



# europaean community

COMMON MARKET • COAL AND STEEL COMMUNITY • EURATOM

## MAJOR DECISIONS MARK COMMON MARKET'S PROGRESS IN 1964

### Completion of Custom Union and Economic Policy Seen as Major Tasks

THE YEAR 1964 saw rapid progress in the development of the European Economic Community.

The accomplishments of the last year were summarized in the Commission's Eighth General Report on the activities of the Community published on June 10. EEC Commission President Walter Hallstein presented the report on June 17 to the European Parliament in Strasbourg.

President Hallstein said, "At the outset of 1964, there were signs of fatigue, but the Community gained fresh momentum—largely due to the Council—from the decisions taken in December."

He attributed the change in the Community's pace to the decision on the common cereals price, the beginnings of a Community economic policy, and the decision to merge the Executives (the EEC and Euratom Commissions and the ECSC High Authority). "The record is impressive and the balance positive," he said.

#### Hallstein Stresses Economic Growth

President Hallstein illustrated the successful development of the Common Market with a series of growth and trade figures. The Community's industrial production from 1958 to 1964 increased by about 51 per cent in contrast to 43 per cent in the United States and 28 per cent in the United Kingdom.

Intra-Community trade grew by 168 per cent since 1958, including a 16 per cent growth rate last year alone. Imports from non-member countries rose by 66 per cent between 1958 and 1964 reaching about one-fifth of total world imports. The United States is responsible for 13 per cent of world imports. EEC exports increased by only 53 per cent during the same period contributing to a \$2.7 billion trade deficit in 1964.

"The Common Market has opened up prospects to the European businessman comparable with those of his American counterpart," President Hallstein said. He pointed out that the Community's growth and trade figures are also an indication of the improvement of the Common Market on the consumer.

"More and more goods of constantly improving quality, flowing more freely over the frontiers between the states—this more than anything else provides the clearest evidence

of the impact of the Common Market on the consumer," he said.

#### Consumer Benefits Reported

The effects of increased trade on the consumer was particularly stressed in the Commission's report. The volume of the Community's imports of consumer goods rose by 56 per cent from \$4.8 billion to \$7.5 billion between 1960 and 1963—from 16.3 per cent to 18.6 per cent of all Community imports.

The report indicated that while intra-Community tariffs remain at 30 per cent of their 1957 level, a single market is being achieved for such consumer goods as automobiles, knitted outer garments, women's outer garments and shoes, and non-electric stoves. However, it has not been yet extended to other consumer goods, the report said.

Increased trade has lowered prices for such items as chocolate, pastry, women's hosiery, washing machines and radio and television sets, while stabilizing prices for knitted garments and furniture.

The free movement of goods between the member states is most apparent in the automobile sector, the report said. From 1958 to 1963, intra-Community duties were reduced by between one-half and two-thirds and have been lowered since. At the same time, tariffs on automobiles imported from non-Community countries rose in Germany from 13-16 per cent to 20-22 per cent but fell in other member countries, particularly Italy.

Since 1958, the report said, the price of cars in the Com-

#### IN THIS ISSUE

page

- |    |   |
|----|---|
| 3  | EEC Council Delays Farm Financing Decision            |
| 3  | Agricultural Policy Developments Reviewed             |
| 5  | Economy Shows Higher Investment and Growth Rate       |
| 6  | Merged Executive to Inherit Nuclear Development Tasks |
| 8  | Europeans Weigh U.S. Non-Tariff Trade Obstacles       |
| 10 | Supremacy of Community Law Essential for Integration  |
| 11 | Steps to Bolster Europe's Competitive Position        |
| 12 | Community Thruways to Cross National Frontiers        |



*Consumers' choice: Potential buyers are shown examining European cars at the 1961 Auto Show in Paris. The EEC Eighth Annual Report pointed out that increased trade in automobiles since 1958 has lowered prices significantly for the Common Market consumer.*

munity has risen much less than overall retail prices due to increased competition in the wider Community market. Moreover, the Commission pointed out, that competitive pressure has obliged manufacturers and distributors to cut prices parallel to the cuts in duty. The Commission also said that consumers have benefited from shorter delivery periods and more extensive distribution outlets.

The report said that increased imports of other consumer goods only serve to complete the range of products on sale and represent a small part of the total market. Consequently, the effect of the common market on prices of these goods has been limited. In a few cases, the reduction in customs duty on some goods have been absorbed by the retailer and wholesaler. "It therefore seems that competition is not yet fully effective in the distributive sector," the report said.

### **Community Case Law Develops**

In addition to the Community's heightened economic activity, the Commission emphasized the increasing place which Community law is taking in the legal systems of the various member states. "Successive rulings handed down by the Court of Justice have confirmed that many provisions of the Treaty are directly applicable in the member countries," the report said. "More and more detailed European regulations are being added to or substituted for municipal laws and regulations.

"The application and, consequently, the interpretation of Community rules is a matter for the courts in the six countries. . . . Jurisprudence throughout the Community should be uniform despite the diversity of the member countries' traditions and procedures." The Commission reaffirmed the responsibility of the European Court of Justice for insuring this uniformity, and urged close cooperation between it and the national courts.

In the field of external relations, the report noted the entry into force of an association agreement with Turkey December 1, 1964 and the Yaoundé Convention with 17 African countries and Madagascar on June 1, 1964. The Commission has also begun negotiations with Nigeria, three East African countries and Austria. Exploratory talks are being conducted with Spain, and a Commission delegation is meeting with representatives of the Latin American countries to discuss mutual trade problems.

The Commission said that the Community has entered into a new stage of its development in which its policies begin to operate. However, it pointed out that much still remains to be done to execute the program outlined in the Treaty of Rome.

Completion of the customs union is one of main objectives of the Rome Treaty, the report pointed out. The Commission said that Council acceptance of its "Initiative '64" would shorten the transitional period by two and a half years. The proposal would revise the timetable for establishing the common external tariff so as to come into effect on January 1, 1966, a year earlier than planned. At the same time, the size of internal tariff cuts would be increased and all internal tariffs on industrial goods abolished by January 1, 1967.

Another main task facing the Community is the development of a medium-term economic program. Short-term economic action alone is insufficient for member states to maintain price stability and general economic balance, the report said. "In the face of keener international competition, an overall policy is needed, so that the changes called for by the common market can take place smoothly."

The Commission also stressed the importance of an effective competition policy to raise the productivity of Community's economy. Community resources, the report pointed out, must be developed to the maximum to satisfy considerable investment and consumption needs. Joint action in matters of employment, vocational training, regional policy and scientific and technical research will also help to achieve this objective, the report said. The Commission will submit to the Council this year a medium-term economic policy program for the period 1966-1967 providing the general framework for the principal measures to be taken in all fields of the economy.

In the next five years the medium-term policy program will also bring out the broad lines of a social policy at the Community level, which will mark a new stage in the Community's development, the report said. The medium-term program will be discussed with representatives of labor and management through the Economic and Social Committee and the European Parliament.

### **Lack of Progress Noted in Some Areas**

The Commission pointed out that progress is lagging in the fields of right of establishment, transport and the common commercial policy. "A common commercial policy must be applied at latest by the end of the transitional period," the report said. "The change-over to such a situation can only be gradual and this requires that uniformization measures be taken forthwith and common machinery set up."

Reviewing its activities over the past eight years, the Commission said that the principal commitments of the Treaty had been fulfilled in the first two stages of the transitional period due to end in a few months. The results of the past years have often gone beyond the letter of the texts and the hopes of the sponsors of the Treaty, the report pointed out.

The Commission said that its report would probably be the last before the Executives are merged and the newly-formed single Commission takes up its duties. It urged that the merger treaty be ratified as rapidly as possible so that the single Council and the single Commission may be ready to function at the beginning of 1966.

# EEC COUNCIL DELAYS FARM FINANCING DECISION

## Ministers Accept Principles of Commission Proposal

THE EEC COUNCIL OF MINISTERS came to no agreement during June on the Commission's proposal for financing the common agricultural policy, providing independent revenues for the Community, and strengthening the powers of the European Parliament.

The proposal, submitted to the Council March 31, dominated the discussions on June 14-15 and 28-30. The ministers agreed in principle on a number of aspects of the three-part proposal but did not decide on financing the farm policy. (The original provisions for financing expired on June 30 of this year.) The other parts of the Commission's proposal provide for direct revenues for the Community from farm import levies and customs duties, and stronger budgetary powers for the European Parliament.

### Contribution Provisions Questioned

The Council session of July 28-30 ended in a deadlock over the length of time proposed for member state contributions to the Community's Agricultural Guidance and Guarantee Fund. Member states have been contributing to the Fund partly according to the Rome Treaty scale for general budgetary contributions and partly to the amount of the member states' net agricultural imports from non-Community countries. These contributions pay for the Community's purchase of surplus farm produce, export subsidies and agricultural improvements.

The Commission proposes that the member states pay according to fixed scale of percentages until July 1, 1967 when the proceeds of all agricultural levies would accrue to the Community. The ministers were unable to decide whether Community financing of the farm policy would begin on the date proposed by the Commission or on January 1, 1970.

EEC Commission President Walter Hallstein said in a press conference July 1 in Brussels that the Council accepted the general principles needed for adoption of the

proposal. These principles concerned the timetable for achieving a common agricultural and industrial market on July 1, 1967, and for the fixing of common prices for agricultural products. The principle of both levies and duties going to the Community had been accepted but there had been no agreement on a declaration to this effect or on a date.

(Fixing common prices for farm products is essential to the operation of a common agricultural market. Common prices for cereal products, to be effective no later than July 1, 1967, were decided by the Council on December 15, 1964. The Council must determine price levels for such products as pork, poultry, eggs, dairy products, beef and veal, and rice. The regulation, approved by the Council in January 1962, foresees Community financing of common agricultural policy when the single market for farm products comes into effect.)

### Council Reaches Mid-Way Point

President Hallstein said that the Council had arrived midway in its discussion of the Commission financing proposal and had underestimated the time needed for making an agreement. He pointed out that the Commission was examining its proposal in light of the questions raised by the Council and would possibly modify its provisions to facilitate the continuation of negotiations. He said that any new proposals would be made before the next Council meeting July 26.

"Many questions are not yet ripe for decision," he said. "Increased budgetary powers for the European Parliament has hardly been discussed."

He pointed out that Luxembourg's suggestion for incorporating the Commission proposals on the Parliament's budgetary powers into the changes to be made at the time of the Communities' merger merited examination. The fusion of the three Communities is expected to take place in 1969.

# EEC AGRICULTURE POLICY DEVELOPMENTS REVIEWED

## History Traced From 1962 Up To Recent Financing Discussion

*The following article reviews the development of the European Economic Community's agricultural policy since its creation in 1962 to June 30, 1965 when the Council of Ministers failed to reach a decision on farm financing.*

THE TREATY OF ROME provides that the European Economic Community shall establish a common agricultural policy for virtually all agricultural commodities produced within the six member states by the end of the transition period, December 31, 1969.

The Community's Council of Ministers decided, upon entering the second stage of that transition period at the beginning of 1962, that the first steps be taken to create a common agricultural policy. Thus, on January 14, 1962, regulations for the common organization of markets in grains, pork, eggs, poultry, fruit and vegetables, and wine were adopted. At the same time, a regulation on financing the

common agricultural policy was adopted. These regulations entered into effect on August 1, 1962.

### Market Organization Includes Finance Regulations

A common market organization for a given commodity replaces pre-existing national agricultural policies, including the national support and protection systems. The financial regulation provides for the revenues and expenditures that are necessary for the purchase of produce offered at or below a support price, for export rebates for certain exports made to non-member countries at or below the world market price, and for guidance expenditures for the creation of new agricultural infrastructures.

Additional regulations for the European Guidance and Guarantee Fund and financing procedures needed for the retroactive application of the financial regulation were decided on in February 1964. The Council of Ministers had

4 also agreed on December 23, 1963 to the establishment of a common market organization for beef and veal, dairy products and rice, and on principles for the fats and oils regulation. These regulations (not including fats and oils) entered into effect on July 1, 1964.

The common organization of the market for a given commodity depends for its basic orientation upon agreement on a common price for that commodity. This common price would prevail throughout the six Community countries and would replace the pre-existing national prices. On December 15, 1964, the Council of Ministers agreed on common prices for grains and on the guidelines for prices for the so-called conversion products, eggs, pork and poultry. These prices will enter into effect on July 1, 1967.

## Unfinished Business

The principal agricultural matters which remained for the Community to settle at the beginning of 1965 were:

Establish common market organization for sugar, fats and oils, and tobacco.

Complete the common organization for fruits and vegetables. (The Council of Ministers decided in May 1965 on a levy to be used for imports during periods of over-supply even without proof of market disturbance.)

Establish single prices for beef and veal, rice, dairy products, sugar, fats and oils.

Provide no later than June 30, 1965, for the application of the financial regulation during the remainder of the transition period (the financial regulation included detailed provisions for the first three years of the transition period and the stage of the single market organization).

In addition to these measures, the conditions of competition in agriculture would have to be harmonized and state aids to agriculture abolished before a single market organization could be considered to be established.

## The Mandate of the Commission Explained

Two mandates issued by the Council to the Commission on December 15, 1964, were as follows:

“The Council . . .

“(G) . . . invites the Commission to submit to it before April 1, 1965: proposals concerning the financing of the common agricultural policy for the period 1965/70.

“(C) invites the Commission to submit, in the framework of its proposals on Regulation 25, referred to in Paragraph (G) of this resolution, proposals on the conditions under which Article 2 of Regulation 25 is to be applied when the common prices for various agricultural products go into effect.”

Article 2 of Regulation 25 mentioned in Paragraph (C) reads as follows under the title “Single market stage”:

“Revenue from levies charged on imports from third countries shall be the property of the Community and shall be appropriated to Community expenditure; the budget resources of the Community shall comprise such revenue together with all other revenues decided in accordance with the rules of the Treaty as well as contributions of Member States in accordance with Article 200 of the Treaty. The Council shall in due course initiate the procedure laid down in Article 201 of the Treaty so as to implement the above provisions.”

According to Paragraph (G), the Commission prepared proposals for the Council concerning the financing of the common agricultural policy.

In the execution of its mandate, the Commission had to determine the date on which the common market would be completed. The Commission took as a base the date of July

1, 1967. (All members of the Council had agreed, in principle, to this date.)

Secondly, the Commission sought to determine what “other revenues decided in accordance with the rules of the Treaty” ought to be made available besides the contributions of the Member States, “as well as” the levies. The Commission thus referred back to a proposal that had been under discussion for some years—that of including the revenue from the common external tariff.

In addition, the Commission had to act in accordance with the last sentence of Article 2, Paragraph 1, of Regulation 25 (above).

Article 201 of the Treaty of Rome, referred to in that paragraph is worded as follows:

“The Commission shall study the conditions under which the financial contributions of Member States provided for in Article 200 may be replaced by other resources of the Community itself, in particular by revenue accruing from the common customs tariff when the latter has been definitely introduced.

“For this purpose, the Commission shall submit proposals to the Council.

“The Council, acting by means of a unanimous vote and after consulting the Assembly on such proposals, may lay down the provisions whose adoption it shall recommend to the Member States in accordance with their respective constitutional rules.”

The constitutional rules to which Article 201 of the Treaty refers are the rules in effect in most of the Member States which require that the arrangements involved be submitted to the national parliaments for approval. The Commission took into account the fact that certain national parliaments have linked this approval to the reinforcement of the powers of the European Parliament. To guarantee application of the procedure provided for in Article 201, the Commission therefore included in its proposals the ensemble of problems linked to the reinforcement of the powers of the European Parliament.

The Commission also reflected the will of the Council which, on December 23, 1963, decreed as follows:

“On the occasion of its discussion of the functioning of the European Agricultural Guidance and Guarantee Fund, the Council emphasized the great importance that it attaches to the problem of the reinforcement of the budgetary powers of the Assembly. At its February 1964 session, it will take up this question as well as the reports that it has received on the ‘fusion’ and on the increasing of the role of the Assembly.”

## Commission Submits Financing Proposal

On the basis of the foregoing mandates and Community procedures, the EEC Commission proposed on March 31, 1965 to the Council of Ministers the application of the financial regulation for a two-year period with the progressive takeover by the Community of financial responsibility for the agricultural policy. The Commission proposed that the single market system be applied after July 1, 1967. Thus, refunds on exports to non-member countries, market support, and other measures would be entirely financed by the Community, provided these measures were carried out according to Community rules.

At the same time, the Commission proposed that steps be taken to ensure to the Community independent revenues from non-agricultural sources (i.e. customs duties) as well as agricultural revenues. In view of the large sum of money

(continued on page 15)



# 1964 ECONOMY SHOWS HIGHER INVESTMENT AND GROWTH RATE

## Community Figures Surpass United States and United Kingdom

THE COMMUNITY'S ECONOMY IN 1964 revealed a higher level of investment and a more rapid rate of growth than in the previous year, according to the European Investment Bank's annual report published in June.

The report credited the anti-inflationary measures taken by the member states for the Community's economic health. "A determining element in the development of the European Economic Community in 1964 was the introduction of a coordinated short-term policy aimed at eliminating the inflationary imbalances which were evident in varying degrees in the member states," the report said.

"Apart from the specific factors in some countries, these imbalances were above all attributable to major balance-of-payments surpluses, to the rate of public expenditure, and to the expansion of credit in an economy showing a vigorous growth in conditions of over-employment of skilled manpower and the intensive use of existing productive capacity. These inflationary pressures threatened to spread and intensify due to the high degree of interdependence between the Six."

The report reviewed the various steps taken by the member states to regain their economic stability. The French and Italian governments began applying stabilization measures in 1963. On April 14, 1964, the Council of Ministers, on the advice of EEC Commission, issued its recommendations to the six governments to limit public expenditure and to reinforce the credit squeeze. The policy was confirmed on November 10, 1964. The Council recommended on March 30, 1965, a moderate encouragement to domestic demand in Italy primarily through increased investment, the stimulation of investment in private industry in France, and a relaxation of credit restriction in Belgium and Luxembourg.

Prices in the Community rose by 4 per cent last year, although there were marked variations from one country to another, the report said. All Community countries, except Italy showed a greater rate of economic expansion last year than in 1963. The table below shows the percentage increase in the 1964 gross national product compared with the previous year.

	1964%	1963%
Belgium	5.5	3.9
France	5.5	5.0
Germany	6.5	3.2
Italy	2.7	4.8
Netherlands	7.5	3.8
Community	5.5	3.9

The Community gross product rose by 38 per cent from 1958 to 1964 compared with an increase of 28 per cent and 21 per cent in the United States and the United Kingdom respectively, the report pointed out.

Last year total new investment, at \$63 billion, was greater by 11 per cent in value and by 7 per cent in real terms than in 1963. It was also equivalent to 23.3 per cent of the Community's gross product, compared with 22.8 per cent in the previous year. This proportion remains appreciably greater than in other major industrial countries, such as the United

States and Great Britain, where it has stood at about 16 per cent in recent years, the report said.

The proportion of total investment in the EEC represented by company investment continued to decline in 1964, but this type of investment rose in absolute value to a new peak at \$37.4 billion. The value of both housing and public works investment continued to increase in spite of the brake placed on public expenditures as part of the anti-inflationary drive.

However, the report points out that the expansion in these two investment sectors resulted from the improvement of the weather in 1964 which slowed down housing construction and other outdoor work such as roadbuilding in 1963 and 1962.

### INVESTMENT IN THE COMMUNITY 1961-64

	\$ billion at current prices				% of total			
	1961	1962	1963	1964	1961	1962	1963	1964
Company investment	29.8	32.9	34.9	37.4	63.8	63.2	61.8	59.4
Housing	10.7	12.0	13.5	16.1	23.1	23.1	23.9	25.5
Public investment	6.1	7.1	8.1	9.5	13.1	13.7	14.3	15.0
Total	46.6	52.0	56.5	63.0	100.0	100.0	100.0	100.0

Investment trends in individual countries differed appreciably last year particularly in real terms. In France, investment growth remained at much the same level as in 1963. It fell sharply in Italy, while forging strongly ahead in other countries.

### INCREASE IN INVESTMENT

	% in value			% in real terms		
	1962	1963	1964	1962	1963	1964
Belgium	7.4	5.7	15.0	3.8	1.6	10.0
France	11.6	12.7	12.2	7.5	6.9	8.5
Germany	11.8	5.2	13.8	5.2	2.2	11.0
Italy	14.6	11.8	-1.3	8.8	5.7	-9.2
Netherlands	5.9	8.3	21.0	3.1	3.9	16.0
Community	11.6	8.7	11.3	6.5	4.2	7.2

## Community Negotiations Begin with Tunisia and Morocco

The EEC Commission began in July two separate sets of negotiations with Tunisia and Morocco for possible association with the Community.

The talks with Tunisia and Morocco began in Brussels on July 6 and July 12 respectively under a partial mandate from the EEC Council of Ministers. The mandate, issued June 14, authorized the Commission to negotiate terms of an agreement for industrial goods, farm products under the Community levy system, wine and other products.

The fruit and vegetable sector was excluded from the mandate at the request of the Italian delegation, pending a Council decision on the organization of the Community market for these products.



*Ispra, Italy: This heavy water-moderated and cooled reactor, Ispra 1, is used for nuclear physics experiments at Euratom's largest joint research establishment, 30 miles north of Milan on Lake Maggiore.*

## MERGED EXECUTIVE TO INHERIT NUCLEAR DEVELOPMENT TASKS

### Euratom Commission Recommends Concentration of Community Industry

THE COMMISSION OF THE EURATOM ATOMIC ENERGY COMMUNITY has willed its tasks in the field of nuclear development and research to the future single executive of the European Communities.

The Commission said in its Eighth General Report, issued June 14 in Brussels, that the merged Commission will continue the operations launched by Euratom. The report urged Community action in establishing industrial objectives, harmonizing member states' nuclear energy policies, and amending Rome Treaty provisions for supply policy.

"The arrival of nuclear energy in the Community is an accomplished fact," the report said. During 1964, four power stations operated satisfactorily, the construction of a number of other major units began, and new projects were launched.

#### Dynamic Nuclear Industry Needed

A rapid expansion of electricity producing capacity is foreseen. The installed nuclear capacity for the year 2000 is estimated at 370,000 MWe. The Commission therefore recommends that the Community's nuclear energy industry acquire a structure and dynamism to meet world competition. At the present nuclear firms limit their interests too much to national markets and are not taking sufficient advantage of the new opportunities provided by a wider market.

The Commission stressed that large units are required to meet competition from third countries. Only large-scale firms with experience and financial resources have a good chance of success. Small or moderate-sized firms would be profitable only in serving specialized or highly technical areas, the report said.

Many Community companies in the nuclear field have developed links with non-Community firms. The Commission sees an urgent need to promote the concentration of nuclear industry on a European basis and to check tendencies of Community firms to disperse their activities.

Some progress has been made in developing the Community industry. The French nuclear industry has for some time been able to provide all the equipment for the national reactor program, and equipment for power reactors approved in 1964 will be furnished by Community firms.

#### Inadequacies Exist in Some Sectors

The Community nuclear industry is now able to market full-scale light water-cooled nuclear plants with a certain number of guarantees. However, the report said that the development of Community industry is inadequate in a number of sectors, particularly in the speed of manufacturing fuel elements. Reactor core calculations and the manufacture of control apparatus are still largely dependent on non-Community sources.

The report suggested that the problems of local manufacture of fuel elements both enriched and natural uranium should be solved by cooperation among government authorities, electricity producers and manufacturers. The Commission is therefore studying the ways of covering the financial risks which could arise from the failure in service of Community-produced fuel elements.

#### Community Maintains Commercial Policy

The Community's commercial policy on imported raw materials and finished products for the Community nuclear

industry will remain unchanged this year. The Euratom Council of Ministers decided in November 1964 to maintain a zero tariff for primary nuclear materials and extended the suspension of tariff rates for reactors and fuel elements until the end of 1966.

The Euratom Commission's Supply Agency has concluded contracts totalling \$313 million for the supply of special fissile materials to the Community between 1960 and mid-1965. Three contracts have been signed with the United States Atomic Energy Commission to supply 20,000 kilograms of U235 worth \$178 million to the SENN, SELNI and SENA reactors. Negotiations are being conducted with the United States for an additional 10,247 kilograms of U235 valued at \$82.3 million.

The Agency has also been requested to negotiate contracts for U235 amounting to \$2 million for the nuclear ship "Otto Hahn," being constructed in Germany; \$10 million for the AVR "pebble-bed" reactor. In addition, \$18.45 million worth of U235 has been leased from the United States Atomic Energy Commission for the fast-breeder reactor program.

The Supply Agency has also negotiated the supply of a total of \$21.8 million of plutonium for the fast reactor program, \$17.2 million (about 400 kg.) from the United States Atomic Energy Commission for the critical assemblies of Cadarache and Karlsruhe and \$4.5 million (90 kg.) from the United Kingdom Atomic Energy Authority for the first core of the Rapsodie reactor in Cadarache. Under the June 1964 information agreement on the development of fast reactors, the United States Atomic Energy Commission will furnish the Community with 500 kg. of plutonium to fuel mainly the Masurca and SNEAK critical assemblies.

The Community's known reserves of uranium ore in 1963 remained practically at the 1958 level, the report said. "The respective efforts of the members states remain as unequal as ever with France pursuing a systematic and continuous effort to exploit her own resources, while working to acquire her own long-term needs in third countries, notably Africa, Madagascar and Canada. The Supply Agency itself has studied the outlook for uranium supplies in the United States, South Africa and Canada and has developed contacts with these countries . . . it appears that Canada has the most to offer the Community over the long term."

### **Community U235 Study Suggested**

"While the Community depends for its enriched uranium on the United States, which is in a quasi-monopoly position in the western world, the United States Atomic Energy Commission has said it has sufficient U235 capacity available to meet the needs of the western countries until the end of the 1970's. The Commission considers that the possibility of a Community initiative for the manufacture of U235 should be studied: the dependence of the Community on third countries would thus be greatly reduced and the installations are not beyond the technical or financial means of the Community industry."

### **International Cooperation Expanded**

Euratom continued to maintain and extend its cooperation with other countries during 1964. The fast-reactor agreement signed in May 1964 with the United States Atomic Energy Commission is being rapidly applied and technical discussions have been conducted between the United Kingdom Atomic Energy Authority and the Community for cooperation in the same field.

Argentine nuclear authorities have also been discussing possible cooperation with the Community. The Council of Ministers is considering a cooperation agreement between the Community and Japan for the exchange of information and technical staff in three fields of basic research and reactor physics, ship propulsion, and health protection and biology. Technical links have also been established with the Swedish nuclear industry.

A total of 2,268 Community researchers were employed at the end of February at Euratom's four research establishments, 35 other Community locations and 17 centers in the United States, the United Kingdom and Canada. The research budget for 1964 totalled \$94.7 million in addition to \$30.6 million available from previous years. A total of 140 research contracts amounting to \$16.3 million were concluded by the Commission during the year.

The report pointed out that the recent work in readjusting the second Five-year Research Program was laborious in order to reconcile points of view which differed according to "the disparity between the state of nuclear development and the economic and industrial condition in the six countries."

However, the report said, "the Council's decision to raise the program allocation from \$425 to \$430.5 million represents more than merely an additional allocation of \$5.5 million. . . . It has been possible to release \$34.8 million for priority actions." The decision embodies, the Commission said, "the common political will of member states to pursue an action in the nuclear field within the European framework and employing the Community method."

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## **EEC and Nigeria Agree On Association Terms**

The Nigerian and EEC Commission delegations ended their final set of negotiations July 8 in Brussels in agreement over the terms of Nigeria's association with the Community.

The terms of the accord will be submitted to the Council of Ministers for approval prior to the preparation of the formal association text.

The agreement envisions free entry into the Community for Nigeria's exports with the exception of cocoa beans, palm oil, peanut oil and plywood. The exceptions, accounting for about 22 per cent of Nigeria's total exports to the EEC, would be subject to gradually increasing tariff quotas.

Nigeria, in return, would accord the Community tariff concessions of 2 to 10 per cent for 26 products, representing about 4 per cent of its total imports from the EEC. These include certain food products, beverages, and some industrial goods, mainly machines and machine parts. Nigerian trade interests would be considered in future decisions on the Community farm policy.

The agreement would also provide for the freedom to establish services following the formula of the Yaoundé Convention with 17 African countries and Madagascar.

A Council of Association, meeting at least once yearly, would be established to supervise the agreement. The accord would be effective until May 31, 1969, the expiration date of the Yaoundé Convention.

Nigerian chief negotiator Dr. Pius Okigbo said July 8 that he hoped the agreement would begin operating before the end of this year.



# 8 EUROPEANS WEIGH U.S. NON-TARIFF OBSTACLES TO TRADE

## Kennedy Round File Lists Customs Valuing, 'Buy American' Act

*The following article is the first of two reprinted in part from Opera Mundi—Europe (No. 301, April 22, 1965) published by the Times Publishing Co. Ltd., London. This article concerns European objections to non-tariff obstacles to trade in the United States. The United States' criticisms of European obstacles will be presented in the August issue of "European Community."*

ECONOMIC NATIONALISM, in the classic form of protection, is not yet dead; this much at least is evident from the slow pace of preparations for the Kennedy Round of negotiations on non-tariff (and semi-tariff) obstacles to international trade. President Kennedy's Trade Expansion Act may even have strengthened rather than weakened the laws which protect the United States commercially.

The Six's first reaction was to try to establish common principles and a joint procedure for protecting the Common Market against unfair trading practices by non-members, in order that the Community should be armed with "means of defense equal to those which the United States has available." It would obviously have improved the Six's negotiating position to have had a common trade policy, but the proposal which the Commission laid before the Council of Ministers on November 26, 1963 has still not been adopted.

### Britain Supports Six

The Six may not be agreed on what they want to do, but they are quite clear what they want to demolish—the barriers erected by other countries, especially the United States. At GATT meetings, they have found a powerful ally in Great Britain. The Common Market Commission has drawn up a complete inventory of measures applied by the biggest parties to the negotiations. The American file is . . . the thickest.

Its first chapter concerns customs classification and nomenclature. In 1950 many of the industrial countries adopted the Brussels Convention, which includes a definition of customs value and lays down a uniform method of assessment and the principles to be applied, based on a standard nomenclature with a limited number of items. The United States never signed it, and has retained tariffs with very complicated headings and widely varying rates of duty.

This has meant that the exporter has often been left in doubt how much duty he will have to pay—a doubt which has been made worse by arbitrary changes of classification. The other countries have little hope that America will speedily adopt the Brussels nomenclature and other standards, but they do ask that the Americans should try to make their nomenclature clearer and better classified, so as not to take exporters by surprise.

### U.S. Customs Valuing Basis Differs

Assessing customs values is another source of argument. Under the Brussels Convention CIF (cost, insurance, freight) prices are generally adopted for contracts of sale, but the American system divides goods into three groups, each with a different basis of customs assessment:

- Group I: For the majority of items the customs value is based on the FOB (free-on-board) price.



**Escape Clause:** A provision of the Trade Expansion Act permitting the President to increase tariffs or impose quotas, for limited periods, after a finding by the Tariff Commission that increased imports cause or threaten to cause serious injury to domestic industries.

- Group II: For some 500 products or categories of products, which are set out in a list issued by the Treasury Department under date January 20, 1958, the customs value is the same as the value in the home market of the exporting country (domestic consumption price) or the export value (FOB price) when the latter is higher.

- Group III: For organic chemical products and some others (rubber soled shoes, clams in tins, knitted woolen gloves and mittens whose value does not exceed \$1.75 per dozen pairs), the value is based on the ASP—American Selling Price, that is the wholesale price in the United States of the competing American product (as judged by the American industry itself—ed.), including all expenses and profits of sale. The effect of this method is that the United States Customs can refuse to accept an invoice price or a price assessed by experts and refer simply to the price on the American market.

Unquestionably, disparities one way or the other will subsist and will sometimes be considerable for as long as the main industrial countries, including the United States, fail to apply a common method of assessing customs values. There seems no reason why they should not adopt the simplest one, which is the Brussels Convention.

### ASP Raises Import Price

The ASP basis mentioned in Group III above amounts to raising the import price considerably (by anything from once to twice or three times that figure) and thus the amount of customs duty according to the American tariff. The system is entirely contrary to the rules laid down in GATT (the General Agreement on Tariffs and Trade), Article VII, ii(c) which says, among other things, that the customs value should not be based on the value of similar goods produced in the importing country.

Taking dyes, for instance, the American customs assessment depends on the "standard of strength" which, in turn, is based on the position before July 1, 1914. The effective rate of customs duty for synthetic dyes is thus double, and sometimes even triple, the duty appearing in the American tariff. The Six, therefore, consider that the best solution would be to harmonize customs assessments on the basis of



the Brussels Convention.

The British, who are large exporters of organic chemical products, correctly point out that the American system of excessive protection, which was devised some decades ago to protect a young chemical industry, is quite unsuitable for today's huge and highly competitive American chemical industry, whose production is to a considerable extent based on oil derivatives obtained from cheap raw materials. The present system often pushes up the duties to absolutely prohibitive levels, sometimes as high as 120%, especially for dyes ready for use. The British therefore agree with the Six in asking for the American system to be ended.

### Anti-Dumping Measures Questioned

The second chapter of the file on American protection relates to non-tariff barriers, and first and foremost to dumping. The Six would like to bring in a common procedure for anti-dumping measures, based on Article VI of GATT (appreciation of the legality of unilateral action by a contracting party). The difficulty in doing this comes from the varied nature of the practices in force, especially those applied before the existence of dumping is recognized.



**Buy American:** Statutory requirement that U.S. producers be given a preference on federal procurement of goods for use in the United States. The procurement award must go to the domestic producer unless the domestic price exceeds that of a competing foreign article by more than 6 per cent.

The United States has had an Anti-Dumping Act since 1921 which allows the administration, as soon as it is informed of a case of dumping, to set in train a procedure charging the dumped goods with an additional duty, calculated on the difference between the original price and the import price, which is sometimes enough to discourage the exporter. This legislation has recently been made more flexible, especially by abolishing retroactive application of anti-dumping duty by allowing full examination of the files and publication of the documents which, until now, had been examined separately and confidentially.

But the main part of the procedure remains in force and it has had very unfavorable effects on exports to America. Assessment of the customs value can be suspended by the Treasury Department as soon as it suspects a case of dumping, even when no proof of damage has been submitted. The inquiries alone are harmful to the suspected European exporters (since in order to gain satisfaction, they must agree to making their files public—ed.) and no country in Europe uses any procedure of this kind.

The American Customs Law (Article 303) . . . also conflicts at two points with the rules laid down in Article VI of GATT. It empowers the administration to charge compensating duties:

- When export subsidies and production subsidies are granted by private organizations (through agreements, trade associations, etc.) in the exporting country; while the GATT regulations only apply to government subsidies.
- Even when the American industry has suffered no serious harm; while GATT requires proof of "serious damage" before compensating duties may be applied.

This special provision has seldom been applied on industrial goods, but it often has been on agricultural products.

### 'Buy American' Act Criticized

In the United States government buying is subject to the "Buy American" Act which came into force in 1933 and authorizes the government to give an American firm preference over a foreign one, even if it costs from 6 per cent to 12 per cent more (according to the rate of unemployment in the area concerned) on condition that the value of American materials used in the work is not less than 50 per cent of the total cost.

For a long time, this national preference was only applied to goods intended for use within the United States, but under the Kennedy administration the Defense Department extended it to purchases of goods for use abroad, in consequence of the adverse balance of payments position. Since July 1962, the margin of preference has been 50 per cent whether the goods are used at home or abroad.

The Buy American Act threatens to nullify the tariff concessions . . . for articles purchased by the American government. To allow home suppliers to obtain the contract when their prices are not more than 50 per cent higher than those of foreign suppliers practically amounts to authorizing the application of an additional 50 per cent customs duty on imported goods. What is more, the psychological effects of this legislation are so great that in many cases possible suppliers do not quote at all, believing that their chances of success are very small.

Since the margin of preference was raised to 50 per cent for orders relating to national defense, British industry has given up quoting for contracts for \$35 million and up, of which there have been 30 in heavy electrical equipment sector alone. Now the Common Market and Britain are asking the United States to consider whether they will not abolish this discrimination.

### ASME Code Draws Fire

Then there are the administrative and technical regulations, several of which have been pointed out at Geneva as harmful. First of these is the code of ASME—the American Society of Mechanical Engineers. Some states and some local authorities require boilers and containers for liquid gas under pressure used in their area to comply with the code. Several states stipulate that the inspector responsible for checking them should be a state employee affiliated to ASME, which however follows a policy of declining to approve manufacturers outside the United States and Canada, in order not to cheapen the significance of the code. In Britain, for instance, there are several inspectors approved by the United States National Board of Boilers and Pressure Vessels Inspectors, but ASME does not wish to admit this and several British firms which have tried to get

American orders have run up against ASME's veto.

High pressure gas cylinders intended for the United States have to conform to the specification for unsoldered gas cylinders laid down by the Commission for Inter-State Trade. Since inspection and trials have to be carried out in America, this provision prevents foreign goods entering American territory. In this case as in the previous one, the British are asking for inspection to be made in Britain as well as in the United States.

Finally, American legislation prohibits (on pain of confiscation) any foreign built dredger to dredge in America unless it is registered there, but foreign built ships are only registered if they are intended exclusively for "trading with foreign countries." In other words, foreign built dredgers cannot be registered in the United States and dredge there,

so they cannot be sold there at all. At least one British firm has received inquiries from American firms interested in buying dredgers, but the restrictions have prevented them from getting any orders.

This is the kind of case which the Community (represented by the EEC Commission) and Britain are preparing for their negotiations with the United States on non-tariff and semi-tariff obstacles to trade (the American Selling Price and the Anti-Dumping Act have an effect on tariffs).

Although such obstacles are more serious in the United States than in Europe, they do exist in the Common Market and the Americans in particular complain about them. There are also obstacles in some other countries which affect international trade, and these will be considered in a later article.

## SUPREMACY OF COMMUNITY LAW ESSENTIAL FOR INTEGRATION

### Treaties and Regulations Apply Directly in Member Countries

by **FERNAND DEHOUSSE**, *Professor of International Law, Liege University and member of the European Parliament*

*In the following article adapted from "Courrier Socialiste Européen," Mr. Dehousse explains his reasons for urging the precedence of Community law over national laws.*

THE DEVELOPMENT OF THE EUROPEAN COMMUNITIES can be hampered or imperiled in many ways. Their growth can be endangered if the true nature of the Communities' treaties is challenged in member countries. The enforcement of the rules for European integration laid down by the Communities in regulations and decisions can be hindered by a member country's national laws.

These conflicts have been developing for some time due to the persistence of nationalistic traditions. Some national authorities have not yet recognized that the Communities' treaties and regulations must be applied directly within member states. They remain attached to the old concept that the treaties and regulations must be "accepted" into domestic law by national enactment or decree.

#### Community's Legal Order Autonomous

This out-dated concept denies the autonomous character of the Community's legal order. It also raises the dangerous prospect of each member state's accepting whichever measure it so chooses. National legal action is necessary to apply Community law when the latter is insufficient in itself. However it is another matter to lay down as doctrine that Community law can be absorbed into internal law only through national legislation.

More disputable and disquieting are the court decisions, fairly common in some countries, which hold that it is validly possible to depart from a treaty or a rule by passing a subsequent law. This sort of action deprives Community rules of their binding nature and thus of their *raison d'être*.

These practices, legislative, executive or judicial, fail to recognize the specific character of Community law. They tend to restrict the enforcement of the Treaty by refusing to acknowledge the concept of delegated powers. These tendencies could ultimately ruin the entire structure of European integration.

For this reason, cries of alarm are heard on all sides, not only in "European" circles. The question is not one of attacking the independence of the judiciary, a remaining pillar of the democratic system. The aim is to ensure a broader and better understanding of these problems and to increase the public's awareness of the necessity to adapt to the new situation.

#### Parliament Guards European Ideal

The European Parliament was bound to share this concern. To be faithful to its vocation as the promoter and guardian of the European ideal, it has had to play a militant role. It was thus inevitable that the Parliament should voice its views on the problem of the supremacy of Community law over the national law of the member states.

The Parliament is not expected to pass judgment on technical theses and controversies. Its mission does not lie in that direction. However, certain principles exist which can be overridden only at the expense of the Parliament's real mission. Among them is the principle of the precedence of Community law. Failure to recognize this principle would mean a crisis for classical international law at a critical stage of its development. For Community law, whose essential role is to lead to uniform solutions in all six countries, it would constitute a mortal threat.

### Nuclear Insurance Problems Discussed

The Commission of the European Atomic Energy Community sponsored in Berlin on July 8-9 a conference on nuclear insurance problems.

Discussions between representatives of the Euratom Commission and of Community industries covered such questions as third-party coverage against accidents in nuclear power plants, damage to power plants and accidents occurring in the transportation of nuclear materials.

The conference was attended by representatives of nuclear insurance companies, industry, and electricity producers and distributors. Governments of the Community countries sent observers to the meeting.

# STEPS PROPOSED TO BOLSTER EUROPE'S COMPETITIVE POSITION

## Von der Groeben Explains Commission's Policy for Industrial Growth

HANS VON DER GROEBEN, member of the Commission of the European Economic Community, proposed June 16 in Strasbourg a five-point program to help Community firms compete more successfully in Europe's growing market.

Mr. von der Groeben suggested to members of the European Parliament the following measures to help firms adapt to a larger consumer market and increased competition from non-member countries:

- Abolishing all restrictions on intra-Community trade.
- Removing tax barriers to the growth of companies.
- Establishing a European type of company to facilitate international mergers.
- Creating a European patent.
- Strengthening medium-sized and small firms.

"The competitiveness of Community firms on world markets has been decisively enhanced by the gradual opening of the internal markets of the Six," he said.

"It is now essential to eliminate all measures that are equivalent in effect to customs duties or that otherwise restrict trade, such as licensing systems, discrimination arising from government monopolies, and market-sharing cartels. In this connection, I should again like to stress how essential it is that frontier controls be abolished by 1970."

### Company Mergers Urged

Mr. von der Groeben told members of Parliament that the EEC needs larger companies to provide its 180 million customers with the benefits of mass production and to prepare for effective international competition.

Tax provisions standing in the way of firms wishing to merge with or acquire an interest in firms in other countries must be adapted to the trend toward a unified market, he said. "The Commission has therefore presented proposals that will prevent double taxation where mergers occur and will align tax regulations concerning the formation of companies."

Mr. von der Groeben said that the EEC Commission has submitted to the Council of Ministers proposals, endorsed by the Parliament, for the introduction of a single Community added-value tax.

### Tax Measures Termed Major Political Tasks

The EEC Commissioner called the introduction of the added-value tax and a decision to remove tax frontiers by January 1, 1970, major political tasks of this year. He said the Commission also intends to speed up the alignment of direct taxes which are still higher for firms in some Community countries than in others.

Early adoption of the added-value tax is also urged by the Commission to improve the position of the small and medium-sized firms frequently aggravated by legal provisions designed to suit large companies, he pointed out. The Commission also favors arrangements for joint research, specialization, modernization, joint purchasing, and measures to facilitate access to capital markets and, if necessary, subsidies for adaptation of smaller firms.



*Hans von der Groeben  
EEC Commissioner*

The Commission is advocating the creation of a new European kind of company, he said, to provide firms with a suitable legal form for their wider sphere of activities in the Common Market. A draft convention on the mutual recognition of companies by member states has been concluded (see story, page 14). Agreements are also being prepared on mergers between companies from different Community countries, and on the transfer of company head offices from one member state to another.

The European patent proposed by the Commission will facilitate the exploitation of inventions and make the process cheaper, thus helping to make Common Market firms more competitive, he pointed out.

Mr. von der Groeben emphasized the importance of maintaining effective competition, free access to markets, and the reflection in prices of changes in supply and demand. He also stressed that production and sales should not be artificially restricted and obstruct the freedom of choice of suppliers, buyers and consumers.

### Treaty Limits to Mergers Explained

There are limits to the growth of companies by means of mergers, he said. "Article 86 (of the Rome Treaty) . . . prohibits the abuse of dominant positions."

The extent to which the acquisition of other companies by a firm in a dominant position constitutes such an abuse must be assessed by the Commission, he pointed out. "However," he said, "the more such a firm approaches monopoly by merging with another firm and thus endangers the freedom of action and choice of suppliers, buyers and consumers, the more probability there is that this merger will be an abuse. The Commission is determined to apply the Treaty's competition rules to all restraint on competition that affects the Common Market, irrespective of whether it is practised by firms inside or outside the Community."

"Investment by non-Community firms in the Common Market is economically desirable as a rule," he said, "but leads to difficulties when based on artificial incentives such as tax privileges or the wish to dominate the market."

Mr. von der Groeben urged that the European Parliament's October debate on competition policy center on the major problems involved in shaping the economic order of the Common Market. The purpose of the European competition policy is to make a decisive contribution to the attainment of a fair and viable economic and social order in Europe, he said.



# COMMUNITY THRUWAYS TO CROSS NATIONAL FRONTIERS

## EEC Commission's Transport Plans Envision Roads to Traverse Europe

by RAFFAELLO GUZMAN,

*Director of Tuttosport Motori, an Italian motor magazine*

FAR TOO FREQUENTLY national highway networks in Western Europe have been designed to suit internal rather than international needs.

Under the prompting of the Common Market Commission, however, future projects should give the Community's highways a more European aspect.

The first roads constructed exclusively for motor traffic in Europe were the *Autostrade dei Laghi*. They were built between Milan and the Italian lakes in the 1920's to convey vacationers to the resorts of northern Italy. Revolutionary in their time, these roads bore little resemblance to the multiple-lane highways which now cut across many lands throughout the world.

### Germany Follows Italian Lead

This Italian pioneerwork was emulated and further developed in Germany in the 1930's. After World War II, the German highways played a vital part in the country's economic recovery. Their reconstruction symbolized Germany's new role in the post-war Europe. The *Autobahnen* today remain the most coherent thruway system in Europe, providing the heart of a European network which is still far from completion.

Almost all European countries now have some completed thruways, with further extensions under construction or soon to begin. More ambitious still are the plans for highways to be built by the 1980's although some traffic experts insist that such longer-term plans should not be made until the traffic flow and loads in those years can be accurately charted.

Italy has made great road building efforts in recent years. It can now boast of nearly 1,000 miles of super highways, on which tolls of about 1½ cents a mile are charged per car. The most spectacular highway is the *Autostrade del Sole* reaching from northern Italy down to Naples and

*This four-lane thruway being constructed outside Cologne, Germany, is one of many super-highways planned to facilitate travel.*



beyond. A toll-free highway is also planned to continue down to the "toe" of Italy, ultimately to be linked to Sicily by a bridge across the Straits of Messina.

France lags behind the major Continental countries in super highway construction. But French transport experts argue, with some justification, that their country's roads are already among the best in Europe.

Nonetheless, France, which has invested heavily in an excellent railway system, is now turning toward thruways. Plans have been published for the construction of 4,400 miles by 1985. France is the only country in Europe besides Italy, likely to adopt tolls to finance its thruways. Tolls have been rejected by most European countries except for costly bridges or major tunnels.

The present super highway network in the six Community countries, Britain, Austria and Switzerland totals only 4,300 miles, half of which are in Germany and a quarter in Italy. According to published plans, the mileage by 1970 will have risen to 11,600, the lion's share of which will still exist in these same two countries. By then, however, they will together account for only 60 per cent of the total.

### Europe's Mileage Lags Behind U.S.

This mileage will still lag far behind the United States' achievement in building nearly half of a 41,000 mile super highway network. Although the geography and economic resources of Western Europe and the United States differ greatly, the former is advancing rapidly toward the United States' ratio of motor vehicles to population. Compared to the United States figure of one motor vehicle for every two persons, there is now one vehicle for every 5 Frenchmen, one for every 6-7 people in Britain and Germany, and one for every 12 in Italy (though the ratio is higher in the North).

### Domestic Needs Predominate

Despite the integration achieved in trade between the Six, and their close geographical and economic relations with such countries as Austria and Switzerland, little has been





*West Berlin's new beltway rings the city and connects with the Autobahn to other parts of the Federal Republic of Germany.*

done to link the thruways of each country with those of its neighbors.

Recently the Dutch and Belgian systems have been joined to the German network, as part of the efforts by the ports of Antwerp and Rotterdam to secure their places in the rich import and export business of the Ruhr. Stretches of super highways have also been laid out on the Brussels-Paris axis. But the international links of Europe's thruway system still consist mainly of lines on the map.

The Common Market Commission's current proposals could be a decisive factor in the completion of a modern and effective European system under a common transport policy. From the outset, the Commission has urged investment in transport and the preparation of blueprints for a European system of interconnecting thruways.

A vital aspect of any common transport policy is the coordination of investment. The Commission urges that, while the national authorities should retain their direct and indirect responsibilities, transport studies should be conducted with an eye to European integration. Studies have been suggested for the following: coordination of transport systems, infrastructure costs, profitability, the provision of parking facilities, the harmonization of technical requirements for vehicles and for transport equipment, and the provision of finance.

### Commission Proposes Transport Networks

In 1960, the EEC Commission, in cooperation with the member states' governments, began planning a network of main Community routes for each form of transport.

The Commission recommended road studies and initial surveys for the following routes:

- A Paris-Brussels thruway
- A thruway from Eindhoven to the French frontier via Antwerp and Ghent
- A thruway from Savona to Marseilles via Ventimiglia
- A French-Italian road linking Chambéry, Modane and Turin via a tunnel under the Alps at the Col de Fréjus
- Modernization of the Thionville-Luxembourg road
- A road linking the Italian *Autostrade del Sole* with the German thruway system, via the Brenner pass and Austria

(these countries are studying this project jointly under the aegis of the Community and the European Conference of Transport Ministers.)

The Commission in 1961 submitted to the Council of Ministers a memorandum outlining goals for a common transport policy. The following year, concrete proposals were included in its Action Program. The Commission also urged the adoption of a Community procedure of notification and consultation on the building of main roads and other routes of particular interest to the entire Community.

Such a procedure would allow the emergence of a Community communications system capable of satisfying all the requirements of the wider economic union developing between the Six. Thruways would obviously play a predominant part in this system.

Many formidable difficulties remain in the way of integrating the six transport systems. Plans are held back not only by tardy nationalist feelings but by technical practices and requirements in the motor manufacturing industries of the different countries. In addition, the familiar controversy over whether to build new roads or modernize old railways exists with strong political and social overtones.

Other problems exist which become even more complex at Community level. Daily commuting across the borders of the Community countries is still a rarity. However, the effects of future decisions to regulate traffic in the suburbs of Paris, Brussels or Milan may ultimately have social, economic and political repercussions in the farthest corners of the Community.

### ECSC High Authority Co-opts Jean Fohrmann



Jean Fohrmann, a Luxembourger, was co-opted June 30 as a member of the High Authority of the European Coal and Steel Community to succeed the late Paul Finet.

Mr. Finet died in Luxembourg on May 19, 1965.

Mr. Fohrmann, born June 5, 1904 in Dudelange, a southern industrial district of Luxembourg, has been the first vice-president and a member of the European Parliament since 1958. He began work in 1926 as secretary of the Syndicate of Metallurgists. From 1932 to 1937, he was the director of the Workers Cooperative of the Solidarity of Dudelange. He served as secretary of the General Confederation of Luxembourg Workers from 1937 to 1954. From 1954 to 1964, he was the director of "Tageblatt," the newspaper of the Luxembourg Socialist Party.

Mr. Fohrmann has been the mayor of Dudelange since 1946 and a Socialist member of the Luxembourg Chamber of Deputies since 1935. From 1952 to 1958, he was the vice-president and a member of the Common Assembly of the European Coal and Steel Community.

## Breakthrough Made on Common Transport Policy

The EEC Council of Ministers agreed June 22 in Brussels on a common system for the organization of the Community's transport market.

The agreement broke the four-year deadlock between the member states over the EEC Commission's proposals for the common organization of market for goods transported by road, rail and inland waterways. The decision will determine to a large extent the shape and timing of the Community's future transport policy.

The new system will consist of publication of prices and conditions and the establishment of minimum and maximum rates and a market supervision committee. The upper and lower price levels will be binding for the transport of goods by road and rail. For transport by inland waterway, reference rate brackets will serve as a guide to companies for setting prices according to competition factors. The reference prices were a concession to the Netherlands which objected to binding rates for transport on the Rhine.

The new system will be introduced in two trial stages. During the first three-year period, the upper and lower rate brackets will be established for international transport. Haulage rates falling outside the brackets would be extended to the transport within national frontiers, except bulk goods, during the second stage. This stage is scheduled to end December 31, 1972.

The market supervisory committee, to be formed during the first stage, will publish periodic reports on the evolution of the market and assist the Commission with supervising tariff rates.

The outline agreement will form the basis of proposals to be drafted by the Commission and presented to the Council before the end of September.

## High Authority Raises Tax to Expand Research and Readaptation

The High Authority of the European Coal and Steel Community decided June 2 in Luxembourg to increase by .05 per cent its tax on the production of coal and steel.

The levy was raised from .2 per cent to .25 per cent to provide additional funds for research and the retraining and re-employment of workers. The new rate applies for the financial year July 1965 to June 1966. The .2 per cent tax had been in effect since July 1962.

Under the ECSC Treaty, the High Authority may collect from coal, steel, and related companies an annual levy of up to one per cent of their production value to finance its operations. The levy provides the High Authority with an independent source of revenue which it supplements by issuing bonds.

The increase will bring a total of \$26.04 million into the Community's coffers. However, this amount will not be sufficient to eliminate the estimated deficit in the High Authority budget for 1965-66. The High Authority plans to spend a total of \$50.13 million during the year, compared

to \$37.43 million in 1964-65. Total revenue from the levy and investments is expected to be \$35.66 million leaving an estimated deficit of \$14.47 million. The deficit will be met to the extent of \$8.83 million by non-allocated funds from previous years. The remaining \$5.64 million will be paid from future income.

The High Authority's expenditure for the retraining and re-employment of workers is expected to increase from \$4 million in 1964-1965 to \$5 million. Necessary expenditure above \$5 million will be met from the High Authority's reserve fund.

Technical research expenditure, rising sharply from \$5 million to \$16.5 million, will be divided as follows: \$8 million on the steel industry, \$4 million on the coal industry, and \$4.5 million on social projects. Administrative costs are also expected to increase. The cost of floating loans, expected to fall from \$5.33 million to \$1.55 million, will no longer be borne directly by the High Authority's budget.

The decision to increase the levy on the turnover of firms in the Community coal, steel and allied industries was made by the High Authority after consulting with the European Parliament. The levy represents a tax of about 3.6 cents on a ton of coal and 13.4 cents on an ingot of basic Bessemer steel.

## Draft Convention Concluded on Mutual Recognition of Companies

A draft convention on the mutual recognition of companies by all Community countries was concluded at the end of June by the EEC Commission and member state government experts.

The convention would grant the right of recognition to all companies under civil or commercial law, including cooperatives, and to all legal persons under private or public law engaged in an economic activity and incorporated in an EEC country. The convention also would apply to sole proprietorships recognized legally in their country of origin.

This new provision for right of establishment would supplement the Rome Treaty provisions on removal of obstacles to the supply of services and to the free movement of goods, capital and persons.

It would be applicable within the member states and in the countries and territories associated with the Community under the Council decision of February 25, 1964. These countries and territories are: St. Pierre and Miquelon, Comoro Archipelago, French Somali Coast, New Caledonia, Wallis and Futuna Islands, French Polynesia, Southern and Antarctic Territories, Surinam, and the Netherlands Antilles. A joint declaration annexed to the convention specifies the conditions under which it would apply in the associated states.

The Commission requests in an additional joint declaration that powers be conferred upon the Court of Justice of the European Communities to ensure uniform interpretation of the convention.

The convention must still be signed by the representatives of the member state governments. The group of experts will continue to study questions pertaining to the mutual recognition of companies, particularly the possibility of international mergers between the companies covered by the convention.

## Summit Meeting on Political Unity Discussed

The possibility of a summit meeting on political unity among the EEC countries this fall emerged from discussions June 11-12 in Bonn between German Chancellor Ludwig Erhard and French President Charles de Gaulle.

Alain Peyrefitte, minister of information, explained on June 15 in Paris, the French government's attitude toward the proposed conference. "The possibility of such a conference meets with no objection in principle from the French side," he said. "It remains to be seen in the weeks to come, with agreements of the rest of our European partners, if, and under what conditions, it could take place."

Chancellor Erhard defined his views on political union at a press conference June 18 in Bonn. "The setting up of a European political union is a problem in its own right," he said. "It is a question, when forming a politically united Europe, of setting up a body which will permit this old continent to bring its full weight to bear in world affairs. The Brussels Community is an organization more strictly economic in form. It is desirable that the question of political unity and the existing Economic Community in Brussels be kept well apart."

## Euratom's Research Budget Increased

The Euratom Council of Ministers approved June 15 in Brussels a supplementary budget of \$6,688,000 for Community nuclear research during 1965.

A total of \$83,384,000 is now available to cover the expenses of third year of the Five-year Research Program for the period 1963-67, for which total expenditures of \$455 million are planned. The 1964 and 1963 budgets totaled \$94.7 million and \$94.4 million respectively.

The breakdown of the 1965 budget appropriations is as follows: 48 per cent for Euratom's Joint Research Center; 24.5 per cent for the continuation of scientific and technical studies in such fields as thermo-nuclear fusion, biology, nuclear ship propulsion and fuel reprocessing; 15 per cent for fast reactor research, 8 per cent for advanced gas reactor research; and 4.5 per cent for research on other reactor types.

## International Experts Discuss High Temperature Gas-Cooled Reactors at Euratom Conference

THE DEVELOPMENT of high temperature gas-cooled reactors for industrial uses was pronounced economically feasible by representatives of international and Community organizations at a conference June 10 and 11 in Brussels.

The symposium on "Fuel Cycles of High Temperature Gas-Cooled Reactors" was organized by the European Atomic Energy Community for the exchange of information and ideas between representatives of government and private organizations. Attending were approximately 250 persons from Community countries, Austria, Canada, Sweden, Switzerland, the United Kingdom, the United States, the European Nuclear Energy Agency (ENEA), the ENEA "Dragon" project, Eurochem, and the International Atomic Energy Agency.

Euratom is engaged in high temperature gas-cooled reactor research as a participant in the "Dragon" project at Winfrith, England, and through an association contract

with the thorium, high temperature reactor project at Juelich, Germany. Progress on these two projects was viewed by participants as showing that sufficient economic incentive exists to warrant the further development of this reactor string and the industrial utilization of the research results.

The use of plutonium as a fuel was also stressed as an economic possibility. Other topics discussed were: aspects of fuel element development for high temperature gas-cooled reactors, reprocessing and refabrication methods and costs, and the economic assessment of burn-up and conversion factors.

## Marjolin Receives Honorary Degree from Yale

Robert Marjolin, vice-president of the Commission of the European Economic Community, received the honorary degree of Doctor of Laws from Yale University on June 14.

Mr. Marjolin was given the following citation: "Among the first in World War II to join the Free French and serve the cause of freedom in London, Washington, and Algiers, you afterward became one of the planners and builders of a new Europe. You have lifted the tradition of international public service above old hatreds and rivalries between classes and nations, between workers and management. Your insight has produced an economy whose orderly growth has become the servant of all, rather than of a privileged few. Honoring your idealism, as well as your mastery of economic, political, and social science, we welcome your return to Yale and confer upon you the degree of Doctor of Laws."

## EEC Agriculture Policy Developments Reviewed

*(continued from page 4)*

potentially involved (\$2.4 billion per year), the Commission also proposed a decision-making process in which the European Parliament would participate in addition to the Council of Ministers and the Commission.

The Commission considered that the market organization and single prices for which decisions were still needed would be agreed upon before July 1, 1967. The customs union would also be completed on that date.

The Commission proposals on the financial regulation, independent revenues, and strengthening the powers of the European Parliament were linked to each other. The European Parliament discussed the Commission's proposals and adopted a resolution backing them on May 12, 1965, though several modifications were proposed. The Foreign Affairs Committee of the lower house of the Netherlands Parliament, with all five major parties joining together, adopted on June 9 a resolution supporting the European Parliament's position. The Bundestag on June 30 unanimously asked the German government to support the European Parliament's position on the Commission proposals.

The EEC Council of Ministers discussed the Commission proposals on May 14, June 14-15, and on June 28-30. However, the Council was unable to reach a decision on these proposals.

The lack of decision on the financial regulation has no immediate effect on the agricultural fund, since there is a built-in delay of at least one year in the normal functioning of the financing system.

## PUBLICATIONS AVAILABLE

LA CONJONCTURE ÉNERGÉTIQUE DANS LA COMMUNAUTÉ: SITUATION A LA FIN DE 1964—PERSPECTIVES 1965, *Bulletin de la Communauté Européenne du Charbon et de l'Acier*, No. 54, High Authority of the ECSC, 1965, 131 pages . . . . . \$0.60

ADDRESS OF PROF. DR. WALTER HALLSTEIN, PRESIDENT OF THE EEC COMMISSION, INTRODUCING THE EIGHTH GENERAL REPORT OF THE COMMISSION OF THE EEC, Strasbourg, June 17, 1965, 28 pages (mimeographed) . . . . . free

SUMMARY OF THE COMMISSION'S EIGHTH GENERAL REPORT OF THE ACTIVITIES OF THE COMMUNITY, Official Spokesman of the Commission of the EEC, Brussels, June 1965, 28 pages (mimeographed) . free  
The Eighth General Report covers the period April 1, 1964 through March 31, 1965.

STATISTICAL INFORMATION, 1964, No. 4, Statistical Office of the European Communities, Brussels, 134 pages . . . . . \$2.00

This issue contains the following articles in the languages indicated. English summaries follow each article:

- PROPOSALS FOR A COMMUNITY SYSTEM OF NATIONAL ACCOUNTS (French)
- PAYMENTS TOTALS AND NATIONAL INCOME IN SEVEN COUNTRIES (German)
- SAMPLING METHOD IN TIME AND SPACE AS APPLIED BY THE CENTRAL STATISTICAL OFFICE, THE HAGUE, TO ROAD HAULAGE STATISTICS IN THE NETHERLANDS (Dutch)

SOCIAL STATISTICS, 1965, No. 3, Statistical Office of the European Communities, Brussels, 105 pages . . . . . \$2.00

This issue is devoted to HARMONIZED STATISTICS OF AVERAGE HOURLY GROSS WAGES IN THE INDUSTRIES OF THE COMMUNITY—APRIL 1964. Single volume includes complete text in French, German, Dutch and Italian. *Not available in English.*

QUATRIÈME RAPPORT ANNUEL SUR LA MISE EN OEUVRE DES RÈGLEMENTS CONCERNANT LA SÉCURITÉ SOCIALE DES TRAVAILLEURS MIGRANTS (Rapport 1962), Commission administrative pour la sécurité sociale des travailleurs migrants, Commission de la CEE, 1965, 155 pages . . . . . \$2.40

BASIC DATA CONCERNING THE SEARCH FOR AND EXPLOITATION OF LIQUID AND GASEOUS HYDROCARBONS IN THE COUNTRIES OF THE EUROPEAN ECONOMIC COMMUNITY, by Guenter F. Eich. *Statistical Information*, 1965, No. 1 bis, Statistical Office of the European Communities, Brussels, 161 pages . . . . . \$2.00

This publication is the statistical annex to a study to appear later this year. The tables are divided into five sections:

- Drilling activity and results
- Reserves of crude oil and natural gas
- Production of crude oil
- Production of natural gas
- Oil and gas fields in the Community

A list of tables in English, French, German, Dutch and Italian is given at the head of each section. *Table subheadings and footnotes are in German.*

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