



Bulletin from the EUROPEAN COMMUNITY

BELGIUM, FRANCE, GERMAN FEDERAL REPUBLIC, ITALY, LUXEMBOURG, THE NETHERLANDS

INFORMATION SERVICE • 235 SOUTHERN BUILDING, WASHINGTON, D.C. • Telephone NAional 8-5070

SECOND STAGE ADVANCES ECONOMIC AND POLITICAL UNITY

THE SECOND FOUR-YEAR STAGE (1962-1966) of the European Economic Community's 12-year transition period (1958-1970) became effective as of January 1, 1962. This was the result of a back-dated decision by the Community's Council of Ministers reached at 5:29 a.m. on Sunday, January 14, after an all-night meeting which had successfully ended 200 hours of discussion and 45 working sessions with the approval of the first practical steps toward a common agricultural policy.

Entry into the second four-year phase has been described by European officials as virtually the "point of no return" for the economic integration of the Community states. The Rome Treaty provides that the economic integration of the member states will be further intensified in the second stage, leading toward the achievement—after a third and final stage—of a single European Community economy.

A further acceleration of tariff reductions on goods moving among the six states is now possible. Internal industrial tariffs so far have been reduced 40 per cent from pre-Common Market levels. Duties on agricultural products have been reduced 30 to 35 per cent. An additional reduction of 10 per cent in internal tariffs—a speed-up not actually required by the Rome Treaty—is being contemplated. The policy-approving Council of Ministers of the member states is expected to decide this issue in March. If approved, the additional 10 per cent reduction would

apply to industrial products and may be extended to agricultural products moving among the member states.

The Common Market states are in the process of eliminating their internal tariff duties over a period of 12 to 15 years or sooner if decided by the six states. All quotas on internal trade in industrial products were abolished at the end of last year. Toward outside countries the Six are establishing a single tariff, based generally on the average of the previous external tariffs of the member states reduced by 20 per cent.

Majority Voting in Second Stage

Economic integration actually can go ahead faster in the second stage because of some significant changes in the voting procedure of the Council of Ministers. Up to now, approval of most common economic programs for the Six has required a unanimous vote on the part of the member governments in the Council, in effect giving each state power of the veto.

The second stage brings voting by "qualified majority"

" INTO STAGE TWO "

A seven-page paper on the significance of the EEC transition from the first to the second stage is available on request from the European Community Information Service, 235 Southern Building, Washington 5, D. C.

IN THIS ISSUE

page	
3	COMMON MARKET GROSS PRODUCT UP 5 PER CENT
4	FRENCH INDUSTRY AND THE COMMON MARKET
7	THE DRAGON REACTOR
8	JOINT COMMUNIQUÉ ON US-EEC TRADE TALKS
8	INTRA-EEC TRADE INCREASES 16 PER CENT
9	EEC APPROVES ANTITRUST REGULATIONS
10	CHATENET REPLACES HIRSCH
10	EURATOM'S SECOND FIVE-YEAR RESEARCH PROGRAM

increasingly into play. Under this system, states' votes will be weighted as follows: France, Germany and Italy, four votes each; Belgium and the Netherlands, two votes each; Luxembourg, one vote; total, 17 votes.

Twelve of 17 votes will be required when the Council acts on a legislative proposal from the EEC Commission. When the Council is acting on its own initiative, a favorable vote by at least four states is required to enact a program into law. The effect of this latter provision is to prevent the three large states, with four votes each, from carrying a vote when the Commission has not formulated the legislation at issue.

Now the veto-free, qualified majority voting system can be used for the states to take actions tightening economic integration. Future directives will lead to:

—*Complete freedom of establishment*: This means that Community persons or firms will be free to set up business anywhere in the Common Market without discrimination on the basis of nationality. The timetable for achieving complete freedom of establishment varies according to business or occupation.

—*Freedom to supply services anywhere within the six nations*: This includes services such as insurance, banking, financing and the liberal professions. National laws governing the supply of these services will be coordinated.

—*Common recognition among the Six of instruments of qualification such as diplomas, certificates and licenses.*

—*Elimination of remaining restrictions on the free movement of capital*: Most types of capital movement already have been freed in the Common Market.



Palais des Congrès, Brussels, where the Council of Ministers met under forced draft to establish the common agricultural policy. Between December 18 and January 14, the negotiators held 45 separate meetings, seven of them at night and one that lasted until 6:20 a.m. A total of 137½ hours was spent in Council meetings, and subgroups of experts met for an additional 214 hours. After it was all over, the Secretariat had mimeographed 582,000 pages of documents on the meetings.

HALLSTEIN WELCOMES SECOND-STAGE ACHIEVEMENT

PROFESSOR WALTER HALLSTEIN, President of the Commission of the European Economic Community, called the decision of the Community's Council of Ministers to advance to the second stage "conclusive proof of [the European Community's] ability to take political decisions of the first order."

Speaking in Brussels January 15, President Hallstein said: "The political importance of the great result achieved by the Council in these past weeks cannot be too heavily underlined." The full text of the President's statement regarding the Community's move from the first to the second stage of its three-stage transition period toward economic union follows:

EEC President Hallstein in his Brussels office



"This is a victory for the Community and for European agriculture. We are entering the second stage not only with a Community strengthened from within, but also with great new tasks and prospects before us.

"From the stage in which obstacles to trade and other distortions were being removed, the Community has taken the decisive step which brings it to the stage of a real, constructive common policy. The decision to move on to the second stage also means that the last opportunity for any one member state to delay by its veto the entire development of the Community is now past. The result will be new vigor for the further speedy development of our Community.

"These decisions have also cleared the way for the Community's great external tasks, such as the accession and association of European countries, the association of African states, partnership with the United States, development policy, and so on.

"The political importance of the great result achieved by the Council in these past weeks cannot be too heavily underlined. There are no other examples of such meetings of Europe's statesmen and officials of the highest rank lasting so long, working so intensively, and being devoted so wholeheartedly to the cause of European progress. It is a conclusive proof of the reality of our Community and of its ability to take political decisions of the first order.

"The European pact has been renewed—the road is open to a common future."

COMMON MARKET GROSS PRODUCT UP 5 PER CENT IN 1961

EEC Vice President Reports to Parliament on State of Economy

THE EUROPEAN COMMUNITY'S gross product rose by 5 per cent in 1961 over 1960, Robert Marjolin, Vice President of the Commission of the European Economic Community (Common Market), told the European Parliament in a speech in Strasbourg January 22. In making his report on "The Economic Situation in the Community and the Outlook for 1962," the Vice President said that industrial production in the Community rose by 6 per cent last year over the previous year.

In 1960 the gross national product rose by 7 per cent over 1959 and industrial production went up 13 per cent during the same period. M. Marjolin attributed the recent slowing of momentum in economic growth to the exhaustion of growth reserves, particularly the continued shortage of manpower.

Highest rate of growth for 1961 was achieved in Italy where the GNP increased by 7 per cent. Smallest increase within the six member countries came in the Netherlands with a GNP rise of 2.5 per cent. M. Marjolin reported.

Continued Growth of Industrial Output

Turning next to the outlook for 1962, M. Marjolin said that the more modest expansion of certain elements which constitute demand and the continued physical limitations on the growth of output in certain countries and certain sectors suggest that the industrial output of the Community will go on growing, though at a lower rate than in 1961. By the middle of 1962, the figure for industrial activity in the Community will probably be 1.5 to 2 per cent higher than at the end of 1961. As for the second half of the year, uncertainty as to the intentions of businessmen within the Community and developments in the American economy—where the present upturn could have a considerable impact on current economic developments in the Community—made it difficult to reach valid conclusions.

The growth of the working population, the extension of production capacity and of measures to streamline industry—developments which will make increased output possible—together with those elements encouraging greater demand, such as the upturn in the American economy and the progress of private consumption and public spending in the Community, indicate that a figure of 5 to 6 per cent for the growth of industrial production and of 4 to 5 per cent for gross Community product should be possible for the full year 1962.

Turning briefly to the prospects in the individual countries, the speaker pointed out that in France one of the major problems facing economic policy in 1962 will be to reduce the impact of price increases, which were already particularly sharp in the second half of 1961. Domestic supply in France may have greater difficulty in keeping up with the expected increase in demand, mainly because of the increasingly difficult manpower situation. It seems advisable to keep a careful watch on the way credit is developing, the Vice President said.

Economic Policy for 1962

M. Marjolin then dealt with the Community's economic policy in 1962. Two dangers are to be avoided: an excessive decline in the rate of growth of output and a steeper trend in prices. Although there are no grounds for fearing a recession in Europe, the Vice President said, he stressed the need to prepare the instruments of economic policy which could be used to prevent economic growth from slackening excessively or coming to a halt—always a possibility in a free economy. The very strong situation of the Community's external finances means that swift and effective measures could be taken in this field.

The tendency for the upward trend of prices to grow steeper is due mainly to the shortage of labor, he stated. The wider opening of the Community market to products from the rest of the world must be used as a method of counteracting this tendency. But internal equilibrium can only be achieved by a systematic policy of occupational training and a vigorous regional policy. There are no other means of insuring that production will maintain a rapid rate of growth.

In his conclusion, M. Marjolin said that this policy of full employment should go hand in hand with a sustained effort to prevent prices from rising. It hardly seems, as things stand, that a restrictive monetary and financial policy is the best way of applying this effort; a concerted policy on incomes would be much wiser, he felt. In the light of the forecasts concerning the general trend of the economy and of the way other types of income are developing, governments, employers and workers ought to reach an agreement on what wage increases are possible.



The steel industry (this plant is in Luxembourg) represents a major factor in the Community's industrial growth.

FRENCH INDUSTRY AND THE COMMON MARKET

A Study in Rapid Development

THE DEVELOPMENT OF THE FRENCH ECONOMY, and in particular its performance in the Common Market, have received much less attention in the English-speaking countries than the German "economic miracle." Yet the story of massive French economic expansion since 1950, and of how, under the Fifth Republic, the shaky financial situation of France was restored to health is one of the spectacular chapters of this century's economic history.

The once highly protected French economy has not only adapted to the new conditions, but it has actually thrived on them, taking a lion's share of the new export markets developing inside the Community. The rapid course of French industrial development since 1950 has been clear from the statistics; it has also been apparent to people who have been in close contact with France during the last decade and who have watched the factories springing up and living standards noticeably rising.

But the influence of the Common Market, as distinct from the expansionary forces which—in company with almost continuous inflation and successive devaluations of the franc—had already been at work on the French economy since 1950, has remained without a satisfactory analysis.

Now, under the direction of Pierre Drouin of *Le Monde*, three well-known French economic journalists, Paul Fabra, Gilbert Mathieu and Alain Murcier, have produced a detailed yet succinct study entitled *L'Industrie française et le Marché Commun*.¹ It first assesses the influence of the Common Market on the development of the French economy, then takes a detailed look at the performance and reactions of individual industries, and concludes by examining the revolution which has taken place in the French industrialists' outlook.

At First—Gloom and Pessimism

The Common Market served to stimulate the French economy, the authors say. "The building of the Six incontestably aided the French Government to launch its courageous program of rehabilitation." The study quotes Jacques Duhamel, director of the Comité National du Commerce Extérieur, as saying at the beginning of 1961, "Only the deadline fixed by the Rome Treaty enabled the taboo of devaluation to be overcome."

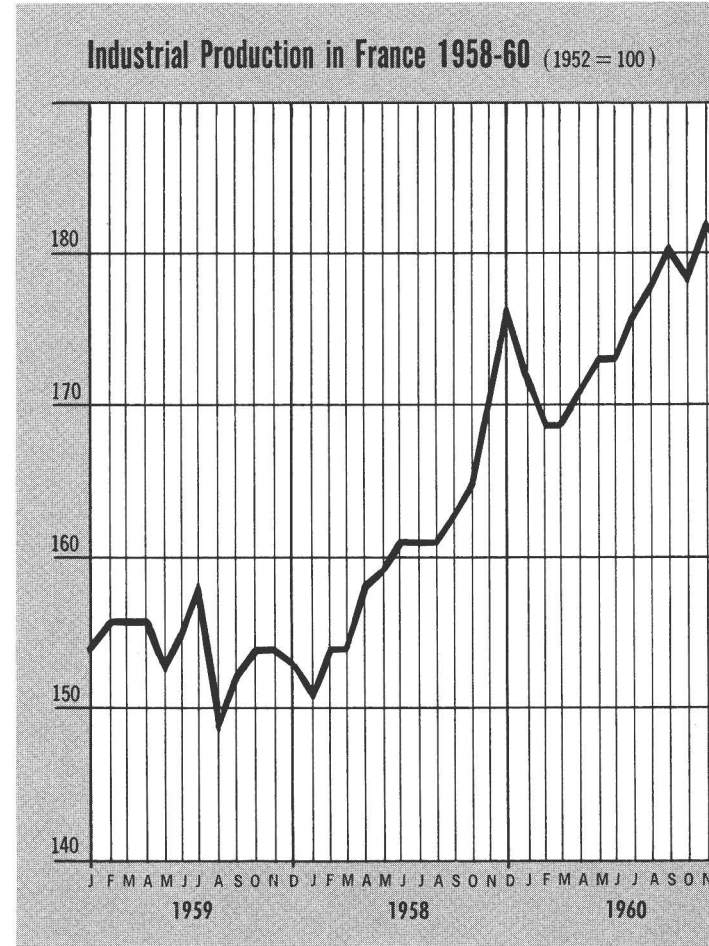
Before the Treaty came into force, gloomy predictions were made on all sides. Pierre Mendès-France believed the minimum period needed to restore the French payments situation to health before exposing France to the Common Market was three years. By June 1958 the balance-of-payments deficit for the year had reached no less than 229 billion francs; the reserves were practically exhausted (19 million dollars in the Exchange Stabilization Fund and 185 million remaining on the credits granted by the International Monetary Fund and the European Payments Union).

An improvement started after the change of regime in May 1958, but "strong medicine," as the authors call it,

was needed to enable France to restore herself to the level of her Common Market partners and to carry out the obligations of the Rome Treaty. It was provided in the now-famous Pinay-Rueff Plan. Almost at a stroke of the pen, the protective measures which had characterized the French economy for centuries were largely swept away. The franc was devalued by 17.5 per cent and became convertible for non-residents, quota restrictions on imports were drastically reduced, and France made the first tariff and quota adjustments required by the Common Market Treaty at the scheduled time.

What actually happened? The authors present a picture of the French economy as it developed through 1959 and 1960 and analyze the reasons for the new wave of expansion which developed.

In 1958 French industrial production had risen by only 4 per cent—a disappointing performance compared with the preceding years. For three months after the Pinay-Rueff measures had been applied, production was stagnant, as might have been expected after such drastic financial surgery. From then on, however, industrial production expanded rapidly, pausing only for a four-month period at the beginning of 1960. For 1959, it was 7 per cent above the 1958 level, and in 1960 a further advance of 8.5 per cent was registered.



¹ An English translation, *French Industry and the Common Market*, has been scheduled for early 1962. A companion study, *L'Agriculture Française et le Marché Commun*, produced by the Centre de Recherches et d'Etudes Agricoles, is available in French.

Mainsprings of Expansion

This impressive expansion was successfully stimulated by three main factors: exports, investments and consumption. Between the last quarter of 1958 and the first quarter of 1960, French exports—after correction for the return of the Saar to Germany—expanded by no less than 38 per cent. The main reasons for such expansion, the report says, were the devaluation of the franc in December 1958 and the psychological atmosphere produced by the start of the Common Market.

Investment, the stagnation of which had held back the entire economy in the spring of 1959, provided a powerful stimulus later in the year. Spurred by government measures allowing faster depreciation on investments effected before December 31, 1959, capital expenditure rose sharply, with the machine-tool industry playing a dominant role. Expansion continued, and in 1960 private investment was about 8 per cent higher than in 1959.

In their analysis of the expansion of investment, the authors say that the “prospects of the Common Market effectively contributed to maintaining the curve of private investment at a respectable rate” despite the existence of important influences—the war in Algeria and the ending of inflation—working in the opposite direction. “The spur of the European Economic Community fortunately replaced the unhealthy stimulant of inflation.”

Toward the middle of 1960, as automobile sales to the U. S. slumped, domestic consumption took over the role of exports in leading the boom. A fairly rapid rise in wages in the second half of the year was instrumental in sustaining demand, which was also helped early in 1961 by an increase in family allowances and old-age pensions.

Growth Without Inflation

Even more remarkable than the rate of industrial expansion, the authors say, was the fact that, for the first time since the liberation in 1944, growth was achieved without inflation. The Common Market did much to avoid the rapid rise in wages and prices which had annulled the effects of previous devaluations: “This ‘Damocles sword’ of competition opened up by the Treaty of Rome played a far from negligible role in reinforcing the prudent behavior of those responsible for the French economy and of industrialists.”

In 1959, subsequent to a devaluation of 17.5 per cent, wholesale prices rose 6.9 per cent and retail prices 6 per cent; in 1960 prices were stable, with only a slight upward trend, chiefly for services (rents, transport, medical care), while food prices remained practically unchanged.

Wages in 1959 rose by between 7 and 8 per cent—about equal to the rise in living costs. In 1960, however, while wages again rose by between 7 and 8 per cent, the cost of living rose by only slightly over 3 per cent. This meant a virtually unprecedented rise in real wages of 4.5 per cent—and at a time when France was more than paying her way in her overseas accounts.

Purchasing Power of Paris Workers

Percentage Increase at Jan. 1, 1961	Over Jan. 1, 1960	Over Jan. 1, 1959	Over July 1, 1958
Single men	8	11	6
Married men with 2 children	6	8	4

The study provides an interesting sidelight on comparative wage costs in Western Europe. It quotes a study of the French National Institute of Statistics which shows that, despite higher social charges on industry (50 per cent of the wage in France against 44 per cent in Germany, 31 per cent in Belgium, 30 per cent in the Netherlands and 14 per cent in Britain), the *total* average cost of an hour of work in French industry in April 1959, 351 old francs, was lower than in Belgium (the equivalent of 362 old francs), Germany (384) and Britain (380); it was higher than in Italy (299) and the Netherlands (281).

The Boom in Foreign Trade

The most striking achievement of the French economy in 1959 and 1960 was doubtless its performance in foreign trade. In those two years France's foreign trade was in balance, compared with a deficit of 361 billion old francs in 1958, and it was in balance at a very high level. Exports rose by 26.5 per cent in 1959 and a further 25 per cent in 1960.

“This boom in exports was due to a variety of reasons, but undoubtedly the two most important were devaluation and the opening of the Common Market, which stimulated the efforts of French producers. It was in fact in exports to the Six that the greatest progress was made, and future prospects are best in that direction.” Exports to the rest of the Common Market in 1960 rose to 42.6 per cent of total French exports, from 35.4 per cent in 1958.

In the same period the value of French exports to the rest of the Common Market rose 79 per cent—from 561 billion old francs in 1958 to 1009 trillion in 1960.

This astonishing reversal of previous trends, together with the restoration of confidence in the franc under the new regime, brought French reserves, which had stood practically at zero in June 1958 to \$2.143 billion by February 1, 1961.

“A Formidable Adventure”

For industrialists the most interesting part of the study is likely to be the analysis of the way in which different industries adjusted to the Common Market. The engineering industry, for example, (excluding automobiles, aircraft and shipbuilding, which are treated separately) regarded the Common Market as “a formidable adventure in which nothing less is at stake than the maintenance of an independent, strong industry on French soil.” (Fédération des Industries Mécaniques, July 1957). The Federation was full of pessimism: the industry's prices were 25 to 30 per cent higher than those of its main competitors in Germany; it complained that wage costs, exchange rates and credit conditions were against it, that it could only export at a loss, and that its techniques were not competitive.

The year 1959 was a time of stagnation and in some sectors retreat. In general, however, production levels were maintained, and by the third quarter there were signs of recovery, particularly in exports. In 1960 came expansion—though industrial production remained below the French average—and a sharp rise in exports.

The latter rose by 35 per cent in 1959 and a further 47.5 per cent in 1960 to reach 2.6 billion new francs. Spectacular results were achieved in machine tools (up 47 per cent), refrigerating equipment (up 129 per cent), ball bearings (up 109 per cent) and lifting equipment (up 79 per cent).

Of total exports, 50 per cent went to Europe, mainly the Common Market; Germany, on whom French fears of competition had earlier centered, was the main customer.

Six Areas of Action

These extraordinary results were achieved, according to the authors, by stepping up export efforts, by action on price levels, by high French technical ability and quality in many fields, and by the inability of the German industry to meet all the demands made on it. The report makes it clear that the engineering industry went about its gigantic task of adaptation with that method, logic and determination characteristic of the French once they have been galvanized into action by necessity. In particular, it stresses the following six points—

Information—The Fédération des Industries Mécaniques set up a bi-monthly service called *Questions Européennes* to keep the industry informed of all developments in European matters and of possibilities of adaptation to the new conditions. At the end of 1960 a questionnaire was sent to firms on problems posed by the Common Market.

Publicity—greatly stepped up. In particular, collective publicity was adopted, laying stress on French successes, e.g. French lenses in Leica cameras.

Collective sales efforts—particularly at specialized trade fares, from which the French had often been absent previously. A notable example, the Hanover Fair, attracted 85 French exhibitors or groups of exhibitors in 1961, compared with 38 in 1959.

Internal reorganization—Programs were put forward involving specialization, mergers, decentralization, capital increases, collective technical research.

Investments—The industry's action on investments reinforced government measures such as lower credit rates, faster depreciation, etc. It involved a study of collective financing methods, which resulted in the so-called GEMECA loans by the Groupement des Industries Mécaniques starting in 1959, and the establishment in 1961 of TEFICA (Société Technique et Financière pour l'Industrie Mécanique) comprising industrialists and bankers, who are available for consultation and the provision of plans, with the possibility also of financing.

Technical Research—Technical research centers were set up in all branches of the industry where they did not previously exist, and a central coordinating technical body was created for documentation, training, collective research, etc.

On the Community and international plane, new contacts were made and new bodies set up, such as ORGALIME (Organisme de Liaison des Industries Mécaniques Européennes—13 countries) and COLIME (Comité de Liaison des Industries Mécaniques, Métalliques et Electriques—the six Community countries). Forty "primary committees" now exist in particular sectors, compared with 10 before the start of the Common Market; they exchange information and techniques, study standardization, etc.

In the field of agreements and mergers between firms, contacts between French firms have become closer, but there have been few mergers. Thirty important operations had been carried out by mid-1960. Nor, on the European level, were agreements particularly numerous: they involved mergers, technical cooperation, distribution, participation in capital and the establishment of new companies. In the

last nine months of 1960, 20 agreements were signed between the French engineering industry and its Common Market partners, mainly in Germany, covering primarily licensing and technical cooperation. During the same period, 50 agreements were noted with the United States, mainly on investments and acquisition of a financial interest in firms. All these trends are likely to be intensified, the study says, though they will be limited by the antitrust regulations of the Common Market.

The French engineering industry today takes a very different view of the future. It sees the opening of frontiers within the Common Market as "the main—though not the only—factor making for continued expansion (estimated at 7 per cent for 1961) in this sector." The Federation itself said in February 1961: "The positive factors—dynamism, export-mindedness, technical effort and adaptation of structures—appear dominant." The study reflects the remarkable change of attitude and makes it clear that the change is evident in pretty much the same degree in the other branches of French industry which it examined.

How Changed Is the Patronat

In July 1956, the Conseil National du Patronat Français (an organization comparable to the National Association of Manufacturers in the U.S.) demanded the abandonment of a fixed timetable for the Common Market, the correction of disparities in social and fiscal charges, and steps to avoid chaos on application of the common external tariff and as a result of "artificial activities" stimulated by the European Investment Bank. It also required measures of monetary and political unification. These impossible conditions were "a polite way of rejecting the Common Market," the authors say.

This same Patronat now bases its organization on a common market. Its European Affairs Committee is one of its most important bodies, and the Patronat participates fully in UNICE (Union des Industries de la Communauté Economique Européenne). "The French Patronat has emerged from its isolation and has lost its inferiority complex," the study says.

The authors conclude that the influence of the Common Market on the attitude of French industrialists has been decisive. In the first place, they have, through the Common Market, become export-minded. They have realized not only that exports are necessary but also that they are possible. Market studies and a new spate of trips abroad showed French industry that its market prospects were in fact good.

Secondly, French industrialists lost their fear of signing agreements with foreign organizations. Indeed, they are now actively seeking contacts.

This industrial osmosis throughout the Community, which has been greatly facilitated by the Common Market, has also affected French public opinion, the authors note. There is no longer prejudice against larger firms: it is recognized that they pay better wages, though there is still worry about "domination of the market." Nor is there any longer a fear of U.S. investment, which previously had been regarded as a form of colonization. On the contrary, the French public is now more concerned that France is not getting its fair share of U.S. investment funds, which in 1960 tended to be directed more toward Germany than the other Common Market countries.

THE DRAGON REACTOR

Possible Prelude to British Membership

DEEP IN THE BRITISH COUNTRYSIDE OF DORSET, at Winfrith, a large new atomic research center is springing up. Seven research reactors, with a wide range of research activities, are in operation. Not only is Winfrith one of Britain's largest research centers, it is also a cooperative effort by Euratom and Britain which may be the prelude to a closer relationship, if the British negotiations with the Common Market are successful.

Dominating the center is the reactor known as the "Dragon," in its 81-ft.-tall building, now two thirds complete. Euratom and Britain, along with other European countries, are cooperating in the development of the Dragon, with the hope that it will be one of the reactor types which will be able to produce electricity competitively by the end of the 1960s.

A high-temperature, gas-cooled reactor, Dragon was developed by a team of British scientists who started work on it in 1956. In March 1958 the British proposed that the OEEC countries join forces to study this type of reactor. A five-year agreement was signed, starting April 1, 1959, under which atomic research authorities of the OEEC signatories would be the proprietors of the results of the research, in return for their financial outlay and the seconding of personnel. The project is being run by a 14-member board of management (three of whom represent Euratom) and a seven-member General Purposes Committee to assure technical supervision.

Most Important Research

Dragon is the most important item of research cooperation which the Community is pursuing with other European countries. Altogether the project will cost \$28 million, of which Euratom's share, paid on behalf of its member countries, is 43 per cent. Thirty-nine research workers from Euratom countries (27 of them employed by Euratom) are working with colleagues from Britain and other OEEC countries.

The Dragon staff is working to overcome the technical obstacles to building and operating an advanced version of the gas-cooled type of reactor (Calder Hall) developed in the UK. Scheduled to start operating in early 1963, Dragon will provide information on the design problems of a full-size power reactor and demonstrate an approximation of the cost of the electricity which will be produced. Unlike its Calder Hall-type predecessors, Dragon will be relatively small and will operate at a much higher temperature, using enriched uranium (U-235), mixed with thorium. Thorium, which is cheap and plentiful and can be converted by irradiation into the fissile material uranium 233, will be used to supplement the expensive U-235 and should markedly reduce fuel costs.

If the Dragon project succeeds, it will mean lower capital costs through economies of size, lower fuel costs through the use of thorium, and a higher fuel efficiency.

Dragon Project scientists from Britain, France and Norway are here testing a control-rod drive mechanism. The international staff working on this program is drawn from 12 different countries.

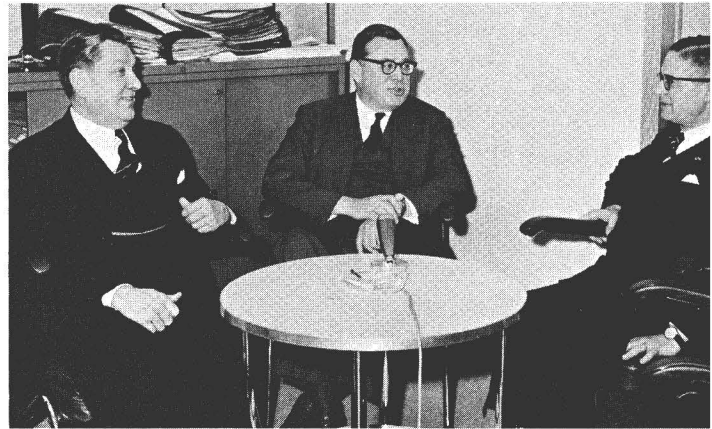


JOINT COMMUNIQUÉ Issued on Conclusion of U.S.-EEC Tariff Talks in Brussels

Following the successful conclusion of the tariff negotiations between representatives of the United States Government and of the Commission of the European Economic Community, a joint communiqué was issued from Brussels. Complete text of the communiqué follows:

"A meeting was held at Brussels on January 12, 13, 15 and 16 between an American delegation, led by Howard C. Peterson, special delegate of President Kennedy, assisted by Charles Murphy, Under Secretary of Agriculture, and by Herman Walker, deputy leader of the American delegation at Geneva, in the presence of Ambassador W. Walton Butterworth, U.S. Representative to the European Communities, and a delegation of the European Economic Community, headed by Jean Rey, member of the Commission, assisted by Theodorus Hijzen, head of the Community's delegation in Geneva, and by officials of the Commission.

"At this meeting, the current negotiations were brought to an end and agreement was reached on the outstanding points, which means that the talks between the United States and the European Economic Community concerning the renegotiation of the customs tariff of the EEC (Article XXIV(6) of the General Agreement) and the reciprocal



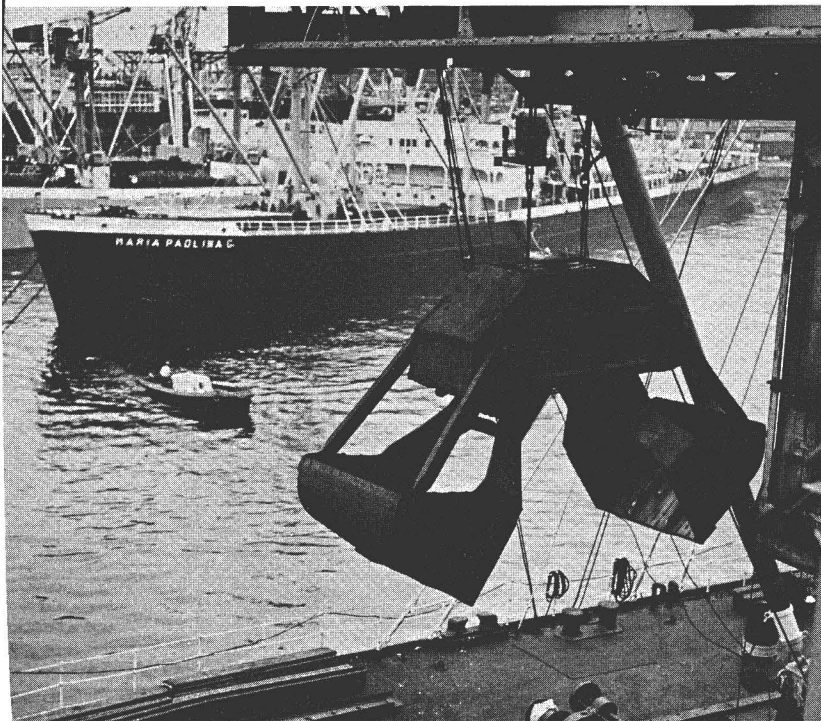
US-EEC trade agreement was initialed January 16 in Brussels by Howard C. Peterson (center), President Kennedy's special delegate, and Jean Rey (right), EEC Commissioner particularly responsible for external relations. Ambassador W. Walton Butterworth, US Representative, sits at left.

cut in customs tariffs (Dillon negotiations) are now concluded. The relevant documents will be signed as usual in Geneva in the course of the next few days in the context of the multilateral negotiations."

INTRA-EEC TRADE INCREASES 16 PER CENT

THE VALUE OF TRADE between the six countries of the European Common Market rose to \$8.6 billion during the first nine months of last year, an increase of 16 per cent over the corresponding period for 1960. At the same time imports and exports between the Community and the rest of the world balanced at \$15 billion, a 5 per cent increase in each case. Common Market imports from the United Kingdom, however, went up 13 per cent.

Shipyard in Savona, Italy, serves the European Community and the world.



The Statistical Office of the European Communities, in its Bulletin No. 11 for 1961, reported that the main factors in the increased intra-Community trade were sales by Germany (up 23 per cent), France (up 21 per cent) and Italy (up 18 per cent) and purchases by the Netherlands (up 24 per cent) and Italy (up 19 per cent). The monthly trade figures within the EEC revealed an upward trend, fairly steadily maintained since the beginning of 1961, almost parallel to that recorded for the same period of 1960.

Common Market exports to the United States in the first nine months of 1961 dropped 6 per cent below what they had been in the same period in 1960.

Community countries enjoying the greatest increases in exports to non-member countries were the German Federal Republic (up 10 per cent) and Italy (up 9 per cent). Benelux exports declined 3 per cent. Exports of capital goods expanded by 16 per cent, as compared with an increase of 4 per cent for other manufactured products.

The increase in imports in 1961 over 1960 is attributed almost entirely to increased purchases of manufactured goods (up 15 per cent) and especially capital goods (up 30 per cent). Imports of foodstuffs and raw materials rose only 1 per cent.

Imports into the Community from the associated countries (most of them in Africa) went up by 8 per cent, reaching a value of \$1.3 billion, while exports fell by 8 per cent.

An appreciable deficit in the Community's trade balance which developed during the first half of 1961 was entirely offset in the third quarter by an export surplus of more than \$3 billion.

COMMON MARKET APPROVES ANTITRUST REGULATIONS

THE COMMISSION OF THE European Economic Community on December 19 approved antitrust regulations to be applied uniformly throughout the six member countries of the Community. The Commission's vote was unanimous.

The regulations cover registration by cartels, publication of information, and the authority for the Community to enforce its directives through fines and other penalties. Although according to the Treaty the proposals could have been adopted by majority vote, Common Market officials stress the importance of unanimity to insure wholehearted cooperation on the part of the member governments. They point out that this action marks "the beginning of the transition from a customs union to a genuine economic union."

The proposals have been under study since the fall of 1960 when the first draft was submitted to the Council by Commissioner Hans von der Groeben. Various amendments have been added by both the Economic and Social Committee and the European Parliament.

The antitrust policy covers the following main points.

1. It confers on the Commission all the powers required to insure observance of the Treaty provisions concerning agreements incompatible with the Common Market and the prohibition of the misuse of a dominant economic position. Firms will be obliged to provide any information needed. The Commission can, in certain circumstances in addition to individual cases, inquire into certain economic sectors in order to ascertain whether there are violations of the Treaty's rules on competition. Firms infringing the Treaty provisions can be ordered to pay fines, and penalties may be used to put a stop to infringements. Firms can obtain a confirmation from the Commission that the latter sees no reason to take action under Article 85(1) or Article 86 (negative test). In this way they can make certain that no sanctions will be applied against them.

2. The regulation gives exclusive competence to the Commission to make a statement under Article 85(3). This will insure uniform application of this provision, which is of particular importance to trade and industry. However, this privilege can only be claimed if the agreement, decision or practice has been registered. But, for the time being, a simpler procedure has been laid down for a category of agreements, decisions and practices showing particular criteria by which they seem to have a less impairing effect on trade among member states (e.g., purely domestic cartels which do not affect international trade). In these cases a voluntary application may be made under Article 85(3), but there is no compulsory registration.

3. A group of provisions important for competition policy deals with those agreements, decisions and concerted practices (known as "old cartels") which already exist and which fall under the prohibition of Article 85 (1). These must be registered by August 1, 1962. A temporary exception has, however, been made in favor of the type of agreements referred to in Paragraph 2 above.

4. The question of retroactivity has been uniformly settled in the draft for old and new cartels. It says that a decision taken by the Commission under Article 85(3) shall take effect from the date stated in it. This date cannot be earlier than that of registrations. The Commission's

decision can take retroactive effect only for the agreements referred to in Paragraph 2 above.

5. Where old cartels do not meet the requirements of Article 85(3) and where they thereupon cease their activities or so adapt them as to make a declaration under Article 85(3) possible, the Commission can determine the period for which the prohibition under Article 85(1) shall be applicable. This is conditional upon such old cartels having registered within a certain period (in principle by July 1, 1962, and by February 1, 1964, in the case of those agreements referred to in Paragraph 2 above).

6. The regulation's provisions on publication insure that the Commission's decision will be made public. Moreover, the publication of application under Article 85(3) and of applications for a "negative test" give all concerned an opportunity to make their views known.

7. The regulation does not deal with "sector exemptions." This issue still requires detailed consideration. The right to refuse information has also been set aside for later settlement.

8. All proceedings are to be carried out in close and constant contact with the competent authorities of the member states through a consultative committee composed of representatives from each member state. This committee will be heard before the Commission takes any decision.

Rochereau Replaces Lemaigen on EEC Commission



Henri Rochereau has assumed his new duties as a member of the Commission of the European Economic Community, succeeding Robert Lemaigen.

Born in Chantonnay (Vendée) in 1908, M. Rochereau, who holds a doctorate in law, became Senator for la Vendée in 1946 and was reelected in 1948, 1952, 1958 and 1959. He had served the French Government in a variety of posts including that of Chairman of the Economic Affairs Committee of the Council of the Republic (1955-58) and, in the spring of 1959, Chairman of the Senate Committee for Economic Affairs and Planning. In May 1958 he was a delegate to the European Parliament, and from May 1959 to August 1961 M. Rochereau was France's Minister of Agriculture. His appointment to the ECC Commission dates from January 10, 1962.

Under Article 158 of the Treaty of Rome, members of the Commission are appointed for a period of four years by the governments of the six member states acting in agreement. M. Lemaigen, who was born in Blois in 1893, is retiring from public service after having been a member of the Common Market Commission since January 1958.

CHATENET REPLACES HIRSCH AS PRESIDENT OF EURATOM

PIERRE CHATENET became the third President of the Commission of the European Atomic Energy Community (Euratom) at a ceremony in Brussels on January 10. He succeeds Etienne Hirsch, who had been President of the six-nation Community institution since February 2, 1959.

M. Chatenet, who is 44 years old, was formerly Secretary of State in the cabinet of French Premier Michel Debré and Minister of the Interior between May 1959 and May 1961. The first President of Euratom, Louis Armand, who headed the Commission at the time of its establishment in January 1958 was also a Frenchman.

Rusk and Hirsch Exchange Cables

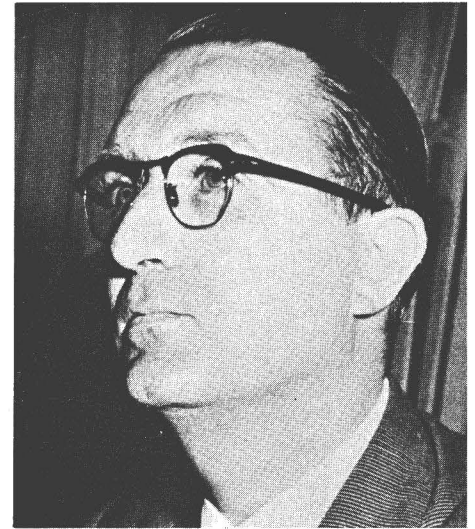
Secretary of State Dean Rusk sent the following cable to President Hirsch through the Chief of the U. S. Mission to the European Community, Ambassador W. Walton Butterworth:

"Before you pass on the responsibilities you have discharged with distinction over the past three years, I wish you to know how much your firm and wise leadership of Eratom has been appreciated on this side of the Atlantic.

"United States-Euratom relations have known periods of frustration, and it is in large measure due to your statesmanship that we now have a meaningful joint program and broadening cooperation in important fields of research. I am pleased that the expanded new agreement for cooperation now being negotiated has taken shape during your term of office. As you leave Euratom, you have the satisfaction of knowing that your efforts have brought nearer a goal we share—true Atlantic partnership between the United States and a united Europe. I assure you that we in the United States will continue to work toward this goal.

"Chairman Seaborg joins with me in these thoughts and in wishing you success and good health in your future endeavors."

On relinquishing his duties in Brussels, President Hirsch



Pierre Chatenet

sent the following cable to Secretary Rusk:

"I deeply appreciate the very thoughtful message you sent me on January 8 on the occasion of my leaving my function as President of Euratom.

"During these years, in spite of all difficulties, we have worked together on both sides of the Atlantic toward the same goals, and I would like to thank you, Mr. Secretary, as well as Chairman Seaborg for your understanding of our problems and your contribution to their solution. Solid foundations have thus been laid for the development of our relationship on a realistic basis, and it is my firm conviction that Euratom has now reached a stage where it will increasingly contribute to the success of both our joint program and our broadening cooperation. I am quite confident that during the term of office of my successor Euratom will continue to strengthen its contribution to the construction of a united Europe and to the development of a true partnership with the United States."

EURATOM'S SECOND FIVE-YEAR RESEARCH PROGRAM

THE PREPARATION OF EURATOM'S second five-year research program for the period 1963-67 is now well under way. The Commission of the European Atomic Energy Community estimates that \$480 million will be required for the execution of this program, as against \$215 million for the first five-year period, 1958-62.

The program has already been put before the Scientific and Technical Committee, which at its meeting on January 9 approved the broad outline and will study it further during a meeting scheduled for March. It will also be considered by the Consultative Committee for Research, the organization set up early in 1961 by the Euratom Council of Ministers to bring together those responsible for research in member countries and members of the Euratom Commission and research staff. This Committee met January 23 and 24 under the chairmanship of the President of the Euratom Commission, Pierre Chatenet. The program will subsequently be put before the Council of Ministers.

During the first research period, the Commission was charged with research in three main directions: the industrial exploitation of atomic power, the study of thermonuclear reactions, and the study of radioisotopes, including their uses in biology. So far, four Euratom research centers are being established, and 250 research contracts or other agreements have been concluded.

Research under the second five-year program will continue along the lines on which work has been started, but a considerably higher rate of expenditure is proposed for certain specific items: for instance, \$60 million for fast reactors (against \$6 million for the 1958-62 period) and \$30 million (compared to \$3.5 million for 1958-62) in the field of biology. Among the items envisaged under the fast-reactor program are an association between Euratom and the French C.E.A. for the construction and operation of the Rapsodie project experimental fast reactor and a fast neutron critical assembly.

Investment Bank Aids Sicily

The European Community's Investment Bank is lending two million dollars for the construction of two factories in Sicily to spur the economy and provide jobs in this developing area of the Common Market.

A total of \$1.6 million will go for the extraction of potash and production of fertilizers in a depressed area of Sicily where sulphur and rock salt mining have hitherto been the only employment sources. The new extraction and plant operations will employ 270 new workers. The remaining \$400,000 will go into the construction of a candy plant to be located in a part of Sicily where there has never been an industry. The plant will eventually employ 55 local workers.

The loans have been made through the Italian Government's Cassa per il Mezzogiorno (Fund for the South) which was originally created with Marshall Plan counterpart funds to stimulate economic growth in Southern Italy.

Euratom Committee Officers

The Euratom Scientific and Technical Committee elected Robert Gibrat of France Chairman of the 20-member group for 1962 at a meeting held January 9 in Brussels. M. Gibrat is Director General of Indatom.

Other officers elected at the committee's first meeting of the year were Marcel de Merre of Belgium, Managing Director of the Société Générale Métallurgique de Hoboken, and Professor Giordano Giacomello of Italy, Director of the Nuclear Chemistry Center of the Italian Atomic Energy Commission (CNEN), who became Vice Chairmen.

Easing Capital Movements in the Community

The Common Market Commission has urged the six member governments to make it easier for companies from other member states to issue shares on their capital markets. The recommendation was part of a series of moves suggested by the Common Market's executive body to ease movements of capital between the six countries. It was made after the first annual examination, by the Community's Monetary Committee, of the way in which the Community's first directive on the free movement of capital was working. Under this directive, which came into force in 1960, restrictions on certain categories of capital movement were removed. The categories included direct investment, fixed investment, commercial credits and transactions in stocks and shares.

Readaptation for French Mines

Readaptation aid is to be given by the High Authority to more than 500 workers in two French iron-ore mines. One of the mines, the Chaze-Henry (Maine et Loire) is to stop production by the end of 1963 as a result of increased competition both from other Community mines and from Swedish and overseas sources. Without the intervention of the High Authority, the closure would be taking place at the end of this year; but as a result of its action some of the mine's customers have been persuaded to continue their

orders to prevent an abrupt halt in production. A total of 184 workers who will be laid off will benefit from the aid program. The High Authority's share will be approximately \$129,000. The other mine, at May-sur-Orne (Calvados) is being forced to shut five of its present 13 working sites and to lay off 330 workers. They also will benefit from readaptation aid to which the High Authority will contribute some \$96,000.

Association of Surinam

Agreement on the procedure for the association of Surinam with the Community was reached by the Council of Ministers at its October meeting in Brussels. The Council decided that the quickest way would be for the Netherlands to make an addition to its Instrument of Ratification to the Rome Treaty. This will affirm the extension to Surinam of the Convention relating to the Community's overseas association. The same procedure will be followed for the Dutch West Indies, once the Council has resolved outstanding problems on the details of the association, notably that of Venezuelan oil refined on Dutch West Indies territory.

ECSC Research Policy

The Community must spend increasing sums on research if it is to keep up with its competitors, writes Heinz Potthoff, Member of the ECSC High Authority, in the *Bulletin de la CECA*. In some cases, entirely new methods of mining may be necessary.

Article 55 of the ECSC Treaty charges the High Authority to encourage technical and economic research through three types of action—financial aid, coordination, and suggestions for new projects. The program covers pure research as well as applied research.

To date, some \$32 million has been set aside from the High Authority's budget, of which over \$12 million is being spent on 16 major research projects for the steel industry. A further \$7.6 million is being used on 12 projects bearing on the improvement of the mining and sale of coal; \$4.8 million has been spent on two experimental housing programs, and \$7 million on medical research. Financial help has also been given to make available technical data from Soviet bloc publications.

Jurists Propose Legal Unity

Some 35 jurists met in Marienberg, Germany, from November 5 to 12 to study the development of a European Community system of law. In particular, they examined the Community's effect on existing law and means of achieving legal unity in a federal state.

One of the working parties dealing with the subject "Functionalism and Federalism" recommended that the powers of the European Community institutions be steadily widened by the merging of the three Community executives and by the direct election of representatives to the European Parliament. To move further toward a federal state, they suggested that one way would be to convene a constituent assembly on the basis of a treaty between the member states and general direct election by the people of Europe. This assembly could be either the European Parliament of the European Communities or one especially convened to prepare a draft constitution for ratification by the parliaments of the member states.

Two Economic Reports Now in English

The quarterly and monthly reports on the economic situation of the Community published by the Department of Economic and Financial Affairs of the EEC Commission are now available in English for the first time.

The quarterly report, *THE ECONOMIC SITUATION IN THE COMMUNITY*, analyzes recent developments in the economies of the Six and in the Community as a whole. It also contains short-term forecasts of economic trends.

The monthly report, *NOTES AND GRAPHS ON THE ECONOMIC SITUATION IN THE COMMUNITY*, consists of a graphic presentation of the principal economic indicators for the Community and for each of the member countries, accompanied by a brief explanation of significant developments.

Single copies of both reports may be purchased from the European Community Information Service, 235 Southern Building, Washington 5, D.C.

THE ECONOMIC SITUATION IN THE COMMUNITY is priced at \$2.00 an issue or \$7.00 for a one-year subscription. *NOTES AND GRAPHS ON THE ECONOMIC SITUATION IN THE COMMUNITY* is priced at \$.50 an issue or \$5.00 for a one-year subscription.

Combined subscriptions to *THE ECONOMIC SITUATION IN THE COMMUNITY* (four issues) and *NOTES AND GRAPHS ON THE ECONOMIC SITUATION* (twelve issues) are available for \$10.00 a year.

Please note that subscriptions are offered by *calendar year* only. We shall be pleased to transmit subscription orders to the Publications Service of the European Communities in Luxembourg. *All bills for subscriptions are issued by and will be payable to the Luxembourg office.*

NO. 51

EUROPEAN COMMUNITY

235 SOUTHERN BUILDING, WASHINGTON 5, D. C.

Return Requested



PUBLICATIONS

(available without charge)

THE EUROPEAN COMMUNITY 1950-1960—TEN YEARS OF PROGRESS TOWARDS UNITY, 20 pages

A summary, in chronological form, of the achievements of the Communities from the Schuman declaration of May 1950, proposing the pooling of Western Europe's coal and steel industries, to the present developments in the Common Market.

EURATOM—THE EUROPEAN ATOMIC ENERGY COMMUNITY, 36 pages

The tasks and achievements of Euratom in preparing the Community for the second industrial revolution.

EURATOM—A YEAR OF ACTIVITY, APRIL 1960 TO APRIL 1961, 24 pages

Based on the fourth general report of the Euratom Commission.

ECSC—THE EUROPEAN COAL AND STEEL COMMUNITY, 36 pages

The history, achievements and problems of the first of the European Communities—the first common market and pilot plant for European unity.

THE COMMON MARKET, 48 pages

How much the Executive Commission of the European Economic Community (Common Market) had achieved through mid-1961 in establishing a single market for all products and in working out and implementing a common economic policy; the influence of the Common Market on the Community's rapidly expanding economy.

THE SIX IN FIGURES, 6 pages

A brief statistical survey of the Community.

BULK RATE
U. S. POSTAGE
PAID

WASHINGTON, D. C.
PERMIT NO. 41445