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COMMON MARKET • COAL AND STEEL COMMUNITY • EURATOM

EXECUTIVE FUSION TOPS EEC COUNCIL AGENDA

July Meeting Puts Rice, Beef, Dairy Products Policies into Effect

AN EARLY EEC Council of Ministers decision on fusion is expected September 18 in Brussels.

Three political problems remain to be decided in fusing the executives—the Commissions of the European Atomic Energy and European Economic Communities and the High Authority of the European Coal and Steel Community. The questions are:

- Number of members of the single executive.
- Location of the Community institutions.
- Powers of the European Parliament.

The ministers neared agreement on these points during the pre-summer recess meeting July 29-30. During the meeting, the Council examined a draft treaty, prepared by the six EEC member countries' Permanent Representatives (to the Community), for the proposed 1965 merger of the executives and of the EEC, Euratom and ECSC Council of Ministers.

Council Split on Number of Members

A commission composed of 14 members for a transitional period, to be replaced by a permanent nine-man executive, was supported by the German and Luxembourg delegations. However, French representatives and the EEC Commission still favored the formation of a nine-member executive at the beginning of the merger on the grounds of greater operating efficiency. (A nine-member executive would include two members each from Germany, France and Italy and one member each from Belgium, the Netherlands, and Luxembourg. One additional member would be added for each country except Luxembourg to expand the commission to 14 members.)

Pierre Werner, prime minister and foreign minister in the new Luxembourg government, repeated his country's request that the European Parliament be moved from Strasbourg to Luxembourg to compensate for losing the ECSC High Authority. (The EEC and Euratom Commissions are presently located in Brussels.)

Extending the scope of the European Parliament's powers was also discussed as part of the fusion package. One of the questions concerns the Parliament's budgetary role in the single commission. The president of the European Parliament traditionally sits in the Committee of Presidents (of the High Authority, the ECSC Council of Ministers and the European Court of Justice) to approve the Coal and Steel Community budget. The Parliament has asked to retain some control over the single commission should the Council of Ministers act as sole budgetary authority for the merged executives as it does now for the EEC and Euratom budgets.

Austria Question Progresses

Austria's future relations with the Community formed another important topic of the meeting. The discussion resulted in the following resolution:

"The Council

- desirous of solving the problems arising for Austria from its special relation with the countries of the EEC, taking into account the particular problem posed by Austrian neutrality;
- notes the report submitted by the Commission on the exploratory talks undertaken with the Austrian mission;
- instructs the Permanent Representatives Committee, to prepare draft directives to permit the opening of negotiations."

The Council debate revealed considerable divergencies concerning the nature of a possible arrangement with Austria. Austria has requested association with the Community. However, Austria's association with EFTA poses questions of whether the agreement will be of a commercial nature or whether a new type of association agreement will have to be negotiated. →

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These questions must be solved before the Council can give the Commission a mandate to open formal negotiations on behalf of the Community. The draft mandate will be examined by the Council at the beginning of October.

On the basis of a detailed report from the EEC Commission, the Council discussed at length the progress of Kennedy Round tariff negotiations. The debate centered around the agriculture negotiations which are progressing very slowly. The Council confirmed the Commission's negotiating mandate of December 1963 which calls for binding the support levels of all agricultural producing countries' farm products. During the debate, Commission Vice President Sicco L. Mansholt once again said that the Six must agree on a common grain price for effective negotiation with GATT partners on all agriculture issues.

Economic Situation Improves

Commission Vice President Robert Marjolin introduced the Council discussion on the Community's economic situation with a report on the anti-inflationary measures taken by the member states. The report, Mr. Marjolin said, was intermediate in that the effects of the measures were not yet clear and new measures were needed.

Most favorable progress has been obtained in the area of prices since the Council's adoption of an anti-inflationary policy in April, he said. The rise in prices has slowed even in France and Italy and the current balance-of-payments has ceased to deteriorate. The black spot, he said, was the continuous upward trend of costs in all member countries except Germany. (See story opposite page.)

Mr. Marjolin noted the governments' efforts to slow down public expenses and predicted a favorable situation in 1965. He said that the member states must adopt a common income policy to brake the continuing rise in production in all member countries but Germany which registers impressive stability.

The Council will discuss the Commission's additional policy recommendations this fall.

Agriculture Regulations Set

During a four-day meeting July 14-17, the Council approved the complex implementing measures for three new sets of farm-policy regulations effective this autumn. The regulations, decided in broad outline during the December 1963 agricultural 'marathon' meeting, extend the Community's common policies to rice, dairy products, beef and veal. The common policies now cover a total of 85 per cent of the Community's farm output.

The rice regulation became effective September 1 and the regulations for dairy products and beef and veal will be enforced on November 1.

The regulations were originally scheduled to become effective simultaneously on July 1. The major questions concerning the rice and beef and veal regulations had been decided but application was postponed because of the complex technicalities of the dairy regulation. The three most important problems were: grouping the dairy products, fixing reference prices, and import subsidies. The reference prices could not be decided until the dairy products were classified, which involved separating the products into 13 different groups.

A last minute crisis arose over Tilsit cheese which Germany imports in considerable quantities from Denmark. The inclusion of Tilsit in a particular group of cheeses, as defined in the regulation, would have kept Germany from honoring a previous commitment to Denmark. Tilsit, however, was classified separately permitting the Council to complete its work on the regulations.

Greek Farm Policy Discussed

Community and Greek farm policies were also discussed by the ministers during July in the EEC-Greece Council of Association. The Association Agreement, which became effective in November 1962, provides for harmonization of Greece's farm policy with the Community's by the end of the 22-year transition period.

Greece, a large exporter of agricultural products to the Community, has asked for a more speedy harmonization to facilitate the creation of a common market for farm products. Consequently, Greece has requested participation in the implementation of the Community's farm policy and in the Community's Agricultural Guidance and Guarantee Fund.

The Council has suggested a two-stage plan. During the first stage, Greece would apply levies and other mechanisms of the common agriculture policy but not Community prices. Greece will also be granted trade preferences for certain goods. During the second stage, Greece's agricultural prices will be gradually aligned with those in the Community. The problem will be discussed again.

MEMBER STATES APPOINT COMMUNITY OFFICERS

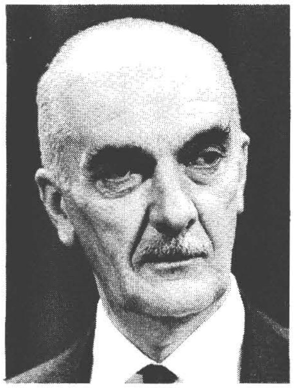
Guido Colonna di Paliano, Italian diplomat, and Robert Margulies, German member of the European Parliament, were appointed July 30 in Brussels by the member states as commissioners of the European Economic Community and the European Atomic Energy Community, respectively.

EEC Commissioner Lionello Levi Sandri was designated the executives' third vice-president, a position vacated by the May 1963 resignation of Giuseppe Caron. Other EEC Commission vice-presidents are Sicco L. Mansholt and Robert Marjolin. Mr. Levi Sandri, an Italian Social Democrat, has been a member of the EEC Commission since February 1961.

Mr. Colonna will serve as the second Italian member of the nine-man EEC Commission. Born in Naples on April 16, 1908, he has been the deputy secretary general of the North Atlantic Treaty Organization (NATO) since 1962. Mr. Colonna, who holds a doctorate in law, began his diplomatic career on July 1, 1933. He was secretary general of the Italian delegation for Marshall Plan negotiations from October 1947 to March 1948 and deputy secretary general of the Organization for European Economic Cooperation (OEEC) from May 1948 to July 1956.

In 1956, Mr. Colonna was appointed deputy general director for political affairs in Italy's foreign affairs ministry. He was promoted to the rank of minister on October 20, 1957 and was ambassador to Oslo from December 1958 to July 1962.

Newly-appointed Euratom Commissioner Robert Mar-


Guido Colonna di Paliano
Appointed Member
EEC Commission


Robert Margulies
Appointed Member
Euratom Commission


Lionello Levi-Sandri
Newly- Named Vice President
EEC Commission


Professor Ricardo Monaco
Appointed Judge
European Court of Justice

gulies has been a member of the European Parliament since 1958 and served as vice-president and treasurer of its liberal group. He succeeds Dr. Heinz L. Krekeler who resigned last February.

Born on September 29, 1908 in Dusseldorf, Mr. Margulies rose from a business apprentice in 1923 to a cereal importer and director of the importers' association of Baden-Wurtemberg in 1946. He was also a member of the executive committee of the central association of German wholesalers and importers and president of the Mannheim board of trade. He entered politics in 1946 as a member of the constituent assembly in the *Land* of Baden-Wurtemberg. In 1947, he became a member of the Baden-Wurtemberg parliament and chairman of its committee for economic cooperation.

A Free Democratic Party member, he was elected to the Federal Republic of Germany's Bundestag in March 1949. Mr. Margulies has served as president of the European Parliament's committee for cooperation with developing countries, and as a member of the policy committee and budgetary and administration committee.

The member states also named Professor Ricardo Monaco to serve as a judge of the European Court of Justice from October 7, 1964 to October 6, 1970. Reappointed for the same term were the Court's President A. M. Donner from the Netherlands and Judges Walter Strauss from Germany and Robert Lecourt from France.

Professor Monaco was born in 1909 in Genoa. He studied law at Turin University where he later taught. He was also a professor of law at the Universities of Cagliari, Modena and Rome and served as a judge in Italy. In 1956, Professor Monaco was appointed president of the honorary section of the Italian Council of State.

EEC COMMISSION PREDICTS INFLATION CONTINUING INTO 1965

INFLATION WILL REMAIN A PROBLEM in the Community during 1964 and on into 1965, according to the EEC Commission's Quarterly Survey of the Economic Situation in the Community, published in July.

The report said that although the prospects for the Community's real economic growth are very satisfactory, the economic trends up to the end of 1964 and on into 1965 point to a persistance of internal and external disequilibrium.

Costs and prices still show a tendency to rise, the Commission said, and the differing degrees of inflationary pressure in the various member countries remain symptomatic of overall disequilibrium. Any appreciable improvement in the Community's external balance of trade does not seem likely.

"The fight against inflation must therefore continue," the Commission said. "The economic policies of most member countries have already turned along the lines suggested in the EEC Council of Ministers' anti-inflationary program April 14."

However, the Commission said that these guidelines do not apply only to policies for 1964 but should also be considered in decisions affecting 1965. The Commission stressed that strict observance not only to the letter of the Council's rules, but also to their spirit and aims, could do much to ensure a more balanced development in the future.

Price Rise Slows Down

The Community's economic situation shows signs of improvement owing partly to the stabilization drives conducted by most member governments, the report pointed out. Price increases in Italy and France have slowed down to a certain extent. In Italy, the growth of production and imports has distinctly slackened and the trade balance has not deteriorated any further. However, the Commission said that anti-inflationary measures taken by both countries have not been extensive enough. Inflationary pressure remains strong in the Netherlands, and in Germany, the economy, stimulated by high domestic demand, shows signs of overheating.

The Commission, however, expects the vigorous expansion in the Community economy during the first half of 1964 to continue throughout the year. Industrial production increased 3 per cent the first quarter of 1964 compared with 2.5 per cent for the last quarter of 1963. Imports from non-member countries were 16 per cent higher in the first quarter of 1964 than in the same period of 1963. The value of Community exports to non-member countries exceeded the level for the corresponding period last year by no less than 15 per cent.

Industrial Production to Climb

Industrial production, the report said, is expected to continue to grow rapidly in all member countries except Italy, although not quite as fast as in the first half of this year. The 1964 Community gross product is still predicted to increase 5 per cent, while industrial production is likely to rise by 7 per cent.

Domestic demand should also increase appreciably, the survey said, although at a somewhat slower pace than during the first half of this year. The growth of consumer demand in Germany is expected to offset declines in the pace of expansion predicted for France and Italy. However, the outlook for autumn is uncertain, depending on whether a new and strong wave of wage increases hits France, Italy and the Netherlands. Wages appear almost certain to rise in Germany as a result of worsening economic tensions.

Advance orders show that investment demand will rise faster than before in Germany and at a brisk pace in Belgium and the Netherlands, perhaps tending to slacken off in the latter country toward the end of the year. In France, demand for capital goods may revive to some extent. Only in Italy is it expected to remain at a really low level, the report said.

Exports to non-member countries are likely to increase slightly over the strong trend evident during the first half of 1964, aided by more purchases from developing countries. The growth of imports from non-member countries may slow down somewhat during the rest of the year despite almost certain increases in Germany's needs. However, imports will remain substantial in volume.

The Community's trade balance is not expected to deteriorate further. Nevertheless, imports in 1964 are likely to exceed exports by $3 to $3.5 million. The Community's current payments for the year, including "invisible" items, will very nearly balance, the Commission said.

Court Rules Community Law Transcends National Law

THE EUROPEAN COURT OF JUSTICE ruled July 15 that Community governments do not have the right to enact laws which would be incompatible with their previous obligations under the Rome Treaty.

The Court's major decision resulted from a suit brought against the Italian government by a private citizen for payment of an electricity bill. Maitre Costa, a consumer and shareholder in one of the companies affected by the Italian nationalization of electrical energy production and distribution, filed suit with a local court on grounds that the government's action was incompatible with the Rome Treaty. The court ruled that the new legislation modified the position which the Italian government had adopted in signing the Treaty.

Three European Court members: (left to right) Judges Charles Leon Hammes and Robert Lecourt, and Clerk of the Court Albert Van Houtte.

Mr. Costa then appealed to the Milan Court for interpretation of the Treaty, particularly four of its articles. The Milan Court approached the European Court of Justice for the interpretation. The Italian government argued that the Milan Court's request was inadmissible on grounds that the European Court was not competent to rule on the compatibility of national legislation with the Rome Treaty.

The Court of Justice rejected the plea of inadmissibility and ruled that the EEC Treaty established its own legal order which was incorporated into the legal systems of the member states at the time the Treaty came into force which binds the courts of the member states. The Court said that the transfer by the states from their internal legal systems over to the Community legal order, of rights and obligations, to reflect those set forth in the Treaty, therefore entails a definitive limitation of their sovereign rights against which a subsequent unilateral act incompatible with the Community concept cannot be asserted.

The European Court also ruled that the plaintiff's allegations of Treaty violations were inadmissible under Articles 102 and 93 but admissible evidence under Articles 53 and 37. (Articles 102 and 93 concern respectively harmonization of national legislation and granting state aids to industries.) The Court decided that Article 102 and 93 involve only prior consultation between the EEC Commission and member states. However, the Court said that Article 53 (removal of restrictions based on nationality to establish businesses) and Article 37 (operation of state monopolies) give individual rights.

The case was referred back to the Milan Court to decide whether the appellant's arguments against the Italian government were valid under either admissible article. (The Rome Treaty is neutral on the question of nationalization. The case hinges only on whether certain other Treaty provisions have been violated by the form of the Italian government's legislation.)

Italy Loses Competitive Edge As Community Wages Rise

ITALY'S INDUSTRIAL COMPETITIVE ADVANTAGE from low labor costs seems to have ended, according to a European Community Statistical Office report, "EEC Labor Costs."

The report presents the first results of the Statistical Office's fourth survey on salaries in the Community industries. The entire study will be printed later in a "Social Statistics" series publication. The survey was conducted in 1962 on 15 branches of manufacturing industries.

The study shows that in 1962 Italian industry's total wages and associated labor costs such as social security per employee were as follows:

- Approximately equal to or greater than the same costs in 6 out of 15 leading manufacturing industries in either Belgium or the Netherlands.
- Approximately level with the cost of labor in 5 industries in France.
- Nearly equal to Germany's high labor costs in the rubber industry.

COMMUNITY LABOR COSTS

1962 Average hourly wages and other costs (dollars)

	Germany	France	Italy	Netherlands	Belgium	Luxembourg
Sugar	1.05	0.96	0.89	0.93	1.03	—
Brewing	1.21	0.92	0.90	0.95	0.90	1.04
Wool	0.95	0.81	0.81	0.79	0.75	—
Cotton	0.94	0.77	0.78	0.84	0.77	—
Synthetic fibers	1.26	1.31	0.97	1.08	1.00	—
Paper	1.14	1.04	0.93	1.00	1.00	—
Chemicals	1.33	1.22	1.00	1.12	1.08	—
Pharmaceuticals	1.03	1.03	0.88	0.86	0.73	—
Rubber	1.18	1.03	1.16	0.95	0.95	—
Cement	1.25	1.21	0.95	—	1.35	—
Pottery	0.97	0.80	0.82	0.80	0.80	—
Machine tools	1.27	1.14	1.08	1.06	1.15	—
Mech. & elec. engineering	1.11	1.00	0.93	0.93	0.99	—
Shipbuilding	1.25	1.14	1.04	1.09	1.24	—
Vehicles	1.44	1.37	1.28	—	—	—

According to the table, Germany's labor costs were highest in the Community followed by France. Belgium, the Netherlands and Italy were in third place with roughly equal costs. Luxembourg, for the only industry represented, was second. (The coal and steel industries were not included in this survey.)

Since 1962, wages have increased in all Community countries but Italy's have risen sharply. Average Italian wages rose in 1963 at a rate nearly 10 per cent above that in any other Community country. The following figures, taken from national studies, refer to wages only, excluding social security charges and other employer's labor costs.

% average gross hourly wage increase in Community between 1962-63

Italy	18.1	Belgium	8.1
France	8.6	Germany	7.9
Luxembourg	8.2	Netherlands	7.1

Middleman Reaps Profits of Rising Food Prices

RISING COMMUNITY FOOD PRICES over the past few years have resulted more from changes in food processing, consumer tastes and national policies, than from the Community's common agricultural policy, according to the EEC Agricultural Newsletter.

Because of the appreciable differences between the industrial and agricultural sectors of the six Community countries' economies, a common market in food has been developing much slower than in manufactured goods, the report said. Industry was early to recognize the advantages of a single market, especially the resulting trade. However, the idea of increasing agriculture turnover by adapting production to consumer demand was not prevalent throughout the six countries.

Agriculture trade between Community countries rose 30 per cent between 1960 and 1962, compared to 60 per cent growth in trade in manufactured goods. Overall, the report said, the common agricultural policy has shown little tendency to increase consumer food prices during the first two years of its limited application. However, the report said that measures taken by individual member governments have had a greater impact on food prices.

The report pointed out that food prices in the Community have risen much less than the prices for manufactured goods. However, comparisons of the development of food prices over recent years are difficult because of the rapid increase in processing and packaging of foodstuffs. As a result of new processing methods, changes in producer's prices (prices affected by the common farm policy) have been playing a less important part in determining final retail prices. International trade in processed food, such as oven-ready chickens and canned meats, is increasing as housewives continually demand better-quality products.

Not all benefits of Common Market tariff cuts have been passed on to the consumer, the report said. They have been partly absorbed by the middleman. Wage costs, packaging and distribution account for an increasing proportion in consumers prices.

Even when producers' prices fall, through market pressure, customers prices still remain relatively high. For instance, last autumn, prices paid to Community egg producers began to fall rapidly and still remain low. However, the drop has not been fully reflected in the level of consumers prices. It remains to be seen, the report said, whether the decline expected shortly in producer prices for pork will be passed on in full to the consumer.

The example of egg prices shows that the producer does not necessarily benefit when consumer prices rise due to the profits of the middleman, the report said. However, other reasons can also contribute to the decrease in the producers' profits. The producer price for beef, for example, was set too low, encouraging few farmers to begin expensive cattle raising. Consequently, demand is now outrunning supply. Since it takes three years to raise a steer for slaughter, supply will probably not catch up with demand for some time, the report said.

EEC Commission Prepares Regional Policy Proposals

Working Groups Report on Community's Depressed Areas

THE EEC COMMISSION will soon submit to the Council of Ministers proposals for a common regional policy in order to spread prosperity to the 'poverty pockets' of the Community.

The proposals are being drafted after consulting senior officials responsible for regional policies in each of the Community countries. The proposals draw deeply on recommendations of three studies, made public in July, on the Community's underdeveloped areas.

The reports were prepared by special committees formed December 1961 to find solutions to the following regional problems:

- Speeding economic development in underdeveloped areas.
- Restoring economic impetus in depressed industrial areas.
- Encouraging firms to locate in these areas without running counter to the Community's fair competition policy.

Policy Methods Proposed

The first report, "Regional Policy Methods and Objectives," pointed out that each Community country has certain regions which are less economically and socially evolved than others. To illustrate the extent of the economic disequilibrium, the report referred to a previous study of the gross production per person in 1955. Production ranged from 40 per cent of the Community average in some underdeveloped regions in southern Italy to 130 per cent in such highly developed areas as the Ruhr and the Paris region.

Before the establishment of the Community, each European country dealt with its regional problems in its own way. The report pointed out that both administrative procedures and development problems differ between member states. For instance, "blanket" areas of special treatment exist over large regions such as western and southwestern France, Corsica, southern Italy, Sardinia and Sicily. On the other hand, Belgium, the Netherlands and Germany have much more localized development areas. (See map)

The report found that the different economic structures of these areas required specific regional policies. Consequently, the regions were divided into those having one or more large industrial centers and those extensive outlying areas having essentially an agricultural economy.

Industrial Areas Studied

The old-established industrial regions such as northern France, Belgium, and the Saar-Lorraine area developed from the existence of textile or iron and steel industries. These industries were first drawn to the areas because of their ample natural resources. However, the report said that these industries have declined from the competition of new modern industries located in other areas where energy and transport costs are low or insignificant.

The report also pointed out that these once prosperous areas still possess a skilled and experienced industrial labor force which like management must be retrained in new techniques. Existing housing, factories, water and energy supplies, transportation and other facilities must be improved in order to maintain these industrial centers, the report said. The study also recommended improving the economic infrastructure and providing moderate incentives to investment in secondary localities.

Agricultural regions were divided as follows:

- Areas with low productivity and high population density.
- Areas with both low productivity and population density.

The highly populated areas dependent on agriculture exist in western France, southern Italy and the Mediterranean islands. Because of low living standards, industry needs special encouragement to locate in these regions, the report said. The distance of many of these regions from large industrial centers, and consequently major markets, provides an obstacle to industrialization. The report also pointed out that the agricultural population is largely unemployed and tends to migrate long distances to other areas of the Community.

Industrial Complexes Suggested

The study suggested that the first objective of regional policy, in areas of sufficient population, must be to constitute as rapidly as possible "poles of development" by setting up a complex of complementary industries which can develop with a snowballing effect. As these industries grow, the report said, they will absorb the population which is no longer able to farm. The report warned that the public authorities must coordinate their efforts in establishing these industrial complexes and, at the same time, modernize agriculture and provide technical training for the rural population.

Typical of the agricultural regions of low population are several French areas situated south of the Loire and west of the Rhone. These areas were once densely populated but have experienced intense migration to the detriment of their agricultural economies. The farms remaining are still under-capitalized with inadequate modern equipment. The migration itself has often deprived communities of their youngest and most energetic citizens most needed to initiate reform and progress, the report said. Even the few existing industries have been allowed to decline.

In these sparsely inhabited areas, the main objective of the regional policy, the report said, is to reorganize agriculture by introducing more modern farming and larger farms.

The report also pointed out the need to coordinate regional policy on the Community level particularly as regards internal frontier areas of the Community. The impact on various regions of common policies for agriculture, transport, occupational training, and the free movement of workers should be considered, the report said. In addition, the activities of the Community's financial organs such as the European Investment Bank, Social Fund, Agricultural Guidance and Guarantee Fund, and the High Authority, must be dovetailed into an overall policy which will increase their effectiveness.

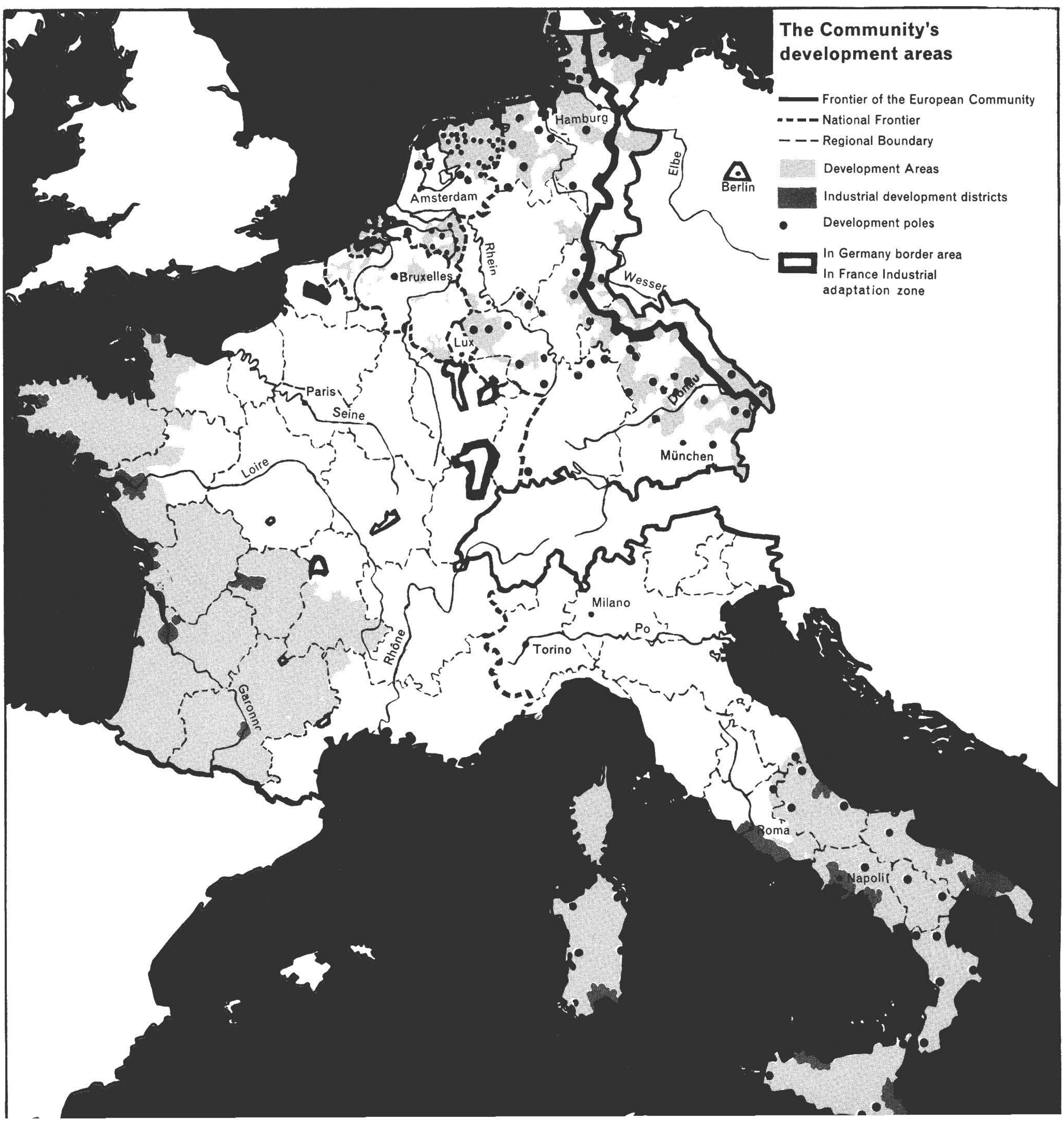
The second report, "The Adaptation of Old Industrial Regions," concerns areas where one or more industries on which their prosperity was based (such as coal mines and shipyards) are declining and are not being replaced by new industries. The study emphasized retraining workers and preventing skilled labor from becoming dispersed through migration in order to prevent additional decay of these areas. The report particularly stressed the need for preventative measures. Regions too dependent on one industry, the report said, must diversify their economy sufficiently while boom conditions last.

The report also made special provisions for areas in Germany. Division of the country between east and west has resulted in cutting off whole towns and districts from their natural trade areas by the interzonal boundary, the report said. (See map)

National Policies Compared

The third study, "Regional Policy Instruments in the EEC Member States," found considerable differences between the economies and administrative practices of the Six. Some governments, the report discovered, offer direct subsidies to firms locating factories in less-favored regions, while others offer loans to build factories at less than the market rate of interest. The countries' definitions of areas requiring development also vary appreciably as do the criteria by which any industrial or agricultural development program may earn public support.

The report does not recommend ironing out these differences but instead stresses the need for actions designed to suit the particular needs of each region. Financial and fiscal measures are only one aspect of regional revitalization, the report said. It recommends that governments directly promote such infrastructure needs as roads, water and energy supplies, and overhaul administrative machinery including the possible formation of new economic bodies. (The first report noted that the new French grouping of its nearly 100 departments, existing for a century and a half, into 21 new regions has already been economically effective.)



EURO-DOLLAR MARKET RISKY BUT LIKELY TO LAST

Market Caused Partly By U.S. Payments Deficit and Europe's Ease on Exchange Rules

by Julien-Pierre Koszul *Director-General of Foreign Services, Banque de France*

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What Are Euro-dollars?

They are United States dollars held, but not necessarily owned, by Europeans. There is, of course, no question of their being physically held outside the United States, like bank-notes; these dollars are in reality book entries in a United States resident's account, generally at a bank.

Not all the dollars held by Europeans are Euro-dollars: for dollars held by the central banks or by other residents of countries outside the United States are not, or are no longer, Euro-dollars, as soon as they are directly paid into the United States by their holders. They are only potentially Euro-dollars, because a dollar only becomes a Euro-dollar when it begins to change hands for the benefit of holders who reside outside the U.S.A. It follows that the concept of Euro-dollars cannot be separated from the idea of dealing in them.

Some Euro-dollars are held by residents of countries outside Europe and therefore people talk about "Japanese dollars", for instance. There are even dollars in the hands of some U.S. residents which become Euro-dollars when they bank them abroad, either as deposits or loans. Euro-dollars are also held by the treasurers of those American companies who leave their dollars with European banks in order to take advantage of the higher interest rates, but when those dollars return to the United States they cease to be Euro-dollars; they merely remain potential Euro-dollars.

Who Supplies the Euro-dollar Market and Who Uses It?

The suppliers can be divided into four categories:

- Importers and others with foreign debts, who cover themselves forward and leave the covered currency with the bank in the interval between purchase and settlement.
- Exporters and holders of foreign credit in general, who leave their foreign currencies with the banks while waiting to sell them.
- United States residents who entrust their currency to banks in Europe and, less importantly, residents of other countries from which exports of capital are allowed freely, like Switzerland or Germany.
- The central banks, some of which have at times placed extremely large amounts on the Euro-dollar market.

Those who use the Euro-dollar market are mainly:

- Those who finance their foreign settlements (especially for financing international trade) and even their internal cash requirements (such as the banks and the big companies) by borrowing Euro-dollars to the extent that local exchange regulations allows.
- United States residents—and less importantly those of other countries—who repatriate the amounts of their own currency which they have placed at the disposal of the Euro-dollar and Euro-currency markets.
- The central banks, withdrawing from the market sums which they have already lent it.

Why Has the Euro-dollar Market Developed?

There is not one answer but several. First of all there is the famous American 'Regulation Q', which prohibits American banks from paying interest on sight deposits and strictly limits the rates of interest they may allow on deposits for a stated period. There can be no question that these restrictions on the American banks' ability to compete with foreign banks has been a major factor in the development of the Euro-dollar market.

More and more foreign banks became increasingly aware of the ridiculous situation that while they left larger and larger sums on deposit with the American banks, practically interest free, they were still asking these same banks for loans at considerable cost, particularly for the purpose of financing international trade. They soon decided to set their dollar deposits to work themselves by using them between one bank and another to finance their respective countries' trade with the United States, and then for financing international trade in general. They short-circuited the American banks by being more generous in their treatment of depositors and less expensive in their loan charges.

However, Regulation Q cannot be considered as the only reason why the Euro-dollar market came into being. That regulation did not take effect yesterday—it is more than 30 years old, but the Euro-dollar market really only began to develop a few years ago. Besides, the United States is not the only country 'blessed' with a Regulation Q. In Germany, Switzerland and France no interest is allowed to be paid on non-residents' deposits—and in the first two the situation is further complicated by the fact that the banks are compelled to leave the whole or part of their non-residents' deposits 'frozen' at the Central Bank, by way of compulsory interest-free reserve. These imitations of Regulation Q have not led to the development of Euro-franc, Euro-Deutsche-mark or Euro-Swiss-franc markets comparable to the Euro-dollar market or even to the Euro-sterling one. Regulation Q must certainly be counted among the factors responsible for the Euro-dollar market, but it cannot be considered the only reason why the market came into being and grew so fast.

A point worth noting is that the appearance of the Euro-dollar market followed closely on the American balance of payments running into deficit; and a result of this was that there were losses of American gold, and also an increase in foreign dollar balances, so that the amount of dollars available to countries with credit balances became larger, and this may have led to a better supply of dollars on international markets.

Here again, probably the fact that deficits have persisted (and their size) have played a part, but it has certainly not been a decisive one. Quite a lot of countries now have, or have at one time had, prolonged balance of payments deficits without their currency having given rise to a special Euro-market. Besides, if the American balance of payments became a credit one, this could only encourage the holding of dollars abroad, in accordance with the dollar's greater prestige in the world. (It is true that in such circumstances the holding of dollars in the United States itself would also be encouraged—especially if the American balance of payments were corrected by steps taken—as has often been suggested in Europe—to terminate the "excessive liquidity" of the money market in the United States).

Should we then associate the development of the Euro-dollar market with the return to convertibility of the leading European currencies at the end of 1958 and the beginning of 1959? It seems not, because this was only a case of returning to external convertibility, which means that the residents of currency areas other than the dollar area merely recognized the issuing countries' right to transfer their sterling, such as Deutschmarks, lire, Belgian francs, florins, French francs, to the dollar area. That new freedom certainly helped to develop the Euro-currency market, but it can hardly have contributed to develop the Euro-dollar market. It is much more likely to have been the relaxation of exchange regulations in general which did the trick:

- By allowing banks in the various European countries to use foreign currency abroad on their own responsibility when they had deposits, and to obtain foreign currencies from non-residents;
- By removing all restrictions (in some countries, such as Germany) on the export of capital; that is, by returning to internal and not only external convertibility of certain currencies;
- By almost completely freeing communication between monetary markets, by means of the exchange markets.

We may therefore conclude that the birth and the growth of the Euro-dollar market are the result of a number of contributing factors, each of which cannot be exactly assessed—Regulation Q, the American balance of payments deficits, and the relaxation of exchange regulations in Europe. And, of course, to these must be added the fact that the dollar is accepted in the greater part of the world both as a reserve currency and one for making payments.

In the case of the Euro-currency market the main reasons for its growth were the return to external convertibility and the restoration of the European currencies, taken with the general relaxation of exchange regulations in Europe.

Is the Euro-dollar Market a Good or Bad Development?

At first sight this may seem a silly question: the market exists and clearly it answers a need. It helps the interplay of supply and demand for capital, it gives depositors a better rate of interest, and it makes money available to borrowers more cheaply, especially for international trade. For the banks it is another branch of activity, an opportunity for spreading their interests and a source of profit.

However, it also constitutes a powerful magnet for American capital, and the Federal authorities naturally keep a very close watch on the course of Euro-dollar interest rates. The market is a dangerous one, for its supplies can be cut off at any moment: most of the capital which makes the market can be withdrawn promptly, which makes it very vulnerable in case of panic.

The market depends on deposits which are essentially short-term or even at sight, on this perpetually moving foundation the banks have built a rather fragile edifice. Using traditional bankers' thinking, they considered part of these deposits as being stable in reality and they went on to use longer and longer periods, extending them as the chain of transactions itself lengthened. Thus a stage has now been reached in which medium term credits are being financed by funds which were supplied to the banks originally as hot money.

In addition to the risk that the market might grind to a halt, there is the exchange risk, which is not always covered, and then of course there is the risk of the borrowers becoming insolvent, as some recent incidents have emphasized.

Being well aware of all these risks, some of the bankers think that an international "risk center" would now be timely, but such a center would have to depend very largely on similar national centers. France has one already, but some of the other main countries concerned do not. Italy is setting up one and in Britain there is only a private risk center. In the other large countries there are none and obviously there would be no point in setting up an international center if even one of the large countries could not supply its share of the information needed.

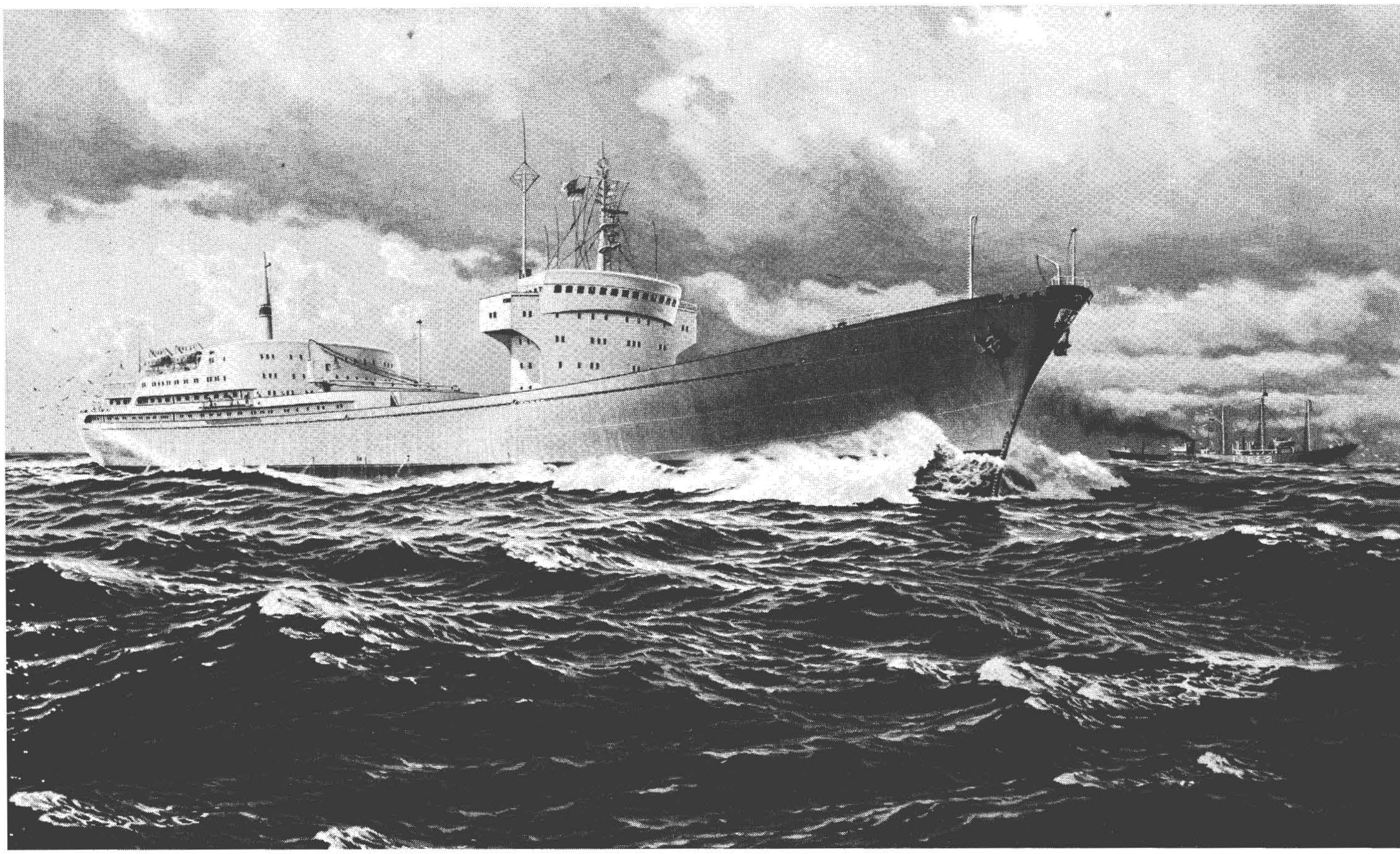
Should the Euro-Dollar Market Be Considered a Temporary or a Lasting Phenomenon?

To the extent that a correction of the American balance of payments would result in strengthening confidence in the dollar, and thus encourage the holding of dollars throughout the world, this question answers itself; the dollar's value as a reserve currency and a payments currency could only be increased. Even cancellation of Regulation Q would not affect the Euro-dollar market very much. For that to happen, the American banks would have to decide to make full use of the freedom of maneuver thus restored to them, and to start an interest rates "war" with the European banks. It really would be a war, too, for the European banks would not lightly surrender the ground they have won in the last few years. The American banks would have to over-bid with a good deal of determination. It would not be good enough for them to offer as much as the European banks. They would have to offer more. It is fairly clear that the rise in American interest rates caused by such competition would not be allowed to go far in practice; the American authorities could not let their whole monetary policy be thus endangered. In the grand total of American banking operations, foreign dealings are only a small fraction (in the same way imports and exports are only a tiny percentage of American production). The American banks could never decide their interest rates by reference solely to their foreign business.

Competitive raising of interest on loans could not fail to upset the whole internal banking structure of the United States. Of the 16,000 banks in that vast country, how many would survive such a war of interest rates?

Regulation Q may indeed become milder, but in the foreseeable future it seems most unlikely that it would be cancelled, and it follows from this that the end of the Euro-dollar market is not yet in sight.

The same is probably true of the Euro-currency markets; it would probably be rash to expect any great growth, but some of them will probably continue to get by and others to be relatively prosperous. So for international exchange dealers there are probably sunny days ahead, at any rate for those who, even in the heat of the moment, can resist the formidable temptation of their calling.



"Otto Hahn:" Artist's rendering of the first Community atomic ship expected to be afloat in 1967.

EURATOM TO HELP LAUNCH FIRST COMMUNITY ATOMIC SHIP

THE EUROPEAN ATOMIC ENERGY COMMUNITY agreed July 30 to participate in the construction and sea trials of the "Otto Hahn," the Community's first atomic ship, under a contract signed in Brussels by the Euratom Commission and a German firm, Gesellschaft fuer Kernenergieverwertung in Schiffbau und Schiffahrt (GKSS).

The four-year contract, part of the Euratom program to coordinate Community efforts in nuclear marine propulsion, provides for a $4 million Euratom contribution toward the cost of nuclear equipment in exchange for reports on the experience gained in operating the ship. The contract also includes regulations for distributing this information throughout the Community and permits industries in all members countries to submit bids for the supply of nuclear components.

The "Otto Hahn," under construction in the Howaldtswerke shipyards in Kiel, is still only a hull, However, installation of the ship's two propulsion systems will begin next year and the vessel is expected to be afloat sometime in 1967.

Named after a German atomic scientist, the "Otto Hahn" will have conventional oil fuel engines permitting a speed of 8 to 10 knots for maneuvering in case of reactor failure. Under normal conditions, the ship will be propelled by a light-water reactor with a relatively low primary pressure and a heat exchanger housed entirely within the pressure vessel. Steam from the reactor will drive the ship's 10,000 horsepower turbines to propel the craft at a speed of 18 knots. The reactor will be fueled by enriched uranium. It is designed to run 5,000 hours before being recharged.

Aside from warships, only two other nuclear-propelled ships presently exist: the United States freighter "Savannah," a recent visitor to European ports, and the Russian ice-breaker "Lenin." The Soviet Union has also announced plans for a nuclear oil-tanker and Great Britain intends to build a nuclear merchant ship.

The "Otto Hahn" project originated with GKSS, a specialist firm developing atomic power for marine propulsion. At its research center near Hamburg, GKSS has established a swimming-pool type of research reactor primarily to test reactor shields, a major problem in the field of marine propulsion. This equipment also simulates the pitching and rolling of a ship at sea to evaluate the mechanical efficiency of reactors under actual operating conditions.

The total cost of the 520-foot merchant ship is estimated at $13 million. Approximately $5 million will be spent for construction of the vessel, nearly $7 million for the reactor, and over $1 million for other equipment. The ship will carry a crew of 73 who will be specially trained for 18 months. It will have an additional capacity of 50 passengers, the first of which will be mainly research technicians. However, the vessel may later be operated as a commercial bulk carrier with a deadweight of 15,000 metric tons.

Information and experience gained from the experimental nuclear vessel will be shared with the Reactor Centrum Nederland and the Italian Fiat and Ansaldo Companies. These companies are presently drafting designs under Euratom contracts for the construction of advanced reactors for more economical nuclear propulsion.

High Authority President Proposes New Talks on Miner's Code

Miners Resolve For More Progress on Energy Policy, Social Affairs

THE EUROPEAN COAL AND STEEL COMMUNITY'S High Authority President, Dino Del Bo, called for a renewal of talks on a European Miner's Code at a July 4 rally of 20,000 miners in Dortmund.

The miners, representing some 700,000 Community workers in seven mining unions affiliated to the International Confederation of Free Trade Unions (ICFTU), assembled to demonstrate for a "social Europe" and particularly to support the project for a European Miner's Code.

"All the arguments in favor of the European Miner's Code remain valid, and in addition there is a new development which should facilitate a fresh start to discussions," President Del Bo said.

The High Authority President explained the new development as the Protocal of Agreement on Energy Policy accepted April 21, 1964 by the ECSC Council of Ministers. "This protocol," he said, "forms the basis for a Community system of subsidies for coal mines."

"Companies," he said, "will thus be able to chart both their modernization and production programs and adhere to them coherently." "Conditions of greater security will therefore exist which will provide even more justification for the claim for a Miner's Code and invalidate any arguments for deferring its enforcement."

Code Proposed in 1956

The European Miner's Code was first proposed in 1956 at Aix-la-Chapelle by Paul Finet, High Authority member, to ensure Community miners the necessary advantages for their working and living conditions free from discrimination based on nationality or origin.

President Del Bo said that Mr. Finet's proposal was adopted by the High Authority as "a suitable instrument for remedying the difficulties of recruiting men for the mines."

He pointed out two reasons for the difficulties in recruiting miners. "These difficulties," he said, "arise not only from the nature of work in mines—its risks and continual threat to the worker's health and safety, but also . . . that these negative aspects have not been sufficiently compensated for by financial and other gains which have been the subject of the miner's legitimate claims for several years."

He said that questions of wages and social security for which the High Authority has no direct competence under the ECSC Treaty could be left to one side for the moment and efforts should be concentrated where they were most likely to bring success.

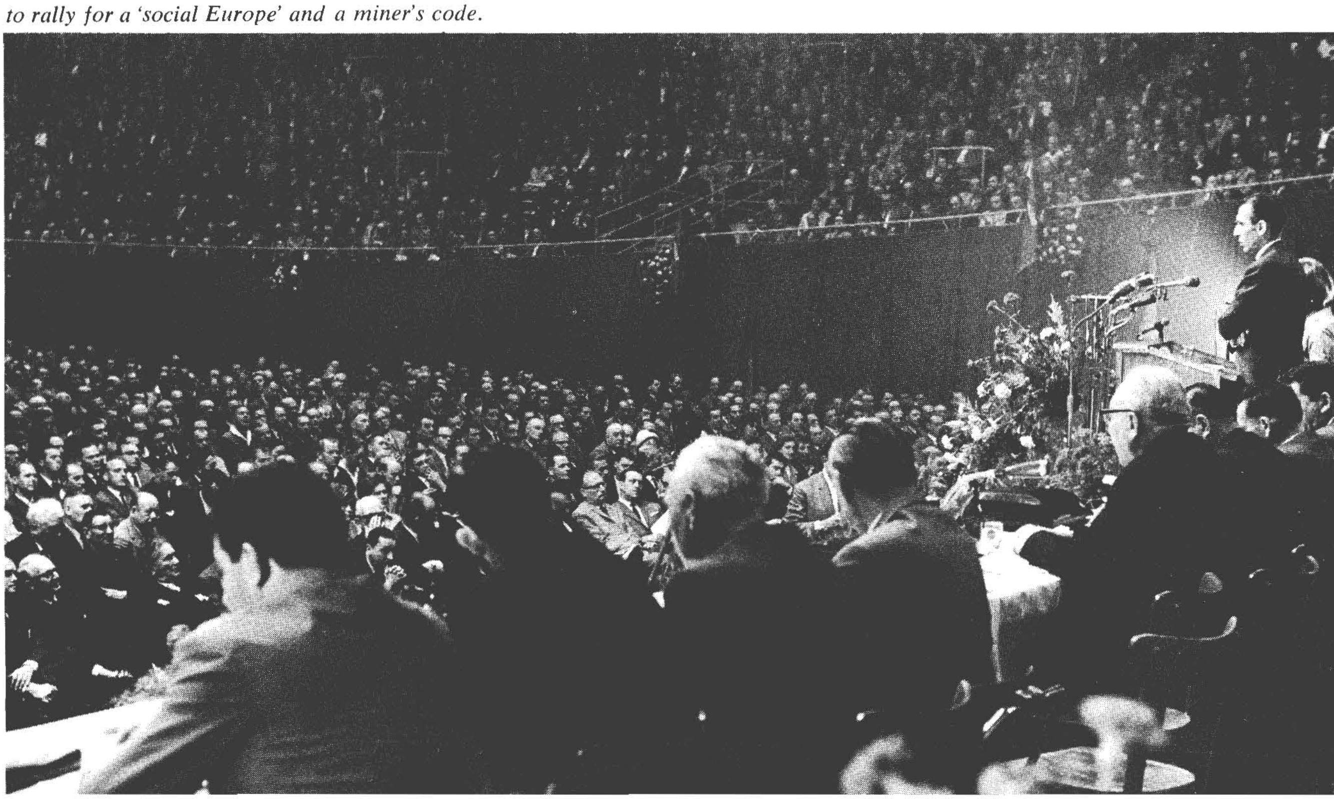
Social Record Cited

He also pointed out the High Authority's accomplishments in the social field over its 10-year existence:

- Aid to retraining 150,000 miners threatened with unemployment by the closure of coal and iron mines and steelworks.
- Redeveloping areas hit by the structural crisis in the coal and iron mining industries.
- Financing the construction of 60,000 homes for workers in the coal and steel industries.
- Conducting research programs which had yielded important results in industrial medicine, safety and health.

"In citing these examples," the High Authority President said, "I only want to show that, through the powers which we possess and with the support of European public opinion, we can make other important gains. . . . When the three Communities are merged, the powers which the

First European Miners' Meeting: ECSC High Authority President Dino Del Bo speaks to 20,000 miners assembled in Dortmund to rally for a 'social Europe' and a miner's code.



Coal and Steel Community possesses must not be allowed to disappear. On the contrary, they must be extended to other sectors of production and there must be a harmoniation of these powers at the highest level to guarantee the greatest possible advantages to the workers."

President Del Bo proposed that measures should be taken to guarantee miners a real career, for example by introducing a signing-on payment and periodic bonuses for continued good work and long service, by improving accident and sickness insurance, and by giving the miner preference for public service employment if he was forced to abandon his career.

We are sufficiently realistic, he said, to know that this will cost money. A solution must thus be found by the Community, the government and the coal mining profession for financing this, since it is the price which must be paid if miners are to be guaranteed their jobs and coal production is to be assured.

"The objectives of the Paris and Rome Treaties setting up the three European Communities," he said, "are the improvement of living and working standards." "The Common Market is not an end in itself but an instrument in the service of the progress of mankind—as worker, producer, and consumer."

During the miners' first 'European' rally, they passed resolutions in favor of a Community energy policy, a "social Europe," and a Miner's Charter.

The miners expressed concern in the first resolution that discussions on a Community energy policy which began in October 1957 had progressed so little in that the April 21 Protocal only formulated general principles while no definite step of any significance had been taken. The miners demanded an assured place for coal industry in any Community energy policy. They also resolved that subsidies for the coal industry should be paid by all the Community nations (and not only the coal producers) and should not be distributed in such a way as to increase company profits.

The second resolution also expressed dissatisfaction over the progress in putting into effect the social principles of the Paris Treaty. The resolution recommended that "the High Authority should intensify its efforts in the social field and continue its favorable interpretation of the Treaty." They also resolved for an extension of the programs for houses, retraining, industrial health and safety, recruiting, and vocational training.

The Miner's Code resolution denounced "the negative attitude and lack of foresight of the coal mining companies as a whole and of certain governments." The resolution emphasized that the code would be an effective means of improving working conditions in the mines and ending the worker's current uncertainty about future security.

EEC Commission, Nigeria Continue to Shape Association Accord

THE EEC COMMISSION is scheduled October 19 in Brussels to resume negotiating the details of a 'special' association between Nigeria and the Common Market.

The first round of formal talks between the Commission and the Nigerian government representatives July 14-17 in Brussels revealed several problems exist in formulating the unprecedented accord. The Commission is negotiating, on behalf of the Community, under a mandate issued in June by the EEC Council of Ministers.

Nigeria based its first request for a formal link with the Community on an April 1963 declaration by the six member states on possible agreements with developing countries. According to the EEC declaration, states at a stage of development similar to that of the EEC African associates may accede to the Association Convention; accept a special association agreement based on reciprocity; or conclude commercial agreements with the EEC (as presently exist for Iran and Israel).

In choosing the second alternative, an association "sui generis," Nigeria essentially seeks free access to Community markets for her tropical exports of cocoa, palm and peanut oil, and timber. The Community countries, a major market for these products, received the following percentages of Nigeria's total exports in 1962:

Cocoa	37.0
Palm kernels	47.4
Palm oil	15.0
Peanuts and peanut oil	42.4
Tropical woods and plywood	63.0

On January 1, 1964, the Community suspended for two years its custom duties on imports of tropical woods. Nigeria is prepared to form a free trade area with the Community in return for free access for the other tropical products. Free entry is only permissible under the rules of the General Agreement of Tariffs and Trade (GATT) through a free trade area agreement. If the association takes the form of a free trade area, Nigeria will be expected to offer tariff concessions for Community exports.

The nature of institutions to administer the agreement must also be decided. Application of the EEC-African Association Convention is supervised by joint institutions which control problems of trade relations, financial and technical cooperation and administration of Community aid. (See story opposite page.) They are: the Council of Association, the Parliamentary Conference and the Court of Arbitration.

Both the Nigerian delegation and the Commission have agreed that some institutions will be necessary. However, Nigeria is reticent about formal institutional links especially at the parliamentary level—another reason for her choice of a special agreement rather than adhering to the Association Convention. Nigeria also is not seeking financial aid from the Six such as is presently granted to the Community's African associates.

Nigeria is larger and economically stronger than any of the present African associates. Since the proposed agreement is likely to affect their interests, the associates will be consulted, as provided by the Yaoundé Convention, prior to the conclusion of the agreement.

The accord, the first special agreement being negotiated by the Commission, may also serve as a precedent for associations with other African countries. Kenya, Tanganyika and Uganda have also requested discussions for a possible association with the Common Market.

EEC-African Association Convention Begins Official Operation

THE EEC-AFRICAN ASSOCIATION COUNCIL met July 8 in Brussels to begin the official operation of the Association Convention signed July 1963 in Yaoundé.

This was the first meeting of the Council, consisting of members of the EEC Council of Ministers and Commission, and a representative from each of the associated African countries. The Council meets once a year to supervise the broad working of the Association Convention. It is scheduled to meet again March 1965.

The associated states asked the Community to study the problems arising from the exceptional deterioration in prices for some of their major products. In discussing ways to offset the disadvantages caused by the Convention's delay, they also insisted that the Community release the first installment of the total $730 million aid fund so as not to impede their countries' own efforts.

The Council approved the rules of procedure of the Association Committee, which will guide the daily administration of the Convention. The Council also delegated some of its original powers, such as approving the statute of the Court of Arbitration, to the Association Committee to ensure the working continuity of the accord. The Committee is composed of one representative of each of the Community and associated countries.

The procedure for consultation and exchange of information between the 24 countries on proposed exchanges in their respective trade policies was also adopted on the basis of an interim committee report. The interim committee was set up to bridge the gap between the end of the first association agreement December 31, 1962 and the effective date of the Association Convention June 1, 1964.

Under the new Convention, the Community must inform the Council of Association of any commercial policy measures it or its members are planning which might affect the interests of the associated countries. The latter must also inform the Council of measures which might harm the interests of the Community. After Council notification, a Community or associated state may request consultations within the Council concerning the actions envisaged or adopted by a contracting party.

The Council also appointed as president of the Court of Arbitration, Andreas Mathias Donner, current president of the European Court of Justice, and approved four judges and alternates. The Court members nominated by the EEC Council of Ministers from the European Court of Justice are: Walter Strauss and Robert Lecourt as judges; and Charles Leon Hammes and Alberto Trabucchi as alternates. Judges selected by the associated states are: Professor Jusufu Jama Ali, of Somali, and Mamadou Toure, former Mauritania ambassador. Deputy members are Fulgence Seminega, president of the Rwanda Supreme Court, and Joseph Pouabou, president of the Brazzaville Supreme Court.

EEC Commission Approves First Convention Aid

THE EEC COMMISSION approved July 29 in Brussels $8,830,000 from the European Investment Fund to help increase production and provide technical training in the EEC associated African countries.

The financial aid was approved July 16 by the European Development Fund Committee. It represents the first allocation of the total $730 million provided by the Community over five years (1963-1967) for the economic development of the associated countries.

The sum provides:

- Agricultural production aids in Cameroon ($2,694,000).
- Technical surveys of development projects submitted by the associated states' governments ($3 million).
- Two-hundred technical training scholarships for June to September 1964 ($217,000).
- Seven-hundred technical training scholarships for the 1964-65 academic year in addition to the 300 grants financed each year by the EEC Commission ($2.7 million).
- Additional vocational or professional training in the Commission Services for nationals of associated countries ($56,000).
- A symposia program and the publication of a bulletin for former in-service scholarship holders and participants in the symposia ($160,000).

ECSC Steel Director Tony Rollman Retires

Tony Rollman, head of the High Authority's Steel Department since the beginning of the European Coal and Steel Community, retired in June.

Mr. Rollman was a member of the group, headed by Jean Monnet, which founded the European Coal and Steel Community. From 1921 to 1948, he worked continuously for the Luxembourg steel firm ARBED. He became the official representative of the Luxembourg government in Brussels in late 1944. An expert on the world steel market, Mr. Rollman produced some of the first global forecasts of steel production for the United Nations Economic Commission for Europe in 1948.

While in Geneva, he was also the author of "Developments and Prospects of the European Steel Industry in the World Steel Market" published by the U.N. Economic Commission in 1949. In the study, he proposed a multinational organization for coal and steel products which was given political form in Robert Schuman's May 9, 1950 declaration for pooling the coal and steel economies of Western European nations under a common High Authority.

COMMUNITY COUNTRIES APPROACH THE OLYMPICS

by MICHEL CLARE, *French Sports Writer*

THE ELITE OF THE WORLD'S AMATEUR ATHLETES will gather in Tokyo in October for the Eighteenth Olympic Games.

The main events will include: track and field, basketball, boxing, canoeing, cycling, fencing, football, gymnastics, hockey, judo, rowing, Swedish drill, swimming and diving, pentathlon, volleyball, water polo, and wrestling. A total of 489 medals will be distributed to the victors, both men and women.

Germany, scoring well in the Rome Olympics in 1960, must again be regarded as the strongest European challenger in many events. This year, German chances will be greater because the team represents both the Federal Republic of Germany and the Soviet occupied zone. Sporting organizations of both, under the aegis of their Olympic Committees, are conducting preliminary events to select members of the joint team. To avoid political difficulties, competitors in the preliminary trials will not be regarded as "national" representatives, but as representatives of their respective sporting federations.

In the Community countries, national policies toward participation in the Olympic games differ considerably. The approach varies between extremes of complete private initiative in the Netherlands to almost total government responsibility for the Olympics in France.

German Training Diverse

In Germany, all basic training occurs in thousands of well-patronized and well-equipped clubs. At a higher level, federations representing different sports sponsor a variety of training programs. National training programs are rare and usually limited to a weekend's duration. Considerable activity exists at the regional level with local authorities providing special centers and sports subsidies. The Federal German government finances sporting participation from the national budget. In addition, German sport benefits from the proceeds of sport competitions, legalized lotteries, the patronage of large firms, and from the club's income.

The selection of a joint team poses only problems of detail such as what flag to use. In practice, the two sides complement each other, both being strong in various sports. The best prospects for the combined German team at Tokyo are: in field and track events, the 4 by 100 meter relay and the decathlon, the women's broad-jump, and the 800 meter race; in swimming, the 100 by 200 meter free-style, the 400 meter medley, and the 200 meter backstroke. However, Germany's hopes are highest in the rowing events. The combined team should win several medals in this field.

Government Aids French Athletes

Preparation for the Olympics has become a national affair in France. The government's director of sports, responsible for Olympic training, has been given a record sum of $625,000 from public funds. The total "Olympic investment" is much greater counting all sports development in France over the past 10 years, including new training courses, buildings and equipment. (The Institut National des Sports, for example, owns a swimming pool, a magnificent indoor athletics arena, and a cycle track.) Another indication of the new French approach was last year's Tokyo visit of 13 French experts—doctors, dieticians, technicians, and even a specialist in climatology—to study the conditions under which the 120-strong French team will live and compete.

However, French hopes for Tokyo are not that promising. Although French skiing had its greatest triumph at the Winter Games at Innsbruck early this year, Sports Minister Maurice Herzog said that the Tokyo Games would be another thing, and Frenchmen must not expect too much.

France's best chances of honors are in the field and track events (the 5000 meter and the 4 by 200 meter relay) and in rowing, cycling (particularly on the road), and swimming. Principally, French hopes of gold medals are pinned on their fencers for the individual foil and the team prize.

Italy Rates High in Boxing

Italian sports development has tended to mark time since the Rome Olympics, but the National Olympic Committee, a private organization, has been empowered by the government to supervise Italy's preparations for Tokyo. The Committee obtains about $14 million a year from a football pool. These funds aid the sporting federations to pay for Italian participation in the Olympics, sports centers and facilities, and to promote sport in schools. Although income is failing to keep step with demands on the Committee's resources, Italy hopes to send between 150 and 160 competitors to Tokyo. Italy's best chances will be in the 400 meter hurdles, the javelin, swimming (the back-stroke), gymnastics (both individual and team), cycling (track and road). In boxing, Italy may strike gold.

Although the Benelux countries do not possess the sporting resources of their larger Community partners, they can count on some very promising individual performers. Belgium, for example, has a powerful contender for the 3000 meter steeplechase in Roelants, unbeaten over the last two years. He is also fancied over 10,000 meters on the flat. Some of the young Belgian road cyclists may also bring glory to their country.

The Netherlands has always been able to rely on its women athletes and, this year in Tokyo, may bring home a medal from the women's 800 meter track event. Hopes are also high in the women's swimming events for the butterfly, breast-stroke, and back-stroke.

Community Car Output Up 19 Per Cent in 1963

Automobile production in the Community rose from 4,-182,000 to 4,981,000 between 1962 and 1963, representing a 19 per cent increase.

World production during the same period rose from 14 million to 16 million cars, an 18 per cent increase. The total number of commercial vehicles produced in the Community increased from 518,000 to 552,000 (16.6 per cent) between 1962 and 1963, while world output increased from 3,650,000 to 3,900,000 (7 per cent). In both 1962 and 1963, Community produced vehicles of all types represented approximately 27 per cent of total world production.

EEC Commission Grants Third 'Negative Clearance'

THE EEC COMMISSION granted August 5 in Brussels the third "negative clearance" (from anti-trust action) involving a Common Market firm and a company in a non-Community country.

The clearance was given to a business agreement between a French firm, Nicolas Frères and Vitapro Ltd., a British company, on grounds that the market-sharing arrangement does not restrict competition in the Common Market.

Under EEC anti-cartel regulation No. 17, firms doing business in the Common Market must request from the EEC Commission a negative clearance for new and existing business agreements.

The agreement provided that Vitapro would not manufacture or sell within the Common Market products bearing a Vitapointe trade mark (a hairdressing preparations company acquired by Nicolas Frères) or any other hairdressing preparations for five years. Nicolas Frères sold Vitapro those interests of Vitapointe outside the Common Market but retained its assets in the Community area.

The Commission decided that the provisions of the Rome Treaty relating to conditions of competition did not justify taking action against the agreement under Article 85 (prohibition of cartels). The English firm's obligation not to use the acquired trade marks only prevents manufactures by both Nicolas Frères and Vitapro from being sold in the Common Market under the same trade marks. The additional restriction on the British company trading in other hairdressing preparations expires in 1966 and does not apply to products acquired or manufactured under license from other companies.

In its first decision March 23, the Commission established a precedent for exclusive dealership agreements between Community firms and companies in non-member countries by granting a negative clearance to the French firm, Grosfillex, for an arrangement with the Swiss firm, Fillistorf. The second negative clearance was granted June 2 to a Belgian firm, Mertens and Straet, and a United States firm, the Bendix Corporation, on grounds that their agreement did not restrict competition in the Common Market. The agreement concerned the sale of goods needing customer service but did not involve market-sharing or exclusive obligations.

ECSC High Authority Floats First Paris Loan

The High Authority of the European Coal and Steel Community issued on June 30 its first loan on the Paris market totalling 150 million French francs equivalent to $30.4 million.

The 20-year bond issue represents the first public international loan on the Paris market since 1939 and the largest floated by the Coal and Steel Community in Europe. The loan, offered at 98.3 per cent through 12 French banks, carries an annual 5 per cent interest rate.

The Paris issue, the fourth loan by the ECSC High Authority in 1964, follows a $25 million loan in Germany. Proceeds from the German issue will finance coal and steel investment projects in Belgium, Germany and Italy. Since 1954, the High Authority has borrowed $465 million on the world's capital markets, of which $95 million was raised in 1964.

In the early days of its activity, the High Authority could only raise capital on the United States' and Swiss markets. A first loan for $100 million was contracted with the United States government in 1954. It was followed by four loans on the New York market for $35 million in 1957, $50 million in 1958, $35 million in 1960 and $25 million in 1962. By 1961, the High Authority was the third most important foreign borrower on the New York market.

Since 1961, the High Authority has raised loans in Europe, in the Netherlands, Belgium, Luxembourg, Italy, Germany, and Switzerland.

Announcing the Paris loan, the High Authority said that the French loan stresses the efficiency and importance of Paris as an international financial center and contributes to international financial cooperation.

Community Steel Production Climbs 12 Per Cent

Community crude steel production during the first half of 1964 reached 40.7 million metric tons, a 12.2 per cent increase compared with the first half of 1963, according to the High Authority of the European Coal and Steel Community.

All member countries except Italy reported substantial production increases.

STEEL OUTPUT (million metric tons)

	Germany	France	Italy	Netherlands	Belgium	Luxembourg	Community
First half 1963	15.4	8.9	5.2	1.2	3.7	2.0	36.3
First half 1964	18.1	9.9	4.8	1.3	4.3	2.3	40.7
Per cent change	+17.9	+11.5	—9.2	+14.2	+16.2	+13.5	+12.2

Steel production is likely to rise less rapidly in the third quarter of 1964, the High Authority forecasts. However, total production for the year is expected to exceed 80 million metric tons, compared with 73.2 million metric tons produced in 1963 and 73 million in 1962.

Euratom Reports Information Accomplishments

The Euratom Commission announced recently that it has filed more than 350 patents on inventions resulting from Community nuclear research.

It has also issued confidential reports on the results of nearly 500 research projects of commercial and industrial importance to governments, firms and individuals in the Community countries. In addition, more than 1,500 other research reports have been published.

In addition to reports and patents, Euratom publishes monthly the "Transatom Bulletin" and "Euratom Information" publication. A quarterly review, "Euratom Bulletin" also presents current problems in the nuclear field.

PUBLICATIONS AVAILABLE

LA CONJONCTURE ENERGETIQUE DANS LA COMMUNAUTÉ: SITUATION A LA FIN DE 1963, PERSPECTIVES 1964, High Authority of the ECSC, Luxembourg, January 1964, 256 pages $2.00

A report on the energy situation in the Community prepared in collaboration with the EEC and Euratom.

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