both the specific needs of each state and the guidelines laid down by the Yaoundé Convention and the Association Council.

The increase in the rate of commitments has been helped by the preinvestment surveys undertaken since 1971, and by the financing under the overall commitment authorization granted the previous year for a number of technical cooperation actions, in particular those linked with investments and those intended to complete the dossiers for presentation and hasten the start of the work.

<sup>1</sup> Council Regulation (EEC) No. 859/72, *OJ* No. L 101, 28 April 1972.

<sup>2</sup> Council Regulation (EEC) No. 860/72, *OJ* No. L 101, 28 April 1972.

### A. Commitments in 1972

#### *Sources and methods of financing*

399. The year 1972 practically marks the end of the demands on the second Fund's resources, which are committed up to 98.3%. The new commitments amount to 8.5 million u.a. They are met on the one hand by what remains of the second EDF and on the other by non-reimbursable aids left over from completed projects and in particular by resources left over from production aids: out of this amount, 5.3 million u.a. are for three new interventions in the agricultural field, and 3.2 million u.a. are in connection with the financing of an electricity infrastructure in Rwanda and a traffic bypass in Guadeloupe.

The sums committed in connection with the third EDF (in 1972) amount to 200 725 000 u.a. for 67 financing decisions taken by the Commission following a favourable opinion expressed by the EDF Committee in the course of the 11 meetings held in 1972.

The total of non-reimbursable aids granted to the AASM-OCT and Overseas Departments amounts to 194 695 000 u.a. making up almost the total (97%) of aid committed in 1972. These aids include grants for financing projects and programmes, and the rebates on secondary interests on ordinary loans from the EIB. A project of a directly productive character concerning the creation of a sugar cane plantation and the establishment of a sugar refinery in the Upper Volta was also the subject of a decision to finance by a loan on special terms from the resources of the EDF to the extent of 5 million u.a.

The EIB, in conjunction with the Commission and as authorized agent of the Community, also signed during this period four contracts for loans on special terms from the resources of the EDF for a total amount of 7.06 million u.a. These loans, which had been the subject of financing decisions by the Commission in 1971, were presented for improvement schemes for agricultural production (palm-oil plant in Dahomey and cotton-ginning factory in Senegal) and financially sound infrastructure improvement projects (tractor and areas for stocking in the Congo, microwave links in Gabon).

400. In 1972, the EIB granted out of its own resources four loans totalling 12.83 million u.a. for projects in the Ivory Coast (Vridi canal: construction of a sand-break jetty and deepening of the canal, 4.68 million u.a.; UTEXI: completion of the first section of a spinning and weaving factory at Dimbokro, 4.50 million u.a.; RAN II: partial financing of a renewal and enlargement programme for the rolling-stock and servicing facilities of the Abidjan-Niger Railway, 3 million u.a.) and in Cameroon (CIMENCAM II: doubling of the capacity of the clinker-crushing plant at Bonaberi, 0.65 million u.a.). These four

loans have interest rebates granted by the Commission of the European Communities from the resources of the EDF (4.5% for Vridi, 3% for UTEXI, and 2% for RAN II and CIMENCAM II).

Finally, the EIB, as an authorized agent for and on behalf of the European Economic Community, also concluded a contract concerning participation to the extent of 0.99 million u.a. in the capital of a textile company in the Ivory Coast (UTEXI, which has an ordinary loan from the Bank). This participation, which the Commission decided should be financed from the EDF, is the first case of applying a contribution to the formation of risk capital, a new form of Community aid which was one of the innovations of the second Yaoundé Convention.

#### *Breakdown by sector*

401. In 1972, the breakdown by sectors of the commitments under the terms of the second Yaoundé Convention (third EDF + EIB) is as follows:

Sector	Total in million u.a.	%
1. Development of production	112 522	52.7
(a) rural production	82 761	
(b) industrialization	29 759	
(c) tourism	62	
2. Economic infrastructure	56 172	26.3
3. Social development	39 978	18.7
(a) education and training	32 253	
(b) health	2 486	
(c) hydraulic engineering, municipal administration	5 239	
4. Commercial promotion	40	0.02
5. Exceptional aids	407	0.2
6. Miscellaneous	4 376	2.1
	213 555 <sup>1</sup>	

<sup>1</sup> Of which 13 572 million u.a. for the OCT.

This breakdown by sector of activity of the credits committed in 1972, which does not necessarily represent the final breakdown of the commitments of the third EDF, shows for this year a considerable preponderance of credit directed towards development of production (52.7% of the total). Efforts devoted to the economic infrastructure only take second place (26.8%), followed by social development actions (18.7%), whereas exceptional aids, greatly reduced in comparison with the year before, and aid to marketing represent respectively 0.2% and 0.02%.

— *Development of production*

402. Within the framework of the guidelines of the second Yaoundé Convention, which stress the importance of development of production, in 1972 rural production alone received 82 761 000 u.a. of new commitments. A third of these investments was used to continue or extend programmes already begun in previous years for tea (Burundi and Rwanda), groundnuts (Senegal) and rice production (Madagascar).

Two projects relate to pluriannual programmes to promote the cultivation of cotton again in the Central African Republic and in Chad. In the Ivory Coast and Mali, two important rice-growing projects were financed, also a project for sugar-cane in the Upper Volta to meet demand in the home market. Intervention relating to the different crops led to the creation and development, in 1972, of large agri-industrial units, particularly for palm oil and tea. Interventions for crops for export represented, in July 1972, 13% of all the third EDF's commitments.

In the field of industrialization, in addition to the EIB interventions mentioned above, four projects were financed by grant and were for the improvement of the electricity infrastructure in Rwanda, the construction of a tea factory in Burundi, and a millet mill and a meat palletizing plant in Nigeria. The most important operations were a contribution to the formation of risk-capital in the form of participation in the capital of the textile company UTEXI in the Ivory Coast, and interest rebates on ordinary loans granted by the EIB—one to UTEXI, and the others for an extension to a clinker-crushing plant in Cameroon and the renewal and enlargement programme for the rolling stock of the Abidjan-Niger Railway (RAN) in the Ivory Coast.

As regards industrialization surveys, the EDP has committed a credit of 600 000 u.a. Outside the textile sector, where the survey financed by an earlier credit was completed in 1972, a first series of surveys on a dozen or so sectors was begun in 1972. The first stage, a mission of enquiry into the cost of production factors and the various conditions affecting the setting up of industries in the AASM, was completed by mid-1972. The information collected will be

published separately for the benefit of those interested in the industrialization of the AASM.

As regards projects for industrial promotion, the publication of a collection of investment codes in the AASM in 1972 should be noted, also the completion of an enquiry identifying industrial surveys and a guide to the possibilities and conditions for intervention by the EDF and the EIB.

In the field of tourism, approval was given in 1972 for a survey to prepare a programme of investment in tourism in Dahomey. The Community also bore the expenses of an international colloquium organized at the beginning of 1972 at Yaoundé on tourist development in the associated countries.

— *Economic infrastructure*

403. Aware of the importance of transport infrastructure already illustrated by past investments, the Commission continued its efforts by committing 56 172 000 u.a. in 1972. The largest investment was for the creation of a deep-water port at Mogadiscio in Somalia, financed equally by Community aid and the IBRD group. But particular attention has been paid for some time past to improving inter-African communications, in order to encourage cooperation and regional integration among the associated countries. This policy was implemented in 1972 by the following interventions:

- (a) The financing of a survey of the Moundou-Gidjiba highway linking Moundou (Chad) and Gidjiba (Cameroon) over a distance of 350 km;
- (b) The asphaltting of the Koupéla-Nianguédi section of the main trunk road from Ouagadougou (capital of Upper Volta) to Lomé (capital of Togo);
- (c) The acquisition of maintenance material for navigable waterways to improve the inter-State river connections of mutual interest to the People's Republic of the Congo and the Central African Republic.

These interventions were in addition to projects financed previously, such as: main trunk roads connecting Mali with the Ivory Coast, Upper Volta with Mali and the Niger (with a link-road to Nigeria), a highway between Senegal and Mauritania and another connecting the Central African Republic with Chad and Chad with South-Cameroon, and the improvement of a main trunk road between Rwanda and Burundi extending from Uganda to Tanzania.

These achievements have resulted, or will result, to a varying degree, in the reduction of unit costs for transport, in increasing traffic, in developing new resources, in improving marketing and in rendering more settled the population of rural areas who have been inclined to emigrate.

— *Social development*

404. In the matter of training, the Commission continued its scholarship award programmes, initiating this year a pluriannual instead of an annual programme system. In future, scholarships will be awarded on the basis of a pluriannual programme and the individual Associated State, for the remainder of the second Yaoundé Convention period. For this period, the EDF has committed a sum of 30 915 000 u.a. This will allow the training to be financed up to its completion, thus enabling Governments to work out programmes for their requirements as regards training and to link the latter with sectors of activity which are already growing fast or are destined to develop in the near future.

As far as scholarships are concerned, 2 171 were awarded in 1971-72 as against 2 110 in 1970-71, divided mainly between the economic, agricultural and technical fields. 46.3% of these scholarship holders were trained in Europe and 53.7% in Africa. Under the in-training programme 151 specialization and advanced training scholarships were awarded, 68 in the Member States, 33 in the AASM and 50 in Israel. The training periods are organized principally in the fields of agriculture, industry and trade and some are linked with the execution of EDF projects. To these in-training scholarships awarded should be added 477 part-time scholarships for training in enterprise management and organization. The number of scholarships for training by correspondence was 1 140: 1 127 for AASM nationals and 13 for OCT nationals.

The Commission continued its efforts regarding specific projects, notably in the Ivory Coast (training at a distance), in Niger (women's education), in Dahomey (horticultural and nutritional training) and in Rwanda (agriculture and crafts). The financing of two new training projects, to come within the Community's technical investment programme, was decided on. These are the teaching of functional reading and writing to the population concerned with the rice project in Ségou (Mali), and training and refresher courses for the supervisory staff for the rice development project in the Ivory Coast.

— *Commercial promotion*

405. During 1972, technical assistance projects begun in 1971 under the programme for commercial promotion aids were continued.

Among these projects should be mentioned AASM participation in trade fairs and international trade exhibitions. In 1972 the Commission's services organized 106 participations in 18 international trade exhibitions.

The frequency of meetings of professional people organized on these occasions and the number of promotional sales of products from the AASM have been stepped-up.

— *Exceptional aids*

406. A calamity justifying recourse to this form of aid was a serious cholera epidemic in the North-West region of Mali at the beginning of 1972. Community aid consisted principally in providing vaccines and other medicines and 15 vehicles and in building a plant for the manufacture of solutes at Bamako.

*B. Speed of implementation*

407. The speed of implementation of projects continued to increase during 1972, when payments rose to 150 million u.a. This was due partly to an increase in the speed with which calls for tender were issued, and partly to an increase in the number of financing decisions. Thus 1972 showed a reduction in the time-lag between commitment and expenditure, and also an increase in the number projects decided on and implemented by the EDF.

*C. Implementation and utilization of aids*

408. The Commission continued to study the conditions in which projects financed by Community aid are implemented and utilized.

On the basis of information obtained in the beneficiary Associate States, a report was drawn up which was transmitted to the Council in August 1972. This report particularly stresses the important role of cooperation between the Commission's services and the national authorities in implementing projects, and the problems posed by technical assistance in their execution. The study of the results of the completed projects, dealing with most sectors of intervention, showed once again that the effectiveness of the aid given depends, in a good many cases, on the availability of qualified staff in the beneficiary countries and their ability to ensure proper maintenance and operation. These conclusions confirm the validity, in this field, of the principles stated earlier by the Commission, and were submitted to the EEC-AASM Association Council for approval in the framework of the general guidelines for financial and technical cooperation.

*D. Coordination of aids*

409. Coordination meetings between the EIB and the EDF were continued in 1972. At these meetings, the EDF and EIB discussed the appropriate forms of financing for projects submitted under the third EDF, taking into account,

principally, the financial soundness of the projects, the borrowing possibilities of the states involved and the way in which projects to be financed by loans on special terms would be examined. They also kept themselves mutually informed of the state of advancement of the examination of projects and decided together on procedures leading up to a financing decision for projects for which there was joint responsibility. The Commission's liaison office with the EIB also took part in these meetings and provided the Secretariat for them.

Coordination between Community aid and that of organizations for bilateral aid consists essentially in a continual exchange of information; this went on regularly throughout 1972. In addition, as in the past, coordination meetings were held, in particular with American, Belgian, Canadian, Dutch, French, German and Italian aid organizations.

Contact meetings were also held with British aid organizations.

Coordination between Community aid and that of organizations for multilateral aid was also continued in 1972 by regular exchanges of information and coordination meetings with IBRD, UNDP, UNESCO, DAC and AEC. On 5 and 6 December a meeting was held at Brussels to coordinate schemes for developing stock-breeding in the AASM and was attended by the Member States' organizations responsible for bilateral aid, by the IBRD and by US-AID.

In 1972 the Commission became a member of the Consultative Group on international agronomic research, set up under the aegis of the World Bank and FAO.

### *Other Points*

410. In accordance with the decision adopted by the Association Council at its 12th meeting held in Brussels on 30 November 1971, most Associated States introduced into their national legislation the general conditions governing contracts financed by the EDF.<sup>1</sup> The document in question, improving and unifying the existing rules in force for public contracts in the Associate States places undertakings on a more equal footing as regards competition. It encourages the submission of tenders and more reasonable prices on the part of those tendering.

In applying the provisions of Article 48 of the Financial Regulations of the third EDF, the Commission adopted on 29 January 1972 Regulation No. 229/72 laying down the operating procedure for the Fund.<sup>2</sup> It determines rules for the submission and examination of financing requests, and the conditions

<sup>1</sup> *OJ* No. L 39, 14 February 1972.

<sup>2</sup> *OJ* No. L 29, 2 February 1972.



for the implementation and supervision of projects and programmes financed by the Fund.

1972 saw the implementation of Decision 38/71 of the Association Council concerning the customs and tax system applicable to contracts financed by the Community in the Associated States. This text standardizes the customs and tax systems applicable to contracts financed by the Community.

The development of the international monetary situation in 1971 created a great number of difficult technical and legal problems for the Commission's services responsible for administering the Fund. In order not to hamper this administration, the Commission submitted to the Council's services several proposals which might have provided a definite solution for the difficult problems with which the monetary uncertainties had confronted them. Despite the numerous working meetings with the Council's services held in this connection during 1972 no decision has so far been taken by the Council.

In a memorandum sent to the Council on 14 April 1972, the Commission proposed a training programme for young graduates, to ensure a supply of officials for supervision and technical cooperation to take over from those used by the Commission in the associated countries. This programme, intended for young graduates wishing to make a career within the framework of the Community's operations in the Associated States, would affect annually 25 young European graduates from different branches of study and 5 young African or Malagasy graduates.

#### THE ASSOCIATION AGREEMENT WITH KENYA, UGANDA AND TANZANIA

##### *The functioning of the institutions*

411. The second meeting of the EEC-East Africa Association Committee took place at Nairobi on 7 January 1972.<sup>1</sup> A series of questions relating to trading arrangements and economic cooperation were discussed. The third meeting of the Committee and the second session of the EEC-East Africa Association Council were held at Nairobi on 17 January and 21 February 1972<sup>2</sup> respectively.

The Community informed its East African partners of the result of the accession negotiations, of the association application by Mauritius, and of its intentions with regard to the negotiations begun with those EFTA countries which were not candidates for accession. The fourth meeting of the Association Committee took place in Brussels on 10 July 1972 and provided an opportunity

<sup>1</sup> *EC Bulletin* No. 3/1972, sec. 71.

<sup>2</sup> *EC Bulletin* No. 4/1972, sec. 75.

for discussing, among other things, the trend of imports into the EEC of pineapple preserves originating in Kenya and the system applicable to certain fruits and vegetables.

#### MAURITIUS

412. The Agreement on the accession of Mauritius to the Yaoundé Convention was signed at Port-Louis on 12 May 1972.<sup>1</sup> The application for association dated from 9 September 1971.<sup>2</sup>

This agreement will enter into force on the first day of the month following the deposit of the instruments of ratification of the Member States and of Mauritius, together with the act of notification of the conclusion of the agreement by the Community. To avoid the inconvenience of a delay in the entry into force, transitional measures have been adopted. They provide on the one hand for advance participation by the representatives of Mauritius in the meetings of the Association's institutions, and on the other for examination by the Commission and the European Investment Bank of the projects and programmes which Mauritius is to propose for Community financing.

Mauritius is from the outset to assume all the rights and obligations of association. As regards the system of trade, it is agreed that Mauritius will be able to eliminate progressively customs duties and charges with equivalent effect on imports of products originating in the Community; in the first place such products will be given the benefit, not later than 31 December 1974, of the tariff system applied by Mauritius to products imported from the Commonwealth.

In order to enable Mauritius to enjoy financial and technical cooperation on the same terms as the Associated African States and Madagascar which are signatories of the Yaoundé Convention, the Council approved on 25 April 1972<sup>3</sup> an agreement amending the internal agreement on the financing and management of Community aid (signed at Yaoundé on 29 July 1969) and increasing by 5 000 000 u.a. the amount of the European Development Fund.

In the course of its session of 12 to 16 June,<sup>4</sup> the European Parliament adopted a resolution in which it regarded "the accession of Mauritius to the Association as evidence of the attraction exercised by Euro-African cooperation and ascribed symbolic value to it in that Mauritius was the first Commonwealth country to declare itself in favour of the Association—even before Great Britain had finally acceded to the EEC".

<sup>1</sup> *EC Bulletin* No. 5/1972, sec. 84, and 7/1972, sec. 63.

<sup>2</sup> *Fifth General Report*, sec. 430.

<sup>3</sup> *EC Bulletin* No. 6/1972, sec. 74.

<sup>4</sup> *EC Bulletin* No. 8/1972, sec. 146.

### 3. Relations with developing countries

#### *General problems*

413. The problems of Community relations with developing countries became very acute in 1972. The monetary upheavals, the enlargement of the Community, and the readjustment of economic relations between industrialized countries, in particular within the framework of the multilateral negotiations to be held under GATT in 1973, all contribute to increasing and generalizing the worries of developing countries. They fear an enlargement whose scope they are unable to grasp properly, and which they assume will be largely detrimental to their economies. Hence, these countries are intensifying their criticisms of, and warnings and appeals to, the Community in all international bodies and gatherings.

It is impossible to ignore these fears and to refuse to elaborate and implement a policy that is less guided by past or present contingencies than by a resolutely forward-looking approach. The Commission has continually stressed the need for the Community to define and implement an overall Community policy of development cooperation that is both coherent and bold, realistic and pragmatic, and that preserves what the Community has already achieved.

Events have confirmed the Commission's belief. The enlarged Community cannot postpone putting into practice its desire to assume its full responsibilities and to make a purposeful contribution to the harmonious evolution of the developing countries' economies. The Final Declaration of the Paris Summit Meeting laid down the guidelines to be followed regarding the main problems involved. During 1973 studies will be made of these problems and the necessary decisions will be taken. The Commission recalls, for its part, that it has submitted to the Council several memoranda dealing with the matters which exercised the minds of the participants at the Summit Meeting, are extremely relevant to current events, and concern the Community's policy of development cooperation, relations with the countries of the Mediterranean area, and the results of the Third United Nations Conference on Trade and Development.

414. In this context, the Commission is anxious to underline the seriousness of the problem of basic products, which is of fundamental importance to the developing countries and might well bring to a head their fears concerning the enlargement of the Community. It is indisputably one of the priority problems that will have to be dealt with in particular during the important round of trade negotiations planned for 1973.

The Commission would like to outline the stand that it intends to adopt, first of all inside the Community, and subsequently during these negotiations, in order to improve the developing countries' positions on all foreign markets. In the Commission's view, we should put behind us the academic and sterile confrontation between the approach based mainly on access to the market and the approach that advocates organization of the markets. The real problems involve much more than simply the trade aspect.

Improving the export earnings of developing countries depends also on other elements of the economy of each basic product, from production to consumption. This is particularly true of products described as being similar to and competing with Community products. In the case of these products, which benefit from national support policies in the developed countries, mere market access will in no way improve the volume of and earnings from exports from the developing countries. Open markets will rapidly be taken over by exporters from the developed countries. This will also happen in the field of marketing organization, since the fundamental elements that should be dealt with are indeed internal measures, in particular support and storage arrangements that do not come under the market rules.

The Commission believes that it is necessary to think in terms of a "products economy", to be set up gradually by concerted action. This entails dealing with all the economic elements of products, such as production, measures taken in connection with production, diversification, support on internal and external markets, prices and price stabilization, storage and storage financing. In other words, the aim of the national and international measures affecting all these economic elements of products would be to create the conditions for trade liberalization. The concerted and ordered growth of world production, flexibly linked to a foreseeable expansion in world consumption, would give the products of the developing countries better access to the market and would enable a policy of fair, stable and profitable prices to be pursued to their advantage. This concerted reorganization should be carried out within the framework of international product agreements and would be in the interests of the developing countries. Such, in brief, is the scheme that the Commission wishes to put forward with a view to promoting an international policy on basic products that will demonstrate the solidarity existing between rich countries and their partners in the Third World. The Commission is aware of the implications that a policy of this kind has for the internal structures of the Community, and is willing to accept its responsibilities in the matter.

*The memorandum on a Community Policy of  
Development Cooperation*

415. When presenting to the other Community institutions, in July 1971, a summarizing document concerning a "Memorandum on a Community Policy of Development Cooperation", the Commission had announced its intention of forwarding at a later date a second document in which the general guidelines contained in the summary would be given concrete form in an action programme.<sup>1</sup> In February 1972 the Commission adopted and forwarded to the other Community institutions an "initial action programme" containing its detailed suggestions for a set of practical measures chosen from amongst the forms of action set out in the summarizing document. This initial action programme includes measures for favouring exports from the developing countries and also measures for promoting the economic development of those countries.

The first series of measures primarily involves the following:

- (i) Community participation in the new International Coffee Agreement with a view to achieving better utilization of the different mechanisms already existing in the present Agreement, and substantial participation of the Community in the diversification fund of the International Coffee Organization;
- (ii) Active participation in the negotiations for concluding an international cocoa agreement, which could, if necessary, be concluded without the direct participation of the consumer countries;
- (iii) Taking into account the interests of those developing countries that are sugar producers by ensuring that sugar production in the enlarged Community is insufficient to meet requirements;
- (iv) Steps to promote trade with the developing countries (in particular, advanced professional training programme for the persons responsible for production and exports, support for the setting up of departments responsible for commercial cooperation with developing countries and coordination at Community level between these bodies, information for the trade advisers of the developing countries on Community legislation, technical assistance for improving product standardization, etc.);
- (v) Gradual abolition of excise duties on tropical products;
- (vi) Protection of registered designations of origin for foodstuffs.

<sup>1</sup> *Fifth General Report*, sec. 433 *et seq.*

The second series of measures includes the following:

- (i) Intensification and regularization of public aid efforts by attaining, not later than 1975, the objective of granting to developing countries a net amount equivalent to at least 0.7% of each country's GNP, and by catering for public aid development programmes in medium-term economic policy;
- (ii) Reduction of developing countries' indebtedness by improving the conditions governing the granting of aid;
- (iii) Gradual "unbinding" of aid at Community level;
- (iv) Coordination at Community level of aid and technical assistance programmes by a wider exchange within the Community of information on requests for aid received from developing countries and on intentions concerning them;
- (v) Promotion of better regional cooperation between developing countries by a systematic attempt at establishing relations between the regional groupings of developing countries and by granting specific technical assistance.

416. In 1972 the Memorandum (comprising both summary report and the initial action programme) resulted in a searching analysis and fruitful negotiations within the Community institutions, two of which, the European Parliament and the Economic and Social Committee, have already completed their work on this matter. Furthermore, the Parliamentary Conference of the EEC-AASM Association instructed its Joint Committee to make a report to it on this Memorandum. On 26 September 1972 the Council, taking the Memorandum as its starting-point, held its first general discussions on the Community's future policy on development cooperation. The Ministers responsible for matters of development cooperation took part in these discussions for the first time.

At the end of this debate, the Council gave the Committee of Permanent Representatives of the Member States the task of deciding on the composition and terms of reference of a working party to assist the Council in matters of development aid with the participation of the acceding States, on the understanding that:

- (i) the members of this working party would be on a high enough level to deal with the entire range of problems occurring in this field;
- (ii) the working party would begin its work as soon as possible after the Conference of Heads of State or Government;
- (iii) this work would be based more particularly on the Memoranda that the Commission and the Member States had already forwarded or would

forward concerning the discussions of the present Council meeting and on the general lines of policy that would be decided upon by the aforementioned conference;

- (iv) a definitive report would have to be submitted to the Council by 1 May 1973 at the latest, but interim reports would be presented as and when required.

### *The evolution of trade*

417. Community trade with all the developing countries continued to evolve favourably throughout 1971, but was more marked during the first half of the year. EEC imports (at current value) were 9.7% up on 1970, and there was a deficit of \$4 800 m in the EEC's trade balance with the Third World (see Table 15). It must be remembered that the various parity adjustments and changes in currency rates undoubtedly had a general effect on trade and that under normal conditions, without monetary upheavals, the Community would certainly have had a trade deficit appreciably above \$5 000 m.

Petroleum imports, which represent approximately 50% of the total value of Community imports from the developing countries and are increasing rapidly (\$8 548 m in 1971, as against \$6 623 m in 1970, i.e. an increase of 29%), accounted in great part for the rise in EEC purchases during 1971. Manufactured articles, however, account for less than 20% of total EEC imports from all developing countries. Nevertheless, the value of Community imports of textiles (\$300 m in 1971) and clothing (\$275 m in 1971) more than doubled in five years (1967-1971).

The most unsatisfactory situation is still to be found in the commodities sector. Here, for example, there was a net fall in Community purchases of non-ferrous metals (\$1 118 m in 1971 as against \$1 676 m in 1970). There was also a slight fall in purchases of other commodities compared with 1970 (\$6 445 m as against \$6 564 m for products falling within *CST 0, 1, 2 and 4*).

In short, without petroleum, EEC imports from the developing countries would have remained at the same level as in 1970.

Figures for the first half of 1972 show that the rate of increase was decidedly lower than that recorded for the first half of 1971. This trend is expected to continue until the end of the year. These developments may become extremely worrying, *inter alia* on account of the enlargement of the Community in 1973. The Commission considers that the Community should resolutely take the initiative in improving the prices of commodities exported by the developing countries and in helping the export of their manufactures.

TABLE 15  
EEC trade with the developing countries and territories generally

Year	EEC imports				EEC exports			Net Balance of Trade (value)
	Value <sup>1</sup>	Index	Year-to-year growth rate (%)	Value <sup>2</sup>	Index	Year-to-year growth rate (%)		
							(in \$ m)	
1958	6 824	100	—	6 125	100	—	- 699	
1959	6 669	97.7	- 2.3	6 926	96.8	3.2	- 743	
1960	7 485	110	12.1	6 738	110	13.7	- 747	
1961	7 575	111	1.2	6 765	110	0.0	- 810	
1962	8 168	120	7.8	6 197	101	- 8.4	-1 971	
1963	8 822	129	8.0	6 355	104	2.5	-2 467	
1964	9 843	144	11.6	6 892	113	8.5	-2 951	
1965	10 523	154	7.0	7 501	122	8.8	-3 028	
1966	11 326	166	7.6	7 957	130	6.1	-3 369	
1967	11 593	170	2.4	8 299	135	4.3	-3 294	
1968	12 514	183	7.9	9 313	152	12.2	-3 201	
1969	14 223	208	13.7	10 218	167	9.7	-4 005	
1970	16 112	235	13.2	11 553	189	13.0	-4 559	
1971	17 669	259	9.7	12 895	211	11.6	-4 774	
1972 <sup>3</sup>	18 700	274	5.8	13 600	222	5.4	-5 100	

Source: Statistical Office of the European Communities

<sup>1</sup> At ruling rates cif

<sup>2</sup> At ruling rates fob

<sup>3</sup> In millions of u.s.; estimates, based on first six months.



### *United Nations Conference on Trade and Development (UNCTAD)*

418. The third United Nations Conference on Trade and Development (UNCTAD) took place in Santiago, Chile, from 13 April to 21 May 1972.

The important preparations for the third session of the Conference had gone on throughout 1971 and at the beginning of 1972 in the UNCTAD setting. The countries of the West compared their various standpoints within the OECD, whilst the developing countries met in Lima between 25 October and 7 November 1971 in order to harmonize their positions. These countries produced an action programme containing proposals for solving the pressing problems of trade and development through international cooperation.

For its part, the Community paid particular attention to the preparation of the Conference. Several preparatory meetings were held during 1971 and at the beginning of 1972 with a view to examining the principal problems of interest to the Community that were on the Conference's agenda. After these meetings, the Commission sent the Council a Memorandum putting forward the Commission's view of the Community's role and the positions it ought to adopt on the main problems tackled by UNCTAD III. This Memorandum was accompanied by detailed documentation concerning the main points on the agenda. At its session of 20 and 21 March 1972 the Council, on the basis of these documents, decided on the position that the Community and its Member States would adopt in Santiago. In particular, it laid down a number of guidelines to serve as a basis for the work to be done by the delegations of the Member States and of the Community. Furthermore, the Council stressed the importance of this Conference and the spirit of goodwill with which the Community would participate in it for the purpose of satisfying as far as possible the legitimate aspirations of the developing countries.

At its session of 13-17 March 1972 the European Parliament adopted a detailed Resolution in which it "solemnly reaffirmed the responsibilities of the European Community, the Third World's foremost trading partner, in the field of development cooperation" and recommended the Council and Commission to "do everything in their power to ensure that the Community took an active and effective part in the third session of UNCTAD".

#### *A. The outcome of the conference*

419. The agenda for the conference—the draft of which had been adopted at the eleventh session of the Trade and Development Board in Geneva in August and September 1971—included, besides matters covering all the traditional

activities of UNCTAD, several new points, notably the question of the international monetary situation. The conference, which had elected Mr. Almeyda, Chilean Minister for Foreign Affairs as its Chairman, set up six main commissions and three working parties to study these matters. Before an initial assessment of the results of the conference is undertaken, a few remarks may profitably be made on the context in which this session was held and the problems arising from it. This is necessary if any objective judgement is to be passed on the work of UNCTAD III.

The third session of the conference was held at a time when international difficulties and uncertainties were particularly acute, both in the economic and monetary fields and as regards the policies pursued by certain countries or groups of countries. Firstly, there were the problems relating to the international monetary situation which were at their height during that period and will remain so for some time to come. Secondly, there was the preparatory work for the 1973 trade negotiations, which had not, as yet, been tackled seriously. Accordingly, no decisions on the problems peculiar to the developing countries could be taken at Santiago in these two vital sectors of the international economic scene before solutions to these fundamental questions were found, or at least outlined more generally by the appropriate bodies.

Furthermore, the abnormal internal political situation in the United States on the eve of the presidential elections made it impossible for that country to enter into any new commitments with far-reaching consequences in the monetary and commercial fields. The United States was, in fact, more concerned with limiting, if not reducing its foreign engagements. In consequence, other Western countries slowed down their efforts to meet developing countries' requests.

The Six, for their part, do not yet have a general policy of development cooperation, and the attitudes adopted by the individual Member States on matters not yet falling under Community jurisdiction had the result of greatly cramping the Community representatives in making statements. Furthermore, the Community of Six was not and could not be authorized to take fundamental decisions that might commit the Community of Nine or Ten. Consequently, the Six have been obliged to restrict their action to solutions that did not prejudice the policy of development cooperation that the Community will pursue after 1 January 1973.

Finally, the preoccupations and interests of the developing countries were far from similar. Differences between the three developing continents and between the countries that constitute these continents have become more acute, to the detriment of the force and weight which these countries could bring to the support of their legitimate claims and the solving of problems that are of fundamental importance in their international economic relations.

420. On account of these adverse circumstances, no spectacular results were forthcoming from the Conference. It did, however, provide the developing countries with an opportunity to make known and even to gain acceptance for the principle whereby they should participate in the decision-making process at world level for the reform of the international monetary system and the far-reaching trade negotiations planned for 1973. It must be noted here that their efforts to make their arguments felt were greatly helped by the resolute and decisive action of the Community and its Member States. The Community did, in fact, take the initiative of announcing its support for their participation in the 1973 negotiations. Despite strong objections in certain quarters, the whole group of Western countries came round to this viewpoint in the end. Furthermore, the positions adopted by most of the Community's Member States and the statements and action of President Mansholt in Santiago contributed to the final agreement reached on the participation of all the developing countries in the reform of the international monetary system and on the need for constructive study of the question of a link between special drawing rights and the financing of development.

These were the most important results achieved by the developing countries at the Conference and they would not have been possible without the European Community and its Member States, especially in the unfavourable economic climate described.

Another field in which, according to the Commission, UNCTAD III made real progress is that of the least advanced developing countries: the diversity inherent in the Third World was formally recognized and the logical conclusion drawn, i.e. the need to lay down special measures favouring the most underprivileged countries. The African countries were those most closely concerned by the resolution adopted by the Conference on this matter since most of the least advanced developing countries are in Africa. It must be realized however, that the present definition of least advanced countries (25 of them) is likely to create difficulties for countries which are not on the list but hope to be placed on it eventually.

In any case, it should be stressed that, on the whole, the essential problems of substance were not thoroughly resolved in Santiago and that, as a result, the developing countries will continue their attempts to urge the developed countries to undertake further commitments.

#### *B. The lessons of the conference*

421. When the Commission forwarded to the Council the report drawn up by its Delegation to the third UNCTAD, it made certain observations on the

report which in its view, were of essential importance. It drew a number of political conclusions from the work of the Conference, and evolved certain lines of action from them for its relations with the developing countries.

The first conclusion that presents itself is that the Community and its Member States did not give the impression in Santiago of being a group capable of putting through a coherent policy towards the developing countries. It is not politically expedient for the Community to continue to fall so far short of the expectations of the developing countries, which are becoming impatient and find it difficult to understand how a Community on the road to economic and monetary union can be so helpless in the field of development cooperation. From this the Commission concludes that endeavours should be made without delay to define a true Community policy of development cooperation, starting with coordination at Community level of the national policies of Member States. Here it recalls its Memorandum on a development cooperation policy, and is appreciative of the support given by the European Parliament, which reached similar conclusions in July 1972 during its discussions of UNCTAD III and the Memorandum.<sup>1</sup>

The second conclusion drawn from Santiago by the Commission was that the developing countries are truly anxious about the future enlargement of the Community. Although the EEC was unable to accept the insinuations made against it in the Resolution put forward in plenary session by about fifty developing countries during discussions on the "effects of regional economic groupings of developed countries on world trade", it is nonetheless true that this initiative on the part of a large number of Third World countries reflected a feeling of uncertainty and concern in the face of the unknown consequences which the Community's enlargement might bring for them. The Commission considers that the Community should prove that it really means business, and thus reassure the developing countries which expect the Community to translate the declarations made in Santiago into deeds. Upon enlargement, this would involve giving high priority immediately to a policy of development cooperation as one of the many problems with which it will be faced, and undertaking a series of actions that were no more than outlined in Santiago and consequently now entail concrete initiatives from the industrialized countries. The most important of these initiatives are outlined below.

422. One of the subjects on which the Community should declare its views at once and in the clearest terms is that of participation of the developing countries in the 1973 trade negotiations. The Community should put into effect the idea of bringing the developing countries in on these negotiations so that,

<sup>1</sup> Resolution of 4 July 1972, *OJ* No. C 82, 26 July 1972, pp. 18 and 21.

whether they are Contracting Parties to GATT or not, they may participate fully, efficiently and continuously in all phases of the discussions.

In the commodities field the Community should base any concrete measures that it takes on a category-by-category approach. For industrial raw materials, the first step is to stabilize demand or compensate for the losses in export earnings incurred by producer countries as a result of demand fluctuations. For tropical products, the Community should systematically strengthen its support for an international policy of organization of the markets and promote a real concerted improvement of all the economic stages of products, from production to consumption. For basic products that are similar and competitive, the Community should promote a long-term policy that would be an integral part of the concerted improvement at international level of the economy of each product, and should, without delay, implement a set of measures that would facilitate access to the market and price stabilization for developing countries, with due regard for the trade negotiations within GATT planned for 1973.

In the manufactures sector, the Community should envisage improving its generalized tariff preferences. In the case of processed agricultural products, in particular, the Community ought to be able to better its offer as regards both the products covered and the preferential margin.

423. The Commission considers that, in the monetary field, the Santiago Conference has three implications for the Community and its Member States. Firstly, they should do all in their power to see that the principle enunciated in Santiago, to the effect that the developing countries should participate in monetary matters and their interests in such matters should be taken into account, is translated into reality. Furthermore, it is the Commission's view that the losses incurred by the developing countries as a result of the monetary realignment carried out in December 1971 should be compensated for by exceptional international action. With this in mind, the Member States ought to ensure that when the next batch of special drawing rights (SDRs) are eventually allocated sometime in 1973 or later, the developing countries benefit in some way or other from this allocation to an amount proportionally greater than their IMF quotas. Finally, as regards the longer-term problem of a link between SDRs and development financing, the Commission considers that the method whereby SDRs are distributed amongst the countries participating in the system should be reexamined in the light of the reform of the international monetary system. The examination should lead to more SDRs being allocated to the developing countries than under the present allocation system.

The Community may view the special measures envisaged in Santiago for the least advanced developing countries as additional justification, now accepted

at international level, for a special effort by Europe, within the context of its policy, to help certain particularly underprivileged regions of the world, especially in Africa. Furthermore, it would be logical, in matters of financial and technical cooperation, for the Community to take inspiration from the guidelines laid down at UNCTAD III and review certain criteria and attach greater importance to the degree and conditions of development in the different countries within the new, larger association.

### *C. The trade and development board*

424. The Trade and Development Board held its twelfth session in Geneva from 3 to 24 October 1972. This session was devoted mainly to examining matters resulting from the resolutions, recommendations and other decisions adopted by UNCTAD III. The Board's task was to examine the measures that might be taken to ensure implementation in the most appropriate manner of the various principles on which a consensus was reached in Santiago. Discussions covered problems posed by a coordinated solution to difficulties in the monetary, commercial and financial fields; by the multilateral trade negotiations; and by commodities.

The developing countries tried to strengthen UNCTAD's role in two respects. Firstly, they proposed the establishment at high level, on the lines of the Committee of Twenty set up within the IMF, of a standing group that would give the Secretary-General of UNCTAD enough permanent political weight to enable him to act with more authority in commercial, monetary and financial matters. As regards UNCTAD's external relations, the developing countries endeavoured to get UNCTAD as a body put on the same footing as GATT and the IMF, and thus coordinate its activities with them. In both matters, the attempts of the developing countries came to nothing, but a certain process was set in motion which will probably enable them to obtain satisfaction eventually. First of all, in the Trade and Development Board, a great majority seems to be in favour of organizing a special session of the Board at which all the internal and external problems facing UNCTAD would be examined. These problems will be discussed, and the appropriate decisions taken, when the Board resumes its twelfth session on 7 May 1973.

As regards the multilateral trade negotiations, the board approved conclusions which are more favourable to the developing countries than Resolution 82(III) on this matter adopted in Santiago. The developing countries managed to convince the Board that expansion and diversification of their exports should be one of the main objects of the negotiations and that every effort should be made to assure these countries of substantial advantages. The

Board requested the Secretariats of GATT and UNCTAD to increase their contacts with a view to coordinating their activities in the field of assistance to developing countries in preparation for the negotiations.

In the matter of commodities, harmonized conclusions on the implementation of Resolution 83 (III) of UNCTAD III were approved. This Resolution provided for the organization of intensive intergovernmental consultations on access to markets and price policy. In these conclusions the Board requests the Secretary-General to inform the Governments concerned, around the middle of January 1973, regarding the outcome of these consultations and its own conclusions on the preparatory work for the seventh (extraordinary) session of the Committee on Commodities.

The discussions and decisions of the Board's twelfth session marked a new phase in the process of allotting to UNCTAD a specific role in ensuring that the developing countries effectively participated in the decision-making mechanism of international economic relations. The Community took care to avoid any estrangement from the majority of the group of Western countries, but nevertheless expressed its own views, which were recognized as genuinely opening up opportunities for the developing countries. The results of the Paris Summit Meeting, which proved to the developing countries that their problems are being taken into consideration at the highest level in the Community, gained a certain measure of acceptance within the Board. In this context, the statements made by the Community representatives on the multilateral negotiations within GATT, the implementation of the generalized tariff preferences, and the approach adopted on commodities, were received favourably by all the delegations of the developing countries.

### *Generalized tariff preferences*

425. At its session of 20 December 1971, the Council adopted a number of regulations and decisions on the application during 1972 of the Community's generalized tariff preferences for exports of manufactured and semi-manufactured articles from developing countries.<sup>1</sup> These regulations and decisions, which were adopted on the basis of proposals and draft decisions submitted to the Council by the Commission, are, with some slight amendments, the texts adopted by the Council on 21 and 22 June 1972 concerning application of the preferences from 1 July to 31 December 1971.<sup>2</sup>

<sup>1</sup> OJ No. L 287, 30 December 1971.

<sup>2</sup> Secs. 452 to 455 of the *Fifth General Report* give a detailed explanation of the implementation of generalized tariff preferences.

During 1972 the Community's system of generalized tariff preferences functioned normally. Internal procedures were worked out in order to facilitate application of the various provisions contained in the regulations on the monitoring of imports enjoying preferential treatment.

The question of the inclusion of further countries in the list of those enjoying the Community's generalized tariff preferences was examined by the Council in 1972 on the base of documents submitted by the Commission. At its sessions of 5/6 and 26/27 June 1972 the Council approved the extension of these preferences to the following countries: Cuba, Bhutan, Fiji, Oman, Nauru, Western Samoa, Tonga, Sikkim and Bangladesh. The Council agreed to reexamine at a later date the requests made by a number of countries bordering the Mediterranean and by Rumania for inclusion among the countries enjoying generalized preferences.<sup>1</sup>

Acting on a Commission proposal the Council adopted a body of regulations and decisions laying down the details for implementing the generalized preferences in 1973. Apart from the increase in the volume of trade destined to benefit from the preferences resulting from the Community's offer, and apart from the inclusion of the new beneficiary countries named above, the arrangements made for 1973 are very similar to those applied in 1972, as far as the six initial members of the Community are concerned. The new Member States will apply their own systems of generalized preferences until 31 December 1973, as they are allowed to do by the Accession Treaty.

In the course of the year the Commission organized a series of seminars in Latin America on the subject of the generalized preferences system, for the purpose of making the beneficiary countries more familiar with it. The seminars were one manifestation of the development of relations between the Community and Latin America and of the collaboration instituted by the Joint Declaration of 18 June 1971 which set on foot the institutionalized dialogue between the EEC and Latin America. Furthermore, Commission officials participated in other seminars on the same subject organized by UNCTAD in Santiago and Addis Abbaba.

### *Community food aid*

#### *Cereals*

426. The Community drew up its food aid programme (at Community and national levels) for 1971/72, the first year of application of the Second Convention on Food Aid, which entered into force on 1 July 1971.

<sup>1</sup> OJ No. L 296, 30 December 1972.



Community aid in this field, namely 414 000 tons of cereals, amounted to 40% of its committed total of 1 035 000 tons. Of the 414 000 tons, 367 000 tons went to 21 developing countries and 47 000 to three international bodies. *Table 16* shows how these quantities were allocated.

*TABLE 16*  
Community food aid (cereals) 1971/72

Country	Quantity (tons)	Country	Quantity (tons)
<i>Maghreb</i>		<i>Far East</i>	
Algeria	25 000	Afghanistan	20 000
Morocco	25 000	Bangladesh	60 000
Tunisia	25 000	Bengali refugees in India (ICRC)	50 000
<i>Africa</i>		Sri Lanka	11 000
		Indonesia	17 000
Dahomey	7 000		
Upper Volta	5 000		
Mali	7 000		
Niger	7 000	<i>Latin America</i>	
Senegal	8 555		
Somalia	15 000	Peru	13 500
Chad	7 000		
<i>Middle East</i>		<i>International organizations</i>	
Jordan	5 000		
Lebanon	10 000	International Committee of the Red Cross	10 000
UAR	20 000	World Food Programme	15 000
Syria	15 000	UNRWA	21 345
Yemen	4 000		

It should also be remembered that the Community decided to earmark 28 000 tons of wheat for Bangladesh from the unused quantities of the 1970/71 programme. This wheat was delivered at the end of the year for distribution by the International Committee of the Red Cross.

#### *Products other than cereals*

427. The deliveries of milk products to be carried out under the agreements with the World Food Programme (WFP) (120 000 tons of powdered skim milk and 35 000 tons of butter oil) and with the ICRC (3 000 tons of powdered skim milk) were completed.

The Community took decisions to provide further aid in the form of these products:

- (a) 15 000 tons of butter oil (decision of 2 August 1972), allocated as follows:
- |       |             |
|-------|-------------|
| WFP   | 13 000 tons |
| UNRWA | 2 000 tons  |
- (b) 60 000 tons of skim milk powder (decision of 19 December 1972), allocated as follows:
- |            |             |
|------------|-------------|
| Bangladesh | 19 450 tons |
| Jordan     | 1 000 tons  |
| Lebanon    | 250 tons    |
| Egypt      | 2 000 tons  |
| Rwanda     | 750 tons    |
| WFP        | 29 450 tons |
| ICRC       | 6 000 tons  |
| UNRWA      | 1 100 tons  |

Finally, 1972 saw the implementation of the decision taken by the Council in 1971 to supply the developing countries with 500 tons of egg powder through the WFP.

### *Special Action*

428. The Community decided to take special action to help refugees in the countries of the Middle East.

On 18 December 1972 a Convention was signed with the United Nations Relief and Works Agency for Palestine Refugees (UNRWA) by which the Community pledged itself to supply, under a three year programme:

- (1) quantities of products, fixed for the first year as follows:
- |                                |
|--------------------------------|
| 6 150 tons of sugar            |
| 3 070 tons of wheat flour      |
| 240 tons of milled rice        |
| 1 100 tons of skim milk powder |
- (2) money amounting to 1 610 000 u.a. for the first year, intended mainly to defray the costs of carrying out the UNRWA supplementary programme reserved for the most vulnerable categories of refugees.

#### 4. Relations with developing countries in Latin America and Asia

##### *Relations with Latin America*

429. Under the procedure for dialogue between the Community and the Latin American countries which was instituted by a joint declaration on 18 June 1971, regular contacts have been maintained between the two parties, particularly with an eye to the Conference of the Heads of State or Government of the enlarged Community, held in Paris on 19 and 20 October 1972.

In view of this Conference, the Latin American countries which met in the CECLA<sup>1</sup> at the beginning of September 1972 in Santiago adopted a declaration and a resolution on future relations between the Community and the Latin American countries. These texts were officially handed to the Council and the Commission to stress the importance that these countries attach to development of their economic relations with the Community. In particular, the countries concerned expressed confidence that the Summit would enable the necessary political decisions to be taken for the launching of a cooperation policy between the enlarged Community and the member countries of the CECLA, in accordance with the growing world responsibilities which this Community will have to shoulder.

A third meeting in the framework of the abovementioned dialogue was held on 11 December 1972 between the representatives of the Latin American countries and of the Member States of the Community. The three acceding countries were also represented. There was a detailed discussion of all the problems of concern to the two sides and a joint expert group on trade questions was set up. It will have to report to the fourth meeting, scheduled for the summer of 1973.

Numerous discussions on Community relations with Latin America have also taken place between the Commission and a number of leading Latin Americans during visits to both Latin America and the Commission. As in previous years the Commission has maintained close links with the regional organizations in Latin America, in particular the Economic Commission for Latin America (CEPAL), the Organization of American States (OAS), the Junta of the Andean Group, the Central American Common Market, the Latin American Free Trade Association (LAFTA) and the Caribbean Free Trade Area (CARIFTA).

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<sup>1</sup> Special Commission for Latin American Coordination.

430. As regards more particularly relations with the Andean Group countries, the Commission proposed in a memorandum to the Council in January 1972 the setting up under the dialogue procedure between the European Community and Latin America of a subcommittee, with the name "European Communities—Andean Group Joint Committee" which would be specially responsible for examining possibilities of cooperation with the Andean Group in regional integration. This "joint committee" was instituted at the abovementioned third meeting in the setting of the EC/Latin America dialogue.

Meanwhile, the Community, at the request of the Junta of the Andean Group, has provided aid for various schemes and integration measures which are being examined or implemented by the Group. Thus, Commission experts on regulations laying down and harmonizing technical measures have been placed at the disposal of the Junta. Moreover, Court of Justice and Commission experts have taken part in a seminar organized by the Andean Group to examine the possibilities of setting up a court of justice, and Junta officials have studied the legal mechanisms of the Community at the Commission and the Court of Justice.

Seminars within the framework of the Community's general policy on development cooperation have been organized by the Commission in various Latin American countries with a view to enabling the beneficiary countries to make better use of the system of generalized preferences adopted by the Community.<sup>1</sup>

431. As regards bilateral arrangements, 1972 is the first year in which the trade agreement signed in November 1971 between Argentina and the EEC has been applied.<sup>2</sup> Its implementation has proved to be generally satisfactory, particularly in the beef and veal sector, where Argentina's greatest interests lie. With regard to maritime transport, however, Argentina has not yet been able to put into effect its Declaration No. 8 expressing the will to improve the situation in this sector.

Trade negotiations between the EEC and Uruguay began on 25 April 1972. They are to lead to the signing of an agreement broadly similar to that linking the Community and Argentina. Wide agreement was reached in the negotiating sessions of April and June 1972, but the question of maritime transport proved intractable and was still unsolved at the end of the year.

On 27 July 1972 the Commission submitted to the Council a recommendation for a decision authorizing it to open trade negotiations with Brazil. On

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<sup>1</sup> Sec. 414.

<sup>2</sup> *Fifth General Report*, sec. 473.

4/5 December 1972 the Council agreed in principle that the opening of these negotiations was opportune.

### *Relations with developing countries in Asia*

432. Bilateral contacts between the Community and the developing countries in Asia have increased during the past year both at ministerial level and through diplomatic channels. This is due to the Community's bigger role in world trade as a result of its enlargement. Moreover, the problems resulting from the accession of the United Kingdom to the Community on the one hand, and from the implementation of the system of generalized preferences on the other have as a rule taken precedence over more traditional ones connected with the Community agricultural and association policies.

As regards the independent Asian countries of the Commonwealth, the declaration of intent by the Six and the United Kingdom to work together with these countries after enlargement to find solutions to their individual problems, while taking account of the other countries in the area, was confirmed when the Treaty of Accession was signed in January 1972.

The examination has continued of requests made by a number of countries—India, Indonesia, Iran, Pakistan<sup>1</sup>—for the conclusion of bilateral trade agreements with the Community or for extensions to existing agreements. As regards the Indian request, the Council, acting on a Commission recommendation, expressed itself in favour of the opening of such negotiations at its session of 4 and 5 December 1972.

On 18 July 1972 the Commission addressed a recommendation to the Council for the opening of negotiations with India to conclude a "trade cooperation" agreement between the Community and that country. Such an agreement, which would be non-preferential, could be valid for five years and would establish cooperation between the Contracting Parties, should, in the Commission's opinion, come within the Community policy to be applied to Asia.

The trade agreement concluded between the Community and Iran on 14 October 1963 was renewed by the Council Decision of 16 November 1971 until 30 November 1972.<sup>2</sup> At the request of the Iranian Government, the agreement has again been extended until 30 November 1973 by Council Decision of 29 November 1972.<sup>3</sup> Moreover, it should be noted that the Iranian

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<sup>1</sup> *EC Bulletin* No. 9/72, sec. 116.

<sup>2</sup> *OJ* No. L 262, 27 November 1971.

<sup>3</sup> *OJ* No. L 269, 30 November 1972.

Government had requested the meeting of the Joint Committee for which the agreement makes provision. There have been several contacts between the Iranian Government and the Commission, the most recent in January 1972. However, the meeting of the Joint Committee has not yet taken place; it will probably be held in 1973.

The problems of bilateral relations between the Community and various countries in the area (Indonesia, Malaysia, Singapore, Thailand) were investigated in the course of visits by Mr Dahrendorf, Member of the Commission with special responsibility for external relations, in February 1972, and by Mr Mansholt, President of the Commission, in September 1972. Issues of particular interest to the Philippines were the subject of talks between Mr Carlos P. Romulo, Foreign Affairs Minister of the Philippines, and President Mansholt in Brussels on 24 October 1972. Finally, two countries in the area—Burma and Bangladesh—have established direct links with the Community for the first time. For Burma, this was achieved at the talks held on 10 March 1972 between the Commission and Colonel Maung Lwin, Minister of Trade; with Bangladesh, agreements have been concluded in respect of food aid and jute textiles.

433. Relations with the Association of South-east Asian Nations (ASEAN) and the United Nations Economic Committee for Asia and the Far East (UNECAFE) have been maintained. On 16 June 1972 a meeting took place between an ASEAN delegation led by Mr Soemitro Djojohadikoesoemo, Indonesian Minister of Trade, and a Commission delegation led by Mr Ralf Dahrendorf. The ASEAN delegation expressed the hope that close cooperation would develop between the ASEAN and the Community to work together to find suitable solutions to the various economic problems. It stated its desire to institutionalize the dialogue between the ASEAN and the Community and announced the setting up of a Special Coordination Committee in Bangkok and a Brussels Committee with special responsibility for contacts with the Community. The two delegations agreed on a list of issues to be examined in the course of future meetings between the Brussels Committee of the ASEAN and the Commission; these include among others the comparison of statistical data on foreign trade, the application of generalized preferences, legislation pertaining to investments, obstacles to trade and problems of basic products.

During 1972 the Community has maintained its now traditional links with the United Nations Economic Committee for Asia and the Far East. It was represented at the plenary session of the UNECAFE and on the Trade Committee of this body. The Community is taking a special interest in the work being done by the UNECAFE for regional economic cooperation.

## 5. Commercial relations with other non-member countries

### *Relations with the United States*

434. Early in the year, the outstanding event in relations between the United States and the Community was the conclusion, on 11 February 1972, of an agreement in the trade field which, in a way, constituted the commercial aspect of the monetary regulation of 18 December in the framework of the Smithsonian Institute agreements. It comprises, on the one hand, a joint declaration by which the two parties undertake to begin, in 1973, far-reaching multilateral negotiations in GATT, and on the other hand, an exchange of letters concerning reciprocal commercial commitments.

The joint declaration, with which Japan has associated itself in a similar declaration signed with the United States, lays down that the objectives of the multilateral negotiations will be expansion and ever-increasing liberalization of world trade and improved living conditions for the different peoples concerned. The undertaking to negotiate is subject to the condition that any internal authorizations necessary shall be obtained, this being required to allow for the limitation of the present negotiating powers of the United States Administration vis-à-vis Congress. The declaration specifies that the negotiations will be based on mutual benefits entailing global reciprocity, and will include trade in both farm and industrial products. The two parties have furthermore agreed that special attention must be given to the problems of the developing countries in the negotiations.

The exchange of letters mainly covers undertakings by the two parties as regards the stocking of cereals and a temporary reduction by the Community of its customs duties on certain varieties of citrus fruit. This exchange of concessions has made it possible to settle specific problems, which are limited but annoying, and which, because of their essentially political repercussions, had for many months given rise to friction despite the positive conciliatory moves made by the Community early in 1971.

Thus, the conclusion of this agreement in February 1972 in a way put an end to the period of serious strain in relations between the United States and the Community in 1971. True, it is far from having settled all the problems and the basic approaches to the achievements of the common objectives are still widely divergent and call for great efforts of comprehension and comprise which will involve tough negotiations. But, as it stands, the agreement has nevertheless helped to improve the political atmosphere and has loosened up the dogmatic rigidity in which the dialogue between the United States and the Community had become bogged down. The will to achieve a détente in

trade relations which the agreement embodies was confirmed by the spirit in which the debates on monetary problems were held at the September meeting of the "20" Group in the IMF.

For its part, the enlarged Community stressed at the Paris Summit the importance it attached to maintaining a constructive dialogue with the United States. At the same time it made a very positive declaration concerning its readiness to open large-scale multilateral negotiations following a precise timetable. President Nixon, replying to the Paris declaration, particularly stressed this point and renewed the assurance that the US Government's support for the objective of European union continued to be a permanent principle of American foreign policy.

435. It is therefore important not to lose sight of these basic facts concerning the major options of general policy when approaching the day-to-day terrain of matters in dispute between the Community and the United States. On this terrain, the points of friction and strain continue to be very numerous, and they are even increasing with the growth of the Community, the more so as the future intention of the United States is to dissociate the political principle of their support for the objective of European union and the unbending defence of their economic interests whenever they consider that the integration of Europe calls these into question. Never before has the United States Administration scrutinized and evaluated so systematically down to the least detail the scope and possible effects of European policies.

Thus, during 1972, the reproaches, interventions and protests concerning certain Community policies have multiplied and have been formulated with growing insistence and vigour. The major issues are the common agricultural policy and the conclusion by the Community of association and trade agreements which establish free trade areas and customs unions. In this latter field it is the Community's policy towards the Mediterranean countries which has become the main bone of contention. Everything seems to indicate that the United States intends to accompany its policy of support for the principle of European integration with new conditions which will be stricter than in the past.

But the Community for its part also has plenty to complain about. It has noted with disquiet that protectionist pressures in the United States continue to have an extremely powerful political and electoral impact which was reflected, in 1972 again, by a succession of measures of varying importance tending to clamp down on imports. Here, particular mention should be made of the self-limitation measures which the United States have imposed on Community steel exports, the strengthening of the arrangements to give a privileged position to American products in Government procurement and the increased



recourse to antidumping duties, the frequency of which has now attained a level unequalled in the industrialized countries. Furthermore, probably in part because of the deterioration of the American external financial position, the United States Administration has worked out certain measures to encourage exports artificially through the device of exemptions from direct taxation (DISC fiscal statute), which the Community considers as being in conflict with the rules of the General Agreement.

436. The Commission, for its part, continues to consider that reality and concrete importance of the specific problems on which this situation of strain and misunderstanding between the Community and the United States has been built up do not in any way merit the importance which people too often tend to attribute to them or the political, tactical and psychological exploitation sometimes made of them. It would like to stress that there is no common measure between the sum of fundamental and essential joint interests which continue to be the basis of relations between the Community and the United States and the points of dispute which are inevitable in all relationships, whether between individuals or States, and which, moreover, bear witness to the healthy vitality of these relationships.

It is the Commission's intention to continue, with complete lucidity, to watch firmly that the Community does not enter upon an absurd process of mutual out-trumping in recriminations with the United States. As the time approaches for the opening of the coming large-scale trade negotiations in which Community/United States relations are focal, it is more than ever indispensable, in view of their responsibilities, that the two partners should prepare for this event, not as if it were an exercise in confrontation, but with a spirit and will to negotiate in the real meaning of this term. The Commission will put forth every effort in this direction, since there is everything to be gained for the Community, for the United States, and for the world by showing that the forces of understanding and conciliation, based on the points that really matter, should triumph over those of confrontation motivated by narrow and marginal interests.

### *Relations with Japan*

437. During the second phase of negotiations from 6 to 8 July 1972,<sup>1</sup> major differences became apparent between the two delegations concerning the inclusion of safeguard measures in a possible commercial agreement to be concluded between the Community and Japan. Taking into account these

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<sup>1</sup> *Fifth General Report* sec. 460.

differences in particular, there has been no new phase of negotiations between the two delegations in 1972. For its part Japan has in the meantime worked out unilaterally a policy of "orderly exporting". This aims at regulating Japanese exports, *inter alia* to the Community, especially with regard to quantities, prices and qualities, in the hope of avoiding the danger of provoking serious difficulties in the import markets by an excessive growth of exports. Taking the situation into account, the Commission has laid down certain orientations which should guide the Community's attitude with regard to this policy. These refer to the rules of competition and the requirements of Community commercial policy, and have been dealt with in a memorandum to the Council. The Commission has also published an Opinion on imports of Japanese products.<sup>1</sup>

### *Relations with Canada*<sup>2</sup>

438. The more frequent contacts, prompted by the accession negotiations, which took place between the Commission and the Canadian authorities in 1970 and 1971 continued in 1972 to explore ways of strengthening relations between Canada and the enlarged Community. The Paris Summit in October 1972 moreover confirmed the willingness of the Community to keep up a constructive dialogue, in particular with Canada, with the aim of ensuring a harmonious development of world trade.

These bilateral contacts between Canada and the Commission are not directly concerned with the consequences for tariffs of the enlargement of the Community, which will be dealt with at a multilateral level by GATT, but rather with the longer-term prospects of economic relations between the two partners. The Community of Nine will be Canada's second largest export market after the United States (Canadian exports in millions of dollars in 1971: to the USA 12 000, to the UK 300, to the six EEC countries 1 100), and the Canadian Government is aware of the dynamic effects of integration on trade. In addition, Canada is engaging progressively on a new national development strategy. It is therefore of great interest for both parties to keep each other informed, to study questions of joint interest, to seek for solutions to the problems which may arise, and, if appropriate, to conclude an agreement or agreements as may seem opportune.

<sup>1</sup> OJ No. C 111 of 21 October 1970, p. 13.

<sup>2</sup> Fifth General Report sec. 461, and also EC Bulletin No. 11-71 sec 60 and No. 8-72 sec. 121.

### *Relations with Australia<sup>1</sup>*

439. During 1972 Australia continued to express its wish to develop links with the Communities in whose enlargement it sees an important factor for peace and prosperity in the world. The Community for its part believes that the two parties have complementary interests which should be developed. While Europe offers a vast market for Australian industry, Australia is an important supplier of raw materials for European industry. In the same way, while Europe represents an important source of capital to Australia, Australia offers great possibilities for investment by European industries. These questions were already the subject of general exchanges of views during the visit of Mr R. Dahrendorf, Member of the Commission, to Australia in March 1972 and the visit of Mr J.D. Anthony, Australian Deputy Prime Minister and Minister for Trade and Industry, to Brussels in June 1972. These exchanges of views, which took place in the light of the enlargement of the Community, also concerned current trade, especially Australian exports of agricultural products: meat, dairy products and fresh fruit in particular.

### *Relations with New Zealand<sup>2</sup>*

440. The Treaty of Accession includes a special protocol (No. 18) by which the Community authorizes the United Kingdom, for a transitional period, to import certain amounts of butter and cheese from New Zealand subject to special conditions. This protocol will have the effect of allowing New Zealand a certain lapse of time in which to continue to diversify its economy and its exports, half of which traditionally went to the United Kingdom, which accounted for about 85% of New Zealand sales of butter and cheese. To aid this diversification the Community will endeavour to pursue a commercial policy which will avoid clashing with New Zealand's efforts in this field. Since the ratification of the Accession Treaty, the New Zealand Government has contacted the Commission to examine ways of establishing some form of cooperation on dairy products. The Commission has recognized the usefulness of exchanging information of a technical nature on the development of markets for the various products.

### *Relations with state-trading countries*

441. At a time when the interest and deep desire of all the peoples of Europe is evidently a general wish for détente and cooperation, the Heads of State or

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<sup>1</sup> *Fifth General Report* No. 463 and also *EC Bulletin* No. 5-72, sec. 89 and No. 8-72, sec. 123.

<sup>2</sup> *Fifth General Report*, sec. 462.

Government of the Member States of the enlarged Community, meeting 19-21 October in Paris, declared. "In order to promote détente in Europe, the Community reaffirms its determination to follow a common commercial policy towards the countries of Eastern Europe with effect from 1 January 1973; Member States declare their determination to promote a policy of cooperation, founded on reciprocity, with these countries. This policy of cooperation is, at the present stage, closely linked with the preparation and progress of the Conference on Security and Cooperation in Europe in which the Community and the Member States is called upon to make a concerted and constructive contribution."

In the same spirit of cooperation the Commission has envisaged—in the context of its programme for 1972 presented to the European Parliament on 8 February 1972—the possibility of new Community forms of economic cooperation and commercial exchanges with the Eastern European countries by offering its own initial contribution to the preparation of the Conference on security and to European cooperation at the level of the Member States of the Community. By vocation and by choice the Community is not a bloc but a reality open to cooperation. It is also natural that in all the fields where there is collaboration between the Europe of the Community and the Eastern European countries, the Community should play its part in those sectors for which it is responsible.

442. One sign of the fact that the Eastern European countries are recognizing that the Community is something new appeared in the declaration of the Secretary-General of the Communist Party of the USSR, Mr Leonid Brezhnev, on 20 March 1972, at the opening of the Soviet trade union congress, when he affirmed in particular that the Soviet Union was attentively following the activities and the evolution of the Common Market. He added that relations between the Soviet Union and the members of the Common Market would depend on how far the Community recognized the realities which exist in the socialist part of Europe, and in particular the interests of the member countries of COMECON.

The Commission noted with interest this declaration by Mr Brezhnev. For its part the Community has always been prepared to recognize the realities existing in other parts of the world. It is ready to cooperate directly with all countries, in particular with the countries of Eastern Europe and with other state-trading countries, and prepared to recognize their interests on a basis of equality and non-discrimination.

Within the framework of the Treaties of Rome, Community policy therefore offers all kinds of opportunities for cooperation between the Community and the countries of Eastern Europe. The Community will follow with

interest the development of relations with these countries and will continue to put its policy at the service of the common interest of the whole of Europe (Declaration of the President of the Commission to the European Parliament, 19 April 1972).<sup>1</sup>

*The progressive uniformization of Member States' commercial agreements with state-trading countries*

443. During 1972, as in the preceding year, no Community negotiations under Article 113 of the Treaty were yet possible with the state-trading countries, although the Community was ready to treat with them in the same way as with other third countries. Up to the present the socialist countries have not shown themselves willing to participate in such negotiations. For this reason, in order to avoid any interruption of their trade relations with these countries, the Member States have envisaged the need to negotiate bilateral agreements based on Title III of the Decision of 16 December 1969. These negotiations have been concerned principally with the conclusion of annual commercial protocols for the year 1972 between the Member States and the state-trading countries within the framework of the long-term commercial agreements in force. Furthermore, Germany has negotiated with the People's Republic of China, and Italy with Albania, long-term commercial agreements which will expire on 31 December 1974. Further negotiations were opened during 1972 to conclude commercial protocols for 1973. Since, from 1 January 1973, the common commercial policy will apply fully to state-trading countries, no commercial negotiations with these countries will be possible except at Community level.

The approval procedures initiated under the terms of Article 13 of the Council Decision of 16 December 1969 have made it possible to note that all the Member States' commercial negotiations with the third countries in question whose opening had been authorized by the Council in virtue of the provisions of Title III of this decision, have been conducted on the basis of the conclusions/guidelines worked out in prior consultation and coordination as established by the same provision of Title III and agreed by the Council.

No Member State has raised objections with the Commission concerning the results of these negotiations nor has the latter any objections for its part. In this way, it has proved possible to conclude all the agreements and protocols negotiated.

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<sup>1</sup> *OJ* Annex No. 149, April 1972.

*Technical talks with state-trading countries*

444. Technical talks again took place in 1972 with delegations of government experts from Bulgaria and Rumania. These talks gave rise to an exchange of views on the functioning of the Community rules and regulations at present in force, especially in the framework of the common agricultural policy, and the repercussions which this had on the trade of these countries with the Community.

The results of these talks were confirmed by an exchange of letters between the responsible authorities of the countries concerned and the Commission; they all refer to agricultural products subject to market organization under the common agricultural policy. Community Regulation No. 2096/72 of 29 September 1972,<sup>1</sup> relating to the imports of tomato concentrates from Rumania, and Community Regulation No. 2164/72 of 3 October 1972<sup>2</sup> relating to imports of eggs, chickens and geese from Bulgaria, mention the guarantees given by the third countries concerned that they would respect in their export trade with the Community the minimum price levels for tomato concentrates and sluice-gate prices for eggs in shell, slaughtered chicken and geese in accordance with the conditions laid down for the import of these products into the Community territory. To assure the proper application of the provisions reiterated in the exchange of these letters and of the Community regulations adopted concerning them by the Commission, regular contacts have been maintained between the responsible services on both sides.

<sup>1</sup> OJ No. L 224, 30 September 1972.

<sup>2</sup> OJ No. L 232, 12 October 1972.

## 6. Problems in particular sectors

### *Cotton textiles*

445. In preparing its offer of generalized tariff preferences the Community had made the granting of preferences for cotton textiles and certain substitute textiles dependent on two conditions: the offer would be open only to the beneficiary countries which had signed the Long-term Arrangement concerning trade in cotton textiles and would be limited to the period of validity of that Arrangement.<sup>1</sup> However, it had also been pointed out that during the same period preferences could be granted, in accordance with conditions and rules to be determined bilaterally, to countries which enjoyed generalized preferences but had not signed the Long-term Arrangement and would enter into commitments with the Community similar to those of the Arrangement.

In view of Yugoslavia's request to benefit from these preferences the Commission considered that the similar commitments to be required of that country could consist in a voluntary limitation agreement of the same type as those concluded with other non-member countries. In April 1972 the Commission submitted to the Council a recommendation for a decision authorizing it to open negotiations with Yugoslavia to conclude such an agreement. After the decision was taken by the Council, there was a first round of negotiations between the Community and Yugoslavia in September 1972. In these talks the offer of preferences was made to Yugoslavia, with the specification that it was autonomous and non-negotiable, and the general framework of the voluntary limitation agreement and the maximum quantities desired by the Community were notified. The two delegations agreed to study the outcome of the first round of talks with a view to further negotiations. Requests submitted by Afghanistan, Thailand and Bangladesh, countries which are not signatories to the Long-term Arrangement, to benefit from Community generalized preferences in respect of cotton textiles and assimilated products as from 1 January 1973, have been favourably received.

The Community has concluded, within the framework of the Long-term Arrangement on trade in cotton textiles, voluntary limitation agreements with the principal cotton textile-producing countries (India, Pakistan, Japan, Korea, Hong Kong, Taiwan and Egypt). Some of these agreements are valid until 30 September and the others until 31 December 1972. Since, from 1 January 1973, these agreements will apply to the enlarged Community, the Commission has asked the Council to authorize it, on the basis of Article 113

<sup>1</sup> *Fifth General Report*, sec. 485 *et seq.*

of the EEC Treaty, to open negotiations with the non-member countries concerned, with a view to adapting the current agreements to fit the requirements of the enlarged Community.

*Jute and coir*

446. Subsequent to the commitments entered into during the Kennedy Round, the Community has concluded an agreement on trade in jute products with India and Pakistan. It has also concluded an agreement with India on trade in coir products. The agreements on jute products were valid until 31 December 1972.

In February 1972 the Bangladesh Government informed the Community authorities that it wished to adopt the substance of the agreement between the Community and Pakistan (all jute was produced in this former eastern province of Pakistan).

Following the decision taken by the Council, on a recommendation by the Commission, authorizing the latter to open negotiations with Bangladesh, negotiations took place with a delegation from that country in July 1972. An agreement with Bangladesh, valid for 1972, was signed on 22 December 1972. Its content was the same as that previously concluded with Pakistan, which expired on 31 December 1972.

In May 1972 the Commission submitted to the Council a Recommendation for a decision concerning the negotiations with India on jute products, the existing agreement with that country concerning certain jute products being due to expire on 31 December 1972. In this connection, the Commission recommendation took account of the need to find an overall solution to the problems of trade in jute products, as regards both quantities and customs duties to be applied. Account will also have to be taken of the problems of competition from synthetic products in this field. The Commission recommendation also aims at similar negotiations with Bangladesh.

As regards coir products on which an agreement between the Community and India has been in force since 1970, the Commission has also recommended in its memorandum to the Council that an overall solution to the quantitative and tariff problems of the product should be found in fresh negotiations with India.

The Recommendation to the Council concerning negotiations on jute and coir products also takes account of the fact that, under certain conditions, the Community offer concerning such products in the section of the generalized tariff preferences also extends to these products.



*Textiles other than cotton*

447. In September the Commission sent a memorandum to the Council on the standardization of import arrangements for imports of textiles manufactured from man-made or artificial fibres and from wool. While the standardization of trade policies for cotton products is now almost complete, it has yet to be adopted for clothing textiles and products, manufactured from man-made or artificial fibres and from wool. The Commission considered that it had now become a matter of urgency to standardize the trade policies of the Member States of the Community in view of the world trend in this sector. The guidelines, which the Commission notes in its memorandum, are aimed at liberalizing, at Community level, the greatest possible number of products in trade with the non-member countries to which Regulation (EEC) No. 1025/70<sup>1</sup> applies, with the exception, however, of some of these countries, their exports being regarded as potentially detrimental. With regard to these countries, the Commission considers that it should be possible to standardize import arrangements, either through negotiation, or by maintaining Community restrictions on certain sensitive products.

*The Gatt Working Party on Textiles*

448. The ailing state of international trade in textiles led the GATT Council at its Session of 27 June 1972 to set up a Working Party on Trade in Textiles. The latter has been instructed to carry out a factual study of economic, technical, social and commercial elements influencing world trade in textiles, differentiating between the various textile sectors according to fibres<sup>2</sup> and degrees of working-up. It was instructed to submit its report before the end of 1972, and began work immediately. It will be for the GATT Council to examine the fundamental situation thoroughly on the basis of this report and work out the appropriate guidelines to bring together the conditions necessary for reasonable, ordered growth of trade in this sector.

The Commission participated in the studies of this Working Party as the spokesman of the Community. It was guided by the principles adopted for the definition of a common trade policy in the sector: the progressive liberalization of trade, in particular with less developed countries, and the prevention of disorganisation of the Community market. The Commission stressed that liberalization will have to be achieved with due account being taken of the adapta-

<sup>1</sup> Regulation establishing a trading system for imports from third countries (OJ No. L 124, 8 June 1970).

<sup>2</sup> Cotton, wool, artificial and synthetic fibres.

tions required by the Community textile industry, the need to ensure normal conditions of world competition, and the views of the other trading partners.

### *Handicrafts*

449. Pursuant to the commitments undertaken during the multilateral GATT negotiations, the Community opened in 1972, as in previous years, a tariff quota *erga omnes* exempt from duties, amounting to 5 million u.a., for handicrafts.<sup>1</sup> At present India, Pakistan, Iran, Thailand, the Philippines, Indonesia and Ceylon benefit from the existing Community quota. These countries have concluded agreements with the Community which specify the conditions for eligibility for exemption from import duties.

### *Handloom fabrics*

450. As with handicrafts, the Community opened two duty-free quotas *erga omnes*, amounting to one million u.a. each, for woven fabrics of silk or of waste silk other than noil, and for woven fabrics of cotton, woven on handlooms.<sup>2</sup> Until then only India and Pakistan had benefited from the quotas in force under the agreements concluded with the Community which specified the conditions necessary for exemption from import duties. In 1972 the Community made it possible for Thailand to benefit from the Community quota in question under the same conditions as those agreed with India and Pakistan.

### *Steel*

451. Trade policy measures in the steel sector were aimed at an optimum balance between the demands of a continuing slack business situation and, particularly towards the end of the year, those of an anti-inflationary policy.

### *Peripheral tariff arrangements for steel*

452. Recommendation 1/64 of the High Authority had established minimum duties for steel imports. After the entry into effect of the final stage of the Kennedy Round on 1 January 1972, the annual derogations to the Recommen-

<sup>1</sup> Council Regulation (EEC) No. 2820/71, 20 December 1971; *OJ* No. L 285, 29 December 1971, p. 13.

<sup>2</sup> Council Regulation (EEC) No. 2819/72, 20 December 1971; *OJ* No. L 285, 29 December 1971, p. 1.

dation—which had been granted by the Commission to permit limited steel imports at the old harmonized rates—became pointless. However, derogations to the Recommendation continue to be granted half-yearly by the Commission in order to permit the importation, under zero duty quotas, of certain steel products made in insufficient quantities or qualities in the Community. These derogations were granted after the Member States reached agreement on the quotas.

For the second half of 1972, and the first half of 1973, the quotas thus granted reached approximately 70 000 metric tons and covered certain qualities of wire rod, magnetic sheet and coil, and old rails.

The generalized preferences put into effect from July 1971 for both EEC products (by a Council decision) and ECSC products (by a decision of the Member States and Commission authorization) were renewed for 1972. Upward adjustments were made to differing extents, taking into account the varying degrees of sensitivity of certain iron and steel products.

The Commission again derogated from Recommendation 1/64 of the High Authority in its Decision<sup>1</sup> of 28 September 1972 authorizing the Member States to apply reduced rates of duty to steel imports from Austria resulting from the provisional agreement concluded with that country.

#### *Restriction of iron and steel imports from state-trading countries*

453. Under the ECSC Treaty, Community trade policy in the coal and steel sectors remains in principle within the competence of the Member States. Nevertheless, a common trade policy based on the agreement of the Member States has existed since 1963 for imports of iron and steel products from the state-trading countries. These imports are kept within precise limits by an agreement renewed each year by the Governments. The quotas originally specified in the trade agreements serve as a basis of calculation; complementary tonnages, called “contingency reserves”, are freely available to all the beneficiary States, in addition to their import quotas. The initial aim was to permit isolated transactions or operations justified by reasons of commercial reciprocity. After serving to facilitate supplies during periods of overheating, “contingency reserves” are today significant both in terms of gradual liberalization of trade with East bloc countries and for cyclical policy as a whole.

In this context the contingency reserves for 1972, initially fixed at 1 110 000 tons, were increased by 180 000 tons at the end of the year.

<sup>1</sup> OJ No. L 228, 6 October 1972, p. 44.

In addition, after the liberalization of 4 groups of products in 1971 (mainly semis) and of 4 other groups in 1972 (rails, certain magnetic sheet and some carbon steel and alloyed semiproducts), liberalization of further products is under study for 1973.

Machinery to prevent market disturbances, which was set up following the liberalization is applied also to the newly liberalized products. It has been noted that imports of the products liberalized in 1971 and 1972 have appreciably increased, without the tonnages reached threatening the market, in other words, being likely to set in train strict supervision of imports or a return to quotas. The rule forbidding Community producers to align their prices on lower quotations from the East bloc countries, which was complementary to the fixing of quotas and has been extended each year since 1964, was again renewed for 1972, it being understood that its effects are limited to products still subject to quotas.

#### *Other ECSC agreements*

454. The accession of the United Kingdom to the Communities on 1 January 1973 wound up the activities of the Council of Association and its Committees.

As far as the other contact groups are concerned, the one in which Japanese and Community delegations come together met in Tokyo in April and in Luxembourg in November. Its work centres on the comparative examination of the world economy in general and of the iron and steel markets. The discussions are generally concerned with the specific problems of the iron and steel market, special attention being devoted to supply and energy issues. The analysis of technical subjects, environment, scientific research, pollution, etc. was also covered. The ECSC/Sweden contact group, which met in Stockholm in October, discussed the same problems in the fields for which it is responsible.

#### *Tin*

455. Since the beginning of April 1972 the Community has been a Contracting Party to the International Tin Agreement. On 22 March 1972 the Council<sup>1</sup> decided to approve Community participation in the Fourth International Tin Agreement. On 28 March 1972 the instrument of approval was deposited with the Government of the United Kingdom. The special significance of this event should be stressed, for it is one of the first cases<sup>2</sup> where the Community has

<sup>1</sup> OJ No. L 90, 17 April 1972.

<sup>2</sup> With the Long-term Arrangement on cotton textiles and the Conventions on trade in wheat and food aid.

been able to pass through all the procedural stages to attain a legal position identical with that of countries participating in an international commodity agreement.

The procedure consisted of three main stages: Community participation in the Conference negotiating the renewal of the Third International Tin Agreement, which was held in Geneva from 13 April to 15 May 1970 following a Council Decision of 21 April 1970 acknowledging the Community's responsibility for certain fields covered by the draft Agreement; Community action to have inserted in the Agreement a clause enabling it to accede to the Agreement with the same rights and duties as the other Contracting Parties (the Conference explicitly specified in Article 50 that an "intergovernmental organization" with special powers for the negotiation of international agreements may participate in the Agreement); practical Community participation in the Fourth Agreement through the procedural channels specified in Articles 44 and 45 of the latter concerning, respectively, the procedures for signing and for ratification, approval or acceptance.

The Council decision of 14 December 1970 approving the principle of Community participation in the Agreement was thus made fully applicable, first by its signing on behalf of the Community on 27 January 1971 and subsequently by the approval granted on 28 March 1972. In this way, and through its participation in the work of the various institutions administering the Agreement during a year of discussions, the Community was able to exercise its rights and duties to the full.

### *Sulphur*

456. After two international conferences held in Canada in 1971 at the invitation of the Canadian Government, the participant countries agreed in principle to hold a third conference to improve knowledge of the world market in this product and of the difficulties with which it is faced. A small working party, made up of representatives from Canada, the United States, India, Japan, Mexico, the United Kingdom and the Community, was set up to fix a date, place and agenda for this third conference.

The Working Party met on 14 and 15 February 1972 in Ottawa. It had initially proposed that the third conference should be convened on July 1972 on the basis of an agenda including the following main items: a study of trends in the international sulphur market; development of statistical information on this market; action which could be taken to improve its functioning.

In view of the importance of these items and of the time necessary for their examination, particularly as regards statistics, the original date could not be kept to and the third conference was postponed until Spring 1973.

### *Rubber*

457. The Commission participated as an observer in the International Working Party on rubber studies which met twice in the course of the year. Its 87th meeting took place in London from 13 to 16 June 1972 and its 23rd assembly in Bangkok from 16 to 20 October 1972. Apart from the usual work on improving statistical information on the international rubber market, the main topics discussed by the Working Party concerned, in the short term, the rise in freight costs borne by producers of natural rubber and, in the long term, the competitiveness of natural rubber as against the synthetic product.

On the first subject the producer countries pointed out to the consumer countries that, in their opinion, the transport rates imposed by the large companies on the basis of a world agreement were excessively high. With regard to the second topic, the Working Party instructed a committee of experts to study the probable price trend for natural as opposed to synthetic rubber during the coming years, and to submit proposals to it for improving the competitiveness of the former. This study should be presented to the Working Party at its June 1973 session.

### *Lead and zinc*

458. The study group for lead and zinc met in Geneva from 30 October to 7 November 1972, with the Commission participating as an observer. The meeting pinpointed the latest state of the world market in these two products, which, under current economic conditions, are considerably better placed than in 1970/71.

### *Cereals*

459. During the period under report the Community has participated in the meetings of the International Wheat Council and its various committees and subcommittees. In view of the exceptional state of the world market, characterized by a big increase in prices, particularly from the beginning of the second half of the year, the sessions of the advisory sub-committee on the state of the market have taken on increased significance. The discussions at these meetings

between the various partners on their production levels and short-term export policies have contributed greatly towards producing a better picture of the world situation.

### *Sugar*

460. On the basis of a Commission memorandum to the Council in early July 1971, the problem of the Community's accession to the International Sugar Agreement was raised on several occasions. As a decision has yet to be reached, the Commission submitted to the Council a new memorandum dealing with the Community's participation in the work of renegotiating the Agreement, which expires on 31 December 1973. The Commission considers that the Community should participate in the negotiating conference from the start of the preparatory work.

### *Olive oil*

461. The question of participation by the Community as such in the International Olive Oil Agreement was under consideration in the Commission and the Council throughout the year, during the current year, the Commission, acting on Council instructions, has conducted the negotiations relating to the Community's accession to the International Agreement. The Commission has submitted to the Council a draft declaration to the effect that the instruments of the Community's accession to the Agreement should be deposited before 3 January 1973.

### *Coffee*

462. The Commission took part in the work carried out by the International Coffee Organization in the course of 1972. The session of the Organization's Council for the preparation of the 1972-73 coffee year was made very difficult, particularly because of the "Geneva" Agreement between the main producer countries. Since May 1972 these countries have maintained a coordinated policy to limit exports in the coffee year in question and avoid utilizing the quota increases authorized by the Council in accordance with the machinery for adjustment specified.

At its August session the International Coffee Council was able to fix the initial annual export quotas for the 1972-73 coffee year and the quotas for the

first quarter. However, as no agreement had been reached on the level of prices, the applicability of these provisions for the whole coffee year was dependent on a new decision, which the Council was unable to take during December. The final year of the International Coffee Agreement, which expires on 30 September 1973, will therefore pass without the quotas and price ranges having been fixed. The provisions of the Agreement remain in force, but the essential market-regulating mechanisms are suspended.

These difficulties prevented continuation of the work on renewal of the Agreement. Despite the breakdown of negotiations between producer and consumer countries at the end of 1972 the International Coffee Council still has the opportunity to devote its attention to the problems of extending or renewing the agreement before 30 September 1973, and this will be its main task after ten years of international cooperation regarding this important commodity.

The Commission has obtained a mandate from the Council to hold these negotiations on behalf of the Community for matters in which the latter has responsibility.

### *Cocoa*

463. In the course of 1972 the Community participated in the United Nations Conference on Cocoa, which was held in two stages in Geneva with a view to concluding an international agreement for this product. The joint conclusions adopted in the first stage of the Conference by the Negotiation Committee set up in March represented a positive factor enabling the Negotiation Conference to be resumed and completed in its second stage (from 11 September to 20 October 1972) after the Third UNCTAD in Santiago. The text of an agreement to stabilize prices on the world cocoa market for three years was adopted. The major difficulties which were settled concerned the machinery for adjusting the quotas, buffer stock operations and their financing, the price range (23–32 US cents/pound), revision of the minimum price, obstacles to consumption, restrictions on imports from non-member countries, and questions of processed cocoa products.

The Commission conducted negotiations on behalf of the Community in the fields for which the latter has responsibility and succeeded in having provisions inserted in the agreement permitting it to participate automatically in the agreement proposed.

A general reservation by the United States, formulated in particular because of the price levels chosen, is likely however to create serious difficulties for the effective application of the agreement for the 1973–1974 cocoa year,



although most of the other important consumer countries, including all the Community members and, moreover, the Community itself, have decided to sign the agreement.

### *Bananas*

464. In May 1972 the Commission took part in the fifth session of the Statistics Sub-group in Rome, which studied the world market situation for imports and exports of bananas during last year and the current year. It also made forecasts for 1975 which showed a certain tendency towards overproduction, with a surplus exportable tonnage of about one million tons, or approximately 15% of the total volume.

The study on banana production and supply in the Associated African States and Madagascar which had been carried out on the initiative of the Commission was published early in 1972. A synopsis of the study was widely distributed.

### *Scientific and nuclear agreements*

465. In 1972 the Commission was notified of two draft agreements pursuant to Article 103 of the Euratom Treaty. The one was a trilateral agreement between France, Japan and the International Atomic Energy Agency relating to the application of the Agency guarantees under the cooperation agreement previously concluded between France and Japan, while the other was a cooperation agreement between the Federal Republic of Germany and Pakistan on scientific research and technological development. The Commission established that both the draft agreements were in conformity with the Euratom Treaty.

The project for a high-temperature gas-cooled reactor (Dragon), instituted in 1959 under the aegis of the European Nuclear Energy Agency of the OECD with the participation of the Community, will expire on 31 March 1973. In view of the scientific significance of the project, the agreement has already been extended four times.

The negotiation of a further extension of the agreement for a three-year period with the participation of the Community of Nine has been completed by the Commission in accordance with the directives given by the Council as provided for in Article 101 of the Euratom Treaty. The Council having approved the extension of the agreement and decided on the relevant research programme, the revised agreement was signed by the Commission on 8 December 1972. The ceiling of commitments equivalent to the contribution of the enlarged Community in the course of the three-year period will be 10.63 million u.a.

466. In December 1971 the Commission notified the Council of the result of a first round of negotiations it had held with the American authorities with a view to bringing up to date the clauses of the Cooperation Agreement between Euratom and the United States regarding the supply of enriched uranium to the Community, and informed it that a certain number of matters pending necessitated supplementary Council directives. On the basis of the additional Directives adopted by the Council on 26 May, the Commission successfully concluded in June and July 1972 the negotiations for an amendment to the Supplement to the Cooperation Agreement of 11 June 1960; the amendment was signed on 20 September 1972 and should enter into effect after ratification by the American Congress, scheduled for early 1973. This amendment provides for major improvements to the Community system for the supply of nuclear materials, namely, relaxation of the rules governing the supply of fuel and the right of Community industries to perform fabrication operations on nuclear materials originating in America with a view to re-exporting them to the United States.

In the field of nuclear documentation, the Memorandum of Agreement between the United States, Euratom, Belgium, Germany, Italy, Luxembourg and the Netherlands relating to scientific information and nuclear technologies, which had been negotiated by the Commission and the USAEC, will be signed early in 1973. For the record, the aim of this Agreement is the reorganization of exchanges of nuclear documentation between the Community and the USAEC on more rational foundations following the advent of the computer. This will be an addition to the network of similar bilateral arrangements which the USAEC has already concluded with other countries or groups of countries such as France, the United Kingdom, Canada, Japan and Scandinavia.

#### *Treaty on the Non-Proliferation of Nuclear Weapons*

467. The negotiations had begun in November 1971 between the European Atomic Energy Community and its five Member States which do not possess nuclear weapons on the one hand, and the International Atomic Energy Agency on the other, for the conclusion of an Agreement under the terms of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). After nine months' work, including seven plenary sessions of the two delegations and several dozen meetings of the various working parties, the negotiations ended on 21 July 1972. The draft agreement which emerged was approved by the Council of the European Communities on 20 September 1972 and by the Council of Governors of the IAEA two days later.

The Agreement specifies that the Community on the one hand and the Agency on the other shall apply their "guarantees" (safety control measures)

in accordance with the agreed conditions to ensure that fissile materials are not diverted, on the territory of the States signatory to the Agreement, from their pacific uses towards the manufacture of nuclear weapons or other explosive nuclear devices.

The Agreement takes account of the Euratom safety controls and therefore aims to avoid unnecessary repetition by the Agency of the Community's control measures, thereby reducing to the essential minimum the obligations devolving upon operators of nuclear plant, while permitting the two bodies to discharge their individual responsibilities to the full. This dual result is ensured by means of an appropriate mechanism for cooperation between the Community and the IAEA, with due regard to their respective responsibilities.

The Agreement will become effective on the day the Agency is notified by the Community and the States concerned that the internal procedures necessary for its entry into force have been completed.

The Agreement will also apply to the new Member States of the Community which do not possess nuclear weapons as soon as the Community notifies the Agency that it is able to assume, with regard to those States, the responsibilities of control devolving upon it under the terms of the Agreement.

## 7. The common commercial policy

### APPLICATION OF THE REGULATIONS

#### *Rules for imports and exports*

##### *Liberalization*

468. In 1972 also the Community confirmed the liberal orientation of its commercial policy by very appreciably enlarging the liberalization lists of the regulations on the setting up of common systems for the member countries of GATT and countries treated on the same footing<sup>1</sup> on the one hand, and the state-trading countries<sup>2</sup> on the other. Taking into account these extensions,<sup>3</sup> the GATT list at the end of 1972, was made up of 982 tariff headings, 922 of which were complete and 60 partial. The number of headings exempted from all quantitative import restrictions vis-à-vis the state-trading countries was 787, of which 665 complete and 122 partial headings for Bulgaria, Hungary, Poland, Rumania and Czechoslovakia; 614, of which 481 were complete and 133 partial, for the USSR and Albania; 497, of which 389 complete and 108 partial, for the People's Republic of China, and 154, of which 119 complete and 35 partial, for North Korea, North Vietnam and Mongolia.

##### *The regulations*

469. Faced with the growing difficulties which have made themselves felt in the Community the Commission, acting under Regulation 1025/70, has adopted a procedure for Community surveillance of imports of lead<sup>4</sup> and aluminium<sup>5</sup> from GATT countries and countries on the same footing and imports of

<sup>1</sup> Council Regulation (EEC) No. 1025/70, 25 May 1970 establishing common rules for imports from third countries, *OJ* No. L 124, 8 June 1970, p. 6.

<sup>2</sup> Council Regulation (EEC) No. 109/70, 19 December 1969 establishing common rules for imports from state-trading countries, *OJ* No. L 19, 26 January 1970, p. 1.

<sup>3</sup> As far as the member countries of GATT and assimilated countries are concerned, see Council Regulations No. 1419/72, *OJ* No. L 151, 5 July 1972 and No. 1416/72, *OJ* No. L 151, 5 July 1972; the liberalization list was published in *OJ L* 197, 29 August 1972, p. 9. For the state-trading countries see Council Regulations No. 1414/72, *OJ* No. L 151, 5 July 1972, p. 1 and No. 1751/72, *OJ* No. L 184, 12 August 1972; the liberalization list was published in *OJ L* 208, 11 September 1972, p. 1.

<sup>4</sup> *OJ* No. L 22, 26 January 1972, p. 9.

<sup>5</sup> *OJ* No. L 171, 29 July 1972, p. 36.

electronic desk calculators<sup>1</sup> from Japan. The Commission has furthermore examined the problem of imports of nitrate fertilizers from Yugoslavia, with special reference to the market situation in Italy.

470. On the basis of the regulations covering exports and quantitative quotas<sup>2</sup> the Council instituted by Regulation (EEC) No. 2824/71 of 20 December 1971<sup>3</sup> a common regime for the export of non-ferrous metal scrap and waste (copper, lead and aluminium) in the form of Community quantitative export quotas. Allocation between the Member States of the export quotas mentioned above was done by the Commission<sup>4</sup> on the basis of criteria defined when the common regime was established. Export control has been maintained for several years already in order to guarantee stable supplies at competitive prices. As regards the undressed skins and hides sector, the Commission has adopted, pursuant to Article 5 of Regulation (EEC) No. 2603/69, a procedure of Community surveillance of exports so as to be able to get a better picture of the trend with a view to subsequent definition of the Community regime to be introduced in this sector.

#### *Defence against dumping and subsidies*

471. In application of the anti-dumping regulation of 5 April 1968,<sup>5</sup> procedures were opened during the year in respect of Japanese oxalic acid,<sup>6</sup> rubber boots from Czechoslovakia,<sup>7</sup> steel pipes from Spain,<sup>8</sup> ammonia nitrate fertilizers from Rumania<sup>9</sup> and urea from Poland.<sup>10</sup> The first two cases were settled favourably thanks to engagements entered into by the exporters concerned.<sup>11</sup> The other procedures are in train.

<sup>1</sup> *OJ* No. L 171, 29 July 1972, p. 33.

<sup>2</sup> Regulation (EEC) No. 2603/69 establishing common rules for exports, *OJ* No. L 324, 27 December 1969; Regulation (EEC) 1023/70 laying down a common procedure for administering quantitative quotas, *OJ* No. L 124, 8 June 1971, p. 1.

<sup>3</sup> *OJ* No. L 285, 29 December 1971, p. 52.

<sup>4</sup> *OJ* No. L 11, 14 January 1972, p. 27.

<sup>5</sup> Council Regulation (EEC) No. 459/68, 5 April 1968 on protection against dumping, on the granting of bounties or subsidies by countries which are not members of the European Economic Community, *OJ* No. L 93, 17 April 1968.

<sup>6</sup> Notice of initiation of investigation procedure, *OJ* No. C 30, 25 March 1972.

<sup>7</sup> Notice of initiation of investigation procedure, *OJ* No. C 30, 25 March 1972.

<sup>8</sup> Notice of initiation of investigation procedure, *OJ* No. 48, 13 May 1972.

<sup>9</sup> Notice of initiation of investigation procedure, *OJ* No. C 51, 23 May 1972.

<sup>10</sup> Notice of initiation of investigation procedure, *OJ* No. C 51, 23 May 1972.

<sup>11</sup> Notice of closing of investigation procedure, *OJ* No. C 79, 20 July 1972.

### *Trade agreements and treaties*

472. On the basis of Title I of the Council Decision of 16 December 1969,<sup>1</sup> the Commission re-examined the Member States' trade agreements with non-member countries, in order to verify the compatibility of their provisions with the current development of the Community's commercial policy. On a Commission proposal, the Council authorized the Member States to renew or extend certain existing trade agreements and treaties when these did not constitute an impediment to the common commercial policy.<sup>2</sup> In this context the Member States declared that the maintenance in force of such agreements could not be an obstacle to the opening of negotiations at Community level with the third countries concerned.

Pursuant to Title II, Community negotiations have begun with Uruguay. Title III has played a very important role throughout the whole of 1972.

### *Exports credits and credit insurance*

473. In the fifth General Report<sup>3</sup> the Commission expressed the hope that the directives issued in 1969, 1970 and 1971 might be brought into effective operation during 1972. There is no choice but to note that, although a certain number of texts were adopted in 1972, none of them has been put into operation. This is attributable in particular to the fact that the Council directives of 27 October 1970 and 1 February 1971 had made the implementation of these instruments conditional upon the adoption of a body of other directives in the same field.<sup>4</sup> In the present stage of progress of the studies on uniformization, this system should, however, be modified and consecutive rather than simultaneous implementation of the texts adopted in this field provided for. Consequently the Commission has proposed to the Council a directive amending the two Council directives of 27 October 1970 and 1 February 1971 to this end.

The Commission has submitted three other proposals:

- (i) A proposal for the adoption of uniform principles on a guarantee for medium term transactions for public and private buyers covered by general policies or floating policies, as well as the system of premiums relating to them.

<sup>1</sup> OJ No. L 326, 29 December 1969, p. 39.

<sup>2</sup> OJ No. L 56, 7 March 1972, p. 10; L 112, 14 May 1972, p. 11; L 133, 10 June 1972, p. 62 and L 250, 6 November 1972, p. 1 and p. 5.

<sup>3</sup> *Fifth General Report*, sec. 500.

<sup>4</sup> Annex D to Council Directive No. 70/509; OJ No. L 254, 23 November 1970.

This directive is intended to define the general principles which govern the insurance policies granted to exporters who take advance overall cover for all or part of their transactions with third countries. It covers only credits extending over a period of less than five years. It also provides that the exporter shall pay a premium calculated by reference to the "individual policy" premiums while benefiting, in relation to the latter, from substantial reductions.

- (ii) A proposal for a directive on public measures affecting interest rates on export credits to industrialized countries and state-trading countries by lowering, through direct state intervention or through the intermediary of specialized bodies, the cost of money they pay on the capital markets. The Commission proposes that a minimum rate be determined for export credits and public measures in the credit field be subjected to Community control when they lead to the application of interest rates lower than this minimum one.
- (iii) A proposal for a regulation introducing a system of Community guarantee for private investments in third countries.

This is a guarantee which aims at assisting private investments abroad and in particular in the developing countries. This guarantee would obviously be limited to transactions of Community interest and would exist side by side with the national systems in force in the majority of the Member States. The text provides for the creation of an organization to administer the guarantee, which would be responsible for managing the risk after approval of the guarantee contract by the Commission, for levying the premiums and settling any losses which might occur. The draft also includes an insurance policy detailing the conditions of cover.

## MULTILATERAL TRADE RELATIONS

### *GATT*

#### *Relations with state-trading countries in GATT*

474. In October 1972 the fifth annual examination provided for in the protocol for the accession of Poland to GATT was carried out. As was the case last year it proved impossible to reach agreement on determining the end of the transitional period. The Polish delegation, supported by several overseas countries, did not accept the pragmatic solutions put forward by the Community and the various European countries which still apply to Poland quantitative

restrictions incompatible with Article XIII. Consequently, the problem has been put off till next year.

The negotiations for the accession of Hungary have continued favourably and resulted in the passing of a draft protocol which must still be approved at the conclusion of the negotiations on the Hungarian list.

#### *Preparation for future multilateral negotiations*

476. At its meeting on 7 March 1972 the GATT Council debated the joint Communities/United States and Japan/United States declarations on the organisation in GATT of a new round of multilateral negotiations. At the end of a very fruitful exchange of views which revealed wide support for fresh negotiations, the Council agreed to undertake the technical preparations for these. This work took place in the Committee on trade in industrial products, in the Agricultural Committee and in the Committee on trade and development. In all these activities the role of spokesman for the Community devolves upon the Commission.

#### *Committee on trade in industrial products*

476. The Committee examined the different techniques and methods applicable to future negotiations.

As regards customs duties, the Committee examined the advantages and disadvantages of various methods of negotiation: "product by product" method, elimination of duties, linear reduction, harmonization methods, etc. It instructed the working party studying tariffs to determine various methods of presenting tariff and commercial information, in order to facilitate the study of the actual implications of the different methods for the tariffs of the developed countries.

As regards non-tariff barriers, most of the members considered that positive results could only be reached by precise obligations concerning particular measures. This is why the Committee agreed that the actual study of solutions to certain problems *ad referendum* must continue in the various working groups.

As far as customs value and licence systems are concerned texts containing certain variants have already been completed and submitted to the national administrations for examination of the consequences their acceptance would involve. A group examining how it might be possible to prevent the standards having an abusively restrictive effect on trade should very soon conclude its work and will then examine the problems of packing and labelling. Another group has begun to study export subsidies for products other than commodities



and will then deal with the question of compensatory duties. The group responsible for problems of import documentation has decided to await progress in the work of the Customs Cooperation Council and the Economic Commission for Europe before preparing *ad referendum* solutions. Finally, the Committee has decided to instruct a working party to examine the problem of quantitative restrictions and limits on exports.

Parallel with all this the Commission has launched an enquiry among the commercial advisers of the Member States stationed abroad and with UNICE in order to complete its dossier on the non-tariff obstacles confronting Community exports.

### *Agricultural Committee*

477. The preparatory work for the negotiations in the agricultural sector took place within a specialized working group which had received a mandate from the Agricultural Committee to examine the different techniques and methods for future negotiations in the agricultural sphere.

On the basis of this mandate the working group, after having examined the possible different techniques and methods of negotiation, has drawn up a list of the theoretical advantages and disadvantages of each of these. For this purpose it considered such techniques as:

- (i) Techniques relating to specific measures such as: export aids and customs duties, variable levies, quantitative restrictions, health regulations and specific measures at production level;
- (ii) Techniques of general scope such as: international arrangements for stabilization and code of good conduct;
- (iii) Common denominations or common criteria for commitments, such as rates of self-supply and support margin. The group has also discussed possible combinations of different techniques.

### *The Trade and Development Committee*

478. The Committee has continued the tasks covered by its mandate, such as examination of the application of Part IV of the General Agreement and the measures taken in this context by the Contracting Parties. With a view to the next negotiations, it is also following the work of the preparatory committees in order to bring to their notice the views of the developing countries, to draw their attention to the particular problems of these countries and to request certain priorities. It is in this Committee that the developing countries have stated their views on what they consider to be the decisive conditions for

ensuring their participation in the negotiations. These conditions come down essentially to three main principles: non-reciprocity, non-discrimination and compensation for the loss of preferences.

### *28th Session of GATT*

479. At their 28th session in Geneva from 1 to 14 November 1972, the Contracting Parties adopted the reports of the three committees.

In the general debate which took place on this subject the participants set out their views and suggestions on the general guidelines to be followed in continuing the work. Exploration of these proposals furnishes abundant material for a new stage in the work of the three Committees to prepare a definition of the objectives, rules and techniques which will govern future negotiations.

It was in the context of this discussion that the United States proposed that the work on the methods of negotiation on customs duties should deal, as a first approach, with a system of customs franchise for industrial products, since this approach could provide the widest possible area for discussion within the framework of which other techniques could be examined and adapted depending with a view to the desired objectives. The Community for its part thought that it was important that the analysis of the techniques of tariff reductions be pursued without favouring one approach more than another, so as to gain the best possible understanding of the implications of all the techniques. It asked whether customs franchise corresponded at present with the real possibilities of the developed countries and stressed the need to make sure that the objective to be chosen for future negotiations fitted into a context of balanced and stable trade development.

As regards this American suggestion, the developing countries pointed out that, with the putting into effect of the general preference system, the lowering of customs duties and, *a fortiori* their elimination, would jeopardize the preferential advantages they enjoy. They considered that compensatory advantages should be granted to them.

There was also an exchange of views on the advisability of reviewing the safeguard clauses at present provided for in the General Agreement. The United States in particular considered that the multilateral safeguard system should be re-examined so as to allow a further reduction or the elimination of protection, particularly tariff protection. For the Community, which gave its agreement to this re-examination, it will be necessary not only to take into account the advantages of a new liberalization of trade but also the need to avoid this increased liberalization taking place in a way which would involve too frequent recourse to safeguard measures.

The problems of the participation of the developing countries also engaged the attention of participants for a long time. The representatives of these countries considered that the commercial negotiations should aim at bringing additional advantages for their trade so as to realize substantial growth in their foreign exchange incomes and a diversification of their exports. The Community supported this point of view and proposed that, in the preparation of the negotiating rules, the developing countries should be guaranteed the right to have their interests treated on an equal footing with those of the developed countries.

480. On the basis of the various declarations made in the plenary session, the Chairman of the Contracting Parties summarized the principal points arising from the debates. This resumé was approved by the Contracting Parties with the exception of four Latin American countries (Argentina, Chile, Peru and Cuba) which considered that their position on the participation of the developing countries in the negotiations was not adequately reflected in the resumé and that, consequently, their interests were not safeguarded.

The resumé confirmed GATT's wish to bring about the necessary conditions vis-à-vis all the interests involved, to open new wide-ranging multilateral negotiations. It provides for the establishment of a Committee to prepare the negotiations which will work out the methods and procedures for these with the assistance of the three committees and will analyse and interpret in common with them the essential facts of the situation. The Contracting Parties also planned a meeting at ministerial level in September 1973 to examine the report of the Committee preparing the negotiations, set up a committee for commercial negotiations and give the necessary directives for the negotiations.

It should also be noted that during the session the Community announced that the official opening of tariff renegotiations as laid down in Article XXIV:6 of GATT, according to which the Community must start negotiations following its enlargement, would take place as soon as the procedures for ratifying the Treaty of Accession due before the end of the year were concluded. These renegotiations are necessary because the adoption by the acceding members of the Common Customs Tariff and the common agricultural regulations involves the modification or suppression of concessions granted by these three countries in GATT.

#### *Other activities in GATT*

##### *The Community's Association Agreements and GATT*

481. The Community has forwarded to the Contracting Parties the Association Agreements which it had signed with Malta, Tanzania, Uganda and Kenya.

It has also forwarded the additional protocol which was concluded within the framework of the Association with Turkey. Examination of these different agreements by the working groups gave certain countries the opportunity to express objections to some provisions of these agreements and with regard to their compatibility with the rules of Article XXIV of GATT relating to customs unions and free trade areas. The Council of GATT has taken note of the differences of opinion which became evident and adopted the reports of the working groups.

As regards these differences of opinion it might be interesting to note that a statistical inventory drawn up by the Secretariat at the request of the United States on trade at the most-favoured-nation rate and at other rates has not confirmed the thesis of the accelerated erosion of the field of application of the most-favoured-nation clause. Although the share of preferential imports<sup>1</sup> in the total imports of the Contracting Parties<sup>2</sup> rose from 10% in 1955 to 17% in 1961, 20% in 1964 and 24% in 1970, this progression is almost entirely due to the growth in trade between the Member States of the Community, which alone represented 16% of the total imports of the Contracting Parties in 1970. Furthermore the report notes that the expansion of preferential imports in comparison with imports under the most-favoured-nation system has tended to slow down during the last ten years. The share of the Community's preferential imports from countries to which it grants a preferential system was 4.8% of imports from outside the EEC in 1961, 3.4% in 1964 and 3.7% in 1970. This proportion is lower in fact than the United States' preferential imports from Canada under the agreement on automobile products (8.7% of American imports in 1970).

#### *Examination in GATT of the Treaty of Accession*

482. In conformity with their obligations under the GATT rules, the Communities forwarded the Treaty of Accession to the Contracting Parties. In March the GATT Council had a first exchange of views on this problem. The representative of the Commission and those of the acceding countries expressed the conviction that the enlargement of the Communities would be a factor of economic progress on a wide front and of development of trade with the whole world. Other speakers, while expressing their satisfaction at the decision to enlarge the Community, expressed their apprehension at the possible effects of the enlargement on the trade of third countries, especially because of

<sup>1</sup> Preferential imports being defined as imports subject to rates of duty effectively lower than the most-favoured-nation rates.

<sup>2</sup> The statistics relate to the imports of 33 Contracting Parties which account for 85% of the total imports of the Contracting Parties in 1970.

the suppression of the preferences which certain of them enjoyed on the United Kingdom market. At the end of this debate, the GATT Council set up a working group under the chairmanship of Ambassador Kitahara of Japan to examine the Treaty of Accession in the light of the provisions of the General Agreement.

In this working group attention was concentrated in the first phase on the documentation which the enlarged Community was asked to provide in order to demonstrate that it is conforming with the obligations of Article XXIV of GATT and in order to make it possible, in due course, to begin the tariff renegotiations which are essential since the adoption of the Common Customs Tariff by the three acceding countries involves modification of their national concessions. The working group also made a detailed examination of the Treaty on the basis of a very voluminous questionnaire which the third countries had sent to the Communities and to which these had replied.

At the 28th Session of the Contracting Parties, it was agreed that the renegotiations under Article XXIV-6 of the General Agreement necessitated by the adoption by the three acceding countries of the Common Customs Tariff would open after the end of the ratification procedures of the Treaty of Accession.

#### *United States complaint against the Community*

483. In July 1972 the Council of GATT examined a complaint lodged by the United States against the Community on the subject of the compensatory amounts which the Member States apply to imports of products for which the customs duties are consolidated in GATT in order to neutralise the effects of variations of exchange rates on the common agricultural policy. The United States which was appealing to Article XXIII (2) of GATT maintained that these amounts were incompatible with GATT rules on concessions and requested that a special group be set up to look into the matter.

The Commission representative pointed out for the Community that the compensatory amounts were a corrective and not a protective mechanism. They represented the difference between the official parity and the actual rates of exchanges noted in relation to the United States dollar. They had been introduced in connection with the monetary adjustments in 1971. They were thus part of a system which could intervene just as well in the form of taxation of imports, in the event of revaluation as in the form of an import subsidy in the case of devaluation. After a new examination of the situation, the EEC had decided that it was possible to suppress the compensatory amounts on a very large number of products. This decision took effect on 31 July 1972. The Commission representative declared that the Community would not spare any

effort to suppress the compensatory amounts for other products as soon as circumstances permitted.

The GATT Council has decided to shelve this matter for the moment.

### *Milk products*

484. The arrangement concerning certain milk products concluded in GATT in 1970 continued to function in a satisfactory manner during the past year. It has been possible to maintain the minimum price for skim milk powder at 25 dollars per 100 kg. In addition, on 31 October 1972, the Council authorised the Commission to negotiate in GATT an international arrangement for butteroil similar to that for skim milk powder.

### OECD

485. The gentleman's agreement for powdered whole milk functioned satisfactorily and the minimum export price was raised at the request of the Community from \$50 to 55 per 100 kg as from 1 January 1972.

### ECE

486. The Commission took part in the celebrations organised in honour of the 25th anniversary of the United Nations' Economic Commission for Europe. A message from Mr Dahrendorf, member of the Commission, was read out during the solemn ceremony.

The representatives of the Commission took an active part in the 27th session of the ECE and the 20th session of the Trade Committee, in the seminars on the promotion of trade and on cooperation and in other technical committees. As most of this work mainly concerned relations between East and West, the Commission representatives speaking for the Community, had an opportunity to mention and define the actions judged necessary to intensify these economic relations quantitatively and qualitatively. This work has led to closer relations with the ECE Secretariat.

## 8. Relations with international organizations and diplomatic relations

487. On the threshold of a new phase in the Community's life, it is worth recording that, even though its efforts to act as a Community in dealings with the international organizations at large have not always had quite the success expected, the weight it carries in these quarters has nevertheless steadily increased. In the light of experience the Commission has come to take a stronger line concerning the manner of the Community's participation in the work of the international organizations; in close consultation and agreement with the Council, it is endeavouring to organize as well as it can the exercise of the Community's and the Member States' responsibilities in this connection. Its efforts to this end are concerned both with improving the participation procedures already established and with ensuring that the procedures which will be needed as the Community acquires new fields of activity are adequate to their purpose.

### UNITED NATIONS

488. Relations between the Community and the United Nations continued normally. The Commission took part in the work of various UN bodies and committees: it maintained its attitude that it must be represented at all proceedings in UN dealing with matters within the Community's jurisdiction, but felt that the steps already being taken to obtain representation on the Second Committee of the General Assembly could be allowed simply to continue, without need for a further formal approach on the subject in 1972.

The Commission followed the proceedings of the Economic and Social Committee (ECOSOC) and addressed the July session, drawing attention to the satisfactory trend in the Community's trade with third countries since the EEC Treaty's entry into force, and also dealing with the generalized preferences, with certain commodity problems, and with the association policy vis-à-vis the Associated African States and Madagascar (AASM).

The Commission maintained close contact with the Economic Commission for Europe (ECE), the Economic Commission for Asia and the Far East (ECAFE), the Economic Commission for Latin America (ECLA) and the Economic Commission for Africa (ECA), and in addition followed the work of the World Meteorological Organization (WMO), the United Nations Commission on International Trade Law (UNCITRAL), the United Nations Industrial Development Organization (UNIDO), the Intergovernmental Maritime Consultative Organization (IMCO), the Office of the United Nations

High Commissioner for Refugees (UNHCR), and the United Nations Educational, Scientific and Cultural Organization (UNESCO). A meeting with UNESCO was held in Brussels in April to discuss matters of common interest generally and to review the cooperation between the Commission and UNESCO in certain specific fields, notably education and scientific, environmental and development aid policy.

489. The working relations between the Commission and the European office of the World Health Organization (WHO) were strengthened by an exchange of letters of 29 May and 19 June in which it was agreed that the two organizations should inform each other of activities planned in fields of common interest and that regular meetings should be arranged between them.

The Commission represented the Community at the meetings of the United Nations Food and Agricultural Organization (FAO). The Community was invited as an observer to the United Nations Conference on the Environment which took place in Stockholm from 5 to 16 June.<sup>1</sup> President Mansholt addressed this Conference, demonstrating the Commission's keen interest in the whole range of matters discussed there.

Excellent working relations were also maintained with the Secretariat of the International Atomic Energy Agency (IAEA). The negotiations which had been going on for a year or so between Euratom and IAEA for an agreement under Article III of the Non-Proliferation Treaty were successfully completed; this was hailed as a welcome and important development by the Agency's General Conference, held in Mexico City from 26 September to 3 October.

490. Relations between the Commission and the International Labour Organization (ILO) were marked by continuing cooperativeness, fostered more particularly by regular meetings between their senior officials to compare notes on their activities and experience. The Commission also attended the 57th International Labour Conference, and, as in previous years, made financial contributions to the International Safety Centre (CIS) and the International Institute for Labour Studies and helped to organize a number of seminars at the International Centre for Advanced Technical and Vocational Training in Turin. ILO for its part continued to help with the revision of the provisions to implement the Regulation on social security for migrant workers.

The Commission also cooperated with the United Nations Housing Committee and various other UN bodies.

<sup>1</sup> *EC Bulletin* No. 7-72, Part I, Ch. IV, and No. 8-72, sec. 137.



ORGANIZATION FOR ECONOMIC COOPERATION  
AND DEVELOPMENT (OECD)

491. With the enlargement of the Community under way, and more coordination meetings having to be held, the Commission was called upon to take a still more active part in the work of the OECD. In particular, Mr Dahrendorf, a Member of the Commission, was present at the meeting of the OECD Ministerial Council, and in addition the Commission was regularly represented on almost all the OECD's Committees, including more especially the Trade, Industry and Energy Committees, the Working Party on Oil, the Economic Policy Committee and its Working Party No. 3, the Agricultural Committee and the Committee on Restrictive Business Practices.

With regard to trade, mention should be made of the successful completion of its studies by the high-level Working Party on trade and allied matters chaired by Mr Jean Rey, on which the Commission was represented.

Studies are being conducted in the Community concerning the establishment of a system of exchange of information and a consultation procedure on export credits and credit guarantees. These studies, which are now well advanced, have convincingly demonstrated that such measures are badly needed.

Activity in the field of development aid was further intensified, the OECD helping in particular to set up arrangements for the scrutiny and evaluation of progress achieved in the Second Development Decade, and examining in detail the implications of international development strategy for its own operations.

The Commission continued to take part regularly in the proceedings of the Development Assistance Committee and its various working parties. As in previous years, it submitted a memorandum to the Committee on the EEC's financial, technical and food aid to the developing countries during the preceding year (1971). This memorandum was discussed at a meeting on 30 October devoted to the EEC, held as part of the yearly review of DAC members' development aid activities and policies. The Committee's work in 1972 was concerned mainly with the following subjects: preparation of the financial matters dealt with at the Third United Nations Conference on Trade and Development and, in particular, the question of the least advanced developing countries; revising the terms and redefining the concept of public development aid; the political and technical problems involved in untying aid; elimination of procedural obstacles to the effective provision of aid; and the evaluation of aid operations.

As regards environmental problems, use was made on several occasions of the procedure adopted by the OECD Council in 1971 for notifying and

consulting on measures with respect to substances liable to affect man and the environment.

The year 1972 was thus marked by particularly close and constructive relations with the OECD. Its Secretary-General, Mr Emile van Lennep, visited Brussels to see the President and several Members of the Commission.

#### COUNCIL OF EUROPE

492. In the past, the Commission was represented at the three sessions of the Consultative Assembly of the Council of Europe held in 1972.

An information meeting between the Commission and the Council of Europe's Secretariat-General took place in Strasbourg on 16 March to review the various activities of common interest engaged in since the previous meeting in November 1969 and planned by the two institutions for the months ahead. The meeting proper was preceded by a more formal political discussion between Mr Dahrendorf, Member of the Commission, and the Deputy Secretary-General of the Council of Europe, Mr Sforza. The general conclusion was that the two institutions were to some extent complementary, in certain fields at any rate, and that there was no evidence of duplication or overlapping. It is intended to reinforce departmental-level cooperation between them by holding meetings devoted each to a specific field of activity: one such meeting, on environmental problems, took place on 5 July.

As in previous years the Commission took an active part in the work of the Council's various intergovernmental committees and panels of experts.

#### OTHER ORGANIZATIONS

493. The Commission followed the activities of the Assembly of Western European Union (WEU), the European Conference of Ministers of Transport (ECMT), the Central Commission for the Navigation of the Rhine (CCRN), the International Committee for European Migration (ICEM) and the International Bureau of Weights and Measures. As part of the Commission's regular exchanges of views with the International Chamber of Commerce (ICC) a meeting was held in Brussels on 2 May at which the main topics of interest in the current economic situation were examined.

### DIPLOMATIC RELATIONS OF THE COMMUNITIES

494. In the period under review, diplomatic relations were established between the three Communities and Singapore, Honduras, Yemen and Guyana. Morocco, New Zealand and Panama extended their existing diplomatic relations with the EEC to the other two Communities, ECSC and Euratom.

At present 91 States have missions accredited to the European Communities, 64 of them to all three Communities, 26 to the EEC only and one to the EEC and ECSC.

## CHAPTER VI

## INSTITUTIONS OF THE COMMUNITIES

## 1. Composition and activities of the Institutions

## THE EUROPEAN PARLIAMENT

*Officers*

495. At its constituent session on 14 March 1972, the European Parliament elected its President and Bureau for the Parliamentary year 1972/73. Mr Walter Behrendt (Germany, Socialist) was reelected President, and the Vice-Presidents were Mr Giovanni Bersani (Italy, Christian Democrat), Mr André Rossi (France, Liberal and Allied), Mr Michel Habib-Deloncle (France, European Democratic Union), Mr Achille Corona (Italy, Socialist), Mr Hans Furler (Germany, Christian Democrat), Mr Joseph Lucius (Luxembourg, Christian Democrat), Mr Willem J. Schuijt (Netherlands, Christian Democrat) and Mr Norbert Hougardy (Belgium, Liberal).

The Parliamentary Committees were also embodied, and Mr W.J. Schuijt was appointed rapporteur with respect to the Fifth General Report on the activities of the Communities in 1971, published by the Commission on 15 February 1972.

As in the previous year, the chairmen of the political groups were: Christian Democrat group, Mr Hans-August Lücker (Germany); Socialist group, Mr Francis Vals (France); Liberal and Allied group, Mr Cornelis Berkhouwer (Netherlands); European Democratic Union group, Mr Raymond Triboulet (France).

At the February 1972 session the Parliament validated the designations to seats in the House from the Belgian Senate, and at the November session of designations from the Italian Chamber of Deputies and Senate and from the French National Assembly.

*Activities in 1972*

496. The Parliament sat each month, except August, in plenary session; of the 11 sessions,<sup>1</sup> seven were held in Strasbourg (34 days) and the others in Luxembourg (12 days). Of the 46 days, one was devoted to the joint meeting with the Consultative Assembly of the Council of Europe and two days to the first Parliamentary colloquium. Upon consultation by the Council on a large number of Commission proposals for regulations and directives dealing with the various fields covered by the Treaties, the Parliament issued 130 opinions and adopted 64 resolutions. Work in depth was undertaken by the Parliament's Committees, which held a total of 275 meetings, extending sometimes over a number of days, and adopted 138 reports. Additional to these activities is the work done by the Political Groups: the Christian Democrat Group held 35 meetings and two study days, the Socialist Group 36 meetings and two study days, the Liberal and Allied group 34 meetings and two study days and the EDU group 22 meetings and two study days.

497. The feature marking parliamentary activity in 1972 was concern regarding the future of the Community institutions, in particular the stepping up of the European Parliament's responsibilities, these problems being tied up in particular with the enlargement of the Community and the Conference of Heads of State or Government. As was stressed by Mr Behrendt, the President of the Parliament, enlargement could be of great significance for the Parliament too in view of the arrival of new members with different Parliamentary traditions. In its resolution on the Accession Treaty, the Parliament emphasized in April the need to reinforce the Community's institutional structures and requested for itself wider powers of initiative, decision and control. It asked for precise objectives to be defined and for a timetable of action to be set ensuring the Community's progress in all sectors.

For further details see the minutes of sittings, the texts of Opinions and Resolutions adopted by the Parliament and the verbatim accounts of debates.

<sup>1</sup> The Parliament's sessions were held on the following dates:

17-19 January (*OJ* No. C 10, 5 February 1972 — *OJ* Annex No. 145).  
 7-11 February (*OJ* No. C 19, 28 February 1972 — *OJ* Annex No. 146).  
 13-17 March, (*OJ* No. C 36, 12 April 1972 — *OJ* Annex Nos. 147 and 148).  
 17-20 April (*OJ* No. C 46, 9 May 1972 — *OJ* Annex No. 149).  
 8-10 May (*OJ* No. C 56, 2 June 1972 — *OJ* Annex No. 150).  
 12-16 June (*OJ* No. C 70, 1 July 1972 — *OJ* Annex No. 151).  
 3-7 July (*OJ* No. C 82, 26 July 1972 — *OJ* Annex No. 152).  
 20-21 September (*OJ* No. C 103, 5 October 1972 — *OJ* Annex No. 153).  
 9-13 October (*OJ* No. C 112, 27 October 1972 — *OJ* Annex No. 154).  
 13-17 November (*OJ* No. C 129, 11 December 1972 — *OJ* Annex No. 155).  
 11-12 December (*OJ* No. C 138, 31 December 1972 — *OJ* Annex No. 156).

See also the account of the Parliament's work published each month in the EC Bulletin.

During the debate on the fifth General Report on 8 May the Parliament reaffirmed that only a true political will could, by reinforcing the structures of the enlarged Communities and their capacity for action, enable them to carry out fully the tasks entrusted to them. On the future of the Communities, the Parliament stressed the need to strengthen Community institutional structure, more particularly to step up the Community's powers, and emphasized the necessity of giving the Community all the political power it needed. Regarding the Summit Conference Mr Behrendt urged in June that a reform of the institutions was indispensable if Economic and Monetary Union was to be achieved and if the enlarged Community was to shoulder its responsibilities towards the third world. Mr Behrendt stressed the necessity to reinforce the Community's decision-making structures and to make them more democratic.

In a resolution adopted on 5 July the Parliament declared that it expected from the Summit Conference decisive impetus towards a dynamic development of the Community. Mr Behrendt underlined that the Community would be viable only if it was truly democratic and urged that the Summit Conference should deal with the democratic working of the European institutions for, in order that citizens might feel involved in Europe, they must be able to participate in its construction.

In a resolution it adopted on 15 November the Parliament welcomed the confirmation by the Paris Conference of the will already expressed at the Conference in The Hague to "bring about in an enlarged Community, with the participation of the existing institutions, a reinforcement of the links uniting the democratic States of Europe". But the Parliament deplored the fact that "no decision had been taken concerning the reinforcement of the Community's democratic structures". It stressed that "the Treaties of Rome and the Luxembourg Resolutions of 22 April 1970 concerning the reinforcement of the Parliament's powers and the stepping up of political concerted action should be fully observed".

498. At its January session the Parliament heard a survey of the Community's economic situation. Mr Barre, Vice-President of the Commission, analyzed the economic situation and set out the Commission's proposals for organizing monetary and financial relations within the Community. In order that the entry of the new members into the enlarged Community might take place without serious difficulties, concluded Mr Barre, it was necessary that the structures for receiving them should be solid, that the economic and financial bases should be sound and that the machinery of the Common Market should be working smoothly. At the same session Parliament called for the organization

of a European-level campaign against drugs and discussed an oral question on Community coordination in the computer market.

In February the Parliament heard a statement by Mr Behrendt on the enlargement of the Community. The President of the Commission, Mr Malfatti, presented the General Report on the Activities of the Communities in 1971 and the Commission's programme of action for 1972, which had been drawn up with two pressing objectives: to advance the construction of Europe by giving a fresh impetus to economic and monetary union and to act in the awareness of being an enlarged Community. The Parliament also heard a report by Mr Coppé, Member of the Commission, on the social situation in the Community in 1971, and expressed its opinion on the economic situation in the Community and on the state of European regional policy. The Parliament debated policy towards youth and education in the Community and the Community's information policy.

In March the Parliament held its constituent session. It reelected Mr Behrendt President. The President of the Council, Mr Thorn, presented a report on the Council's activities. Mr Malfatti made a statement on his resignation from the presidency of the Commission in order to stand for election in Italy. On the subject of agriculture, the Parliament discussed the modernization of farms and policy towards structures. The Parliament also approved the results of the EEC-AASM Parliamentary Conference and stressed the goal of the association, which is to create a vast community of interests between the partners on the basis of interdependent development.

The first European parliamentary colloquium to which the European Parliament had invited members of the Parliaments of the Six was held on 15 and 16 March on the subject "The situation of European unification and the role of the Parliaments". In a speech Mr Behrendt emphasized the problems posed by relations between the national Parliaments and the European Parliament. He spoke of democratic control of Community activities and asked for the Community to be endowed with flexible and efficient institutions.

At the April session the Parliament heard a statement by Mr Mansholt, the new President of the Commission. The Parliament issued an opinion approving the accession of the four new member countries to the Community and decided in favour of setting in train a European environment policy. It approved the establishment of joint undertakings in the EEC, called for the definition of a port policy and discussed problems in the textile industry.

In May the Parliament discussed and approved, on the basis of a report by Mr Schuijt (Netherlands, Christian Democrat) the Commission's General Report on the Activities of the Communities in 1971 and, on the basis of a report by Mr Pianta (France, Liberal), the report on the social situation in

1971. At the same session, the Community's activity at UNCTAD and the problems linked with Euratom's research programme were debated by the Parliament. The 19th joint meeting of the Consultative Assembly of the Council of Europe with the European Parliament, held on 17 May, dealt with: "The political ramifications of the EEC's enlargement". Mr Reverdin (Switzerland, Liberal), the rapporteur of the Consultative Assembly, stressed that it was urgent and essential that the enlarged Community should endow itself with democratic political institutions in keeping with its strength and importance, that it should decide on its guidelines for the future and set the objectives of its general policy. So long as its enormous economic weight was accompanied by extreme political fragility, the Community could not contribute effectively to the maintenance of peace and to the promotion of an international order based on law. The European Parliament's rapporteur, Mr Radoux (Belgium, Socialist), surveyed the Community's political situation and that of the Member and Acceding States and defined the objectives of the enlarged Community and the means of achieving them. The size of the tasks, concluded the rapporteur, showed the place that enlarged Europe was about to occupy in the world and illustrated the Community's new responsibilities in the world equilibrium.

At its June session the Parliament heard a statement by its President on the coming Summit Conference. On social policy the Parliament approved the preliminary guidelines for a Community programme of social policy. The Parliament also expressed its opinion on the research programme and on the COST agreements. In its resolution the Parliament made the point that the Council and the Member States had not been able to carry out a European programme of research, thus jeopardizing Euratom's existence. As the Council was no longer able to fulfil its legislative obligations, the resolution stressed the need to transfer to the Parliament law-making powers of joint decision. The Parliament approved the accession of Mauritius to the Yaoundé Convention and expressed the desire that this association should help bring together French- and English-speaking Africa.

At its July session, the Parliament defined its attitude to the coming Summit Conference and recalled the Commission's commitments regarding the extension of the Parliament's budgetary powers. Mr Barre, Vice-President of the Commission, made a statement on the monetary situation in the Community, emphasizing that it was in the interest of the Community to safeguard the exchange rate structure set up in Washington and to reinforce the Community monetary agreements, which enable the Common Market to function satisfactorily and make an economic and monetary union possible. As an oral question had been put concerning the Council's position vis-à-vis the allocation of SDRs to the developing countries and two reports had been



submitted on the Commission's memorandum concerning a Community development aid policy and on the results of UNCTAD III, the Parliament held a major debate on Community development aid policy. At the same session the Parliament decided in favour of defining a Community policy for the protection of the environment.

At its September session the Parliament heard two communiqués from the President of the Council on the preparations for the Summit Conference and on the agreements negotiated with the EFTA member and associate countries that had not applied for membership. It requested the Council to embark on a European regional policy and discussed a number of oral questions on monetary policy, consumer policy and Euratom's research and training programme. The Parliament also discussed the situation of the association with Turkey.

The Community's economic situation was examined at the October session since the Parliament had asked for a campaign against inflation to be introduced. The Council President presented the draft of the Community budget for 1973. The Chairman of the Finance and Budgets Committee, Mr Spénale (France, Socialist), made the point that the promises made regarding the Parliament's budgetary power should be kept. Once again the Parliament dealt with Euratom's Research and Training programme and with the future of the Joint Research Centre. It also discussed problems connected with providing a sufficient supply of energy for the Community, the removal of intra-Community controls on traffic and the effects of concentration in the textile industry.

At its November session the Parliament heard a statement by the President of the Council on the situation of political cooperation and expressed its opinion on the result of the Summit Conference and on the coming meetings of the Conference on Security and Cooperation in Europe. The Parliament approved the draft of the Community general budget for 1973. At its sitting of 16 November, Mr Spénale (France, Socialist) tabled a motion of censure against the Commission. Referring to the commitment undertaken by the Commission on 23 April 1970 to submit, within two years, proposals relating to the Parliament's budgetary powers, Mr Spénale pointed out that the Commission had not submitted any proposals and had even refused to undertake to submit any before the end of its term of office. He considered that this conduct was holding up the procedure for reviewing the Parliament's budgetary powers.

Consequently Mr Spénale called on the Parliament to pass a motion of censure against the Commission. The Parliament also discussed relations with Latin America and the association with Turkey. The censure motion was debated at the December session. During the debate Mr Mansholt, President

of the Commission, made the point that though the Commission had not submitted within the strict time-limit of two years any proposal for increasing the Parliament's budgetary powers, it had nevertheless not shirked its responsibilities. The procedures for ratifying the Accession Treaty were under way and the Commission held it to be inopportune and dangerous to submit proposals amending the Treaties being discussed in the national Parliaments. Mr Mansholt added that the Commission had been of the opinion after the Summit Conference that a proposal from the Commission of the enlarged Community would have the widest hearing and the best chances of success. After protracted discussions in the Finance and Budgets Committee and in the political groups, a proposal for a resolution was tabled by Mr Lücker (Germany, Christian Democrat), Mr Vals (France, Socialist) and Mr Berkhouwer (Netherlands, Liberal) on the European Parliament's budgetary powers. In view of these facts and having heard Mr Mansholt's reply, Mr Spénale decided to withdraw the motion of censure. In a resolution adopted at the close of the debate, the Parliament recognized the sincerity of the current Commission's position and took note of its undertaking to ask the Commission of the enlarged Community to make proposals as speedily as possible so that the Parliament's new budgetary powers might be applied for the purpose of preparing the 1975 budget. Further, the Parliament discussed the Communities' multi-annual research and training programme, Community aid to coking coal and coke and environment policy.

## THE COUNCIL

### *Chairmen*

499. In accordance with Article 2 of the Treaty of 8 April 1965, the chair was taken in the first half of 1972 by the Luxembourg Ministers and in the second half by the Dutch Ministers.

Thus, at the 19 sessions during the first half-year, the chairmen were, according to the business in hand, Mr Pierre Werner, the Luxembourg Prime Minister and Minister of Finance, Mr Gaston Thorn, Minister of Foreign Affairs and External Trade, Mr Pierre Buchler, Minister of Agriculture, Mr Marcel Mart, Minister of Transport, and Mr Jean Dupong, Minister of Labour and Social Security.

At the 16 sessions in the second half-year, the chairmen were Mr W.K.N. Schmelzer, the Netherlands Foreign Minister, Mr P.J. Lardinois, Minister of Agriculture, Mr R.J. Nelissen, Minister of Finance, Mr H. Langman,

Minister of Economic Affairs, and Mr T.E. Westerterp, State Secretary for Foreign Affairs.

### *Sessions*

500. The Foreign Ministers of the Member States met in Council 15 times during 1972. At these sessions the Council completed the negotiations with the countries applying for membership and with the non-applicant EFTA States, and also took a number of decisions concerning external relations.

The beginning of the year saw the culmination of the negotiations for the accession to the Communities of Denmark, Ireland, Norway and the United Kingdom. At its 184th session, on 22 January, the Council adopted two Decisions in this connection, the first on the admission of these countries to the European Economic Community and the European Atomic Energy Community, and the second on their accession to the European Coal and Steel Community. The signing ceremony for these agreements took place the same day at the Egmont Palace.

The Council several times discussed matters with regard to the negotiations with the non-applicant EFTA countries during the first six months of the year, notably at its 194th session. The negotiations were ultimately successfully concluded, and at its 205th session, on 22 July, the Council, having approved the results, decided at the Commission's recommendation to sign the agreements between EEC and Austria, Finland, Iceland, Portugal, Sweden and Switzerland.

As to relations with the AASM and with East Africa, the Council prepared and agreed the Community position to be taken at the 13th session of the EEC/AASM Association Council in Luxembourg on 10 October 1972 and the 2nd session of the EEC/East Africa Association Council in Nairobi on 21 February 1972. The proceedings in this connection mainly concerned the implications for the Associations of UNCTAD III, of the generalized preferences and of the enlargement of the Community, and also the arrangements to apply to certain agricultural and tropical products and the general tenor of financial and technical cooperation.

In the field of external relations, the Council

- (1) on 11 February 1972 took the decision to conclude an agreement between EEC and the United States by way of an exchange of letters and a declaration;
- (2) at its 194th session, on 24/25 April, approved the Association Agreement admitting Mauritius to the Convention between EC and the Associated African States and Madagascar;

- (3) at its 197th session, on 5/6 June, decided to extend the scope of the generalized preferences to cover the developing countries which had lately joined the Group of Seventy-Seven, together with a number of other countries and territories, with effect from 1 January 1973;
- (4) also at its 197th session, agreed the lines to be followed by the Community in the examination of the Accession Treaty in GATT;
- (5) at its 209th session, noted the conclusion of the negotiations for a preferential trade agreement between the Community and Egypt, to be signed in the near future. This agreement was signed on 18 December 1972 at the same time as one with the Lebanon. On 19 December, the EEC/Cyprus agreement was signed.

On cooperation with the developing countries, the Council set about formulating the main lines along which to conduct a comprehensive and connected cooperation drive by the Community and the Community countries.

On 23 May 1972 it finalized the 1971/72 breakdown for Community food aid.

The Council also devoted attention to the framing of a policy vis-à-vis the Mediterranean countries.

501. Twelve of the Council's sessions were concerned with agriculture. Outstanding among these, by reason not only of the length of time the proceedings lasted—seven days in all, involving 100 hours of discussion—but of the vitally important decisions taken, was the session of 13-15 and 20/24 March. Common guidelines were worked out for the structural reform of agriculture and the pricing of various agricultural products in 1972/73; the Council adopted a corpus of measures to enable farms to be modernized, to encourage smallholders to give up farming their land and turn it over for inclusion in structural reform programmes, and to promote the channelling of socio-economic information and the provision of training facilities for those working in agriculture.

Other agricultural matters considered by the Council included problems arising in the grape and wine, fruit and vegetable, and beef and veal and alcohol and sugar sectors. The Council also fixed United Kingdom imports of butter and cheese from New Zealand and agreed various regulations on fisheries.

Finally, to ensure more efficient coordination of statistical coverage in agriculture between the Member States and the Commission, the Council, at its 203rd session, decided to set up a Standing Committee on Agricultural Statistics.

502. Four Council sessions of Finance and Economic Affairs Ministers were held in the period under review. At the 193rd session, in accordance with the Decision of 22 March 1971, the Council reviewed the economic policy followed in 1971, and adjusted the guidelines in the Annual Report to the requirements of economic developments meantime.

Also under the March 1971 Decision, the Council at its 200th session considered the economic situation in the Community. It approved the guidelines proposed by the Commission for the economic policy to be pursued in 1972 and the preparation of public budgets in 1973.

At its 211th session the Council adopted a Resolution on the action to be taken to stem inflation. It also adopted the Annual Report on the Economic Situation in the Community, enabling the 1973 guidelines to be laid down for each Member State to follow in its economic policy.

503. Two Council sessions were devoted to social affairs. At the first of these the 198th, the Council considered the Italian Government's Memorandum on employment policy in the Community; it agreed a number of conclusions, and instructed the Commission to submit proposals based on some of these.

It went on to discuss the employment position in the Community, and in particular juvenile unemployment and collective dismissals.

At its session on 9 November 1972 the Council discussed the section on social affairs of the Final Declaration of the Paris Summit Conference of 19/20 October, with special reference to the social action programme called for by the Conference. It was decided to convene a conference of the Council, the representatives of the Governments of the Member States, the Commission and representatives of the employers' and workers' organizations in the spring of 1973 to consider all matters arising in connection with the content and implementation of the programme. The Council also took two important Decisions enabling assistance to be furnished from the Social Fund, under Article 4 of the Council Decision of 1 February 1971 on the reform of the Fund, to the agricultural and the textile sectors.

504. At the 206th session, on 25/26 September, the Council discussed in detail a number of general considerations and points of principle raised by the Commission's proposals and suggestions concerning the practical organization of Community intervention in the field of regional policy. While it was felt that the matter as a whole could not be finally settled until agreement was reached on all the proposals and suggestions concerned, the Council did reach agreement on some specific points with regard to the duration and amount of the aid envisaged, the procedure for determining the regions and areas to be entitled

to aid, the breakdown of expenditure by regions and areas, and the nature and volume of the aids to go to the priority agricultural regions.

505. Matters in connection with the institution of a common transport policy were considered at several Council sessions.

At the session on 17/18 May a general line was adopted on the harmonization of weights and dimensions of commercial road vehicles. Here, two problems have been particularly exercising the Council, namely the maximum weight per single axle, and the total laden weight of lorries and trailers. This general line was taken up again in a draft directive established by the Council at its session of 18/19 December 1972.

However, in the course of two consultations at ministerial level, the adhering States expressed reservations as regards certain elements of this general approach and of the draft directive, particularly concerning the maximum weight per single axle. The Council therefore agreed to continue the examination of the whole dossier in 1973.

506. In the field of the common rules the Council adopted in particular a regulation in the framework of Article 85 (3) and a number of directives concerning aids to shipbuilding; the taxes on turnover and the excise duties applicable in international passenger traffic, and certain taxes falling on the consumer of manufactured tobaccos.

It also adopted a few instruments concerning the harmonization of customs legislation and the elimination of technical obstacles to trade in various sectors (motor vehicles, textiles, electrical equipment, tractors, detergents, measuring instruments, etc.). Finally, it adopted a directive on the insurance of civil liability resulting from the circulation of self-propelled vehicles.

In addition, a directive was agreed on the organization of annual inquiries into industrial activity.

507. At its 212th session, on 6/7 November, the Council completed its deliberations on the Directive abolishing restrictions on freedom of establishment and freedom to provide services in respect of self-employed activities in banking and other financial establishments, it being agreed that a separate Directive should be framed in the very near future similarly liberalizing the activity of foreign exchange dealer.

At its 194th and 209th sessions, on 24/25 April and 9/10 October, the Council gave assent to the provision of grants for technical research on steel. The representatives of the Member States' Governments meeting in Council also, on different occasions, adopted a number of measures concerning, *inter alia*, the scrap market.

508. On the energy side the Council was consulted by the Commission at its 186th and 207th sessions on Member States' aids to the coal industry in 1971 and 1972. At its 195th session it adopted two regulations on the declaration to the Commission of hydrocarbons imports and of certain investment projects. It also adopted the draft agreement and draft Protocol with IAEA under the Treaty on non-proliferation of nuclear weapons.

With regard to Euratom, the Council adopted the research and instruction programme for 1972 and a five-year programme of research on data processing. It also decided to have a number of non-nuclear projects put in hand in 1972 at Ispra, approved a further extension of the nuclear cooperation agreement with Britain, and agreed to the conclusion of a nuclear documentation cooperation agreement with the United States Atomic Energy Commission.

509. In accordance with the Resolutions annexed to the Treaty of 22 April 1970, the Council, in 1972, adopted two procedures for cooperation with the Parliament with respect to budgeting and to the examination of acts having financial implications.

It introduced a number of improvements into the Staff Regulations, and adopted a procedure for ensuring more effective dialogue between itself and the staff representatives, and another for the adjustment of staff salaries.

At its 207th session the Council finalized the draft General Budget of the Communities for 1973: the appropriations show an increase over those for 1972, but a fairly moderate one, of only 6.3%. At its 217th session, on 5 December, it adopted the Budget definitively.

## THE COMMISSION

### *Composition*

510. At the conference of Representatives of the Member States' Governments on the occasion of the Council session of 20/21 March 1972, Mr Franco-Maria Malfatti tendered his resignation as Member and President of the Commission, with effect from 21 March.<sup>1</sup> The Chairman, Mr Gaston Thorn, the Luxembourg Minister of Foreign Affairs, paid tribute to Mr Malfatti, and recalled the more important developments in the Community's affairs which had occurred during his tenure of the Presidency.

On 21 March the conference decided to appoint Mr Carlo Scarascia Mugnozza a Member of the Commission in succession to Mr Malfatti for the

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<sup>1</sup> *EC Bulletin* No. 4-72, sec. 1.

remainder of the latter's term, and, after consulting the Commission, further decided to appoint Mr Sicco Mansholt President and Mr Scarascia Mugnozza Vice-President for the Presidential and Vice-Presidential terms, *viz.* until 31 December 1972.<sup>2</sup>

At its meeting on 12 April the Commission defined the respective specific fields of responsibility of its new President and Vice-President, placing the Secretariat-General, Legal Service, Spokesman's Group and Security Office directly under Mr Mansholt, and giving Mr Scarascia Mugnozza charge of the agricultural sector.

511. The representatives of the Governments of the Member States and of the acceding States meeting in Brussels on 19 December 1972 appointed, by common accord, as members of the Commission of the enlarged Community for the period 6 January 1973 to 5 January 1977 inclusive, Mr Albert Borschette, Mr Ralf Dahrendorf, Mr Jean-François Deniau, Mr Finn Olav Gundelach, Mr Wilhelm Haferkamp, Mr Patrick John Hillery, Mr Petrus Josephus Lardinois, Mr François-Xavier Ortoli, Mr Carlo Scarascia Mugnozza, Mr Henri Simonet, Sir Christopher Soames, Mr Altiero Spinelli and Mr George Thomson.

For the period 6 January 1973 to 5 January 1975, inclusive they appointed Mr François-Xavier Ortoli as President, and Mr Wilhelm Haferkamp, Mr Patrick John Hillery, Mr Carlo Scarascia Mugnozza, Mr Henri Simonet and Sir Christopher Soames as Vice-Presidents of the Commission.

The period of office of Commission members is four years; the President and the Vice-Presidents are appointed for two years.

512. At its first meeting on 6 January 1973 the new Commission agreed a number of immediate measures, concerning in particular its methods of work. It amended its provisional rules of procedure of 6 July 1967 (already amended on 2 July 1970) in order to allow for the increase in the number of its members—which had risen from nine to thirteen—and fixed at seven the quorum of members present for its discussions to be valid: "the Commission's decisions are valid when there have been at least seven votes in favour". The Commission also adopted a decision on delegation of signature and fixed the order of seniority of its members.

<sup>1</sup> *Fifth General Report*, section 534.

<sup>2</sup> *Fourth General Report*, section 495.

<sup>3</sup> *OJ* No. L 2, 1 January 1973.

<sup>4</sup> *EC Bulletin*, No. 12-72 contains biographical notes on these persons.

<sup>5</sup> For further details see *EC Bulletin* No. 12-72, Part 1.

<sup>6</sup> *OJ* No. L 2, 1 January 1973.

<sup>7</sup> *OJ* No. L 7, 6 January 1973.



On the same day, the Commission allocated responsibilities among its members.

President:	François-Xavier Ortoli	Secretariat; Legal Service; Spokesman's Group; Security Office.
Vice-President:	Wilhelm Haferkamp	Economic and Financial Affairs; ECSC Credit and Investment.
Vice-President:	Carlo Scarascia Mugnozza	Follows, with the President, the activities of the Parliament; Environmental Policy; Protection of Consumer Interests; Transport; Information.
Vice-President:	Sir Christopher Soames	External Relations
Vice-President:	Patrick John Hillery	Social Affairs
Vice-President:	Henri Simonet	Financial Institutions and Taxes; Energy and Euratom Safeguards and Controls; Euratom Supply Agency.
Member:	Jean-François Deniau	Development Aid; Budgets; Financial Control.
Member:	Altiero Spinelli	Industrial and Technological Affairs.
Member:	Albert Borschette	Competition; Personnel and Administration; Official Publications Office.
Member:	Ralf Dahrendorf	Research, Science and Education; Joint Research Centre; Dissemination of Information; Statistical Office <sup>1</sup>
Member:	George Thomson	Regional Policy
Member:	Petros Josephus Lardinois	Agriculture
Member:	Finn Olav Gundelach	Internal Market; Administration of the Customs Union.

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<sup>1</sup> As a result of a change in the allocation of responsibilities, decided on 1 January 1973, the Statistical Office comes under Mr Dahrendorf.

### *Administration*<sup>1</sup>

513. The Commission's establishment for 1972 originally comprised 5 778 permanent and 101 temporary posts. In the course of the year, however, the Council found it necessary to increase the complement of some of the Directorates-General—notably those for Economic and Financial Affairs, Social Affairs, and Budgeting—and of the Official Publications Office, and accordingly, in a supplementary budget, provided for 83 extra posts, 82 of them temporary (9 Grade "A", 19 "B", 24 "C" and 30 "L/A") and one (Grade "A") permanent.

For 1973 the Council authorized the institution of 807 new permanent posts and the conversion of 143 temporary posts into permanent ones. This brings the establishment on the operational budget to 6 729 permanent posts (1 905 "A", 1 416 "B", 2 336 "C", 365 "D" and 707 "L/A") and 178 temporary (74 "A", 28 "B", and 76 "C").

A particularly important administrative decision of the Council's, taken at the session of 20/21 March, concerned the trial adoption for three years of a system for adjusting staff salaries under Article 65 of the Staff Regulations.

Also of importance was the decision, on 27 June 1972, to make a number of changes in the Staff Regulations, notably with respect to the social security and pensions schemes, the introduction of part-time work, and the institution of new posts of "senior technical assistant" and "technical assistant" and of "senior secretarial assistant" and "secretarial assistant". This was decided in accordance with the revision proposals submitted by the Commission on 28 March 1969; an updated edition of the Staff Regulations incorporating the changes was published in due course.<sup>2</sup>

With the Community's enlargement in prospect it became necessary to make the advance administrative arrangements to enable staff to be recruited quickly and efficiently from the acceding countries in 1973. The Commission proposed to the Council a special Regulation in which, *inter alia*, appropriate financial provision was made for officials due to vacate their posts in consequence of the entry of the new Member States. General competitive examinations for administrative and clerical personnel were organized sufficiently well beforehand to be advertised in the *Official Journal* in October: given the various stages to follow, the first short-lists should be forthcoming in the early months of 1973.

<sup>1</sup> For documentation, see also sec. 231.

<sup>2</sup> *OJ* No. C 100, 28 September 1972.

514. The Commission's staff and in-service training activities were continued and substantially expanded. Various facilities were arranged to give officials a fuller knowledge and understanding of the acceding countries. Language courses, and particularly English courses, were organized on a much increased scale, and seminars and training courses held on an extended range of subjects. On the translating and interpreting side specially intensive efforts were made to secure proper coverage for the Commission of the language needs of the enlarged Community. Advanced training schemes were provided for the language staff.

Improvements were made in the arrangements for keeping staff posted on Community affairs: every day one or more information bulletins are put out over the internal telephone system.

The in-service training intake at the Commission in 1972 was 318 trainees in all, 59 of them from the acceding countries.

## THE COURT OF JUSTICE

### *Composition*

515. At its meeting of 27 September 1972 the Court of Justice elected for a one-year period beginning 7 October 1972 :

Judge Riccarde Monaco as President of the First Chamber and Judge Pierre Pescatore as President of the Second Chamber.

The composition of the Court at 31 December 1972 was as follows :

President of the Court:	Robert Lecourt
First Chamber:	Riccardo Monaco, presiding André M Donner, Judge Josse Mertens de Wilmars, Judge Karl Roemer, Advocate-General
Second Chamber:	Pierre Pescatore, presiding Alberto Trabucchi, Judge Hans Kutscher, Judge Henri Mayras, Advocate-General
Registrar:	Albert Van Houtte

At its meeting of 27 September 1972, the Court decided to allocate, for the period 1 October 1972 to 1 October 1973:

to the First Chamber: suits filed by officials of the Commission of the European Communities;

to the Second Chamber: suits filed by officials of Community institutions and organs other than the Commission.

516. As they had done on the same day for the appointment of the members of the Commission of the enlarged Community, the representatives of the Governments of the Member States and of the acceding States, on 19 December 1972, appointed the new Judges and Advocates-General of the Court of Justice:

Judges:	Lord Alexander Mackenzie Stuart Cearbhall O'Dalaigh Max Sørensen
Advocates-General:	Alberto Trabucchi Jean-Pierre Warner.

Following these appointments, the composition of the Court of Justice on 1 January 1973 was as follows:

President of the Court:	Robert Lecourt
First Chamber:	Riccardo Monaco, presiding André M. Donner, Judge Josse Mertens de Wilmars, Judge Cearbhall O'Dalaigh, Judge Karl Roemer, Advocate-General Jean-Pierre Warner, Advocate-General
Second Chamber:	Pierre Pescatore, presiding Hans Kutscher, Judge Max Sørensen, Judge Lord Alexander Mackenzie Stuart, Judge Alberto Trabucchi, Advocate-General Henri Mayras, Advocate-General
Registrar:	Albert Van Houtte

### *Activities*

517. In 1972, 82 new cases were referred to the Court. It handed down a judgment in 90 cases, 11 others having been struck off. 63 cases were still pending on 31 December 1972.

The case law of the court is described in Chapter VII "Community Law" of this Report in the remarks dealing with each of the fields considered. Tables showing the state of suits brought to the Court as of 31 December 1972 are annexed to that Chapter.

## THE CONSULTATIVE BODIES

*The Economic and Social Committee**Right of initiative*

518. As the Committee had long and repeatedly urged, the Heads of State or Government of the Nine at the Summit Conference in 1972 called upon the Community Institutions to “recognize the right of the Economic and Social Committee in future to advise on its own initiative on all questions affecting the Community”. The Committee thereupon, at its November session, adopted a draft amendment to its rules of procedure to this effect, and submitted it for the Council’s approval.

As long ago as 1968, the Committee’s current Chairman, Mr Louis Major, drew attention to the state of feeling on the subject in the Committee after it had been in existence for ten years.<sup>1</sup> Where most modern States had sought in the past thirty years to associate representatives of the different economic and social groups officially with the preparation of legislative and administrative measures, the Treaty of Rome, Mr Major pointed out, had adopted an extremely cautious approach in its provisions concerning the Committee: it was to operate very much in subordination to the Council and Commission, its job being to deliver Opinions, sought either compulsorily or voluntarily where the Treaty provided that it either must or might be consulted. So, Mr Major went on, of the various reforms which were desirable, “one at any rate, the investing of this assembly of responsible persons with a right of initiative—even a limited one—will sooner or later of itself compel recognition. For how can the Committee be denied much longer a right allowed to all the national economic advisory boards and already enjoyed by the Consultative Committee of ECSC?”

Mr Mathias Berns on becoming Chairman later in 1968 declared in his inaugural address that “the Committee must be given work more directly and concretely involving it in the major policy choices to be made by the Community”,<sup>2</sup> and at the expiry of his term in 1970 again made an eloquent plea for fuller participation by the Committee in the framing of Community policies. His successor, Mr J.D. Kuipers, speaking at the 100th plenary session, on 27 January 1972,<sup>3</sup> urged that the Committee should have more influence:

<sup>1</sup> *Ten Years of Activity by the Economic and Social Committee*, Community publication No. 7031/1/VIII/1968/5.

<sup>2</sup> *Second General Report*, sec. 600.

<sup>3</sup> *EC Bulletin* No. 3-72, Part One.

“I am convinced”, he said, that it is in the vital interest of a democratic society—and in conformity with its very essence—that, as is the case in the five Member States which have similar institutions, management and labour and the representatives of the general interest meeting in this assembly should be free to make their contribution whenever they judge it necessary to the development of the Community, to the maintenance of its dynamism and to public interest”. Some months later, on 1 July, fortified by expressions of support during his official visits to the member countries, Mr Kuipers wrote to President Mansholt informing him that the Committee unanimously desired to be given “the right to formulate Opinions on certain matters placed on its agenda by majority vote of its members”.

In September 1972 the present Chairman, Mr Alfons Lappas, in his inaugural address,<sup>1</sup> demanded in his turn that the Committee have more say in the decisions of the Commission and Council, adding that a first essential for this purpose was that it should be entitled to take the initiative itself. The Summit Conference declaration was warmly welcomed on the Committee’s behalf by Mr Lappas, who expressed satisfaction at this political decision.

### *Officers*

519. The term of office of Mr J.D. Kuipers (Employers’ group, Netherlands) as Chairman expired in 1972, and on 27 September the Committee elected Mr Alfons (Workers’ group, Germany) as Chairman for the second half of its fourth four-year term. Mr Alberto Masprone (Employers’ group, Italy) and Mr Henri Canonge (General Interests group, France) were elected Vice-Chairmen.

### *Activities*

520. The opening event of 1972 was a formal gathering to mark the Committee’s 100th plenary session,<sup>2</sup> the speakers at which included Mr Kuipers, the Chairman, Mr Thorn, President-in-office of the Council, Mr Bersani, Vice-President of the Parliament, Mr Coppé, Member of the Commission, Mr Gingembre, representing the General Interests group, the late Mr Brenner, chairman of the Workers’ group, and Mr Ameye, chairman of the Employers’ group.

Seven further sessions after the 100th took place during 1972,<sup>3</sup> at which 67 Opinions were delivered in all—on draft Regulations relating to free move-

<sup>1</sup> *EC Bulletin* No. 10-72, Part Two, sec. 266.

<sup>2</sup> *EC Bulletin* No. 3-72, Part One, Chapter III.

<sup>3</sup> For further details see *EC Bulletins* Nos. 3, 4, 6, 8, 10 and 11-72, in particular Part Two, Chapter IV.

ment of goods, in connection both with cross-Community transit and with elimination of technical obstacles to trade (in January, February, June, September and October), on draft instruments to do with fiscal policy, notably excise duties payable by travellers, duty-free allowances for small consignments and capital duty (in November), on the procedural arrangements for instituting freedom of establishment with respect to various activities, paid and self-employed (in April, June and November), and more generally on the abolition of restrictions as to movement and residence of Member State nationals within the Community as concerns establishment and provision of services.

The Committee's Opinion on the Annual Report on the Economic Situation in the Community was delivered at the September session. On the social affairs side an Opinion was delivered in January, and another in June, on social developments in the Community during 1971. An Opinion on the Memorandum with respect to the Council's forthcoming decisions on Community regional policy was delivered in September. The Committee also delivered Opinions on the Commission's numerous proposals relating to the common agricultural policy, notably one on the draft Council Regulation on the financing by the European Agricultural Guidance and Guarantee Fund (EAGGF), Guidance Section, of projects forming part of development operations in the priority agricultural regions.

Opinions delivered concerning industrial policy included one on the draft Council Regulation on the formation of joint undertakings within the field of application of the EEC Treaty (in October). In the matter of environmental conservation the Committee delivered two Opinions, one of them (in September) on the draft Agreement of the representatives of the Member States meeting in Council on the provision of information to the Commission with a view to possible Community-wide harmonization of emergency environmental measures. Ten Opinions were delivered on draft Directives concerning the many different aspects of the efforts to establish a common transport policy. Lastly, the Committee delivered an Opinion on the Commission's Memorandum outlining a Community policy on development cooperation. As regards approximation of legislation, three Opinions were rendered, including one in September on an important proposal for a regulation establishing a statute for a European-type company.

Five reports and studies were laid before the Committee during the year. At its February session it was given an account of the economic problems facing the Community by Mr R. Barre, Vice-President of the Commission.<sup>1</sup>

<sup>1</sup> *EC Bulletin* No. 4-72, sec. 130.

## THE CONSULTATIVE COMMITTEE

*Officers*

521. The ECSC Consultative Committee was chaired in turn during the business year 1971/72, first by Mr Jean Picard (Consumers and Dealers, France), and subsequently by Mr Karl Hawner (Producers (Coal), Germany), who was elected Chairman for 1972/73 at the constituent session on 24 April 1972 (presided over by Mr Domenico Taccone, the senior sitting member). Mr Antoine Weiss (Workers (Steel), Luxembourg) and Mr Servatius Wijnands (Consumers (Steel), Netherlands) were elected Vice-Chairmen at the same time (business year 1972/73).

*Activities*

522. The Committee met during 1972 on six occasions,<sup>1</sup> five in Luxembourg and one in Hamburg. The September session included a commemoration of the twentieth anniversary of the Commission, paid tribute to the work of the Committee during these twenty years, both in the economic and social fields and in the fostering of contact between the employers' and workers' organizations and the Community. At the constituent session for 1972/73 the new Chairman, Mr Karl Hawner, in his inaugural address, urged the Commission to remain alive to the importance of the ECSC Treaty, and in particular of Articles 2 and 3 setting forth the basic aims of the Coal and Steel Community.

As in previous years, the Committee was given circumstantial accounts of Community activities: in 1972 the Commission presented three such statements, one dealing with the progress of the negotiations with the non-applicant EFTA States and associates, the second with activities under the ECSC Treaty, and the third on the results of the Summit Conference. The problems of the coal and steel markets were discussed on several occasions: at the March session the Committee debated and approved the 1972 programme and forward estimates for steel, and at the June session further approved the adjustments made in this connection by the Commission in the meantime, while the programme and estimates for coal and the state of the coal market received attention at all four sessions, in March, April, June and September. In December the Committee was consulted on a new system of Community aid for coking coal and coke. It has also concerned itself with energy problems: in September it adopted a Resolution on energy policy in which it called upon the Commission

<sup>1</sup> *EC Bulletins* Nos. 5, 6, 8 and 10-72.



to "bring all its influence to bear without delay on the Governments of the Member States to induce them to pursue in all the countries of the enlarged Community a single energy policy free of discrimination vis-à-vis both producers and consumers, and designed in particular to see that coal production continues on as large a scale as possible, without the cost having to be borne by consumers exposed to competition".

With regard to competition policy, the Committee approved the report based on a Commission instrument amending a High Authority Decision on publication of prices. In November it gave a consultation on the procedures for extending the provisions of Article 60 of the ECSC Treaty to certain EFTA countries having concluded agreements with the Community. At the same session, it gave its Opinion on a draft Commission decision to improve the transparency of the steel market for transactions involving transport by sea. With regard to technical research, the Committee in March delivered Opinions in favour of two proposed overall grants for research projects in the coal sector (3 279 820 u.a.) and the steel sector (2 083 858 u.a.) respectively, and in September gave its endorsement to further grants for 15 projects relating to steel. On the other hand, it came out against the provision of a grant for research on materials for gas turbines, as it felt that ECSC funds should not be used to finance research for the benefit of an industry not coming under the ECSC Treaty. It adopted the same position towards a research project concerning the behaviour of SO<sub>2</sub> in the atmosphere proposed to it by the Council.

## *Committees*

### *The Medium-term Economic Policy Committee*

523. The Medium-term Economic Policy Committee held six meetings during 1972.

At the beginning of the year it made a preliminary review of the "compatible guide figures" in the Third Medium-term Economic Policy Programme, and its findings were employed by the Commission in drawing up its memorandum to the Council on the adjustment of the economic policy guidelines for 1972. The Committee also took an active part in the work on the draft Annual Report on the Economic Situation in the Community, the draft Directive on promotion of stability, growth and full employment, and the proposals for short-term action against inflation.

It continued its consideration of the economic programming conducted in the different member countries, with a view to casting up a balance-sheet

of national and Community experience in this connection. An Opinion commenting in detail on the Commission's statistical programme for the years ahead was forwarded to the Council and Commission, and the Committee also discussed the Commission's Preliminary Guidelines for a Community Social Policy Programme and sent the Commission its comments. Following a fact-finding mission organized by it in the member countries on non-wage primary incomes, the Committee formulated an Opinion on what needed to be done to improve the flow of information on this subject,<sup>1</sup> and the Commission on the strength of this decided to have a series of studies carried out on the possible role of certain of these incomes in the march of inflation.

The Committee considered a review of the activities of its Working Party on Scientific and Technical Research Policy (PREST) between April 1965 and December 1971, and compared the conclusions to be drawn therefrom with the Commission's proposals in its memorandum on Aims and Means for a Common Research Policy. An Opinion stating its views on the subject was sent to the Council and Commission.

In addition, the Committee decided that in 1973 it should revise the Third Programme's guide figures, the revised calculations to apply to the period 1973-78. It plans to bring out at the end of 1973 a "mid-term report" drawing the appropriate conclusions concerning the role and significance of programming in the Community and outlining a schema of possible courses for the Fourth Programme. The longer-term studies for this purpose have already been put in hand, notably on public finances, external economic policy and the relations between growth and quality of life.

A Panel on Structural Analysis set up by the Committee in the autumn of 1971 submitted its report, in which it appraised the preconditions for systematic analysis of regional disparities and of the problems involved in securing a balanced employment market, and discussed points arising in connection with the possible establishment of structural indicators.

The Working Party on Incomes resumed its meetings on prices and incomes policy in the different member countries.

### *The Monetary Committee*

524. The Monetary Committee met twelve times in 1972, its alternates also meeting on several occasions. It heard regular situation reports on the monetary measures taken or envisaged by the Member States, and also, from June on, by the acceding countries. In particular, it held a consultation on the British

<sup>1</sup> Published as an Annex to *EC Bulletin* No. 10-72.

Government's decision to float the pound, and noted the British and Irish authorities' intention of returning to the Community system at the earliest possible date.

As instructed by the Council Resolution of 21 March 1972, the Monetary Committee and Committee of Governors of Central Banks set up a joint panel of experts to report on the organization, functions and statutes of a European Monetary Cooperation Fund. The experts' report was dispatched in September to the Council and Commission, together with the two Committees' conclusions, couched as an Opinion. In addition, the Committee, in accordance with the Council's instructions, kept itself informed as to the use being made of the means of action provided for in the Directive on international money flows and counteraction of their adverse effects on internal liquidity, twice setting up *ad hoc* working parties for this purpose.

The Committee was several times consulted by the Commission, more particularly on the preparation of a draft Directive to promote stability, growth and full employment in the Community, and on the monetary implications of the proposals for effective short-term action against inflation which the Commission submitted to the Council on 30/31 October 1972. It also adopted two Opinions for the attention of the Council and Commission, the first on the conversion of certain currencies in transactions in connection with the common agricultural policy, and the second on points arising out of the draft Council Directive on the abolition of restrictions on freedom of establishment and freedom to provide services in respect of self-employed activities in banks and other financial establishments.

The Committee as usual devoted a great deal of attention to international monetary affairs, and in particular to evolving a common position on the main aims of the reform of the international monetary system for the IMF Annual Meeting in September. It also discussed various basic problems posed by the reform, including those to be taken up by the Group of 20.<sup>1</sup>

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

525. The Committee held nine meetings in 1972, at which it continued its periodic reviews of the short-term economic position and prospects in the Member States. At its March meeting it discussed in detail the planned reflation programme in Belgium. It considered the economic budgets for 1972 and preliminary economic budgets for 1973, and sent Opinions on the subject to the Commission and Council. It was consulted by the Commission several times,

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<sup>1</sup> Full details of the work of the Monetary Committee will be found in its Fourteenth Report.

- (1) in February, June and September in connection with the preparation of the three Council sessions on the economic situation in the Community;
- (2) on the drafting of the Directive to promote stability, growth and full employment in the Community;
- (3) on the assortment of proposals for effective short-term action against inflation which the Commission submitted to the Council session of 30/31 October.

### *The Budget Policy Committee*

526. The Budget Policy Committee met eight times during the period under review.

At the beginning of the year the Committee discussed expectations as to the execution of the member countries' 1972 budgets in the light of the short-term economic policy guidelines laid down in the previous autumn as part of the Annual Report on the Economic Situation in the Community. It also considered structural aspects; under a new procedure adopted, it was agreed to examine first of all the matter of the railways' deficits and financial relations between the railways and the State generally.

At the June meeting the Committee discussed the guide figures the Commission was intending to submit to the Council for the establishment by the Governments of the draft budgets for 1973. It also finalized its preliminary findings on a study on the use of budget policy as a short-term economic policy weapon.

During the second half-year the Committee was consulted by the Commission as to how budget policy could be employed to help stem inflation. This was of assistance to the Commission in drawing up its proposals on the subject for the Council. The Committee was also consulted by the Commission on the draft Directive to promote stability, growth and full employment. In addition, it sent the Commission on Opinion on multi-annual forecasts (1973-75)<sup>1</sup> for the Community Budget.

The Committee decided to hold a symposium in May 1973 on "the new methods for improving budget choices", in order to see how matters had been progressing in this direction since the previous symposium in Paris in May 1971, and hear accounts of the corresponding developments in the acceding countries.

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<sup>1</sup> Sec. 540

## 2. Financing Community activities

### BUDGETS

527. The preparation of the first budget of the enlarged Communities, as well as the drawing up of the 1973-1975 multiannual forecasts, were characterized in 1972 by the combination of several important factors:

- (i) with regard to procedure: the development of cooperation between the Council and the Parliament under the provisions of the Treaty of 22 April 1970;
- (ii) with regard to receipts: the increasing proportion of own resources in the financing of the Community budget;
- (iii) with regard to expenditure: the enlargement of the Communities and the initiation of policies already decided upon by the Council (reformed Social Fund, decisions on agricultural structures of 24 March 1972) or the putting into effect of new policies such as the industrial and technological development and environmental policy.

As far as the 1972 budget is concerned, the difficulties encountered in application of the research and investment credits will be discussed separately below, even though these credits form part of the general budget.

Independently of these budgetary studies connected with the general budget, and of the ECSC budget, it also proved necessary to have available in the future new budgetary instruments adapted to the requirements of Community public finances. This chiefly implies the adoption of the financial regulation proposed by the Commission, the finalizing of methods to ensure a better planning, programming and budgeting system from the annual and multiannual points of view, and the creation of a central multi-purpose accountancy unit.

#### *The general budget*

528. The preliminary draft of the Communities' general budget for the financial year 1973 was submitted by the Commission to the Council on 17 August 1972. The total amount involved was 5 066 701 590 u.a. This budget was drawn up on the basis of a Community of ten members, i.e. including Norway.

From the point of view of receipts it should be noted that, since the decision of 21 April 1970, the Community budget has been financed more and more each year by own resources and less and less by financial contributions from

the Member States. This increase in own resources is dictated not so much by the change in customs duties collected by the States as by the increase in the reference amount from which the amount of customs duties is calculated; for 1972 and 1973, this amount is respectively 62.5% and 75%. As for the new Member States, their aggregate financial contribution has, for the first year, been limited to 10.76% as provided for in the accession treaties.

Expenditure has been broken down into the following main categories, compared with 1972:

*(in u.a.)*

	1973	1972
Administrative, operational and miscellaneous expenditure of the four institutions	302 823 000	187 909 000
Refund to the Member States of 10% of own resources	269 207 000	185 175 000
European Social Fund	260 900 000	97 750 000
EAGGF Guarantee Section	2 977 400 000	2 542 000 000
EAGGF Guidance Section	330 000 000	285 000 000
Food aid	35 000 000	82 823 000
EAEC research and investment expenditure	85 513 000	76 383 000
Reentry of credits of previous budget years, which have been annulled (mainly EAGGF)	805 858 000	720 399 000
	5 066 701 000	4 177 439 000

The modifications requested by the Commission for the next budget year reflect, on the one hand, the strengthening and deepening of the Communities and, on the other, the mechanical effect of the enlargement. The share of these two factors in the overall increase of 889 000 000 u.a. compared with 1972, broken down for information purposes and purely as an estimate, was set out in the explanatory memorandum accompanying the Commission's first draft budget.

In brief, it may be said that the enlargement made itself felt in particular on the development of administrative expenditure (which is chiefly determined by the increase in staff in connection with accession) and on the credits for the EAGGF (Guarantee and Guidance Sections) and for the Social Fund.

The growth of administrative and operational expenditure on activities connected with what may be called the Communities' normal development was mainly due to the introduction of new policies. The desire to attain the objectives of the new Social Fund very rapidly also played a large part in the Commission's request for more money.

529. The draft budget adopted by the Council on 26 September 1972 was submitted to the Parliament for 5 October 1972. Its amount (4 439 352 109 u.a.) was 627 350 000 u.a. less than that of the preliminary draft budget. The main amendments may be summarized as follows:

	u.a.
Administrative, operational and miscellaneous expenditure (chiefly owing to a reduction in the forecasts of additional staff and the deletion of 20 000 000 u.a. earmarked for industrial development and innovation contracts)	- 27 809 000
Repayment to Member States of 10% of own resources <sup>1</sup>	- 12 060 000
European Social Fund	- 20 150 000
EAGGF (Guarantee Section)	+ 30 000 000
Reentry of EAGGF credits (Guidance Section)	- 597 331 000

The greatest change made by the Council concerned the reentered credits of the Guidance Section of the EAGGF resulting from previous financial years. The Council decided not to include in the 1973 draft budget the credits of 155 million u.a. planned for item 8001—1972 projects (150 million u.a.) and for item 8903—aid in 1971 (5 million u.a.), for it was considered that the new Member States should not be called upon to contribute to them.

On a proposal by the Commission, the Council will take a decision at the beginning of the 1973 budget year in order to enable this credit to be carried over from the 1972 budget year to the 1973 budget year.

The Council has, moreover, decided that special mention will be made in the explanatory memorandum accompanying the budget of the 438 384 300 u.a. entered under Article 880 "Credits reserved during the preceding budget years for the financing of the expenditure of Chapters 81 and 84", and resulting from the 1969-1970-1971 and 1972 budget years, whose appropriation is not envisaged

<sup>1</sup> As a result of the reduced expenditure to be covered by receipts and consequently the revision of the forecasts of own resources to be paid.

for the 1973 financial year. These credits will not need to be covered by receipts in the 1973 financial year. Nevertheless, they do constitute commitments in so far as they arise from arrangements made under the common agricultural policy. In this case the corresponding changes to the receipts will have to be made via the budgetary procedure.

530. On 16 November 1972 the European Parliament approved the draft budget for 1973, at the same time proposing a number of amendments. On 5 December 1972, after examining these amendments, the Council finally adopted the budget for the 1973 financial year, for the amount of 4 245 285 241 u.a.

This sum is 194 069 868 less than that of the draft budget, broken down as follows:

Provision by certain institutions for adaptation of salaries	+ 2 430 000 u.a.
Following amendments by the European Parliament:	
(i) expatriation allowances for female officials	+ 397 245 u.a.
(ii) subsidies and shares in financing	+ 21 700 u.a.
(iii) transfer to the 1972 budget of the January 1973 expenditure of the EAGGF Guarantee Section in accordance with the agreements made with the new member countries	- 195 190 000 u.a.
Impact of the above changes on the amount of own resources and consequently on the flat-rate repayment of 10% thereof to the Member States	- 1 728 813 u.a.
	<hr/> - 194 069 868 u.a.



Expenditure under the 1973 budget falls into the following main categories (the second column shows the corresponding amounts for 1972):

(in million u.a.)

	1973	1972
Administration, operational and miscellaneous expenditure of the four institutions	277 862 910	187 909 000
Repayment to Member States of 10% of own resources	255 418 636	185 175 000
European Social Fund	240 750 000	97 750 000
Guarantee Section, EAGGF	2 812 210 000	2 542 000 000
Guidance Section, EAGGF	330 000 000	285 000 000
Food aid	35 000 000	82 823 000
EAEC research and investment expenditure	85 513 695	76 383 000
Reentry of funds appropriated for previous financial years which had been annulled (mainly EAGGF)	208 527 000	720 399 000
	4 245 282 241	4 177 439 000

This expenditure has been financed by the following receipts:

Own resources	2 554 186 362
Contributions from the Member States	1 644 560 087
Various	46 535 792
	<hr/> 4 245 282 241

*Research and investment expenditure*

531. It was not until its session of 24/25 April 1972 that the Council decided on the total expenditure under the receipts and expenditure statement for Euratom's research and investment activities for the 1972 financial year. The amount<sup>1</sup> decided upon finally came to 65 377 466 u.a. in budgetary commitments and 75 820 543 u.a. in payment authorizations.

<sup>1</sup> See *Fifth General Report*, sec. 555, for the breakdown of this amount.

532. At its session of 5 December 1972 the Council, when adopting the general budget for 1973, included the following funds for research and investment:

(in u.a.)

	Commitment Credits	Payment Credits
(1) <i>Credits in Chapter 33 (Research and investment expenditure):</i>		
(a) Credits for the completion of past programmes	—	4 134 000
(b) Credits for programmes already laid down	13 883 000	17 843 000
(c) Credits for the borrowing and lending operation (Eximbank) offset by the inclusion of receipt of the same amount	4 001 000	4 001 000
(d) Credits for covering expenditure at the beginning of 1973 in order to ensure continuation of the research and investment activities, in anticipation of adoption of the amended budget reflecting the consequences of the decision to be taken by the Council concerning the programme.	10 000 000	10 000 000
	27 884 000	35 978 000
(2) <i>Provisional credits in Chapter 98 (Unallocated provisional credits)</i>		
Credits for activities in programmes proposed by the Commission	59 195 000	50 536 000

When the Council adopted the general budget of the Communities, it had not been able to decide on the new proposed pluriannual programmes submitted to it on 10 November 1972

Under these circumstances the Council was led, in addition to programmes decisions already taken (fusion, biology, Dragon) to open a credit of 10 million u.a. to cover certain expenses indispensable for the functioning of the JRC at

the beginning of 1973, and to include a provisional credit of 59 195 million u.a. in Chapter 98.

This budgetary decision by the Council therefore reflects a provisional situation: it was agreed that, as soon as the programme has been decided on for 1973, a preliminary draft corrected budget will be drawn up and submitted to the budgetary authorities for approval.

This corrected budget will provide for the transfer of the credits arising for 1973 from the programme decision to Chapter 33 from Chapter 98, which at present includes a provisional credit.

The corrected budget procedure—instead of a simple transfer of funds—was chosen in order to respect the prerogatives of the European Parliament as regards the budget.

### *ECSC budget*

533. In a decision of 22 December 1972, the Commission fixed the rate of the ECSC levies for 1973 at 0.29, thus complying with the Opinion given by the European Parliament.

The exceptional circumstances of the Communities in 1973 following their enlargement are reflected by the forecasts of the ECSC operational budget, notably as regards readaptation aid under Article 56 of the ECSC Treaty.

### *ECSC operational budget for 1973*

(in million u.a.)

Requirement		Income	
A. Requirements to be financed from current income (non-repayable)		A. Current income	
1. Administrative expenses	16	1. Receipts from levies	63.8
2. Aid to readaptation	40	2. Interest on investments and on loans from own resources	10.0 <sup>1</sup>
3. Aid to research	16 <sup>1</sup>	3. Miscellaneous	0.2
	74		74.

<sup>1</sup> If income from interest exceeds forecasts, aid to research would be proportionally increased for each of the three research sectors.

*ECSC operational budget for 1973 (continued)**(in million u.a.)*

Requirement		Income	
<b>B. Operations to be financed by loans from own resources</b>		<b>B. Origin of own resources</b>	
4. Loans from mixed funds (Articles 45 and 56)	19.2	4. Amortization of loans for workers' housing	4.8
5. Allocation to special reserve (workers' housing)	10	5. Part of former pension fund	5.2
		6. Contribution of new member countries to assets	19.2

**ESTABLISHMENT OF NEW BUDGETARY INSTRUMENTS AND  
EXECUTION OF THE 1972 BUDGET**

534. The Commission had to submit a preliminary draft for an amended and supplementary budget (No. 1/1972), which was adopted on 27 June 1972 by the Council and approved on 6 July 1972 by the Parliament.

This budget amounts to 72 804 855 u.a., as follows:

Parliament	1 872 300
Council (including 521 215 for the Economic and Social Committee)	2 632 995
Commission	68 163 760
Court of Justice	135 800

This amended and supplementary budget was due to an increase in the staff of certain institutions, either in view of the enlargement or for the accomplishment of fresh tasks or the strengthening of certain sectors; the new corrective coefficient for salaries and pensions; and the complete revision of the credits for the food aid programmes.

535. The execution of the general budget for 1972 does not call for any particular remarks above expenditure, as the general budget is based on the notion of restrictive credits. From the point of view of receipts, however, since this was the second year of the system of own resources, the Commission was led to take certain measures in order to guarantee correct execution of the budget with due regard for the obligations resulting from the rules in force.

Thanks to the new procedure for paying own resources which comprises the monthly determination of the reference amount,<sup>1</sup> the gap between these

<sup>1</sup> Article 8 of Regulation (EEC) No. 2/71.

payments and the amounts actually due was closed in 1972. The Commission pursued its efforts in this direction via action in three fields, besides closer cooperation with the national authorities.

Firstly action was taken regarding the control, based on records and on-the-spot checks, of operations for ascertaining and making available own resources by the Member States. Concrete results were achieved during the budget year: visits were made to each State for the purpose of obtaining information and checking up, and the Consultative Committee on "Own Resources" met regularly. Furthermore, the adoption by the Council of the draft regulation<sup>1</sup>—on which the Parliament expressed an unfavourable opinion—should, according to the Commission, make it possible to operate more radically; this draft regulation defines the powers and obligations of the agents authorized by the Commission to carry out checks.

Secondly, since the Commission wished to make the system of payments of own resources and financial contributions more flexible and more automatic, it submitted to the Council a solution which should permanently guarantee the covering of Community requirements and, in particular, the financing of the monthly advances to the paying organizations under the common agricultural policy. The management of the finances should consequently be adapted, while bearing in mind the need to reduce the costs and the exchange rate risks inherent in the transfers of funds which the Commission must carry out between the countries in which it holds liquid assets at a given time and the centres where the expenses have to be met. Pending the incorporation of the above-mentioned solution in the financial regulation the Council took a series of *ad hoc* decisions during the 1972 financial year.

Thirdly action was taken for the purpose of improving as far as possible the technique and presentation of the multiannual forecasts.<sup>2</sup>

536. With regard to the ECSC budget the Parliament, in its Opinion of 19 November 1971 on levies, had asked that the rate of levy be maintained at the level of 1971, that the bracket of the variations of the mean values be reviewed in order to forestall too sudden and substantial modifications in the tax burden, and that the mean values be fixed in such a way that the upper limit of the variations does not exceed 15%.

As the time required by the adaptation procedure under Decision No. 2/52 did not allow the work to be completed before 31 December 1971, the Commission reduced the rate of levies to 0.29%, in order to take account of the Parliament's Opinion and also not to impose on industries in 1972 an inord-

<sup>1</sup> Regulation (EEC) No. 2/71, Article 14 (5).

<sup>2</sup> Sec. 540.

inately heavier burden on the ECSC than in 1971. On 15 December 1971 it decided to amend Decision No. 2/52 by abolishing the arrangement to the effect that the mean values would only be modified when the value of a product varies 10% from the value previously chosen.

For the 1972 budget the development of business activity in the iron and steel sector made it possible to obtain proceeds from levies which were higher than anticipated. The same was true of the interest on investments and on loans based on unborrowed funds, concerning which the caution observed at the time of the forecasts had to do with a number of economic uncertainties connected in particular with the monetary crisis. On the other hand, owing to the speed-up at the end of 1971 in the operations for aid towards the payment of interest on loans, the sum of 6 million u.a. earmarked under the heading "funds to be carried over" was practically used up at the end of 1971 and was therefore no longer available. This development of the initial forecasts took the form of a slight increase in overall income.

The income obtained in 1972 might be as follows (in million u.a.):

	<i>million u.a.</i>
Levies	45.5
Other resources	14
Amortization of loans for workers' housing	5
Cancellation of schemes that will not be implemented	2
Unused funds to be carried over	—

The income situation and the fact that a sum of 2 million u.a. had not been earmarked enabled the requirements whose initial forecasts have only slightly varied to be satisfied completely:

	<i>million u.a.</i>
Administrative expenses	18
Aid: readaption	18
research	13
coking coal	1.7
Interest subsidies	9.8
Special reserve fund (workers' housing)	6
Funds to be spent according to the evolution of resources and requirements	—

*Financial regulation*

537. Despite the favourable opinion expressed by the Parliament in 1971, the Council has not yet adopted the financial regulation proposed by the Commission, which is intended to combine the following in a single regulation:

- (i) The provisions of the financial regulation of 30 July 1968 relating to the drawing up and execution of the budget of the European Communities and the responsibility of the authorizing officers and the accountants;<sup>1</sup>
- (ii) The financial regulation relating to the drawing up and execution of the research budget;<sup>2</sup>
- (iii) The financial regulations on making available the contributions of the Member States;<sup>3</sup>
- (iv) The regulation fixing the procedures relating to the rendering and auditing of the accounts.<sup>4</sup>

This situation is due to the fact that, in spite of many discussions in the Council, certain points still give rise to difficulties.

A speedy solution ought to be found for the matter, particularly in view of the problems raised by the entry into force of the system of own resources already referred to.

*Centralization of accounts*

538. During the 1972 financial year it was decided to set up in the Commission's departments a single accountancy centre the operation of which has been designed so that the accounting will answer the needs of the various users (authorizing officers, financial control and budget department). This rationalization measure is to take effect as from January 1973 in respect of the main parts of budget accountancy.

*Planning, programming and budgeting system*

539. The complexity of the Communities' financial structure and of their decision-making process has brought out the need for instruments enabling a

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<sup>1</sup> OJ No. L 199, 10 August 1968.

<sup>2</sup> OJ No. L 74, 16 November 1961.

<sup>3</sup> OJ No. L 22, 30 March 1961.

<sup>4</sup> OJ No. L 326, 29 December 1969.

clearer link to be established between aims, means, results and responsibilities. With this in view the Commission's departments are evolving a planning, programming and budgeting system drawing to a large extent on experience gained elsewhere in application of the PPBS. The first applications were made in general experimental fields; at the same time research was carried out in order to set up a reference framework for all the Commission's departments.

#### MULTIANNUAL FORECASTS

540. On 10 September 1972, in accordance with the Council's Decision of 21 April 1970, the Commission communicated the forecasts for the 1973-1975 financial years to the Budget Policy Committee in order to obtain the latter's opinion. In the Opinion it rendered on 19 October 1972, the Budget Policy Committee observed that, apart from an improvement in their presentation, the forecasts are on the whole more realistic than those drawn up during the 1971 financial year. This opinion was subsequently submitted to the Parliament and the Council.

The improvement noted is to a large extent the result of carrying research down to a deeper level, of comparing the forecasts with those of the medium-term economic programme and, lastly, of closer and closer cooperation between the Commission's departments and the national civil services particularly on the matter of forecasts of own resources.

For the 1973 to 1975 period these resources have been assessed at 2 500 million u.a. in 1973, 3 200 million u.a. in 1974 and 4 900 million u.a. in 1975. It is considered that the appreciable increase in 1975 will be the result of the replacement of the financial contributions of the States by own resources accruing from the value added tax pursuant to Article 4 of the Council Decision of 21 April 1970. In this connection the initial estimates suggest that the rate of VAT required in 1975 will remain below the ceiling of 1%. Obviously, this opinion is only valid if the hypothetical expenditures are verified and that strictly in the context of the Community developments already decided upon or proposed. In many sectors, on the other hand, fresh initiatives, which are likely substantially to alter the present forecasts, will certainly have to be allowed for during the years ahead.

#### FINANCING OF ECSC INVESTMENT

541. The Treaty of Paris empowers the Commission to "facilitate the carrying out of investment programmes by granting loans to undertakings or guaran-



teeing other loans which they may contract" (Article 54, first paragraph). As well as making loans towards capital schemes on the coalmining and steelmaking sides proper, the Commission can assist in the same ways with the financing of any projects and plant which "contribute directly and primarily to increasing the production, reducing the production costs or facilitating the marketing of products under its jurisdiction" (Article 54, second paragraph). Such operations, which require unanimous endorsement by the Council, have so far been confined almost exclusively to financing schemes for building workers' houses and large power stations.

Pursuant to Article 56 the Commission may also grant to ECSC industries or any other industries loans for the creation of new activities capable of reabsorbing the redundant workers into productive employment. The changes now occurring in the coal and steel industries—more especially in certain of the main, long exploited coal and steel regions—which have made industrial conversion problems more acute are finding expression in an appreciable number of requests for loans of this kind.

542. The tendency towards lower rates of interest which became apparent at the end of 1970 continued fairly generally throughout 1971, but ceased during 1972; at the end of the year the rates trended upwards again in some markets.

In view of the substantial increase in applications for loans during 1972, the Commission endeavoured to profit from the favourable conditions which prevailed on the international capital market and on most of the national capital markets throughout a large part of the year. Accordingly, it carried out 11 borrowing operations for a total amount equivalent to 230 million u.a., that is to say, nearly twice the previous highest figure attained since the ECSC started its financial activities (127 million u.a., in 1964). At 31 December 1972, the ECSC's total borrowings since its financial beginnings (1954) had therefore risen to 1 258 million u.a.

Bond issues and loans during 1972 were as follows:

- (i) Sfrs. 50 million: loan from a Swiss bank at 6.25% per annum for 12 years;
- (ii) Lit. 20 000 million: a bond issue, fully underwritten by a consortium of Italian banks, at 7% for 15 years and at an issue rate of 94.50%.
- (iii) Lfrs. 300 million: private loan on the international market, fully underwritten by a Luxembourg bank, at 6.75% for 12 years;
- (iv) FF 150 million: a bond issue on the international capital market, fully underwritten by an international consortium of banks, at 7.25% for 15 years and at an issue rate of 99%;
- (v) DM 100 million: a bond issue, fully underwritten by a consortium of German banks, at 6.50% for 15 years and at an issue rate of 99.50%;

- (vi) Lit. 20 000 million: a private loan on the Italian market, fully underwritten by an Italian bank, at 7% for 15 years;
- (vii) Lfrs. 400 million: a bond issue on the Luxembourg capital market, fully underwritten by a consortium of Luxembourg banks, at 6.75% for 15 years and at an issue rate of 99%;
- (viii) DM 150 million: a bond issue, fully underwritten by a consortium of German banks, at 7% for 15 years and at an issue rate of 100%;
- (ix) \$30 million: private investment on the international capital market at a rate of 7.5% for 15 years and at an issue rate of 99.50%;<sup>1</sup>
- (x) FF 60 million: private investment on the international capital market at 7.5% for 15 years and at an issue rate of 100%;<sup>1</sup>
- (xi) Lfrs. 300 million: private loan from a Luxembourg bank, at 6.75% for 15 years.<sup>1</sup>

543. Aggregate funds available in 1972 for lending to enterprises amounted to 231 million u.a. broken down as follows:

	<i>million u.a.</i>
Funds in hand at the beginning of the year	45.4
Proceeds of loans made available to the ECSC in 1972	185.6
	Total 231.0

The loans paid out from this sum until 31 December 1972 amounted to 181.6 million u.a., of which 148.3 million u.a. were granted to industrial programmes under Article 54; 32.4 million u.a. to redevelopment programmes under Article 56; and 0.9 million u.a. to finance the construction of housing.

The industrial loans were granted for investments concerning the coal-mines or the iron and steel industry which were in line with the General Objectives of the Community. Until 29 February 1972, the normal rate remained at 8.25% as laid down in March 1970; it was reduced to 7.75% as from 1 March 1972, and then to 7.50% as from 13 July 1972.

In accordance with the Commission's decision of 18 June 1970, certain industrial loans were granted completely or partially at reduced rates of interest during their first five years. During 1972 the reduced rate of interest was lowered from 5.50% to 4.75% and then to 4.50%; thus, it is now three points below the normal rate.

<sup>1</sup> The yield from these last three borrowing operations—44.4 million u.a. in all— was not put at the ECSC's disposal until the beginning of 1973.

On this account, fresh instalments of loans at reduced rates of interest were granted, as in 1971, for coking plants intended to offset the effect of the expected closures. Pursuant to this same provision, loans at reduced interest were also granted to facilitate schemes of a multinational character likely to promote the Community integration of ECSC enterprises. The Commission also took a first decision concerning the application of this provision in order to help investments for protecting the environment.

With regard to the measures of assistance for redevelopment, the system of reduced rates of interest was applied to all or some of the loans, depending upon the impact of each programme on re-employment of manpower. Under the terms of the Treaty, applications for loans of this type are made by the government of the member country concerned and they are in line with the national policies for redevelopment of the mining or iron and steelmaking areas.

The policy of financing housing continued in 1972. Loans for this purpose are normally granted out of the Community's own funds at a very low interest rate and on specially attractive redemption terms. They are made in the currency of the payee's country to avoid any possible exchange risk.

The financial resources released by the Commission for Building Scheme VII for 1971 and 1972 amounted to 13 million u.a. of which 1.6 were set aside for the experimental programme. During 1972, 5 million u.a. were paid out under the normal programme and 0.7 million u.a. under the experimental programme of Scheme VII, on contracts concluded in the interval, all according to the progress made in the construction work. To meet commitments previously entered into under Scheme VI, 1.3 million u.a. were paid out.

Consequently, the total amount in building loans at the extremely low rate of 1% paid in 1972 was some 7 million u.a.; the balance will be paid in 1973. Besides these loans made available at 1%, 0.9 million u.a. were provided for borrowings, at the normal rate of interest applying when the contract was concluded.

544. The total amount of the industrial loans granted during 1972—148.3 million u.a.—was employed in financing the following programmes:

*In the coal industry:*

Pithead power stations taking low-grade coal:  
Charbonnages de France, Paris (Lorraine coalfield);  
Charbonnages de France, Paris (Blazy coalfield).

Coking plants rationalization programme:  
Ruhrkohle Aktiengesellschaft, Essen (coking plants near Oberhausen, Essen and Dortmund).

*In the iron and steel industry:*

## Establishment of coking facilities:

August Thyssen-Hütte AG, Duisburg-Hamborn (Duisburg-Hamborn plant);  
 Sidmar Maritieme Staalnijverheid, Ghent;  
 Soc. Dunkerquoise de Cokéfaction SA, Paris (Dunkirk plant);  
 Soc. Marseillaise de Cokéfaction "Marcoke" SA, Paris (Fos-sur-mer plant);  
 Italsider SpA, Genoa (Taranto plant);  
 Koninklijke Nederlandsche Hoogovens en Staalfabrieken NV, IJmuiden.

## Rationalization of the production of pig-iron and steel;

Fried. Krupp Hüttenwerke AG, Bochum (Rheinhausen plant);  
 Mannesmann AG, Düsseldorf (Huckingen plant);  
 Fabbrica Italiana Tubi Ferrotubi SpA, Milan (Trigoso plant).

## Rationalization of the production of long products:

Stahlwerke Röchling-Burback GmbH, Völklingen/Saar (Burbach plant);  
 SA Cockerill-Ougrée-Providence et Espérance-Longdoz, Seraing-Liège (Marchienne and Athus plants);  
 SA Usines Metallurgiques de St Eloi, Thy-le-Château;  
 Wendel-Sidélor SA, Hayange (St. Jacques rolling mills at Hayange).

## Rationalization of the production of flat products:

AG der Dillinger Hüttenwerke, Dillingen/Saar;  
 Rasselstein AG, Neuwied/Rhein;  
 Stahlwerke Bochum AG, Bochum.

## Overall investment in coastal plants:

Italsider SpA, Genoa (Taranto plant);  
 Solmer-Société lorraine et méridionale de laminage continu, Paris (Fos-sur-mer plant).

## Production of high carbon and special steels:

Compagnie des Forges de Chatillon-Commentry-Biache SA, Paris (Isbergues plant);  
 Péchiney-Ugine-Kuhlmann, Paris (Fos-sur-mer plant).

545. A total of 32.4 million u.a. was paid out during 1972 in 16 redevelopment loans, distributed geographically as follows:

*Germany*

North Rhine/Westphalia:

Stahlwerke Bochum AG, Bochum;

Erste Deutsche Floatgas GmbH Co. OHG, Aachen;

A. Ehrenreich & Co., Düsseldorf/Oberkassel;

GEA Luftkühlergesellschaft Happel GmbH & Co., Bochum (Wanne-Eickel plant);

Hackforth & Co., Wanne/Eickel;

Fried. Krupp Huttenwerke AG, Bochum (Rheinhausen plant);

Fritz Peters & Co., KG, Kapellen, Kreis Moers (Gelsenkirchen plant);

Schering AG, Berlin und Bergkamen (Bergkamen plant);

W. Schlafhorst & Co., Monchengladbach (Ubach-Palenberg plant);

Veba-Chemie AG, Gelsenkirchen/Buer.

*Saar:*

AG der Dillinger Hüttenwerke, Dillingen.

*France*

Loire:

Automobiles M. Berliet, Lyons (Andrezieux-Bouthéon plants).

Nord:

SA Simca-Nord, Paris, (Valenciennes plant);

Nord/Pas-de-Calais:

Chausson-Carosserie SA, Asnières-sur-Seine.

*Netherlands*

Limburg:

NV Ornatex, Kerkrade;

BV Nederlandse Draadindustrie, Blerick.

Table 17 shows the loans paid out by the ECSC from the start of its financial operations to 31 December 1972, by category of activity and country:

#### THE EUROPEAN INVESTMENT BANK

546. During 1972, the Bank's ordinary operations covered 12 loan contracts signed for 216.2 million u.a. for projects in Italy, seven loans for 144.9 million u.a. for projects in France, nine loans and a guarantee for 130.4 million u.a.

TABLE 17

(million u.a. and %)

Category	Germany	France	Italy	Belgium Luxembourg Netherlands	Community	
					million u.a. <sup>1</sup>	%
Coal industry	202.44	70.07	4.98	12.89	290.38	22.25
Iron-ore mines	9.96	11.97	5.25	0.92	28.10	2.15
Iron and steel industry	233.35	114.75	170.45	89.02	607.57	46.55
Sub-total	445.75	196.79	180.68	102.83	926.05	70.95
Workers' housing	67.02	24.31	15.58	35.63	142.59	10.92
Redevelopment	82.81	51.34	28.29	64.00	226.44	17.35
Readaptation	5.82	0.53	—	—	6.35	0.49
Research	1.41	0.60	0.23	0.76	3.00	0.23
Miscellaneous	—	—	—	0.72	0.72	0.06
Total	602.86	273.57	224.78	203.94	1 305.15	100.00

<sup>1</sup> At 31 December 1972 1 ECSC u.a. = US \$1.08571 = DM 3.66 = Bfrs. 50 = FF 5.55419 = Lit. 625 = Lfrs. 50 = FL 3.62 = Sfrs. 4.0841 = £0.41666.

for projects in Germany (including 17.1 million for the guarantee), one loan for 14.4 million u.a. for a project in Belgium, one loan for 0.6 million u.a. for a project in Cameroon, and three loans totalling 12.2 million u.a. for three projects in Ivory Coast.

The Special Section's activities—four loans and one acquisition of holding—relate solely to the Associated African States and Madagascar: Congo-Brazzaville (one loan for 2 million u.a.), Dahomey (one loan for 3.3 million u.a.), Ivory Coast (one acquisition of holding for 1 million u.a.). Owing to the delays in ratification of the new protocol with Turkey, no operations could be carried out in that country.

In 1972, industrial investments accounted for 18 loans and one guarantee among the ordinary operations, to a total amount of 167.4 million u.a., while 15 ordinary loans helped to finance infrastructures, to an amount of 351.3 million u.a.

547. The Bank continued its traditional work of assisting less developed regions in the Community countries, particularly in the south of Italy and the Italian Islands (11 loans for 186.5 million u.a.). The Bank also helped in Liguria by financing an infrastructure project of European interest for an amount of 29.7 million u.a. In France it granted four loans (83.1 million u.a.) for regional development, one loan of 1.8 million u.a. for industrial cooperation, and 2 loans for schemes of European interest for an amount of 60 million u.a. In the Federal Republic, seven loans and one guarantee (70.7 million u.a.) were for regional development or conversion, and two loans (59.7 million u.a.) were for infrastructure projects of European interest. Finally, in Belgium the Bank granted a second loan (14.4 million u.a.) for a nuclear power station.

548. The European Investment Bank's activities during the 1972 financial year will be described in detail in its annual report. In accordance with the Treaty of Rome and the association agreements or conventions, the Bank's operations have concerned projects within the Community and in the associated countries. Between 1 January and 31 December 1972, the Bank signed 39 loan contracts for a total amount of 526.8 million u.a.,<sup>1</sup> distributed among 36 individual operations and three overall loans, totalling 33.2 million u.a., for sublending to small- and medium-sized enterprises in Germany, France and Italy. The 36 individual operations include a guarantee of 17.1 million u.a. and, for the first time, a contribution of 1 million u.a. from the European Development Fund to the capital of an enterprise in Ivory Coast. Three loans and a guarantee for 518.7 million u.a. were granted in the context of ordinary operations, and 8.1 million u.a.—for four loans and one participation—in the context of the Special Section. The Special Section enables the Bank to grant loans on favourable terms, or participate by contributing towards the formation of risk capital as provided for in the second Association Convention with the Associated African States and Madagascar, on the instructions of the Community or the Member States, at their sole risk and with funds supplied by them.

From its establishment until 31 December 1972, the Bank signed 408 contracts for an amount of 2 842 million u.a., of which 2 611.2 million was in the form of 351 loans or guarantees under ordinary operations, and 20.8 million in 56 loans and one participation under the Special Section. These figures include 13 contracts for overall loans to an amount of 93.8 million u.a.

549. As regards resources, in 1972 the Bank carried out 9 borrowing operations for a total amount of 462.5 million u.a.<sup>1</sup> These borrowings were effected

<sup>1</sup> Conversion into units of account for statistical purposes are carried out on the basis of the following rates, as published by the Statistical Office of the European Communities: 1 unit of account (u.a.) is 0.88867088 g of fine gold = Bfrs. 48.6572; DM 3.49872; FF 5.55419; Lit. 631.342; Lfrs. 48.6572; Fl. 3.52281; \$11.08571; Sfrs. 4.0841.

in each of the six Community currencies, in Swiss francs, and, on the international market, in dollars. Besides these operations, third parties participated in the financing of loans which the Bank began to grant in the autumn, linking them with its guarantee, for an amount of 17.7 million u.a.

Loans floated by the Bank and still outstanding at 31 December 1972, plus the relevant redemption premiums, amounted to 1 811.2 million u.a.<sup>1</sup>

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<sup>1</sup> Conversions made on the basis of the rates given in footnote 1 p.380. It is not this figure which will be incorporated in the Bank's balance sheet, but that obtained by conversion according to the official parities declared to the IMF.



### 3. The Commission's information policy

#### *Directorate-General for Information*

550. The Commission's information policy was the subject of two important debates in 1972. On 10 February the European Parliament examined a report submitted on behalf of the Political Committee by Mr Willem Schuijt (Netherlands, Christian Democrat) and adopted a resolution supporting the Commission in its work on the components of an efficient information policy and the measures to be taken for achieving it.<sup>1</sup> Some days earlier, on 31 January, the Council had held discussions on the information policy, with special reference to the problems of cooperation between national and Community information services in non-member countries. The diplomatic and consular missions of the Member States were instructed to meet as regularly as possible, coordinate their activities and communicate their opinions and suggestions.

In addition, practically all speakers at the Conference of the Heads of State or Government, held on 19 and 20 October in Paris, particularly stressed the need to give the Community a new "brand image" and to devote more attention to informing citizens about the European aspects of everyday problems.

On 15 December 1971 the Commission adopted its information policy programme for 1972 and immediately communicated it to the European Parliament and the Council. In the programme the Commission established general principles for its information policy on the basis that every citizen of the Community is entitled to full and objective information. The Commission also considered that its information policy should be one of the instruments for leading citizens to think along European lines.

The priority themes included in the programme were the following: deepening of the Community (economic and monetary union); political union; enlargement of the Community; its position in the world; the development and strengthening of its institutions. Of course, other matters, arising from current events, were also dealt with in the course of the year. Moreover, each of the above themes embraces several subjects, the aim being to make information work a coherent whole, by avoiding segmentation of particular subjects or activities.

551. The Commission has taken great pains to fill the gap and make up the acceding countries' considerable leeway as regards the supply of information

<sup>1</sup> *OJ* No. C 19, 28 February 1972, and Debates of the European Parliament, *OJ* Annex No. 146, February 1972.

to the public. Covering the Community's various activities, and generally observing the priorities listed above, information work in these countries has been mainly focused on the Community's decision-making process and the roles of the different institutions, and on an assessment of the results of application of the Treaties in all member countries of the Community. These activities were primarily aimed at political circles, the press and leading figures in industry, agriculture, trade unions, universities and youth organizations.

Dissemination of information in the United Kingdom and Ireland has been considerably facilitated by a Community press and information office in London and a Community information centre in Dublin. However, there was no choice but to note that in Denmark and Norway the level of information was both less good and more difficult to improve in a few months, particularly at a time when the Commission was obliged to refrain, for obvious reasons of discretion, from direct action on the spot.

552. In the other non-member countries the Commission has had to concentrate, in view of its limited means, on the main trading partners, especially the United States. A special programme was drawn up in early 1972; this was intended more specifically for decision-makers and influential figures and necessitated doubling the 1971 appropriations, which was accepted by the Council in July. The programme involved *inter alia* the publication of a newsletter for politicians and influential figures and the organizing of lectures in the main cities of the United States. In Latin America the Commission used the Third Session of the United Nations Conference on Trade and Development, held in Santiago, Chile from 12 April to 16 May, as a vehicle for launching an information campaign in the form of seminars on generalized preferences in six main cities of the continent. It was decided in late 1971 to set up a press and information office in Japan, and negotiations with the Japanese Government were initiated on this subject, but the opening date of the office has had to be postponed for some months.

As regards the associated countries of Europe it was decided that a press and information office should be opened in Turkey in 1973. In the non-applicant countries which are members of the European Free Trade Association the Commission took pains to dispel anxieties in certain quarters as to the consequences of the Community's economic and commercial growth.

Finally, in the Associated African States and Madagascar, the Commission continued to disseminate information on the workings of the institutions of the Association and on the decisions taken in connection with technical and financial cooperation. The main problem in this field lies in informing the European public about the actual meaning of the Association, that is to say,

about the establishment of effective and lasting solidarity between rich and poor countries.

553. However considerable the efforts made in the acceding and non-member countries, the Commission's information policy gives priority attention to activities in the member countries of the Community. Indeed, as the Commission emphasized in the introduction to its information programme for 1972, it is necessary for all European citizens to become aware of the Community's importance in everyday life and for the future of each and everyone. It emerges from public opinion polls that the populations of the Community countries are in favour of the building of a united Europe, but their involvement is slight and information standards are still rather low among broad sections of the public.

In 1972 information activities were aimed to a greater extent than in previous years at the general public. Some forty brief information memos, drafted in simple language, were sent to about 7500 influential people in business and social circles and to journalists working for the regional and specialized press. Closer relations have been established with radio and television authorities, thanks in particular to the seconding of three experts with very precise instructions to work with the Commission for a year. Six short information films have been made and placed at the disposal of all interested networks; one of these received the Grand Prix awarded by an international jury at the Biarritz Festival. As regards publications, the Commission has seen to it that a substantial basic pamphlet and another publication dealing with the workings of the Community institutions are available in each language, with a total print-run of about 200 000 copies. The circulation of the "Dossiers de documentation européenne" (European Documentation Dossiers) for teachers and trade union and rural officials has been considerably increased. Finally, apart from existing magazines, several periodicals—one in English—have been enlarged or improved.

Fact-finding visits to the Community institutions continued to be one of the instruments of information policy. In accordance with the priorities listed in the Fifth General Report, the Commission received, individually or in groups, more than 10 000 guests in 1972. These included 320 Members of Parliament, mainly from the acceding countries. Since 16 October 1972 the Commission has had an information bureau in Brussels called the Robert Schuman Information Centre. This is designed to provide passing visitors with basic information through audio-visual methods, visits to an exhibition and the distribution of elementary documentation.

554. Under the heading of information for certain specific groups, the university information programme has concentrated on the development of the net-

work of European documentation centres and university libraries (totalling more than 200) which constitute the necessary infrastructure for the development of European teaching programmes.

As regards youth, on 28 January 1972, the Commission forwarded to the Council, in implementation of Point 16 of the Final Communiqué of the Hague Conference of Heads of State or Government, proposals for the setting up of a "Committee on Youth Questions" and a "Youth Advisory Committee". Pending the Council's decision on these proposals, it carried on its information and training activities among youth and continuous education organizations. From the beginning of the year the Commission chose as the targets for its programme all organizations interested in giving their members a European training, asking them to inform it of their own programmes in order to accelerate the taking of decisions on the technical and financial aids to be granted. For schools a pamphlet with a very big print-run and a set of maps in a pouch are being prepared.

In providing trade union information, the Commission has made a special effort to help trade unions in the acceding countries to acquire a clearer awareness of what the Community is and of the role of the trade union movement in an enlarged Europe. Twenty-two groups of British, Irish, Danish and Norwegian trade unionists were received on fact-finding visits. In the member countries the bulk of the work involved supplying regional and local officials with information, in cooperation with the trade union organizations.

Consumer information has been developed, in particular through the distribution of several information memos and meetings with leaders of the consumer organizations and journalists from the specialist press. It is planned to step up this activity considerably in 1973.

Information for agricultural and rural organizations—which is concerned not only with the problems of the common agricultural policy but also with the place of farmers in the socio-economic development of the Community—was aimed primarily at regional officials. Some fifty decentralized operations and forty fact-finding visits took place.

As regards industry, a special information drive was made on the occasion of the Conference on Industry and Society, held in Venice from 20 to 22 April 1972. In order to improve information on scientific research the Commission has encouraged the creation of a European union of associations of science correspondents, with more than 500 specialized journalists from all Community countries.

*Spokesman's Group*

555. In 1972 the information activities of the Spokesman's Group centred on the completion of the accession negotiations and the negotiations with the non-applicant EFTA countries, and on monetary, economic and commercial problems in general: these became particularly acute following the launching of the enlarged Community.

As a result, requests for information by press, radio and television journalists varied widely, depending on the number of countries directly or indirectly affected by enlargement and the negotiations with the non-applicant countries, and according to the specific problems facing each of these countries.

At the same time such requests for information were no longer concerned only with topical issues and the prospects of the enlarged Community but also with in-depth information about the Community's activities from its beginnings, since most journalists were interested in producing an assessment and updated survey of the activities of the Commission and the Community for submission to the press houses they represent and, consequently, to the public at large.

Apart from the increasing number of accredited journalists living permanently in Brussels—over 250 at present—there has also been a considerable increase in the number of visiting journalists, wishing either to report on general themes or to cover specific aspects of current Community events.

Consequently, in 1972 the Spokesman's Group increased the publication and distribution of written information. Over 300 press releases and information memos and some 400 Commission replies to written parliamentary questions were issued. In addition, over a thousand Commission documents and other publications were selected and distributed, on a daily or weekly basis, to 700 addressees in the press, business circles and diplomatic missions.

#### 4. Statistics: the Commission's programme

556. During 1972 the different bodies under the Council continued to discuss the programme of work of the Statistical Office of the European Communities for the coming years. At the sessions on 25 and 26 September 1971, stress was laid particularly on the problem of relaying Community financing through the national budgets—when the studies and enquiries included in the programme had already been in receipt of financial support from the Commission for the past three years or more—and on the problem of the compulsory nature of the statistical programme.

In the field of statistics on foreign trade, activity has been concentrated particularly on the elaboration of the regulation relating to the EEC Nomenclature for foreign trade statistics and trade between the Member States (NIMEXE), which was approved by the Council on 24 April 1972. Moreover, a special effort was made in 1972 to improve the method of enquiry into retail prices.

For the October 1972 table the Office worked out, in collaboration with national experts, a method of operating with multinational teams which will make it possible to be sure that the information gathered is strictly comparable. This information will be used to calculate the equivalent rates of consumer purchasing power which are needed to convert industrial workers' incomes.

With regard to transport statistics, the Statistical Office has applied itself specially to revising its programme which has applied since 1964. The Member States will therefore have a general view of the data which must be supplied regularly to the Office, either by agreement or because of an obligation based on the existing rules. For its part, the Statistical Office will be able to complete the existing documentation and improve its publications relating to transport.

557. Following up its studies on consumer fuel prices, the Statistical Office has published a study on the price of gas in the Community countries. In addition the Council, on 6 June 1972, adopted a directive relating to the organization of a coordinate survey of annual industrial activity.<sup>1</sup> A few days earlier it had approved another directive concerning the organization of coordinated statistics on the business cycle in industry and crafts.<sup>2</sup> The subject of the first directive was the annual establishment of coherent information in figures, comparable from country to country and with the help of which it will be possible to analyse the economic position and development of the different branches of industry, their

<sup>1</sup> *OJ* No. L 133, 10 June 1972.

<sup>2</sup> *OJ* No. L 128, 3 June 1972

growth opportunities or difficulties, and which will also provide the statistics necessary for calculating the contribution of industry and crafts to the national product. The statistics to be drawn up concern the number of persons employed, expenditure on staff and all the data necessary for calculating the gross value added to market prices and to factor costs. The other directive refers to the regular establishment of statistics on industry and the crafts which are necessary for the observation of economic evolution in the Community. These statistics will be broken down by branch of industry and regrouped by large production sectors. The Statistical Office has continued and has almost finished the preparatory work on the Common Nomenclature of industrial products (NIPRO). This nomenclature aims to provide a framework of definitions for the branches of industry in the general Nomenclature of economic activities within the European Communities (NACE). These projects cover the production of almost all branches of industry, which have been submitted to the statistical authorities of the Member States for their opinion.

In the agricultural statistics sector two directives aimed at improving and harmonizing certain statistical enquiries were approved in 1972. At the end of the transition period of the enquiries into the field of pig production<sup>1</sup> and in view of the experience acquired, the Commission has submitted a proposal for a directive concerning the pursuit of these enquiries establishing complementary arrangements relating to the enquiries to be carried out by the Member States. This Directive was approved by the Council on 31 July 1972. On the same date the Council adopted a directive relating to the Statistical enquiries to be carried out by Member States concerning milk and milk products. To facilitate the implementation of these arrangements the Council decided to institute a Standing Committee for agricultural statistics, which held its first meeting at the beginning of September 1972. At this meeting the Committee made its attitude plain on the detailed rules on implementation which had been approved by the Commission on 18 October 1972. Furthermore, the Council, on 27 June 1972, adopted a regulation concerning the production and marketing of eggs for hatching and farmyard poultry chicks. Finally, the Commission submitted to the Council at the beginning of this year, a proposal for a directive concerning statistical enquiries into beef stock, the forecasts of the availability of beef in butcher shops and the statistics on the slaughtering of beef to be carried out in the Member States.

558. In connection with the preparation of a European social budget for which it has been decided that the social accounts in the Community would institute the statistical base, important work has been done on updating the accounts.

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<sup>1</sup> Council Directive, 27 March 1968.

The exploitation of statistical material relating to current operations has been accelerated so that, for the first time, it has been possible to publish within a year the most important results of the most recent annual enquiry (1971). This acceleration will be maintained in future as will be the annual publication of the accounts in their entirety. The extension of the field of observation to "Professional training for adults" and "Housing" has continued. The results of the first pilot enquiry into professional training for adults have been forwarded to the Council and to the Governments. The exploitation of the 1970 enquiry has just been completed. For "Housing", a new pilot enquiry relating to 1970 has been undertaken. In 1970 the Office began the methodological work to lead to harmonized statistics on individual participants and benefits which are judged necessary for qualitative analysis of the systems of social protection. The Council has recognized that this work is of the utmost urgency. Thanks to these special efforts, the system of social accounts has been sufficiently consolidated for the Council to decide, on 9 November 1972, that the first European Social budget would be based on the present contents of the social accounts and would be extended later to the new subjects which the SOEC is striving to analyse at present, particularly all professional training for adults and subsidized housing. In this way, the European Social accounts are developing in conformity with their aim which is to constitute in the field of social policy a valuable instrument of analysis facilitating decision-making.

In the field of wages statistics the results of the enquiry into the cost of labour in industry have been updated according to a Community method. These calculations which referred to 1971 will henceforth continue regularly in the intervals between Community enquiries, twice a year.



**CHAPTER VII****COMMUNITY LAW**

559. As in the past, this chapter endeavours to describe the more important events of the last year, particularly in the fields of legislation and case law, which have contributed both to the continuing improvement and maturity of Community law and to the confirmation of its original position with regard to and its supremacy over the national systems of law.

The legal order built up by the Community already constitutes a considerable monument: over and above this heritage, transmitted as such to the enlarged Europe, there certainly remains room, while respecting the basic principles governing European integration, for further progress in its construction.

## 1. Distinctive features of Community law

### INSTITUTIONAL DEVELOPMENT

#### *Strengthening the legislative and budgetary powers of the European Parliament*

560. As already pointed out,<sup>1</sup> the institutional development of the Communities, in particular the strengthening of the rights of the European Parliament, has been of major concern throughout the year 1972. One of the most important bases of discussion in this respect has been the Vedel Report<sup>2</sup>—prepared by a group of well-known persons under the chairmanship of Professor Vedel—which essentially advocates the progressive introduction of a power of co-decision for the European Parliament. In the course of a first stage, this power would be attributed to the Parliament for questions which materially concern either the constituent power within the Community or the treaty relations of the Community with other persons of international law. In a second stage, the power of co-decision would be extended to the common policies and approximation of legislation.

In relation to this suggestion, the Vedel Report considered three questions which should be mentioned here because of their particular legal importance.

561. As is known, the EEC Treaty generally permits only the issuing of directives in the sphere of approximation of legislation. Because of the nature of the matters to be settled, this limitation is often extremely troublesome. In certain cases no choice has remained but to adopt a regulation under Article 235 of the EEC Treaty. The Vedel Report considers it justified that the introduction of a power of co-decision in favour of the European Parliament should go hand in hand with the possibility of making regulations alongside directives.

Nevertheless, the Vedel Report considers that it should not advocate any extension of the possibility of recourse to regulations for the time being. “The practice of co-decision will remove the prejudices against the Community legislative power and its most advanced form, the regulation. The development of Community powers under the auspices of EEC Article 235 will have the effect of progressively extending the field of application of regulations.”<sup>3</sup>

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<sup>1</sup> Chapter I.

<sup>2</sup> Supplement No. 4/72 to *EC Bulletin*.

<sup>3</sup> Supplement No. 4/72 to *EC Bulletin*, Chapter IV, V, in fine.

562. Under the Treaties the European Parliament can take part only to a very limited extent in a case before the Court of Justice either actively or passively (actively in the case of proceedings brought for failure to act under Article 175 of the EEC Treaty and Article 148 of the Euratom Treaty, in the case of the intervention provided for in Article 34 of the ECSC Statute, Article 37 of the EEC Statute and Article 38 of the Euratom Statute,<sup>1</sup> and passively in applications for annulment under Article 38 of the ECSC Treaty). Already the extension of the Parliament's budgetary powers by the Treaty of 22 April 1970 brought with it the question of the adaptation of these provisions. In this respect it is sufficient to refer to the difficulties involved in delimiting "necessary" and "non-necessary" expenditure or the controversy concerning the power of rejection of the entire draft budget claimed by the Parliament. The introduction of a power of co-decision for the European Parliament would make this problem more acute. Should it be possible to bring an action against the Parliament because it has approved or because it has refused to approve an act? Should the Parliament itself be able to institute proceedings in order to uphold its right of participation with respect to other institutions and particularly the Council?

The Vedel Report set the problem clearly in context, when it stated unambiguously that "involvement of the Parliament in the exercise of Community powers should not result in removing Community activities from the objective check on their legality laid down in the Treaties". On the other hand it left open the wider question of the involvement of Parliament in disputes between Community institutions. "This is a delicate question, since it points to the possibility of expanding the constitutional role of the Court. It calls to mind the well-known arguments of constitutional law concerning the intervention of the judge in the relations of the public authorities *inter se*, notably in cases where the Parliament is involved".<sup>2</sup>

The hesitations of the Vedel Report on this point are understandable in view of the traditions of constitutional law in certain Member States. The reasoning in the Report will, however, necessarily entail an extension of judicial control as this is the only way in which it is possible, on introduction of a power of co-decision of the European Parliament, to safeguard the system of objective control of legality which is one of the fundamental principles of the Treaties.

563. In its final chapter the Vedel Report studies in detail the question as to whether the proposed reforms can and should be achieved by appropriate

<sup>1</sup> Protocols on the statutes of the Court of Justice of the European Communities of 18 April 1951 and 17 April 1957.

<sup>2</sup> Supplement No. 4/72 to *EC Bulletin*, Chapter VII, sec VI, penultimate paragraph.

adaptation of the practices followed by the Community Institutions and the Governments or if an amendment to the Treaties is necessary. The reply to this question differs according to the nature of the improvement proposed; on the decisive point of the introduction of the right of co-decision it is very qualified.

The Report begins by examining the question from various legal angles. Basing itself on Article 4 of the EEC Treaty, it notes that one Institution may not impose upon itself limitations of powers which would result in a shift of responsibility to another Institution. However, the Institutions are free to adjust the form of their cooperation.

This being so the Council could decide "to make every effort to avoid ignoring the Parliament's Opinions, for example in those fields which seem most important for the development of the Community. Even so, it should be pointed out that there exists a certain limit beyond which such a practice could lead to a veritable shift of responsibility forbidden under Article 4 of the EEC Treaty. It is one thing for the Council to adopt the Opinions given by the European Parliament; it would be quite another for it to consider itself as legally bound to follow them in all circumstances. This would, in fact, mean that the Council would be refusing to exercise the powers conferred upon it as such by the Treaties".<sup>1</sup>

564. However, the Report does not confine itself to a purely legal analysis but examines the question in the light of political considerations. Central to its concerns is the question of how to effect, without any legal irregularity, reforms in which practice might run ahead of the revision of the Treaties. The Report carefully weighs the advantages and drawbacks of a pragmatic approach by comparing them with those which would be involved in waiting for amendments to the Treaties and it opts finally for the immediate solution of a practical application. This course must, however, not be a pretext for indefinitely delaying the necessary legal innovations nor must the indispensable coherence between the reforms advocated be destroyed.<sup>2</sup>

### *Summit Conference*

565. In connection with what has just been mentioned, it is interesting to note that on an institutional level, the Heads of State or Government of the Member or acceding States of the European Communities, meeting in Paris from 19 to 21 October 1972;

<sup>1</sup> Supplement No. 4/72 to *EC Bulletin*, Chapter VIII, sec I.

<sup>2</sup> *Ibid*, Chapter VIII, sec II.

- (a) recalled the commitments already entered into to take new steps towards a strengthening of the institutions, including, in particular, increased powers for the European Parliament, and
- (b) invited the Community institutions to take forthwith, in the framework of the existing texts, the necessary action to improve the functioning of the Institutions and to strengthen the powers of control of the European Parliament.

It is by acting on both these levels that the Community Institutions will have to implement the will expressed by the Heads of State or Government.

In addition, from the point of view of the application of Community law, it is very important that the Heads of State or Government should have expressed their desire to see the widest possible use made of all the provisions of the Treaties, including Article 235 of the EEC Treaty. According to the final communiqué, this recourse to Article 235 should, in particular, make it possible to achieve the tasks laid down in the various action programmes which the Community institutions have been invited to draw up in such sectors as social policy, industrial, scientific and technological policy, and environmental policy. It thus appears the Heads of State or Government consider that such fields incontestably come within the "objectives of the Community" referred to in Article 235.

#### *Agricultural structure policy*

566. From a legal point of view, the measures adopted by the Council on 17 April 1972 in the matter of agricultural structure reform are of particular interest.<sup>1</sup> First of all, they confirm that structure policy is a part of the common agricultural policy and thus falls within the sphere of Community competence. Moreover, otherwise than with the policies on markets and prices, which, being closely linked with the free movement of goods, are necessarily centralized and therefore implemented by means of regulations, the very object of a policy for the reform of agricultural production structures requires that it should be adaptable to the characteristics of the various regions of the Community. This is why the measures in question have taken the form of directives requiring the Member States to introduce aid systems, whose basic elements only are defined at Community level, at national level. Finally, they create a special procedure for checking the proper implementation of these systems which is a condition for Community financial participation. In an initial phase of this

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<sup>1</sup> OJ No. L 96, 23 April 1972.

procedure, the Commission, after consulting a committee composed of representatives of the Member States and officials of its own, gives an Opinion on the draft national implementing provisions with the aim of pointing out to the Member States concerned the adaptations which in its opinion are necessary for correct implementation of the directive. In a second phase, a decision has to be taken by a "Management Committee type" procedure on the implementing arrangements which the Member States will have made.

### *External relations*

567. The Treaty on the Non-proliferation of Nuclear Weapons (NPT) of 1 July 1968 essentially posed the question whether and to what extent the external commitments of the Member States and the provisions of the Community legal order were compatible.

In an initial stage the Commission had tried, by means of consultations and then by supplying its comments in virtue of Article 103 of the Euratom Treaty, to avoid incompatibilities preventing the Member States from signing the NPT.<sup>1</sup> In conformity with the Commission's comments the five Member States which wished to sign the NPT had accompanied their signature with a reservation making its entry into force conditional upon the conclusion between the Community and the International Atomic Energy Agency (IAEA) of an agreement guaranteeing the integrity of the legal rules set up by the Euratom Treaty and, in particular, respect for the powers of the Community authorities.

The second stage has just ended with the conclusion of such an agreement. The Community, being invested with powers to ensure that nuclear materials shall not be diverted (Chapter VII of the Euratom Treaty), and responsible for taking particular measures of control with regard to external commitments, (Article 77(b) of the Euratom Treaty), was by its very nature destined to cooperate with the IAEA with a view to ensuring respect for the NPT. But the obvious prior problem arose of recognition by the IAEA of the Community as a legal partner. The fact that this recognition was recorded is certainly one of the most important results of the negotiations. It is the first time that the Community as such has concluded an agreement establishing extremely close cooperation involving precise rights and obligations with an international organization linked with the United Nations. This fact may well have political and legal developments going far beyond the framework of cooperation in the atomic field.

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<sup>1</sup> *First General Report* sec. 479, *Second General Report* sec. 563 and *Fifth General Report* sec. 357.

568. At the same time, the agreement concluded is of the "mixed" type, as certain commitments undertaken vis-à-vis the IAEA come within the competence of the Member States.

The integrity of the legal rules (supply system, free movement of materials, Joint Research Centre, joint enterprises) is ensured by the fact that the five Member States which do not possess nuclear weapons have signed the NPT and by a clause in the agreement itself which provides that withdrawal by any one of them shall involve cancellation of the agreement for the others. (The fact that France is not a party to the NPT in no way impedes the functioning of the abovementioned legal rules, since its position as a State possessing nuclear weapons absolves it from the prohibitions on the transfer of materials.) Furthermore, the territories of the Five constitute a single control area within the system of the agreement: no control measure is provided for at the intra-Community frontiers.

As to cooperation between the two authorities—Community and IAEA—invested with the control of non-diversion, it was important that they should be able to assume their own responsibilities without creating a mere juxtaposition of the two systems and a useless duplication of control measures. The agreement leaves intact the Euratom safety control system and institutes close cooperation between the two organizations.

Reduced to its essentials, the system instituted by the agreement means that the Community makes its contribution in the form of complete implementation of its security control to achieve the common objective—the non-diversion of materials—whereas IAEA, for its part, applies its security measures in such a way that it can verify the results obtained by Community control. This system facilitates but also limits the activities of IAEA. It is clear that this limitation relies on the efficient functioning of Euratom control and that the IAEA will have the right to strengthen its activity in the event of Euratom being unable fully to assume its obligations.

The institutional characteristics of the Community, duly recognized by IAEA, have led to a type of legal relationship which is very different from that existing between IAEA and individual States. In the traditional relationships between IAEA and a State there is identity between the signatory of the NPT and the signatory of the verification agreement: the State assumes the non-diversion obligation and its role as regards control is limited in the main to transmitting reports and information to IAEA. IAEA finds itself dealing with a single holder of rights and obligations. It has no direct link with parties operating the plants. Relationships between IAEA and the State are relationships between controller and controlled. In the case of the Community the legal situation is different since the Community is not a party to the NPT and does not assume

any obligation under this head. It intervenes only by virtue of the powers the Member States have transferred to it as regards control, powers which it exercises in the internal order with respect to persons and undertakings subject to control, in conformity with the rule of direct legal relationships. The agreement with IAEA thus comes down to an agreement between control organizations. The nature of the Community's responsibility is consequently very different: it is not responsible for any diversion of materials as this responsibility falls only on the States (obligations as to the result) although for a faulty functioning of its control system (obligation as to the means) it is.

*Structure of the Acts relating to accession*

569. Far more than constituting a mere accession to several treaties according to traditional international law, the legal phenomenon of enlargement involves rather the integration of new members into Communities having their own institutional shape and legal order. Therefore, although respecting the procedures laid down by the Treaties of Paris and Rome, the instruments of accession also reflect the unitary character of the whole enlargement operation.

The accession procedures laid down in the Treaties of Rome and Paris are not identical. On the one hand Articles 237 EEC and 205 EAEC stipulate that "the conditions of admission and the adjustments to this Treaty necessitated thereby shall be the subject of an agreement between the Member States and the applicant State". Meanwhile, Article 98 ECSC provides that the applicant State "shall address its application to the Council, which shall act unanimously after obtaining the opinion of the High Authority; the Council shall also determine the terms of accession, likewise acting unanimously".

Faced with these differences in the rules of procedure, the idea could have occurred of concluding two totally separate acts of accession, one for ECSC and the other for EEC and Euratom. However, this solution would have presented the dual disadvantage of destroying the essential unity of the results of the negotiations and again putting into question, from a legal point of view, the institutional unity achieved by the Merger Treaty of 8 April 1965.

570. The solution chosen therefore endeavours to reconcile two apparently contradictory requirements, that is to say, on the one hand, to respect the particular procedural details laid down in the Treaties and, on the other, to safeguard the fundamental unity, both of the negotiation and of the legal operation which accession of the new members to the Communities involves. This solution has found expression in three distinct instruments,<sup>1</sup> which are nevertheless closely linked to one another:

<sup>1</sup> OJ No. L 73, 27 March 1972.



The "Act concerning the Conditions of Accession and the Adjustments to the Treaties", contains the entire results of the negotiations concerning all the acceding States and the provisions governing their accession to the three Communities. In this way the unity of the operation was safeguarded while, at the same time, at a practical level the taking into consideration and the application of the accession provisions were facilitated. This Act consists of five parts (principals, adjustments to the Treaties, Adaptations to acts adopted by the institutions, transitional measures and provisions relating to the implementation of the Act) covering 161 articles. It is completed by eleven annexes and 30 protocols. Despite its fundamental importance, this instrument has no legal autonomy but is an annex common to the following two further documents, which confer legal force upon it, each for the provisions it covers. These are first *the Treaty concerning the accession of the new members to EEC and Euratom*, and, secondly, the *Decision of the Council* (based on Article 98 of the ECSC Treaty) *concerning the accession of the members to ECSC*, an accession which has been effected by virtue of the lodging of the necessary instruments by the new Member States.

The Treaty concerning accession to EEC and ECSC contains a brief preamble which recalls the aims of the original Treaties and a number of reasons referring to Community procedures, by virtue of which the Commission and the Council of the Communities pronounced themselves in favour of this accession. For the rest, the Treaty and the Decision, which are framed in substantially similar terms, contain only three articles devoted to the general principles of accession and the details of the procedure for entry into force. In addition, a Final Act, enumerating and authenticating these three documents was signed by the plenipotentiaries of the parties to the Accession Treaty and by the Council of the European Communities. Several declarations, some joint and some unilateral, are annexed thereto.

571. The three legal instruments (the Act, the Treaty and the Council Decision) constitute an unprecedented corpus both in Community and international law. Being concerned to resolve problems which are as complex as they are novel, their authors worked out certain solutions which are worth stressing because of both their legal and practical interest.

Being anxious to explain and reinforce the close links between the accession documents and the original Treaties, they formulated at the beginning of the Treaty and the Decision (Article 1, para. 3) a clause stipulating that "the provisions concerning the rights and obligations of the Member States and the powers and jurisdiction of the institutions of the Communities as set out in the Treaties referred to in paragraph 1 [these are the Treaties establishing the Communities, as amended or completed] shall apply in respect of this Treaty

(Decision). By this introductory provision, all ambiguity was resolved as regards the applicability of a considerable number of general provisions of the basic Treaties which are indispensable for the correct application of the new rules. This concerns in particular the extension of the powers of the Court of Justice and the Commission, which will thus play their institutional roles with regard to the respect and the uniform application of the rules contained in the accession documents.

The provisions of Article 2 of the Treaty and of the Decision which concerns the coming into effect of accession also present novel and interesting aspects. Paragraph 3 of this Article lays down that if an acceding State does not lodge its instrument of ratification (or of accession in the case of ECSC) in good time, the Treaty shall come into force on 1 January 1973 for all the other parties. In this case the Council, at once decides unanimously, on the necessary adjustments to a number of clearly enumerated provisions and may, also unanimously, adapt or declare of no effect provisions which expressly refer to a State which has not lodged its instruments of ratification and accession. The original nature of this provision and its practical importance are evident. It is thanks to it that it was possible to avoid the fruit of long and laborious negotiations being rendered useless by the negative result of the Norwegian referendum and that it was not necessary to open new negotiations between the other nine countries concerned to conclude a new treaty which would have required new procedures of ratification. On the contrary, by virtue of this provision, a simple decision of the Council ruling unanimously, prepared in time with the cooperation of the Commission, was sufficient to make the necessary adaptations to the accession instruments as soon as they came into force so that they could produce the same legal effects desired by the contracting parties in the new situation created by the Norwegian withdrawal.

Finally, it is interesting to point out another legal particularity of the accession provisions which concerns Articles 6, 7 and 8 of the Act concerning the Conditions of Accession and the Adjustments to the Treaties. These articles, which appear in Part 1 ("Principles"), define the legal nature of the provisions of the Act. The general rule, set out in Article 6, is that these provisions shall have the rank of Treaty provisions and thus of "primary" Community law. Consequently, they may not be amended or abrogated, unless otherwise provided, other than "by means of the procedure laid down in the original Treaties enabling those Treaties to be revised" (Articles 236 EEC, 95, paragraphs 3 and 4 and Article 96 ECSC and 204 Euratom). But Article 8 lays down that provisions of the Act "the purpose or effect of which is to repeal or amend acts adopted by the institutions of the Communities, otherwise than as a transitional measure, shall have the same status in law as the provisions which they repeal or amend and shall be subject to the same rules as those provisions". This is a provision

which is necessary in order to avoid conferring on non-transitional amendments, and in particular on the "technical adjustments" made to derived law, the rank of an international treaty, thus freezing the texts of the instruments and unnecessarily limiting the autonomy of decision of the institutions. A further clarification is supplied by Article 7, according to which the acts of the institutions to which temporary derogations have been made by virtue of accession shall not lose their status as derived law and may, consequently, be later modified in accordance with the normal procedures for amending Community instruments.

*Structure of the agreements with the non-acceding EFTA countries*

572. There are fundamental differences, particularly from a legal point of view, between these agreements and the accession documents. The remaining EFTA countries do not accede to the Communities; the Community Treaties and the instruments enacted by the institutions do not bind them and the other agreements of the Communities are not applicable to them. In other words, they continue to be third countries.

These agreements are commercial in character and based on Article 113 of the EEC Treaty, which is, at the same time, the legal foundation of the common commercial policy. Being born of the need to avoid creating new barriers to trade within Europe, their aim is to abolish tariff obstacles for the majority of industrial products between the Community as enlarged and each of these countries. They do not extend to the introduction of the common policies, nor do they provide for harmonization of the policies existing on either side. Consequently, the autonomy of decision of each of the contracting parties is fully safeguarded. In order to achieve important economic objectives, such as the creation of free trade areas between the Community and each of these countries, while, in the absence of common policies, at the same time maintaining the necessary flexibility of the legal links contracted, the agreements provide for the possibility of resort to safeguard clauses.

The administration of the agreements is entrusted to mixed committees with limited decision-making powers.

A novel aspect of this type of agreement is to be found in the arrangements to ensure fair conditions of competition in trade between the contracting parties: these arrangements include, in particular, a prohibition on agreements, decisions and concerted practices by undertakings with the aim or effect of preventing, limiting or distorting the free play of competitive forces as regards the production of and trade in goods between the contracting parties. In the

event of infringement of these provisions the agreements also provide for procedures which may lead to the adoption of safeguard measures.

573. Along with the agreements between the EEC and these countries, others concerning the fields of activity of ECSC were also negotiated and signed. Because of the particular legal situation which governs commercial policy for coal and steel, these agreements were negotiated by the Commission in the name of the Member States. In four cases, however, the Commission also negotiated on behalf of the Community and signed the agreements along with the Member States. These were the Agreements with Austria, Sweden, Finland and Portugal. These Agreements include provisions for the extension of the price rules of Article 60 of the Treaty of Paris, on the one hand to transactions carried out by Community undertakings on the market of the partner country, and on the other, to transactions carried out by the undertakings of the latter both on its national territory and in the Common Market.

On the Community side this extension is based on a decision taken under Article 95 paragraphs 1 and 2 of the Treaty of Paris by the Commission with the approval of the Council, ruling unanimously and after hearing the Consultative Committee.

#### NATURE AND SCOPE OF COMMUNITY LAW

##### *Community case law*

574. The Court of Justice has again stated, particularly in its judgments of 7 March 1972 and 17 May 1972<sup>1</sup> that a Community regulation by reason of its very nature and its function in the system of sources of Community law, produces immediate effects and as such is capable of conferring rights on individuals which national legal systems have the obligation to protect. When it is a matter, in particular, of financial claims against the State, the exercise of these rights may not be made subject to national implementing provisions other than those which the Community regulation might require, in other words the State may not oppose payment by producing arguments from its legislation or administrative practice.

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<sup>1</sup> CJEC, 7 March 1972 (S.p.a. Marimex/Ministry of Finance of the Italian Republic, 84-71) *Rac.* 1972, p. 89; CJEC, 17 May 1972 (Leonesio/Ministry of Agriculture and Forests of the Italian Republic, 93-71). See earlier CJEC 14 December 1971 (Politi/Ministry of Finance of the Italian Republic, 43-71) *Rac.* 1971, p. 1039.

This effectiveness of Community law may, moreover, not vary according to the various fields of national law—in the particular case decided by the Court of Justice, criminal law—within which its effects are felt.<sup>1</sup>

575. The Court has reaffirmed the supremacy of Community law over conflicting municipal law. In the abovementioned judgments of 7 March and 17 May 1972 it pointed out that the effect of regulations, as provided for in Article 189 EEC, is opposed to the application of any provisions of the internal legal order, even subsequent ones, incompatible with the Community regulation. Moreover, the decision of 13 July 1972<sup>2</sup>, which censures the non-execution by a Member State of a judgment of the Court establishing the lack of conformity between a national provision and Community law, is particularly noteworthy, as it clearly lays down:

- (i) that the effect of a directly applicable Community rule implies for the national authorities an automatic prohibition on applying a conflicting municipal provision and, where appropriate, the obligation to take all action to facilitate the full implementation of Community law;
- (ii) that this full effect applies, at the same time and with identical effects, throughout the whole extent of the Community's territory without it being possible for the Member States to place any obstacles whatsoever in the way, and
- (iii) that the attribution by the Member States to the Community of the rights and powers corresponding to the provisions of the Treaty involves a definitive limitation of their sovereign rights against which the invocation of provisions of municipal law of whatever nature shall be of no avail.

#### *National case law*

576. It is the task of the courts of the Member States to apply Community law and we may note that they are showing an ever greater awareness of this role. Indeed, it is the manner in which these courts interpret and apply the provisions of community law which in the long run determines the efficacy of the Community legal order. This is why municipal case law is of such importance for the development of Community law, particularly as regards the direct applicability of Community provisions and their supremacy over national law.

<sup>1</sup> CJEC 21 March 1972 (Attorney General of the Italian Republic / SAIL, 82-71), *Rac.* 1972, p. 119.

<sup>2</sup> CJEC 13 July 1972 (EC Commission / Italian Republic, 48-71).

577. This is also the case in particular with regard to the legal nature of the Community order.

The national courts have continued, as in the past, to recognize expressly the independence and autonomy of the Community legal order and to draw from it the legal consequences which have been reflected in the direct application and supremacy of various provisions of Community law.

In its judgment of 22 February 1972<sup>1</sup> the Cologne Administrative Court followed in noteworthy fashion the constant jurisprudence of the Court of Justice. According to it, "a public authority of a particular kind... has been born; it is autonomous and independent of the public power in the individual Member States; its acts need neither to be ratified by the Member States nor may they be annulled by them". This "inter-State organ endowed with sovereignty" constitutes "an autonomous legal order" which is attached neither to municipal law nor to international law.

An increasing number of Italian courts have also recognized and unambiguously confirmed this autonomy of the Community legal order. The judgment of the Italian Court of Cassation of 8 June 1972<sup>2</sup> is specially worthy of mention in that it expressly recognizes the autonomy of the Community legal order as limiting the sovereignty of the Member States, and in particular their power to legislate. The Milan Appeal Court pronounced itself to the same effect in its judgment of 12 May 1972 in the case of SAFA / the Italian tax administration.<sup>3</sup> After having compared the legal nature of the traditional international treaties and the EEC Treaty, the Court comes to the conclusion that the fundamental distinction resides in the directly applicable provisions of the EEC Treaty. Similarly, the judgment of the Civil Court of Brescia of 16 December 1951/ 5 January 1972<sup>4</sup> in the matter of Sandrini / Ministry of Agriculture and Forests, made a distinction between the EEC Treaty and other international treaties which follows similar lines "... the Community provisions must be considered as a supranational legal order".

578. The independence of the Community legal order and the objectives it pursues can be achieved only by the primacy of Community law. On this point the abovementioned decisions show a remarkable identity of viewpoint and this deserves stressing. According to the judgment of the Administrative Court of Cologne on 22 February 1972 already mentioned, Community law has primacy over municipal law and even, implicitly, over subsequent national

<sup>1</sup> Not yet published.

<sup>2</sup> *Isolabella / Ministry of Finance*, 97 *Il Foro Italiano*, *Rac.* 1963 (No. 7-8/1972).

<sup>3</sup> Not yet published.

<sup>4</sup> 97 *Il Foro Italiano*, I, *Rac.* 1388 (No. 5/1972).

law. The judgment of the Administrative Court of the Saar of 26 November 1971 (tax for plant health check)<sup>1</sup> goes even further in this direction, since it expressly mentions the supremacy of Community law over subsequent municipal law. It bases this supremacy on the directly applicable provisions of Articles 9 and 13 of the EEC Treaty. The Court refers to the judgment of the Court of Justice of 17 December 1970 (SACE Spa)<sup>2</sup> and not to the judgment of 15 July 1964 (ENEL).<sup>3</sup>

Whereas, in its abovementioned *Isolabella* judgment of 8 June 1972, the Italian Court of Cassation stresses supremacy at least with respect to earlier laws, it would seem that the Brescia Civil Court wished to go still further. It decided "... that the conflicts arising between Community norms and national norms must be settled in conformity with the principle of the supremacy of Community law, which is based on Article 189 of the EEC Treaty".

To this judgment may be contrasted that of the Rome Civil Court of 18 May/11 November 1971 in the matter of ICIC/Ministry of External Trade which contests the supremacy of the EEC Treaty over subsequent national norms. In this case the Court refers to the ENEL judgment of the Italian Constitutional Court of 24 February/7 March 1964,<sup>4</sup> which considers the conflict between the EEC Treaty and a subsequent law as a mere conflict between two ordinary laws so that supremacy is given to the subsequent national law.

579. The direct applicability of a provision of Community law is only then meaningful if the national courts are prepared not to apply the provisions of contrary municipal law. Several decisions of the courts of the Member States also reveal in this respect a more or less uniform attitude and are inclined to recognize the supremacy of Community law and its direct applicability in the domestic legal order.

Particularly interesting is the judgment of the French Court of Cassation (Criminal Chamber) of 7 January 1972 in the *Guerrini* case,<sup>5</sup> which, on the basis of Article 55 of the French Constitution, taken in conjunction with Article 189 of the EEC Treaty, recognized the supremacy of a regulation and its direct applicability. In the opinion of this supreme judicial authority the Community regulation automatically entails abrogation of the municipal norm which conflicts with it.

<sup>1</sup> 18 Aussenwirtschaftsdienst des Betriebs-Beraters, p. 141-144/1972.

<sup>2</sup> CJEC, Coll. 1970, p. 1213.

<sup>3</sup> CJEC, Coll. 1964, p. 1141.

<sup>4</sup> XIX. *Il Foro Padano-Giurisprudenza*, 9 (No. 3/1964).

<sup>5</sup> Recueil Dalloz Sirey, I, p. 497-501, No. 30/1972.

By its abovementioned judgment of 26 November 1971, the Administrative Court of the Saar took a similar decision concerning the prohibition in Articles 9 and 13 of the EEC Treaty against the introduction of new import and export duties or taxes of equivalent effect. According to this court, this prohibition applies without any restriction and its application does not depend on any internal legislative act.

The decisions of the Italian courts mentioned above also reveal a similar attitude. In conformity with the Isolabella judgment of the Italian Court of Cassation of 8 June 1972, the prohibition of Article 95 of the EEC Treaty is directly applicable without revoking or amending any contrary municipal law. In the same way the Milan Appeal Court decided, in its judgment of 12 May 1972 (in the SAFA case), that Article 13 of the EEC Treaty had automatically deprived of effect the law which was in conflict with it.

The direct applicability of Community regulations in municipal law is generally recognized even in the cases where national implementing measures are required. In its judgment of 16 December 1971, the Brescia Civil Court confirmed the direct applicability of a regulation even when the Member State omitted to take the implementing measures laid down by such regulation—the provision of the necessary financial resources in the specific case at issue. The Court made it perfectly clear that, in its opinion, this omission could not in any way be an obstacle to the direct applicability of the regulation. It will be noted that this judgment was rendered before the Court of Justice had had the occasion to solve this question in the same way.<sup>1</sup>

However, the abovementioned judgment of the Civil Court of Rome of 19 May/11 November 1971 is diametrically opposed to what has just been said, since it expressly recognizes as valid the usual practice of including a Community regulation in an Italian norm. The interpretation of a regulation in conformity with Article 177 of the EEC Treaty would be automatically withdrawn from the jurisdiction of the Court of Justice once a national law took over the substantial content of a regulation or replaced this regulation as a source of law.

In this context mention must further be made of the judgment of the French Court of Cassation of 10 November 1970, in the case of the French Republic against von Saldern *et al.* Although the Court did not decide that the Community regulations (on the customs value of goods and export of capital) were applicable to the particular case, it felt obliged to point out that “these regulations concern only the Member States... and may not be extended beyond these limits”<sup>2</sup>.

<sup>1</sup> CJEC, 17 May 1972 (Leonesio / Ministry of Agriculture and Forests of the Italian Republic, 93-71), *Rac.* 1972, p. 287.

<sup>2</sup> 7 *Revue trimestrielle de droit européen*, 1971, p. 504.



THE GUARANTEES FOR THE UNIFORM APPLICATION  
OF COMMUNITY LAW*Uniform interpretation and application*

580. Except where there is explicit or implicit reference back to municipal law, the legal concepts used by Community law must be interpreted and applied uniformly throughout the Community without any possibility for the Member States to derogate from this uniformity.<sup>1</sup>

*The execution by the States of their obligations*

581. In the same way as in past years, control of the proper application of Community law by the Member States has, this year again, made up an important part of the administrative activities carried out by the Commission. At the beginning of 1972, 109 cases in which proceedings for infringement of the Treaties had been officially initiated were pending with the Commission's departments. During the year about 40 of these cases could be closed after the Member States had put an end to the alleged infringement. On the other hand a roughly equivalent number of new procedures had been initiated by the end of the period of reference, so that a little more than one hundred procedures were again pending at the end of the year.

As has been the case hitherto, the bulk of the infringements concern the EEC field. In the ECSC sphere only one procedure was added to the list in 1972. As regards Euratom there was a very important decision from a general point of view of the Court of Justice on 14 December 1971 concerning an infringement of the Treaty<sup>2</sup> but there have been no new procedures.

The number of infringements in respect of which the Commission, despite the formal opening of a procedure, and also the dispatch of a motivated opinion, encounters persistent resistance from the Member States, happily continues to be very small. During the year under reference only three cases have been referred to the Court of Justice.<sup>3</sup> If none the less a relatively important number of proceedings are pending before the Commission, and their completion often requires much time,<sup>4</sup> this is due less to fundamental divergences

<sup>1</sup> CJEC 1 February 1972 (Hagen OHG / Einfuhr- und Vorratsstelle für Getreide und Futtermittel, 49-71) and (Wünsche OHG / Einfuhr- und Vorratsstelle..., 50-71), *Rec.* 1972, pp. 23 and 53.

<sup>2</sup> Case 7/71, *Rec.* 1971, p. 110. See *Fifth General Report*, Nos. 586 and 599.

<sup>3</sup> Case 30/72 (*OJ* No. C 75, 12 July 1972, p. 11) and case 39/72 (*OJ* No. C 81, 25 July 1972, p. 9).

<sup>4</sup> See points A 4 and 5 and also 7 of the Commission's reply to written question No. 501/79 by Mr. Vredeling (*OJ* No. C 73, 18 June 1970, p. 1).

of views on the tenor and scope of Community law than to the cumbersome nature of the national legislative procedures which, even when a solution of principle has already been found, often drag out for years. Contrary to what happened during the early years of the Community, it is now simply a matter in the vast majority of cases of expediting as far as possible the national procedure for the adaptation of internal provisions to Community law. The growing awareness by national courts of their role in the application of Community law and the increasingly marked tendency to ensure the direct effect of this law, particularly in litigation between Member States and their subjects, could contribute to the acceleration of the process of adaptation.

582. The judgment of the Court already mentioned in case 48/71<sup>1</sup> is also important in this respect. It puts the final point to a case so far unique in the history of the Communities in which a Member State, after more than two years, had not executed a decision of the Court of Justice<sup>2</sup> noting its failure to act, and in which the Commission had consequently found itself obliged to institute a new procedure for infringement against the Member State in question<sup>3</sup> basing itself this time on a violation of Article 171 of the EEC Treaty. In this procedure, by reason of the direct applicability of the provision infringed which had been established in another case,<sup>4</sup> the Court of Justice decided that for the removal of the export tax in question, a national law was not absolutely necessary, but that a simple administrative instruction could also order that the tax be not charged.

The Court of Justice confirmed the supremacy of Community law over all conflicting national norms and held that "the argument that its infringement can be ended only by the adoption of constitutionally appropriate measures to rescind the provision instituting the tax" is tantamount to a negation of this supremacy. According to the judgment quoted, the prohibition on applying a national provision recognized to be incompatible with Community law flows automatically, for the competent national authorities, from the effect of the Community law as judicially recognized with respect to the Member State in question.

At the last minute, that is to say at the end of the oral procedure, the Member State in question then rescinded with retroactive effect the tax in dispute by a decree law, afterwards ratified by the Parliament, which provided that the taxes already paid would be refunded on request to the parties concerned.

<sup>1</sup> CJEC, 13 July 1972 (Commission / Italian Republic).

<sup>2</sup> CJEC 10 December 1968 (Commission v. Italian Republic, 7-68) *Rac.* 1968, p. 633.

<sup>3</sup> *Fifth General Report*, No. 600, p. 473.

<sup>4</sup> CJEC 26 October 1971 (Eunomia di Porro / Ministry of Education of the Italian Republic, 18/71), *Rac.* 1971, p. 811.

## SOURCES OF COMMUNITY LAW: INSTRUMENTS ENACTED BY THE INSTITUTIONS

583. A decision which indicates clearly and coherently the essential *de facto* and *de jure* elements on which it is based can be considered as sufficiently motivated. For this reason, a Commission decision inflicting a fine on an undertaking for infringement of the rules of competition does not necessarily have to express an opinion on all the arguments advanced by this undertaking in its defence.<sup>1</sup>

Neither is the Commission obliged to set out in the grounds for its decision all the arguments it could later invoke in the event of an action brought against such decision. Similarly, the absence of an argument concerning the bases of the Commission's powers which is not of a nature to impair the legality of a decision does not vitiate the latter for deficiency of motivation.<sup>2</sup>

The fact that a decision made with respect to several distinct undertakings adopts a position on arguments put forward by some of these only, without specifying their identity, does not constitute a defect which can vitiate the legality of such decision.<sup>3</sup>

In order to fulfil its function a time-limit for prescription must be fixed in advance. The fixing of this time-limit and of its implementing procedures is, however, solely for the Community legislator to decide, as the Court had pointed out in three judgments of 15 July 1970.<sup>4</sup> But even in the absence of any text, the Court held in the judgments of 14 July 1972 that the requirement of legal certainty precludes the Commission indefinitely postponing the exercise of its power to inflict fines for infractions.

Irregularities in the procedure of notification of an individual decision do not affect the act itself and may not vitiate it. Their only effect can be, under certain circumstances, to prevent the time-limits for appeal against the act beginning to run. But once the undertaking has had cognizance of the text of the decision and has made use of its rights of appeal within the usual time-limits, the question of any irregularities in notification is immaterial and the undertaking may not use them as an argument.<sup>5</sup>

<sup>1</sup> CJEC 14 July 1972 (Casella Farbwerke Mainkur / Commission, 55-69, and Farbwerke Hoechst / Commission, 56-69).

<sup>2</sup> CJEC 14 July 1972 (Imperial Chemical Industries / Commission, 48-69, Geigy / Commission, 52-69, Sandoz / Commission, 53-69).

<sup>3</sup> CJEC 14 July 1972 (Badische Anilin- und Sodafabrik / Commission, 49-69, Azienda Colori Nazionali / Commission, 57-69).

<sup>4</sup> CJEC (Chemiefarma v. Commission, 41-69, Buchler v. Commission, 44-69, Boehringer Mannheim, 45-69), *Rec.* 1970, pp. 661, 733 and 769.

<sup>5</sup> CJEC 14 July 1972 (Imperial Chemical Industries / Commission 48-69, Geigy / Commission, 52-69, and Sandoz / Commission, 53-69).

There is nothing to prevent the Commission from publishing in the *Official Journal* an individual decision inflicting a fine on undertakings for infringement of the rules of competition provided that such publication does not constitute divulcation of business secrets of these enterprises.<sup>1</sup>

#### EXTRACONTRACTUAL LIABILITY OF THE COMMUNITY

584. The Community's non-contractual liability within the meaning of Article 215, paragraph 2 (EEC) for the damage suffered by private individuals, in the case of normative acts involving economic policy measures, may only be engaged if there is an adequately substantiated violation of a higher rule of law protecting such persons.<sup>2</sup>

The Court has also pronounced on the Community's liability towards its agents as regards the supply of erroneous information. Save exception, the adoption of an incorrect interpretation of the Staff Regulations does not necessarily constitute an error in law and the fact that the administration has invited the parties concerned to obtain information from the competent departments does not necessarily oblige it to guarantee the accuracy of the information supplied and to assume liability for any damage that inaccurate information might cause. On the other hand, the fact that the departments are tardy in correcting this information, after the error of interpretation has been discovered, is an error calculated to involve the liability of the Community.<sup>3</sup>

#### MACHINERY FOR DEALING WITH DISPUTED CASES

585. In its judgment of 13 June 1972,<sup>4</sup> and in conformity with a position already expressed in its decisions of 28 April 1971 and 2 December 1971,<sup>5</sup> the Court has confirmed that the action for damages under Articles 178 and 215

<sup>1</sup> CJEC 14 July 1972 (*Francolor/Commission*, 54-69) and, earlier in the same sense, CJEC 15 July 1970 (*Chemiefarma/Commission*, 41-69) *Rec.* 1970, p. 661.

<sup>2</sup> CJEC 13 June 1972 (*Compagnie d'approvisionnement, de transport et de crédit and Grands Moulins de Paris v. Commission*, 9 and 11-71) and earlier in the same sense CJEC 2 December 1971 (*Aktien-Zuckerfabrik Schöppenstedt/Council*, 5-71) *Rec.* 1971, p. 975.

<sup>3</sup> CJEC 13 July 1972 (*Heinemann/Commission*, 79-71).

<sup>4</sup> *Compagnie d'approvisionnement, et transport et de crédit, and Grands Moulins de Paris/Commission*, 9 and 11-71.

<sup>5</sup> *Lütticke/Commission*, 4-69, *Rec.* 1971, p. 325, and *Aktien-Zuckerfabrik Schöppenstedt/Council*, 5-71, *Rec.* 1971, p. 975.

(EEC) was created as an autonomous procedure with its own particular function within the system of possible actions and was made subject to conditions fitted to its specific object. This procedure differs from an action for annulment in that it aims not at suppressing a particular measure, but at making good the damage caused by an institution in the exercise of its functions.

This principle of the autonomy of an action for damages in relation to an action for annulment also applies to actions by European civil servants.<sup>1</sup>

586. In two judgments of June 1972,<sup>2</sup> the Court basing itself on Article 184 (EEC) (exception of illegality), decided on the legality of a regulation concerning complaints by officials, made pursuant to Article 91 of the Staff Regulations, against decisions applying the same.

<sup>1</sup> Heinemann / Commission, 79-71.

<sup>2</sup> Bertoni-Sabbatini / European Parliament, 20-71, and Baudin-Chollet / Commission, 32-71.

## 2. Interpretation and application of the basic rules of Community law

587. The case law of the Court of Justice in the past year contains many important elements, notably in the matters dealt with below.

### *Free movement of goods*

#### *The concept of measures having equivalent effect to quantitative restrictions*

588. In the system instituted by the EEC Treaty, the prohibition of quantitative restrictions on exports or imports needs to be complemented by the prohibition of measures having an effect equivalent to such quantitative restrictions. There could be no true Common Market if only measures which were obviously or customarily included in the expression quantitative restrictions—quotas and outright import and export bans—were abolished: just as important is the abolition of all other measures calculated to preclude or restrict trade, however described. “Measures having equivalent effect” have therefore to be defined with reference to their effect on imports or exports. Just as a quantitative restriction precludes imports or exports in excess of the permitted amounts (which may even be nil), so a measure having equivalent effect partly or wholly precludes imports or exports which might otherwise take place.

Nevertheless, not every measure which restricts trade in this way is to be stigmatized as a “measure having equivalent effect”, for some measures are in any event specifically referred to in the Treaty (customs duties, charges, aids), while others are *per se* permitted, being the visible or hidden expression of powers expressly or tacitly retained by the Member States: this is so, for instance, where there are no Community trade rules or customs clearance procedures. A measure which is lawful as being within Member States’ powers, cannot be held unlawful by reason of its restrictive effect on imports or exports if this effect is an inevitable concomitant: such measures are to be treated as having equivalent effect to quantitative restrictions only if their restrictive effect on trade is greater than is necessary to their purpose (the purpose having, of course, to be in accordance with Community law).

589. Clearly Member States’ rights may have to be relinquished as Community integration proceeds. For this reason the same situations may wear different aspects at different stages in this process. This is the case with the automatic granting of import and export licences under the TLA system. Prohibition of imports or exports save by licence necessarily has a restrictive effect on trade, even if the

licence is issued automatically and at once: although a mere formality, licensing is a compulsory preliminary which, while not actually restricting trade, does nevertheless complicate and could discourage it. During the transitional period the arrangement together with the application of exceptions to the free movement of goods within the Community, may have been a justifiable means of controlling trade.

At the present point in time, however, Articles 30 and 34(1) EEC contain a complete prohibition on all quantitative restrictions and measures having equivalent effect in trade between Member States, so that, subject to the exceptions specified in Community law itself, even purely formal insistence on the obtaining of a licence is now incompatible with the terms of these Articles. Automatic licensing may on the other hand still be in order in dealings with third countries, inasmuch as the prohibition on quantitative restrictions and measures having equivalent effect vis-à-vis third countries, is not absolute with respect to the common agricultural and the common commercial policy.

The Court found to this effect in consolidated cases 51-54/71.<sup>1</sup>

#### *Charges with effect equivalent to customs duties*

590. According to Article 9 of the EEC Treaty, the Community is based on a customs union; this includes the prohibition, as between Member States, of customs duties and all charges having equivalent effect. This prohibition, which is of capital importance for the free movement of goods, has already been the subject, during past years, of about twenty judgments of the Court of Justice, the majority of which deal more especially with the concept of charges having an effect equivalent to customs duties, that is to say the definition and the application of this term and also the often difficult problem of its delimitation vis-à-vis "internal taxation" referred to in Article 95 of the EEC Treaty.

One of the most recent judgments of the Court of Justice, decided in 1972,<sup>1</sup> concerns the interpretation of the prohibition of charges with effect equivalent to customs duties in a field of considerable economic importance, namely the pecuniary charges claimed by the Member States for health control on imports of cattle and meat. In this judgment, the Court refuted the argument that justification of the control measures themselves by Article 36 of the EEC Treaty would also bring with it the lawfulness of the related charges. Nor did it accept the argument that these charges would constitute

<sup>1</sup> CJEC, 15 December 1971 (*International Fruit Company/Produktschap voor Groenten en Fruit*, consolidated cases 51-54/71), *Rec.* 1971, p. 1107.

the appropriate counterpart for services rendered by the national administrations. According to the Court, such pecuniary taxes could not escape the prohibition on charges with effect equivalent to customs duties unless they were part of a general system of internal dues systematically subjecting national products and imported products according to the same criteria. The Court therefore concluded that "pecuniary charges imposed for reasons of health control on products crossing the frontier, which are determined according to special criteria not comparable with the criteria used in fixing the pecuniary charges on similar national products, are to be considered as charges of effect equivalent to customs duties".

### *The common agricultural policy*

#### *Relationship between Tariff provisions and agricultural Regulations*

591. The principle that the rules governing the common organization of the agricultural markets are autonomous was unequivocally confirmed by the Court in case 92/71<sup>1</sup>. The agricultural regulations (e.g. Article 9(2) of Regulation No. 865/68) admittedly provide that the rules for the interpretation and implementation of the Common Customs Tariff are to apply to the tariff classification of products subject to the agricultural market organizations set up by the regulations in question. Nevertheless, in the Court's view, while this classification determines the charging of duties, it can have no more than guidance value as to the charging of levies. Taken together with an earlier judgment of 17 June 1971,<sup>2</sup> the judgment in case 92/71 affords a striking illustration of the separate status of the agricultural legislation: both dealing with the same provision in the Tariff, concerning the meaning of products with or without added sugar, the two judgments embody two different interpretations according to whether the point at issue is the charging of customs duties or of agricultural levies.

The judgment in case 92/71 in any event merits attention for its breadth of scope, in that it shows certain meanings and definitions in the Tariff to be legal fictions (not open to rebuttal), and states that some of the Tariff's provisions are doing double duty in that they apply to both customs charges and the application of the market organizations.

<sup>1</sup> CJEC, 26 April 1972 (Interfood / Hauptzollamt Hamburg, case 92/71), *Rec.* 1972, p. 231. See also CJEC, 21 March 1972, case 82/71, discussed in secs. 574 and 597.

<sup>2</sup> CJEC, 17 June 1971 (Gebrüder Bagusat / Hauptzollamt Berlin-Packhof, case 3/71), *Rec.* 1971, p. 577.



*The non-discrimination principle*

592. The Court in a judgment of 13 June 1972<sup>1</sup> found that there had been no discrimination contrary to Article 40 EEC in the Council's having only partly offset the effects of the devaluation of the French franc on the prices of imports from third countries, and then offset in full the effects of the widening of the margins of fluctuation of the mark and guilder on the prices of Community products exported to third countries. After pointing out that in any case a Regulation could not be questioned by reason of subsequent circumstances the Court ruled that the economic situations resulting from the devaluation of the French franc and from the widening of the margins of fluctuation of the mark and guilder were "sufficiently different to exclude the discrimination alleged", and that in consideration of the aims of the common agricultural policy it was right and proper to support exports to third countries more than imports from them.<sup>2</sup>

*Refunds on exports to third countries*

593. In case 85/71, the issue was whether the refund rates laid down in the Community legislation during the period of establishment of the common market organizations were simply maxima below which Member States might go if they wished, or whether they had to be applied as they stood.

The Court had already found in previous cases that during the transitional period the Member States were at liberty to grant or withhold refunds, and on the strength of this had concluded that they were also "entitled to make additional conditions as to the granting of the refund provided for in the Community Regulations",<sup>3</sup> as for example "to make the refund payable only on certain types of a product presenting further characteristics and over above those required by the Community Regulations."<sup>4</sup> The judgment in case 87/71<sup>5</sup> sets the seal on these precedents by establishing that Member States were entitled during the transitional period to fix lower refunds than those indicated in the Community Regulations, and moreover during that period, "in which they

<sup>1</sup> CJEC, 13 June 1972 (Compagnie d'Approvisionnement, de Transport et de Crédit and Grand Moulins de Paris / Commission, consolidated cases 9 and 11/71).

<sup>2</sup> The non-discrimination principle is also exemplified in CJEC, 2 December 1971 (Aktien-Zuckerfabrik Schöppenstedt / Council, case 5/71), *Rec.* 1971, p. 975.

<sup>3</sup> CJEC, 27 October 1971 (Firma Rheinmühlen / Einfuhr und Vorratsstelle für Getreide und Futtermittel, case 6/71), *Rec.* 1971, p. 823.

<sup>4</sup> CJEC, 15 December 1971 (Firma Brodersen / Einfuhr und Vorratsstelle für Getreide und Futtermittel, case 21/71), *Rec.* 1971, p. 1069.

<sup>5</sup> CJEC, 23 March 1972 (Firma Kampfmeyer / Einfuhr und Vorratsstelle für Getreide und Futtermittel, case 85/71), *Rec.* 1972, p. 213.

retained jurisdiction in commercial policy," were "entitled to grant different refunds in respect of different third countries." The Court thus upheld the view usually put forward, that the Member States still held the essential powers of decision in economic and commercial policy during the transitional period for the common organization of the agricultural markets.

594. In its judgment in case 94/71<sup>1</sup> the Court ruled on the conditions as to the form and due date of submission of applications for refunds on exports of sugar in the final stage of the common market organizations.<sup>2</sup> The judgment was to the effect that, while a written application was necessary, excessive "red tape" must be avoided. The document in which the declarant stated his intention to export the products in question and to claim a refund—as under Article 1 of Regulation No. 1041/67—contains all the particulars needed for the national authorities accepting it to appreciate that the refund was being applied for, subject to exportation taking place: it was of no moment that the exporter did not actually undertake to export without fail. At the same time, for internal organizational reasons, States might feel obliged to require exporters to submit, in addition to this document, a refund application in the set form appropriate under the country's own law. Should the exporter fail to do this, however, the State cannot penalize him by declaring him to have forfeited his right of refund under the Community legislation: to allow it to do so would not be consonant with the need that the legislation should apply uniformly and exporters be treated alike irrespective of the frontier by which their products are exported.

### *Import levies*

595. The rate of levy chargeable on any import is that applicable for the day of its importation (see e.g. Article 15(1) of Regulation No. 120/67/EEC, for cereals). In the Court's view,<sup>3</sup> "day of importation" must necessarily bear the same meaning in all the Member States, as otherwise different rates of levy could be charged on goods which were economically in the same position at the same date and the entry of which into the Community had comparable effects on the market. This meaning of "day of importation" arises from the purpose of the levy system, which is to avoid repercussions on the internal market of world price movements. The relevant point of time for determining the rate of levy is that from which the import exercises an influence in the Community

<sup>1</sup> CJEC, 6 June 1972 (Schlüter and Maack / Hauptzollamt Hamburg-Jonas, case 94/71).

<sup>2</sup> i.e. from 1 July 1967.

<sup>3</sup> CJEC, 15 December 1971 (Firma Schleswig-Holsteinische landwirtschaftliche Hauptgenoesenschaft / Hauptzollamt Itzehoe, case 35/71), *Rec.* 1971, p. 1083.

market—that is from which, having finally entered that market, it comes into competition with home products. In a word, it was the juncture when the import is definitively put into free circulation. Goods placed in bond are put into free circulation only upon their release from bond: hence the levy chargeable in their case must be that for the day of the release from bond.<sup>1</sup>

The details of the actual steps or customs procedure whereby release from bond is effected (date of declaration of release from bond and deletion from the bonded warehouse's books, and date of physical removal of goods) is, however, the Court found, entirely a matter of domestic law. As to principles, the judgment forms a notable addition to the Court's case law on the demarcation of Community and national jurisdiction with respect to the common organizations of markets, but at the same time makes clear the limits to the regulatory scope of the provisions of Community law in this connection.

The important definition which the judgment contains with regard to the levy legislation—namely that “importation” presupposes definitive putting of the goods into free circulation—will need to be borne in mind in the general harmonization (not yet achieved) of customs legislation.

#### *Obligation on intervention agencies*

596. In two judgments of 1 February, 1972<sup>2</sup> the Court ruled on various conditions governing offers to intervention agencies. Article 7 of Regulation No. 120/67, the Court recalled, placed these State-appointed agencies under obligation to buy in cereals harvested in the Community and offered to them. Given that offers calling for intervention created an obligation, this could only effect the agency to which they were made, after it had received notice of them. The particulars to be contained in the offer were to be inferred from the aims of the intervention system—viz, to afford producers the assurance of being able, having due regard to the regionalization of prices, to dispose of their cereals at a fair price when it was impossible to obtain a normal return by selling them commercially. Precautions did, however, have to be taken to see that there was no incentive to transport produce elsewhere simply in order to secure intervention on more favourable terms.

<sup>1</sup> The same concept applies in determining whether the levies having been fixed in advance, “importation” is to be regarded as taking place during the period of validity of the advance-fixing certificate: if the import is released from bond after the certificate expires, the levy chargeable is to be that for the day of the release from bond and not that fixed in advance.

<sup>2</sup> CJEC, 1 February 1972 (Firma F. Hagen OHG / Einfuhr und Vorratsstelle für Getreide und Futtermittel, case 49/71), *Rec.* 1972, p. 23. CJEC, 1 February 1972 (Firma Wünsche OHG / Einfuhr und Vorratsstelle für Getreide und Futtermittel, case 50/71), *Rec.* 1972, p. 53.

Accordingly, there was the corresponding obligation on the other party to state where the goods were located at the time of making the offer and to hold them at the agency's disposal there so that the latter could check that the offer was in order, the agency being thereafter responsible for giving instructions as to the future movement of the goods and the point of collection. This requirement remained relevant and useful where points of collection were indicated in advance and in general terms. It was true that the intervention system would still function normally if an offer initially incomplete but otherwise in order as to form were simply completed subsequently: nevertheless the offer could not produce results until it was so completed.

### *Milk marketing centres in Italy*

597. In case 82/71 the Court had to decide whether the sole right held by or through certain local-level public bodies to sell a particular product in particular areas of a Member State was contrary to Article 37 EEC. As the product was an agricultural one, it had further to decide whether such right, to the extent it formed part of a national organization of a market, fell outside the scope of Article 37 by reason of the specific provisions on agriculture, and accordingly had to remain in being until such time as a common organization of the market was established in its stead. Exactly when the obligation to abolish these sole rights became operative thus depended on the Court's ruling on these two points.

The case related specifically to the milk marketing centres operating in Italy.

The Court<sup>1</sup> accepted that, with respect to agricultural products, the provisions in that part of the Treaty dealing with agriculture took precedence over any contrary general rules laid down for the establishment of the Common Market, and that national market organization provisions must remain in being until replaced by a common organization of the market. It ruled, however, that upon the entry into force of EEC Regulation No. 804/68, the milk and milk products market had been brought into a common organization, which, though in some respects incomplete, was nevertheless definitive. Hence, it was, at this point of time, for the Community authorities alone to decide whether any national system of organization, intervention or control in respect of the products in question should or should not be allowed temporarily to remain in being. This had been allowed in Italy's case, under EEC Regulations Nos. 804/68 and 2622/69, until 31 March 1970, and, the Court added, EEC Regulation No. 1411/71 of 29 June 1971 could be cited as evidence of the Community legislators' intention of granting Italy a further period of grace for the conver-

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<sup>1</sup> CJEC, 21 March 1972 (Italian Public Prosecutor / SAIL, case 82/71), *Rac.* 1972, p. 119.

sion of the milk marketing centres. However, in the intervening period there was no specific Community provision permitting derogation from the rule which required the centres' sole sales rights to be taken from them; the national provisions sanctioning these rights therefore did not apply during that period.

### *The rules of competition* (Articles 85 and 86 EEC Treaty)

598. The Court on 14 July delivered nine judgments<sup>1</sup> on appeals by nine dyestuffs manufacturers<sup>2</sup> against a Commission Decision of 24 July 1969<sup>3</sup> fining one of them 40 000<sup>4</sup> and the others 50 000 u.a. for acting in breach of Article 85(1) EEC by the introduction of concerted price increases in 1964, 1965 and 1967.

The Court dismissed all the appeals, with costs. Its sole concession was to reduce the fine on ACNA to 30 000 u.a., ACNA having joined in the concerted practice only once, in 1964.

What is particularly important about these judgments is that the Court for the first time gave an interpretation of the term "concerted practices" contained in Article 85(1) EEC, and a ruling as to the application of the Community's competition legislation to undertakings in third countries.

599. With regard to the first point, the appellants had argued, more or less with one voice, that for there to be a concerted practice within the meaning of Article 85, the parties concerned must effect price increases on the basis of plans which, though not necessarily of a binding nature, had been drawn up together beforehand. They asserted that each of the undertakings concerned had increased its prices independently, in the expectation that its competitors in the

<sup>1</sup> CJEC, 14 July 1971  
 (Imperial Chemical Industries Ltd. / Commission, case 48/69,  
 Badische Anilin- und Soda-Fabrik do. case 49/69,  
 Farbenfabriken Bayer AG do. case 51/69,  
 J.R. Geigy AG do. case 52/69,  
 Sandoz AG do. case 53/69,  
 Société Française des Matières  
 Colorantes SA do. case 54/69,  
 Cassella Farbwerke Mainkur AG do. case 55/69,  
 Farbwerke Hoechst AG do. case 56/69,  
 Azienda Colori Nazionali e Affini  
 (ACNA), SpA do. case 57/69).

<sup>2</sup> A tenth undertaking, CIBA SA, of Basle, did not appeal.

<sup>3</sup> OJ No. L 195/11, 7 August 1969.

<sup>4</sup> ACNA.

same position would act in the same way. What had occurred was thus a case of deliberate parallelism, which was not forbidden.

The Commission in the reasoning of its Decision had claimed it was not credible that the principal producers supplying the Common Market could without the most careful prior concentration have several times raised by the same percentages the prices of the same major range of products, at practically the same time, in several different countries in which different conditions obtained in the dyestuffs market.

In court, the Commission had submitted that concertation need not involve the devising of a joint plan to engage in concerted market behaviour: all it need involve was undertakings' keeping one another informed of the attitude they intended to take, so that each could plan its own course of action in reliance on its competitors' acting in parallel.

The Court in the main upheld the Commission's contention. Parallelism, it found, while not *per se* to be equated with concerted practices, was strongly suggestive of these when it led to competitive conditions not tallying with the normal market conditions given the nature of the products, the importance and number of the undertakings and the size of the market in question. It further found that the dyestuffs market in the Community in effect comprised five separate national markets, with different price levels not explicable in terms of the different costs and charges borne by the producers there. Expert witnesses who had testified on this point had given it as their opinion that this compartmentation was due to the need to provide consumers with on-the-spot technical assistance and ensure prompt delivery: the Court considered that it was calculated, by splitting up the operation of competition, to confine consumers to their respective national markets and prevent any general confrontation of procedures throughout the Common Market.

The Court found the undertakings' practice of consecutive price increases to be indicative of progressive cooperation between them.

It was hard to credit that the increases made in January 1964 first in the Italian and then in the Dutch and Belgian/Luxembourg markets, which had little in common as regards either price level or pattern of competition, could have been effected in the space of 48 hours to three days without prior concertation.

As to the 1965 and 1967 increases, the Court considered the undertakings had disposed in advance, among themselves, of any uncertainty as to one another's future behaviour, and hence of much of the risk ordinarily attending an independent change of behaviour in one or more markets. In effect the undertakings which triggered the increases had made it known some time beforehand that they planned to mark up their prices to a specific extent.

The Court stressed that all producers were individually at liberty to alter their prices as they saw fit and to take account in so doing of the present or foreseeable behaviour of their competitors. On the other hand it was a breach of the rules of competition for a producer to cooperate in any way with his competitors in determining a coordinated course of action with respect to the raising of prices and ensuring its success by disposing in advance of all uncertainty as to how each would react on the main aspects involved, such as the amount, subject, date and place of the increases.

600. Three appellant undertakings having their head offices outside the Community had argued that the Commission could not fine them for acts committed by them outside the Community.

It had been pointed out in the original Decision that Article 85(1) prohibited as incompatible with the Common Market "all ... concerted practices... which have as their object or effect the prevention, restriction or distortion of competition within the Common Market", and that it was therefore immaterial whether the undertakings behind the restrictions of competition which had occurred had their head offices inside or outside the Community.

In the court proceedings, moreover, the Commission had pleaded that the three appellant undertakings had acted through their wholly-controlled subsidiaries the head offices of which were in the Community.

On this head the Court found, firstly, that the price increases in the Common Market affected competition among producers operating there, and secondly, that the appellants' determination of prices and other conditions of sale had been binding on their Community subsidiaries. Its conclusion was therefore: "this being so, the fact that these companies are formally separate, in consequence of their distinct legal personality, cannot be taken as disproving the contention that, for the purpose of the application of the rules of competition, their market behaviour is of one piece."

The Court thus ruled that the three appellant undertakings had indeed carried on concerted practices within the Common Market: accordingly, it expressed no view as to whether the rules of competition still applied to undertakings having their head offices situate in third countries if they had brought about certain effects inside the Common Market by means of restrictions of competition perpetrated outside it.

On this point it should be noted that the Court, in an earlier judgment of 25 November 1971,<sup>1</sup> found that what made an agreement unlawful for the

<sup>1</sup> CJEC, 25 November 1971 (Béguelin Import co./SACL Import-Export and Marbach, case 22/71), *Rec.* 1971, p. 949; cf. *Fifth General Report*, sec. 617.

purposes of Article 85 was that it was capable of affecting trade between Member States and had as its object or effect interference with the operation of competition within the Common Market: "the fact of one of the parties' being situated in a third country is no bar to the application of this provision, where the agreement produces its effects in Common Market territory".<sup>1</sup>

601. Two other points of importance were dealt with by the Court in a judgment of 17 October 1972.<sup>2</sup> The case concerned an action brought by the Dutch cement dealers' cartel against the Commission, in connection with the Commission's refusal to grant it exemption under Article 85(3) EEC.

In the first place, the Court took the view that a cartel comprising a substantial number of dealers in a given market, who were supplying that market with the aid of imported products, did "affect trade between Member States": an agreement covering the whole of a member country had *ipso facto* the effect of consolidating country-by-country compartmentation, thereby impeding the economic interpenetration aimed at by the Treaty and affording protection to the home production of that country.

The second point covered by the Court in its judgment concerned the actual tenor of the agreement. In this particular case the dealers in the main operated a system of guide prices: the Court ruled that the fixing even of a guide price affected competition in that it enabled all parties to calculate with fair certainty beforehand what their competitors' pricing policy was going to be.

### *Social provisions of the EEC Treaty*

602. In addition to a number of judgments<sup>3</sup> in connection with the social security of migrant workers, the Court defined, in the field of free movement of workers within the Community, the scope of the prohibition on discrimina-

<sup>1</sup> *Loc. cit.*, *Rec.* 1971, pp. 959/960.

<sup>2</sup> CJEC, 17 October 1972 (*Vereniging van Cementhandelaren / Commission*, case 8/72).

<sup>3</sup> (a) With reference to the right to affiliate to the French voluntary old-age insurance scheme: CJEC, 22 March 1972 (*Merluzzi / Caisse Primaire Centrale d'Assurance Maladie de la Région Parisienne*, case 80/71), *Rec.* 1972, p. 175;

(b) With reference to the concept of "old age benefit" within the meaning of Article 2(1)(c) of Regulation No. 3:

CJEC, 22 June 1972 (*Frilli / Belgian State*, case 1/72);

(c) With reference to the concept of "period of unemployment ranking as a period of employment", requiring interpretation for the purpose of determining a migrant worker's entitlement to a disability pension:

CJEC, 6 June 1972 (*Murru / Caisse Régionale d'Assurance Maladie de Paris*, case 2/72);

(d) With reference to the applicability of Regulation No. 3 to certain benefits due under German law in respect of tuberculosis:

CJEC, 16 November 1972 (*Helmut Heinze*, cases 14 and 16/72).



tion contained in Articles 48 of the EEC Treaty and 7 of Regulation (EEC) No. 1612/68. The Court stressed that each Member State must ensure to the nationals of other Member States employed on its territory the same advantages that it grants its own nationals, and in particular the social security it accords, especially against dismissal, to specific categories of workers.<sup>1</sup>

The Court also gave two important judgments<sup>2</sup> under Article 184 EEC with respect to the principle of equal treatment for male and female Community officials. The plaintiffs had, pursuant to Article 4(3) of annex VII of the Staff Regulations of the European Communities, forfeited upon their marriage their entitlement to expatriation allowance—an integral part of the salary—inasmuch as their husbands, who were regarded as the head of household in each case, did not qualify for the allowance. They submitted that its withdrawal from them was illegal, being contrary both to a general principle of law prohibiting all discrimination on grounds of sex alone, and to Article 119 EEC, which contained the principle of equal pay for men and women. The Court<sup>3</sup> ruled that “by making continued payment of the allowance conditional on acquisition of the status of head of household ... the Staff Regulations instituted an arbitrary difference of treatment between officials.”

### *Conjunctural policy*

603. Decisions on adjustments to currency exchange rates being still a matter for the Member States, the Court has ruled<sup>4</sup> that the Community is not answerable for any disparity which such adjustments may produce between the position of exporters and importers in the State concerned and that of their opposite numbers in the other Member States.

True, the Court held that, Member States are required by Article 103 EEC to treat their conjunctural policy as a matter of common concern, and the Council's powers under the Article include that of taking appropriate steps to cushion certain effects of devaluation or revaluation. But, although Article 103 of the EEC Treaty, thus empowers the Council to act, this provision is permissive, not mandatory, and leaves the Council a wide discretion which is to be exercised not in the individual interest of particular economic operators but in the general interest; the general interest may well not require that the effects of devaluation, especially on import prices, should be offset in full.

<sup>1</sup> CJEC, 13 December 1972 (Marsman / Ross Kamp, 44/72).

<sup>2</sup> CJEC, 7 June 1972 (Bertoni v. European Parliament, case 20/71); CJEC, 7 June 1972 (Bauduin / Commission, case 32/71).

<sup>3</sup> “Having regard *inter alia*”, states the judgment, “to Articles 119 and 184 EEC.”

<sup>4</sup> CJEC, 13 June 1972 (Cie d'Approvisionnement, de Transport et de Crédit and Grands Moulins de Paris / Commission, cases 9 and 11/71).

### 3. Information on the development of Community law

604. The Commission this year continued to provide information on the development of Community law, devoting particular attention to legal circles in the countries who were about to join the Communities.

It is well aware how important a sound knowledge of the development of Community law is both for balanced development in that field and for the progress of the Communities themselves. Furthermore, those subject to Community law, both undertakings and private individuals, should know their rights and the exact extent of their obligations. Finally, as the field is one which is continually developing, national members of the judiciary and officials must be able to keep in direct touch with Community law at its source. At the same time the Commission is ready to help members of universities and the publishers of legal works as their contributions to the theory of law represent an essential element in the legal life of the Communities.

605. A fairly large number of colloquia and seminars were organized by various associations, mostly of a professional or academic character, both inside and outside the Community, and attended by members of the Commission's Legal Service, to study various aspects of Community law and its application in relation to the enlarged Community—competition law in February in London and in May in Paris, agricultural law and the common agricultural policy in March in London, in April at Parma, in May at Wageningen and in September at Montpellier, company law in April at Modena, in May at Brussels and in October at Liège, and tax law in May in Paris and in November at Stuttgart.

The institutional development of the European Communities was the subject of an important colloquim at Bad Ems in April.

The legal problems arising in connection with the enlargement of the Community were studied at several meetings, in particular in January in Sussex, in February in Paris and in April at Liège.

It should also be pointed out that legal and university circles in the acceding States and other countries which used to be members of EFTA organized several meetings and lectures devoted to the study of Community law. Several British universities and institutions, as well as professional organizations, such as the Law Society, on several occasions throughout the year organized short courses on the application of Community law in the United Kingdom. Representatives of the Commission's Legal Service took an active part in this action aimed at providing information, giving numerous lectures which gave rise to useful discussion.

606. The Commission has maintained its contacts with the judiciary in various countries and with officials responsible for the application of Community law in the Member States. In November it was visited by the clerks to the judges of the Constitutional Court of the Federal Republic of Germany and by a group of pupils from the *Ecole nationale française de la magistrature*, and in July by a group of trainee officials of the German Ministry of Foreign Affairs.

The Commission received a visit in March from the national and local presidents of the Law Society and the Bar Council, and from the representatives of the British professional association of solicitors and barristers who wished to obtain information on the spot about the practical problems arising in connection with the application of Community law.

In November the Commission organized jointly with the Court a meeting in Luxembourg of the chief editors of several law reviews of the Member States and the acceding countries, who had not yet had such an opportunity to get to know each other. The discussions were devoted to the problems of providing legal information and to the development of Community law.

As in previous years, there were many visits for purposes of information to the Headquarters of the Communities by groups of Members of Parliament, officials, members of universities, and practitioners of law, in the course of which members of the Legal Service explained various aspects of the development and application of Community law. The number of visits by groups from Great Britain, Ireland and the Scandinavian countries showed a considerable increase during the period covered by this report.

The Commission has endeavoured to associate the Legal Committee of the European Parliament with this action to inform legal circles of the acceding countries. Members of that Committee took part in June in a visit by a group of Danish Members of Parliament, in November in a visit by chief editors of a number of law reviews of the Community and of the acceding countries and in December in a visit by eminent British lawyers: barristers and solicitors.

There was also a considerable increase in the number of individual visits paid to the Commission's Legal Service by eminent lawyers from all over the world. In addition to the trainees, students and research workers who have for years been engaged in work in connection with Community law, there were many legal practitioners who wished to gain a closer knowledge of the problems connected with the application of Community law.

607. The Commission's work in connection with an automatic documentation system for legal documents has continued, within the limits of the means available, particularly as regards staff. Storage of documentation has proceeded.

Experiments have been made with the registration of complete texts, particularly of basic texts (treaties), and new programmes have been prepared. The use of a question-and-answer system for the documentary field covered is being tried out. Finally, contacts have been established with a view to inter-institutional collaboration in this connection and liaison with all circles interested in an extensive system of legal information retrieval. These contacts should lead to specific proposals to the Council regarding an automated documentation system for legal documents.

TABLE 18  
Cases analysed by subject matter  
(situation at 31 December 1972)

Type of case	ECSC				EEC							Privileges and immunities	Proceedings by staff institutions	Total	
	Scrap Compensation	Transport	Competition	Other <sup>1</sup>	Customs union	Right of establishment, freedom to supply services	Tax cases	Competition	Social security and movement of workers <sup>2</sup>	Agricultural policy	Transport				Other <sup>3</sup>
New cases	169	36	55	19	56 [3]	1	27 [1]	44 [6]	48 [11]	135 [36]	3	2 [2]	3	291 [23]	895 [82]
Cases struck of	22	6 [1]	15	9	9 [1]	1	5	3 [1]	2	5 [1]	—	—	1	67 [7]	145 [11]
Cases decided	147	30	40	10	46 [4]	—	21	37 [11]	32 [8]	100 [27]	3	—	2	203 [40]	687 [90]
Cases pending	—	—	—	—	1	—	1	4	4	30	—	2	—	21	63

The figures in brackets represent the cases dealt with by the Court in 1972.  
 1 Levies, investment declarations, tax charges, miners' bonuses.  
 2 Free movement of workers.  
 3 Costs of the preliminary ruling, procedure, staff regulations.

TABLE 19  
Cases analysed by type (EEC Treaty)\*  
(situation at 31 December 1972)

Type of case	Proceedings brought under Articles										Grand total	
	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			
New cases	31	—	15	56	2	73	8	21	170	3	31	319
Cases struck off	7	—	4	4	—	8	—	—	10	—	—	25
Cases decided	20	—	10	50	1	61	8**	16	147	3	12	251
In favour of plaintiff <sup>2</sup>	17	—	1	7	—	8	—	—	—	—	—	25
Dismissed on the merits <sup>3</sup>	3	—	8	22	1	31	—	—	—	—	12	42
Rejected as inadmissible	—	—	1	21	—	22	7	—	—	3	—	32
Cases pending	4	—	1	2	1	4	—	5	13	—	19	43

\* Excluding proceedings by staff and cases concerning the interpretation of the Protocol on Privileges and Immunities (see Table 18).

\*\* Including one non-suit.

1 The number of judgments may be smaller than the number under the various headings because some cases are based on several Treaty Articles.

2 In respect of at least one of the plaintiff's main claims.

3 This also covers proceedings rejected partly as inadmissible and partly on the merits.

TABLE 20  
 Cases analysed by type (ESC and Euratom Treaties)\*  
 (situation at 31 December 1972)

Type of case	Number of proceedings brought								Total	
	By Governments		By the institutions		By individuals (undertakings)				ECSC	Euratom
	ECSC	Euratom	ECSC	Euratom	ECSC	Euratom	ECSC	Euratom	ECSC	Euratom
New cases	22	—	1	2	257	1	280	3		
Cases struck off	9	—	—	1	43	—	52	1		
Cases decided	13	—	1	1	214	1**	228	2		
In favour of plaintiff <sup>1</sup>	5	—	—	1	48	1**	53	2		
Dismissed on the merits <sup>2</sup>	7	—	—	—	117	—	124	—		
Dismissed as inadmissible	1	—	1	—	49	—	51	—		
Cases pending	—	—	—	—	1	—	1	—		

\* Excluding proceedings by staff and cases concerning the interpretation of the Protocol on Privileges and Immunities (see Table 18).  
 \*\* Terminated by order of the Court.  
 1 In respect of at least one of the plaintiff's main claims.  
 2 This also covers proceedings rejected partly as inadmissible and partly on the merits.

TABLE 21  
Decisions by national courts concerning Community law<sup>1</sup>

Subject matter <sup>2</sup>	Country	EEC Treaty											ECSC Treaty <sup>5</sup>	Total	
		Free movement of goods			Free movement of persons and right of establishment	Social security law <sup>2</sup>	Transport	Competition			Tax provisions	Other <sup>4</sup>			
		Customs duties	Quantitative restrictions	Monopolies				Agriculture	Restrictive agreements, monopolies	Dumping					Aids
	Belgium	1			1	1	10		40				3	2	58
	Germany (FR)	23	2	3	61	12	2	1	47	2		34	16	4	207
	France	5	2	1	4	3	15	1	16	1	1		3	2	54
	Italy				3	1	3		1		2	1		14	26
	Luxembourg								1						1
	Netherlands	4		1	2	1	8		34					5	55
	Total	33	4	6	71	18	38	2	139	3	3	35	27	22	401
	Previous totals	30	3	5	62	18	33	2	131	3	3	34	21	21	366
	New judgments	3	1	1	9	—	5	—	8	—	—	0	6	1	35

<sup>1</sup> Figures are for decisions published up to 1 October 1972, excluding cases which gave rise to a reference to the Court of Justice for a preliminary ruling.

<sup>2</sup> The breakdown of subject matter is according to the main aspect of the judgement. 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 Article 7, Article 169 (effects of a judgement by the Court of Justice), Article 177 (costs, examination by a national court of its obligation to lay a request for interpretation before the Court of Justice), Article 215, 220, 227, Protocol 1, 7, and association agreements with Turkey and the AAMS, relation between Community law and national law.

<sup>5</sup> Prices, financing, social security, competition, transport, obligation to pay, and forced execution.



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