



# europaean community

COMMON MARKET • COAL AND STEEL COMMUNITY • EURATOM

## EEC COUNCIL OF MINISTERS MEETS WITHOUT FRANCE

### Inconclusive Debate on Compromise Financing Proposal Conducted

THE EEC COUNCIL OF MINISTERS discussed briefly on July 26 in Brussels the Commission's compromise proposal for financing the common agricultural policy and giving independent revenues to the Community.

The proposal was submitted in the form of a memorandum to the governments of the Community countries on July 22 (see story page 4). Commission President Walter Hallstein presented the memorandum to the Council, which was unable to reach a decision on the modified plan due to the absence of the French delegation.

France has not participated in any of the Community meetings except the EEC-Greek Council of Association, EEC-Turkish Council of Association, and several technical committees in Brussels since the ministers failed to agree by June 30 on farm policy financing. The EEC Council of Ministers is scheduled to meet again on October 7, following its summer recess. Meanwhile, the Commission's new proposal will be discussed by Community and national experts.

### Kennedy Round Discussed

The Council heard reports from Commission members on July 27 concerning the progress of the Kennedy Round trade talks and negotiations with Nigeria, Morocco and Tunisia for association with the Community. The Commission will continue to negotiate on behalf of the Community in the Kennedy Round within the limits of earlier mandates from the Council.

The Council, attended by the foreign ministers of Belgium, Germany, Italy, Luxembourg and the Netherlands, approved the following three proposals:

- Increasing Dutch tariff quotas for imports of rosin.
- Nuclear insurance policy for the Karlsruhe joint research establishment of the European Atomic Energy Community.
- Provisional 1966 budgets of the Communities' Councils, the Economic and Social Committee and the Commission of Control (auditors).

Unanimous decision of the Six is required for these proposals to become effective as scheduled in September. Consequently, the proposals may be sent to the national governments of the Six for their written assent under the procedure prescribed in the internal regulation of the Council.

France adopted its "empty chair" policy toward the Com-

munity following the inconclusive meetings of the EEC Council June 28 to 30 on financing the farm policy. The events of those three days are summarized as follows:

The Council of Ministers met in the morning of July 28 to continue its debate on the EEC Commission's proposals on farm policy finance, direct Community revenues and the powers of the European Parliament. Italian Foreign Minister Amintore Fanfani told the Council that he thought it unlikely they could reach agreement on all the complex proposals still under discussion by midnight on June 30, when the interim financing agreement concluded in January, 1962 officially expired.

The Council, under the chairmanship of French Foreign Minister Maurice Couve de Murville, began a detailed discussion which lasted until that evening. The Six agreed generally that July 1, 1967 should be maintained as a target date both for completing the machinery of the common agricultural policy (and setting common price levels) and for establishing the industrial customs union and the common external tariff.

The next day, the ministers of agriculture, under the chairmanship of French Minister of Agriculture Edgard Pisani continued to discuss the complex questions of farm policy. The foreign ministers were in Luxembourg that day for the quarterly meeting of the Council of the seven-nation Western European Union (the Six plus Great Britain).

The foreign ministers returned to Brussels and resumed discussions at 3 p.m. on Wednesday, June 30. Only nine hours remained before the formal deadline. Most of the afternoon was spent examining the details of the schedule by which the cost of the common agricultural policy would be

#### IN THIS ISSUE

- 4 EEC Commission Issues Farm Financing Memorandum
- 6 Atlantic Press Comments on Financing Deadlock
- 7 European Non-Tariff Obstacles to Trade Criticized
- 10 Investment in ECSC Industries on Downswing
- 12 Kennedy Round Industrial Bargaining to Speed Up
- 13 Community Growth to Accelerate in 1966

## Germany Supports Package

Rolf Lahr, German State Secretary, reminded the Council early in the evening that the German delegation continued to insist that the three aspects of the Community's proposals be decided together. This statement provoked a warning from Mr. Couve de Murville that, if the June 30 deadline for deciding the renewal of the financial regulation was not met, France would consider that formal commitments were no longer being respected, and this would have the most serious consequences for the Community.

The French remark sparked a major political debate. Commission President Walter Hallstein told the Council that failure to agree by a particular deadline had never been considered before as a failure to meet obligations. All the members of the Council wished to reach agreement, and it was possible to continue the discussions, he said. Moreover, he pointed out that there were many other commitments, which the Council had set, and failed to meet within the specified time limit.

## Hallstein's View Upheld

President Hallstein's position was backed by the Italian and German delegations. Mr. Fanfani said that midnight on June 30 was not "the year 1000." German Foreign Minister Gerhard Schroeder, said that the Council had never been bound to meet its commitment on the dot. Mr. Schroeder pointed out that the German insistence on dealing simultaneously with agricultural financing and with the problem of the European Parliament, had been reinforced by a vote that day in the Bundestag. In ratifying the Treaty on the merger of the Community executives, the Bundestag had unanimously urged action to strengthen the powers of the European Parliament.

This position was also backed by Joseph Luns, Dutch Foreign Minister. However, Paul-Henri Spaak, speaking personally in the absence of a Belgian government, shared the French view that the Council was bound to decide by June 30 on the finance regulation and that the other questions raised by the Commission's plan could be dealt with later.

## Disagreement Over Contributions

Following a recess, the Council tackled the question of national contributions to the financing of the farm policy. The French delegation wanted a firm commitment for the

period 1965-1970. The Italian representatives were unwilling to accept such a commitment without a detailed assessment of all countries' contributions for that period. The Commission proposal only covered member state contributions from 1965 to 1967, the date on which it proposed that revenues from agricultural levies and part of the industrial customs duties would accrue to the Community's treasury.

A French proposal to limit the amount of Italy's financial contributions was rejected by the Italian delegation, who maintained that they were seeking a fair settlement for all the member states which could only be known by breaking down the contributions for the extended period.

Shortly after midnight Mr. Couve de Murville announced that agreement was impossible that night and called for adjournment of the Council. In a final restricted session, he was reported to have ruled out any possibility of "stopping the clock" (as occurred for 14 days on December 31, 1961, when the basis of the farm policy was adopted). This procedure would have enabled the session to continue until agreement was reached. Mr. Couve de Murville also rejected the suggestions of four other member countries that the Common Market Commission be asked to prepare and submit that night a revised compromise proposal.

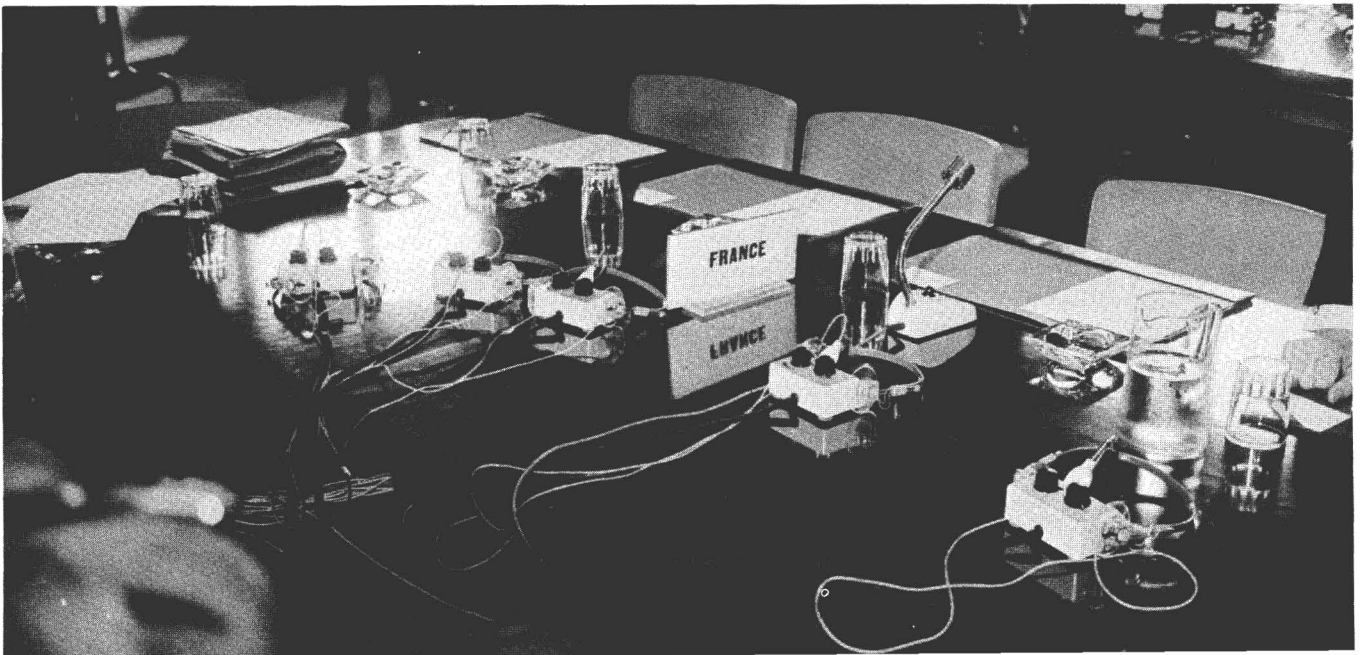
## European Leaders Discuss Deadlock

Following the Council meeting, Alain Peyrefitte, French Information Minister announced in Paris that "... the government has decided, as far as it is concerned, to draw the legal, economic and political consequences of the situation which has thus been created."

On July 5, French Permanent Representative to the Community Jean-Marc Boegner was "invited to return" to Paris by his government. At the same time, French representatives withdrew from three working committees which were considering agricultural questions and foreign relations, including an agreement with Nigeria.

In the days following, several meetings scheduled prior to the Council session provided European leaders with the opportunity to discuss the impasse. Italian President Giuseppe Saragat met in Bonn July 6 with German President Heinrich Luebke, Chancellor Ludwig Erhard and Foreign Minister Gerhard Schroeder. President Saragat was accompanied on the state visit by Foreign Minister Amintore Fanfani.

*"Empty chair" policy: France's seats remain vacant at the EEC Council of Ministers meeting on July 26 in Brussels.*



President Luebke, toasting the Italian delegation at the banquet, said "Europe must not be kept back within the boundaries of an archaic parochialism, but must be open to all the countries which decide to share its concepts and to accept the sacrifices necessary to achieve its aims."

A joint communiqué issued by the two presidents re-stated German and Italian determination to continue their efforts toward European unity. The two foreign ministers were reported as agreeing that the first attempts to end the deadlock ought to be made by the Commission and that only if these failed should a bilateral approach be adopted.

Chancellor Erhard, Foreign Minister Schroeder and the Italian leaders joined Commission President Hallstein the next day in Dusseldorf at the economic conference of the Christian Democrat Union-Christian Social Union.

On Friday morning, July 9, Paul-Henri Spaak met with Luxembourg Prime Minister Pierre Werner in Brussels. Foreign Ministers Spaak, Luns, and Fanfani also talked privately with Mr. Couve de Murville at the NATO Council meeting on July 12-13 in Paris.

The ECSC Council of Ministers met on July 13 in Luxembourg without French representation. Under Italian chairmanship, the Council adopted the "written procedure" of informing the six governments of its discussions. Decisions on outstanding matters were deferred until fall.

### Finance Meeting Postponed

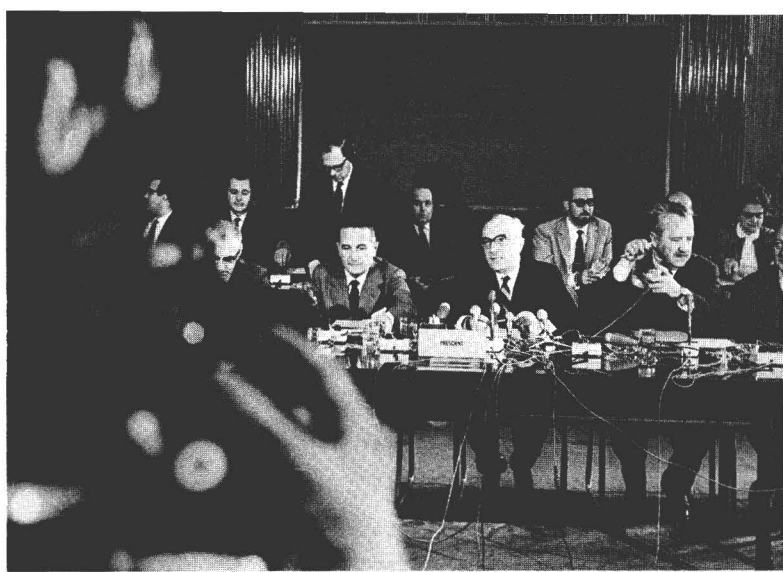
On July 16, the meeting of the finance ministers of the Six, scheduled for July 19-20 in Stresa, was postponed until September. The same day, President Saragat met with French President Charles de Gaulle to inaugurate the opening of the \$25 million Mont Blanc Tunnel.

President Saragat said, at the opening ceremony, "I feel that the major achievement which we are inaugurating today is not just an efficient tool of the economic integration we are establishing, but also a forerunner and phase of the wider union awaited by my own people, and by allied and partner nations."

President de Gaulle referred to the seven-mile long tunnel as one of a number of great technical feats underway or planned in Europe—the canalization of the Moselle, the Rhine-Rhone River link, and the channel tunnel to join France and England. He said that "our continent, which over the centuries has convulsed and shocked the world with its wars, is thus now giving a magnificent example of peace. Who knows whether one day understanding and cooperation will not be established throughout Europe . . ." The two presidents later talked privately for nearly an hour, before being joined by their foreign ministers for additional discussions.

### Committee Adopts Resolution

The European Parliament's Political Committee adopted on July 19 in Brussels a draft report on the state of the impasse. The report, by Maurice Faure, French Radical Party member, stressed that the Community machinery had been shaken by the serious quarrels and that the Community method had "degenerated into inter-state cooperation." The Political Committee and the Parliament, the report pointed out, had always maintained that the Rome Treaty was an indivisible whole, and that it could not be broken up into its constituent parts without distorting the entire European venture.



*Council meeting wrap-up: Italian Foreign Minister Amintore Fanfani (seated behind sign indicating President of the Council) summarizes the events of July 26-27 Council of Ministers meeting at a press conference on July 28 in Brussels.*

The executive bureau of the European Movement, composed of members from the Six, Austria and Great Britain, issued a statement that day affirming its support for the European Community, its institutions, and the EEC Commission's farm financing proposals. The statement urged the public, national parliaments and other organizations in the Six to "take a resolute part in the battle for the European Community." An extra-ordinary congress was scheduled for October 1-3.

On July 21, Alain Peyrefitte, said that the July 26 meeting of the EEC Council of Ministers, scheduled over French objection, would take place without his government's representation.

French Premier Georges Pompidou elaborated his country's position in a July 27 radio and television interview. He said "for the future, we shall see. There are solutions for everything and the next few months will tell us where we can go. But what is certain is that, if one wants the market to be common, there will have to be an agricultural common market and a fair financial regulation. What is also certain is that we will not agree to the whole French economy's being directed from the outside without the government's being able to exercise the responsibilities that it bears toward the French people.

" . . . We certainly do not want to prevent Europe from being made, I believe even that we are the country that is pressing for its realization the most, but it will be made only through resolute cooperation by the countries which compose it. This is our position and we shall abide by it."

Italian Foreign Minister Fanfani, current chairman of the EEC Council, said at a press conference in Brussels July 28 that France's partners had never intended to evade their duty to give the Community a financial regulation for agriculture. He pointed out, following the Council meeting of July 26-27, that a regulation would be introduced retroactive to July 1, 1965. "We have fixed a meeting for October 7 in hope that France will be represented," he said.

EEC Commission President Walter Hallstein also told the press July 28 that "it is important first of all to retie the thread at the point where it is broken. That point is the financial regulation," he said. "What we want is to achieve a common agricultural policy, which is the question over which the crisis has arisen."

# EEC COMMISSION ISSUES FARM FINANCING MEMORANDUM

THE COMMISSION OF THE EUROPEAN ECONOMIC COMMUNITY delivered on July 22 to the member governments of the Common Market a memorandum containing modifications of its proposal for financing the common farm policy, independent Community revenue, and greater control over the budget by the European Parliament.

The memorandum was discussed by the Council of Ministers July 26 in Brussels. The Council failed to reach an agreement on the original proposals on June 30 (see story page 1).

The following is a summary of the memorandum:

## Alternatives Proposed for Interim Financing

The Common Market's agricultural policy will require a considerable financial expenditure by the EEC; agricultural markets must be stabilized and it is likely that Europe will continue to have agricultural surpluses in the next years. Under the common agricultural policy, the expenditure is to be *jointly financed*. Thus an EEC agricultural fund (The European Agricultural Guidance and Guarantee Fund) was created in 1962 covering an increasing proportion of farm expenditure each year until July 1, 1965.

Two principal matters that remain to be settled are: what proportion of the expenditure should be undertaken by the Fund after July 1, 1965, and on what scale the member states should contribute to the Fund.

By July 1, 1964, half of the farm policy expenditures had been assumed by the Fund, the other half being paid proportionately by the member states. Now the Commission proposes that the future expenditures to be covered by the Fund in increasing proportion would depend upon the date when the common agricultural policy will be in full operation.

If necessary farm policy decisions are made and go into effect July 1, 1967, the deadline proposed by the Commission, farm policy expenditures could then be covered completely by the agricultural fund. Since the Fund already pays half of the present EEC farm policy costs, the Commission proposes that three more steps be taken between July 1, 1965 and July 1, 1967 to increase the share of payments by the Fund and to eliminate gradually the amounts paid by the member governments. (The Fund would cover 4/6ths of total farm expenditures in 1965-66, 5/6ths in 1966-67, and the total amount after July 1, 1967.)

However, if the common market for agriculture does not begin on July 1, 1967, then the agricultural fund would not cover all costs until the end of the Common Market's transition period, January 1, 1970. Therefore, the elimination of farm payments by member states would take place in five steps from mid-1965 to the end of 1969 (one-tenth less each year) and the Community's agricultural fund would become responsible for all farm costs by January 1, 1970.

The timetable of these financial arrangements depends upon whether the Council of Ministers can follow the proposed schedule which involves establishment of three additional market organizations (for sugar, fats and oils, and tobacco) and also of common prices for five key agricultural products (dairy goods, beef and veal, rice, sugar, and fats and oils).

It was decided at the time of the Council's decision on common grain prices on December 15, 1964 that the total Community financing of grains would become effective on July 1, 1967. In its new memorandum, the Commission has suggested special provisions to ensure that the Council decisions on these products will be carried out.

## Payments Calculated Up To 1970

At the present time, the agricultural fund is completely financed by contributions from member states on a proportionate basis, calculated partially according to a contribution scale established by the Treaty and partially according to the volume of member states' net agricultural imports. The Commission has proposed that the contributions of the member states to the Fund be continued until 1970 and has suggested the following scale of payments:

### PROPOSED CONTRIBUTIONS TO AGRICULTURAL FUND

Per cent	1965/66	1966/67	1967/68	1968/69	Last 6 mos. of 1969
Belgium .....	8.51	8.38	8.30	8.22	8.13
Germany .....	32.45	31.92	32.07	32.22	32.37
France .....	30.59	27.66	27.11	26.55	26.00
Italy .....	18.00	21.95	22.27	22.60	22.93
Luxembourg .....	0.21	0.21	0.21	0.21	0.21
The Netherlands	10.24	9.88	10.04	10.20	10.36
	100.00	100.00	100.00	100.00	100.00

In arriving at the above payments schedule, the Commission followed suggestions made during Council negotiations at the end of June and also took into account the fact that payments to Italian agriculture from the Fund can be expected to remain within certain limits and therefore the Italian contribution should not exceed certain limits.

The Commission has also applied the principle established earlier which is that member states importing substantial quantities of farm produce from outside the Community would pay a proportionately larger share into the Fund than other member countries. The scale of contributions enables member states' payments from 1965 to 1970 to be calculated exactly, leaving no uncertainty about future contributions. The general aim of the system is to ensure a balanced distribution of the EEC's farm policy costs among the member states.

## Timetable Suggested for Customs and Economic Union

The Commission's proposal contains a detailed timetable for the work needed to complete the common agricultural policy. The necessary decisions would be made before November 1 of this year to enable the Kennedy Round negotiations to proceed. The Commission proposes that the Council start work on the basis of this timetable as soon as possible; the schedule had been discussed in the Council and approved by the ministers of agriculture on June 29.

At the same time the schedule is established and financial arrangements are approved, it is proposed that the Council reach a decision on the complete abolition of the remaining customs duties between member states effective on July 1, 1967 and on the introduction of the common customs tariff vis-à-vis non-member countries on the same date.



*Press briefing: EEC Commission President Walter Hallstein (second from left) explains the Commission's new memorandum on farm policy financing at a press conference on July 28 in Brussels. Commission Vice President Sicco Mansholt, responsible for agriculture, sits on the President's right.*

A number of other problems were raised in the Council's June discussions, including tax harmonization, the common commercial policy, social and regional policy. The Commission is not making its proposals on financing the farm policy conditional upon solutions to these problems. However, it does recognize the significance of these issues and endorses the wish of the Council and the member states to resolve them promptly. If no solutions are forthcoming, this would delay the completion of the Community.

These problems include the following:

- *Fiscal Charges.* In addition to customs duties, trade among the member states is subject to fiscal charges. The Council must approve the elimination of these "tax frontiers" by 1972. The Commission's proposals for the harmonization of member states' turnover tax systems should be approved by January 1, 1966 and those for other harmonization measures by July 1, 1966.
- *Commercial Policy.* The Council should give priority to the establishment of a common commercial policy, which is well behind schedule. The main point in this field is the need for a Community attitude on credits for exports to East bloc countries and to the Soviet zone of Germany. Further, the international tariff negotiations under way in the Kennedy Round should be examined thoroughly by the Council at the end of this year.
- *Social Policy.* A common social policy is essential for the Community. The Council should therefore reach a decision by the end of the year on the Commission's proposals for improving the European Social Fund set up under the EEC treaty.
- *Regional Policy.* The creation of a single economic unit may widen gaps in economic development between the various parts of the Community. Regional policy should therefore be a major concern of the EEC's institutions.

The 1967 deadline set by the Commission in its earlier proposal for the creation of independent revenues for the

Community did not meet with unanimous approval in the Council. The Commission now bases its proposals for independent revenues on the amount of expenditure needed for Community operations, including the agricultural fund. The suggestion is that costs be met from the Community's own revenues after 1970.

The composition of this independent revenue need not be decided until later. Apart from the Community's income from agricultural levies, this could include revenues from the external tariff on industrial products. It is also suggested that the possibility of raising revenues from other sources for the Community be explored.

The EEC Treaty provides that income from the common external tariff can accrue to the Community, replacing contributions by member states when the external tariff is established. Since the member country into which goods are imported (after establishment of the external tariff on July 1, 1967) may no longer be the country of destination, there must be at least a reapportionment of customs revenues among the member states. The Commission proposes therefore that an equalization fund be created for the period from 1967 to 1970 to provide for this reapportionment.

### **Budgetary Powers of Parliament Unresolved**

The Commission's original proposal included a provision for giving to the European Parliament greater control over the Community's budget. The proposal followed a Council of Ministers' resolution made in December, 1963. However, discussions in the Council at the end of June were broken off before any conclusions were reached on this point and before the members of the Council had made known their final positions.

The Commission does not believe that all possible means of achieving a compromise had been exhausted. It will therefore be unable to take a position on this matter until a later stage in the deliberations of the Council, and it reserves the right to do so.

# ATLANTIC PRESS COMMENTS ON EEC FARM FINANCING DEADLOCK

## From France

"It seems therefore that the root of the evil is the fact that neither the Commission nor some of our partners envisage the unification of Europe with the same genuineness, and we willingly add with the same intentions, as France . . . France had the right to expect from her partners a more rigorous examination of the problems and more responsible behavior, on condition that they have as real a desire and a will as France to build a Europe which is neither a caricature of Europe nor a visionary's Europe."  
—*La Nation*

"From the legal point of view, France's position is unassailable, but morally . . . ? In the climb towards 'France alone,' we have successively thrown overboard, or appear to have thrown overboard, Great Britain, SEATO, NATO, and now the Common Market, as well as abandoning our so recently acquired ally, Germany."  
—*Combat*

"Whatever complaints the French government can make about its partners . . . no one can approve without anxiety the isolation into which we risk falling. Less than at any time can France survive alone. If she pulls out of the Atlantic Alliance, if she breaks up the Common Market, where will she turn then? . . . it is not with Russia and its satellites that we can form ties comparable to those which have long been woven with our neighbors and friends in the West."  
—*L'Aurore*

"Holland has not forgiven the French refusal to carry on the negotiations with England; Italy has not accepted the French refusal of a 'summit' conference at Venice; Germany was wounded by the French refusal to discuss an 'Atlantic Europe'; the Brussels Commission has not hidden its rancour at the French refusal to accept it as a real European executive. The sum of these French rebuffs has certainly weighed heavily in the decision of our partners to refuse *en bloc*, in their turn, the plan for financing the agricultural common market. But by going back in this way on their word they have chosen a bad moment and a poor pretext."  
—*La Vie Française*

## From Germany

"The threat to the development of the Community from the policy of French sovereignty must have again played a major part. For, if the negotiations had ended with a positive outcome, Paris would be much less able than up till now to make decisions on its own policies in the agricultural and economic fields."  
—*Die Welt*

"The crisis is apparently part of General de Gaulle's tactical armory . . . The General can use this tactic at home quite as much as in the Community financial field . . . the strong reaction of the peasants and industry to the Brussels deadlock will be difficult to organize politically; and Community funds will continue to pay agricultural subsidies to France for at least a year. De Gaulle apparently hopes that fear for the future of the Community will break down the unity of his five partners and the Hallstein Commission, and that they will abandon their stands."  
—*Kölnische Rundschau*

## From Great Britain

"Instead of keeping to the time-honored procedure of keeping the bargaining going until some form of acceptable solution emerged, France chose to allow herself to be isolated . . . Inevitably, one is forced to ask whether the General wants a settlement at all, whether he is not determined to freeze the Community at the stage it has now reached . . . the advent of majority voting (in 1966) would for the first time have provided France's Common Market partners with a powerful sanction over French foreign policy as a whole."  
—*The Financial Times*

"Britain is vitally interested in the outcome. A slowing down in the process of integration or stagnation in Brussels would place a restraining hand not only on European economic and political developments but on wider questions, such as the Kennedy Round . . . Yet if this crisis is overcome, like all the others, it will become all the harder for Britain to expect some special treatment whenever the time comes for negotiations to be resumed. It is this tough, hardening process that Britain is missing at a crucial time. The soothing (and encouraging) words of the Foreign Secretary in Luxembourg about the need for a unified Europe and about the necessity for bridge-building can be no substitute for the hard political battles that the integration process plainly implies. Unity will not come without strife."  
—*The Times*

"The Community's third stage, when the bulk of Community decisions will be taken by majority vote, comes into force automatically in 1966 unless the member countries agree unanimously to postpone it. Thus President de Gaulle will lose control of French commercial policy. This means that he will be unable to prevent progress on the Kennedy Round, a negotiation which he has always disliked as representing the sort of Atlantic partnership to which he is opposed. It may well be that he has decided that the time has come to put the Common Market into cold storage."  
—*Daily Telegraph*

## From Italy

"Once again the headstrong nationalism of de Gaulle has blocked agreement between the six countries of the Common Market on an essential step in the process of uniting Europe . . . France alone is responsible for the unforeseeable consequences which could result."  
—*Il Messagero*

"The unity of Europe is an historic necessity. De Gaulle can impede history, he can even stop it for a while, but he cannot change its course and he cannot make it move backwards."  
—*Corriere della Sera*

## From Luxembourg

"Let us say frankly that the wrongs appear to be shared; each representative placed his own interests higher than the European interest, one thinking of the financial consequences, another of the European Parliament, a third of the political consequences for his own party . . . Brussels has shown that a fully united Europe is not for today, nor for tomorrow."  
—*Luxemburger Wort*

## From The Netherlands

"The Common Market finds itself in another Gaullist crisis; that is that France has once more issued an ultimatum to her five partners. In the past, this tough tactic has been successful because France's other partners have rarely been in agreement in face of French demands. No one can have any doubts that the situation in the Common Market is darkened as a result of this conflict; darkened, but not desperate, however."—*De Telegraaf*

## From the United States

"The General tried unsuccessfully through his spokesmen to bluff the Common Market partners into accepting French ideas. His failure was a French defeat. But there is nothing yet to indicate it was a victory for the Atlanticists who predominate among France's five Common Market partners . . . France is driving the final nail in the coffin of the 'grand design' visualized by President Kennedy when promoting cooperation between the EEC and the USA, in the view of some of the gloomy prophets around here."—*Wall Street Journal*

"The French position on the agricultural schedules in the Common Market is not wholly unreasonable, but the man-

ner in which France has undertaken to compel others to accept its position is unreasonable and arbitrary . . . The French President, by using this power to obstruct action under a union of states, has shown plainly why the union of states will not in the long run be able to achieve European unity."—*Washington Post*

". . . the fight is really over who should control the power and the pace of economic integration . . . The French are as determined now as they were then (1963) to maintain a dominant position in Community affairs . . . The fact is that the Six have too much at stake to permit the Common Market to fall apart or to stagnate. It is a going entity, and the only real issue is how fast it will proceed and under whose direction."—*New York Times*

"More and more it looks as if the General's original detractors were right and that the plan for a Europe des Patries envisages not economic and political integration in the modern sense but two old-fashioned blocs, one French and one Russian . . . Given the General's longstanding contempt for supranational organizations, his antiquated nationalism, and his exclusive concept of France's mission, the events of the past week might spell an end to Europe's most hopeful experiment, at least until after de Gaulle."—*Baltimore Sun*

# EUROPEAN NON-TARIFF OBSTACLES TO TRADE CRITICIZED

## U.S. Objects to Quotas, Customs Valuing and Indirect Taxes

*The following article is reprinted in part from Opera Mundi—Europe (No. 302, April 29, 1965) published by the Times Publishing Co. Ltd., London. The article lists the United States' complaints against European non-tariff obstacles to trade. Europe's objections to certain United States' administrative and legislative trade practices appeared in "European Community," June 1965, No. 82.*

NON-TARIFF OBSTACLES TO TRADE are older than tariff obstacles. They are as old as international trade itself. They may, in fact, be the last ditch of protectionism wherever a country or group of countries wishes to protect a product or maintain a particular position against foreign competition.

This emerges from a study of the "catalogue" of reproaches the great powers concerned in the Kennedy Round talks at GATT are making against each other—Britain, the Common Market and the United States of America.

### Quota Restrictions Survive

Quota restrictions, introduced when Europe was having balance-of-payments difficulties, have been kept in force for a great many products, although the payments problems have long since vanished. The list of quota restrictions prepared by the American delegation is impressive and relates to a variety of goods besides agricultural products. In France's case, it includes oil, radio telegraph and telephone sets, paper and cardboard, electric lights, tubes, valves, watches and clockwork movements, and ships.

Italy restricts sulphur, cork, citric acid and cars; Germany, textiles, ceramics, porcelain and casein; Britain, coal, jute

clothing, watches, aircraft and Commonwealth products under Imperial preference.

In many cases, quotas are naturally accompanied by import licenses. The longest list is the Japanese. They require licenses for 154 manufactured products; Germany does so for only 64. In at least 12 countries (besides the United States), imports of cotton textiles run into non-tariff barriers and the same is true of agricultural products.

The United States is particularly critical of restrictions on coal imports, and asks that these should be freed. At the moment, the American mines can produce about 600 million metric tons a year, while internal consumption is under 500 million, and mechanization of equipment keeps raising productivity of their coal, which is cheap and of good quality. The United States would be able and would like to export large quantities, but the most promising markets are countries which also mine coal and (understandably) have erected barriers against imports.

Belgium has a very strict quota system, with import licenses for non-Community bituminous coal. France, which imported large amounts of American coal at a time of crisis, now limits imports of non-Community coal by the device of giving the *Association Technique de l'Importation Charbonnière* a trading monopoly.

### Coal Imports Hampered

Germany has a quota for duty-free non-Community coal imports of 6 million metric tons, of which 5 million are allotted to the United States. Beyond that figure all imports bear duty at \$5 per metric ton. Even Canada subsidizes her coal at the rate of \$5 per metric ton in order to meet Amer-

8  
ican competition. The United States feels most strongly about Britain, which absolutely forbids imports of American coal. In spite of many approaches by the United States government and many requests for licenses to the Board of Trade, there has been no importation for several years.

Coal is a good example of how much "necessary evil" can exist in some survivals of protectionism. Coal like wheat, raises social and therefore political problems. Coal now moves freely inside the Community, but experience has shown that neither production nor the market is insulated from crises, and this position would be worsened if American coal also came in freely.

This is even truer for Britain, which needs to export some of its coal and to maintain a high level of coal production for social and political reasons. Germany, by the way, does not import the whole of its duty free quota. The fact that American coal is better and cheaper than some European coal does not alter the social repercussions which the coal market may feel, but it should encourage governments to find a more liberal compromise.

### Arbitrary Procedures Cited

The second chapter of the Americans' complaints relates to the European countries' economic and trading policies and to their administrative practices. The Americans complain of the European assessment of customs values, just as the Europeans do of theirs. They too would like to see harmonization.

The Europeans raise non-tariff barriers through executive measures whereas the Americans nearly always have theirs endorsed by the legal processes of Congress. The American method is fairer if the exporter knows where he stands, which is not always the case, as shown by the American Selling Price. The ease with which the United States administration can raise the margin of preference from between 6 per cent and 12 per cent to 50 per cent (for government procurement concerned with defense) leads to the question whether the absence of law may not sometimes be preferable to a very elastic law.

Few European countries have real anti-dumping legislation but they sometimes use arbitrary methods of protection against dumping. Last year, the Germans complained that Kaiser Aluminium was selling its aluminium at dumping prices. Under the threat of anti-dumping legislation, the United States firm, after several weeks of talks, had to raise its prices.

There is no "Buy French," "Buy British" or "Buy Euro-

pean" Act but most European countries do not allow open bids for government contracts, or else they arrange to give preference to their own industries. For instance, a spokesman of *Electricité de France* has stated that a hydro-electric plant should be bought in France unless it is not available there. There are similar preferences in the railways and other nationalized industries.

The same thing happens in Germany and Britain, and altogether very few American firms try to sell to European governments. The Americans sent OECD (Organization for Economic Cooperation and Development) a questionnaire to find out what percentage of equipment is purchased abroad by the government of each member country. A United States official said, "If we had received replies to our questionnaire, we should have proved that the American government buys more abroad than foreign governments buy in the United States." In the American list of non-tariff obstacles there are few specific complaints. The firms concerned are too frightened of losing future business.

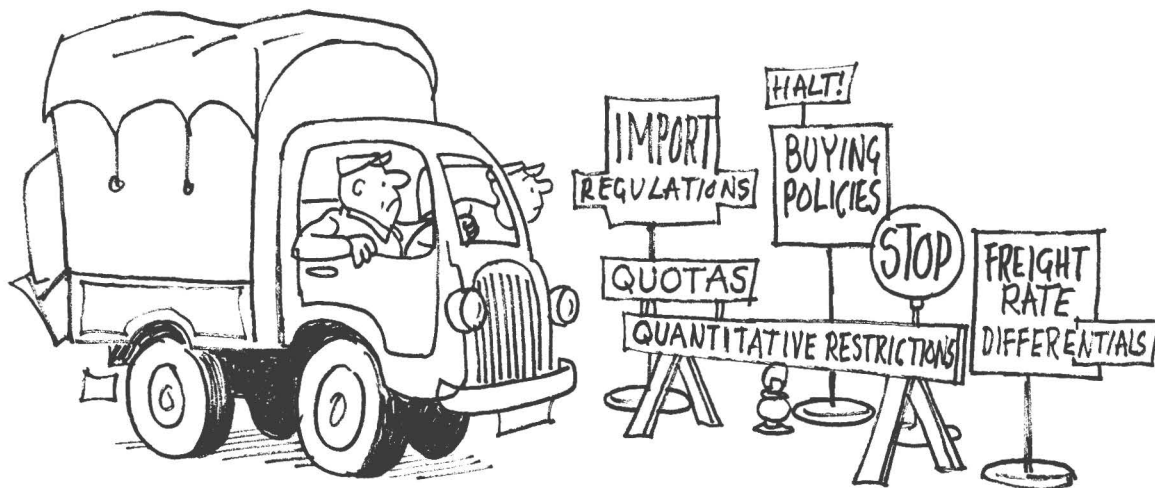
### U.S. Urges Open Bids

The Americans' strongest complaint is against the secrecy which surrounds many European contracts. Their delegation has tabled a proposal at Geneva which would make it obligatory to publish all regulations and practices governing their procurement procedure, and criteria governing the eligibility of suppliers. According to this proposal, the list of firms invited to bid should be open to any foreign supplier on terms and conditions equal to those applicable to domestic suppliers. The text goes far enough in constructive directions to avoid any possible discrimination in this large area of international competition.

### Indirect Taxes Protested

The fiscal chapter raises fresh difficulties because of the indirect taxes which are much more usual in Europe than in the United States. The Americans protest especially against the "added-value tax" (AVT) and turnover taxes. These taxes are about 10 per cent in the Federal Republic of Germany and much higher in France and Italy, where they reach 25 per cent. When a French business exports, it recovers AVT; when it imports, AVT is calculated on the CIF price increased by the customs duty.

For instance, if the duty is 20 per cent on an article costing 100 francs, the AVT of 25 per cent will be applied to 100 francs plus 20 francs. The Americans know that AVT forms







*"The Americans' strongest complaint is against the secrecy which surrounds many European contracts."*

part of the country's internal fiscal system and therefore they do not expect it to be abolished. However, they fear that the fiscal harmonization of turnover taxes, AVT and other indirect taxes which affect trade in the Six may, in the end, be fixed nearer the French level than the German. This would further reduce the American exporters' opportunities when the Community's common external tariff is in force and the duties between Common Market members have been abolished.

The Americans do make specific complaints on some points, including cars and alcoholic drinks. The Americans do not understand why the automobile road-use taxes in four European countries (Austria, Belgium, France and Italy) should be calculated on cylinder capacity or fiscal horsepower instead of on the cost or price of the vehicle. Most European cars do not exceed 2500 cc or 16 fiscal horsepower; while (with the exception of the "compacts,") American cars exceed both these figures. The result is that a 220 SE Mercedes costing 48,000 francs in France pays tax of 150 francs (equal to U.S. \$30) a year, while a Chevrolet Chevy II 200-400, which is only half the price, pays 1,000 francs (equal to U.S. \$200) a year.

The American share in automobiles imported into France fell from 46 per cent in 1955 to 2 per cent in 1962. The Americans say that the drop is due to the annual tax imposed on October 1, 1956. Other factors, however, may also have contributed to this development: the growth and competitiveness of the European automobile industry, the Common Market, and the lowering of customs duties on German and Italian cars, the lower petrol consumption of European cars and the high cost of petrol in Europe compared with the United States.

Another subject of American complaint is the importation of alcoholic drinks into France where the advertising and sale of these drinks are governed by the rules for licensed premises and steps against alcoholism. The Americans claim that prohibiting them from advertising their Bourbon whiskey amounts to forbidding its importation and sale, for goods cannot be made known without advertising.

### Health Regulations Held Restrictive

When rigorously applied, health regulations can also form obstacles or restrictions, especially for food, including meat. The Americans complain of regulations prohibiting the entry

into France of citrus fruits preserved with diphenyl (unless the method of preserving is shown on the packages) or chemically colored. They also dislike the rules against importing chickens from countries like the United States which do not prohibit the use of certain chemical substances, such as hormones and antimony for feeding poultry. Every country has health regulations but the important thing is that they should be neither discriminatory nor contradictory. Here also some harmonization between Europe and America is needed.

The American codes and regulations of which the British complained were mentioned in the earlier article, but there are grounds for similar complaints in Europe. The French weights and measures legislation contains a complicated regulation concerning air separation in the construction of petrol pumps. The British delegation considers that the formalities and delays involved in getting foreign-made pumps approved amounts to prohibiting their importation.

By reason of the regulations of the Technical Control Association, as interpreted and applied by the German Physics Institute testing office and the German Electrical Association, similar difficulties arise in getting approval for measuring apparatus (such as electro-dynamic computers and precision levels), for electrical equipment (such as switches, motors, lighting equipment for instance), earthing terminals and circuit breakers. British exporters complain that here too the differences in standards are used as a means of dragging out formalities and thus defeating attempts to import such equipment into Germany.

Examples can be multiplied. Those we have quoted should be enough to confirm that non-tariff obstacles are most often used as a roundabout means of protecting a home industry when customs duties no longer protect it sufficiently. Some countries, like the United States, rely on laws, regulations and codes, which they interpret or extend in case of need. Other countries, in Europe, do without actual laws but manage to keep some surprises up their sleeves.

It may take years to draw up a complete list of these obstacles to face them squarely and try at least to harmonize them while they are being gradually eliminated. The Geneva negotiations provide the opportunity for the countries involved to confront each other, and if the Common Market Commission makes a beginning by harmonizing regulations inside the Community, and if the United States for their part ease their legislation, the first big step will have been taken.



*Italian coastal plant: This conveyor belt is used by Italsider steelworks, part of the large industrial complex at Taranto, Italy.*

## INVESTMENT IN ECSC INDUSTRIES ON DOWNSWING

### \$1.3 Billion Spent on New Capacity since 1954

CAPITAL EXPENDITURE by the Community's coal, iron-ore and steel industries will continue to decline in 1965 and 1966, according to the European Coal and Steel Community's 1965 investment survey.

The High Authority attributed the decline to the completion of major 1960-61 investment plans in the steel industry and the effect of gradually decreasing coal output on new programs for the coal industry.

The report, published in July, said that the ECSC industries spent an average of \$1.3 billion in the past 11 years (1954-1965) on new productive capacity. However, the distribution of new investment over this period had changed markedly, in favor of steel spending. In 1954, the coal industry received 51 per cent of total investment and the steel industry 49 per cent. Last year only 20 per cent of capital spending was in the coal industry and 80 per cent was in steel.

Last year's total investment of \$1.67 billion surpassed the average for the 11-year period but was lower than in 1963. Investment rose to \$1.8 billion in 1963, a \$160 million increase over the year before. Of the 1964 total, \$302 million was invested in coal mining and \$24 million in iron-ore mining.

### Iron and Steel Spending Falls

Capital expenditure in the iron and steel industries was noticeably lower in 1964 than in the immediately preceding years, the report pointed out. The reduction resulted from lower investment by Germans, Belgian, and particularly, French industries. The level of capital expenditure remained approximately the same in the Netherlands and in Luxembourg, while investment in Italy rose sharply.

Total crude steel capacity in the Community in 1964 reached 91.9 million metric tons. Actual output was 82.7 million metric tons or 90 per cent of capacity. Capacity over the next four years is expected to rise by 22 per cent to 111.8 million metric tons. The increase represents a faster rate of expansion than forecast in last year's survey because of recent decisions to invest in new plants, particularly in Lorraine, and to continue production in old basic-Bessemer and open-hearth steelworks formerly scheduled for closure.

New investment in steelmaking in the Community is concentrated almost entirely on the oxygen processes. However, the different regions of the Community vary in their use of these processes. Approximately, 60 per cent of Dutch steel and 52 per cent of the output from the Italian coastal plants

## INVESTMENT IN ECSC INDUSTRIES

\$ million	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	Forecast 1965
Coal mining industry .....	450	416	409	473	474	411	377	384	372	334	302	354
Iron-ore mines .....	30	31	44	50	41	40	43	52	47	28	24	31
Iron and steel industry .....	453	524	570	708	644	587	775	1123	1230	1480	1291	992
Total .....	933	971	1023	1231	1159	1038	1195	1559	1649	1842	1617	1377

will be produced by the oxygen-blown process in 1968, while oxygen processed steel will account for about 35 per cent of the output in Belgium, northern France and the Ruhr.

The major new development in rolled steel production is the growing interest in the process of continuous casting. Investment in all forms of rolled products is concentrated on continuous and semi-continuous mills. These mills are expected to roll 61 per cent of the Community's total output of finished products by 1968 compared with 49 per cent in 1960.

Although capital expenditure by steel industries in the next few years is likely to remain below the record 1963 level of \$20 per metric ton of crude steel produced, it will be higher than believed a few months ago, the report predicted. Announcements of companies' capital expenditure plans now indicate that the annual level up to 1968 is likely to be only slightly below the 1964 level of \$15 per metric ton.

### Coal Capacity To Contract

Capital expenditure in the coal mines, which averaged \$1.05 per metric ton from 1952 to 1961, fell in 1963 to \$0.98 and in 1964 to \$0.91. Mechanical equipment was the only field in which the collieries increased overall investment for higher mechanization and productivity.

Coal mining capacity is expected to contract between 1964 and 1968 in almost all of the Community's coal fields. Exceptions are Sulcis, Sardinia, and Aachen, Germany, where small increases are planned. Output is expected to remain stable in Lorraine.

### Iron-ore Investment Declines

Investments in the Community iron-ore industry in 1964 were less than half the average amounts spent in the years 1956 to 1962. The drop of \$24 million affected all Community iron-ore fields.

The level of investments in 1964 was not sufficient to offset the capacity loss from closures due to competition from imported iron-ores, the report pointed out. Consequently, the total output capacity of the Community fell from over 105 million metric tons in 1962 to 92 million in 1964. Capacity is expected to grow slightly in the next few years due entirely to expansion in Lorraine, while the remaining iron-ore fields will continue to reduce capacity.

The Lorraine region produced 65 per cent of total Community iron-ore in 1960 and is expected to provide about 73 per cent in 1968. The Community iron-ore capacity is expected to total 97.4 million metric tons in 1968.

### New Projects Planned

Declarations to the High Authority in the first half of 1965 indicate a recovery in new planned investment over the record low of 1963. The total value of planned projects reported in 1963 was the lowest for 10 years and about \$1.75 billion less than in 1960.

Total planned expenditure for the coal industry declared during the first half of 1965 is around \$114 million, higher than for any year since 1958. However, the High Authority warned that the projects will be spread over several years and consequently do not indicate a notable recovery in investment in this sector. The investment programs concern particularly the construction and linking of pits and preparation of coal in the Ruhr and to a lesser extent in Lorraine.

### ECSC INVESTMENT PROGRAMS

\$ million	First half 1965	Half-yearly average				
		1964	1963	1962	1961	1960
Coal industry .....	114	22	36	44	86	73
Iron-ore mines .....	—	—	—	—	5	3
Steel industry .....	225	250	65	276	681	901
Total .....	339	272	101	320	772	977

The High Authority has supplied a total of \$528.9 million in loans up to July 1, 1965 to the coal, iron-ore and steel industries. During the first half of 1965, the High Authority raised three loans totalling \$54.3 million to help finance Community investment projects.



# KENNEDY ROUND INDUSTRIAL BARGAINING TO SPEED UP IN FALL

## Wyndham White Urges 'Determined Effort' for Meeting Timetable

ERIC WYNDHAM WHITE, chairman of the GATT Trade Negotiations Committee, said in Geneva July 13 that the countries participating in the Kennedy Round trade talks will begin multilateral negotiations on important industrial products in September.

He also pointed out that "a determined effort will be called for if the final stage of the negotiations shall . . . be reached early in 1966."

The Kennedy Round, which began officially in May 1964, was adjourned on July 23 for the summer. The talks, conducted under the GATT (General Agreement on Tariffs and Trade), are aimed at achieving a 50 per cent reduction in tariffs on industrial products and freer trade in agriculture.

### Progress Report Presented

Following is Mr. White's statement on the progress of the Kennedy Round.

"In convening this meeting of the Trade Negotiations Committee, I had in mind that it was important, before we disperse for the summer holiday, to take stock of the present position in the negotiations with particular reference to the program for their resumption in the early autumn.

"When I last made a progress report to the Committee I described what had happened at the meeting in January and February of the group which was set up to conduct on a multilateral basis the justification of the exceptions lists of the linear countries. I also explained that this multilateral discussion was being followed by a period during which individual delegations were by direct contact with one another following up particular points in more detail.

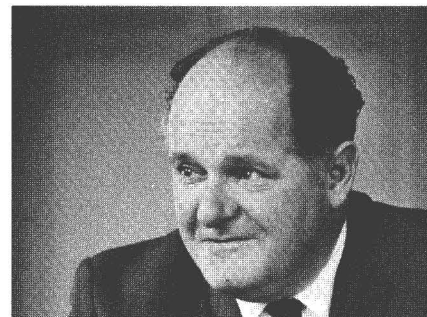
"This process of direct contact between delegations is still continuing. Much of the work involved is highly technical and time-consuming, but it is an essential preliminary to the final negotiations.

"It has become clear, however, that in some important industrial sectors the problems involved are unlikely to be resolved solely by bilateral negotiation and that, if the maximum offer of tariff reductions is to be secured, a more multilateral technique of negotiation needs to be evolved. Arrangements to this end are, I understand, already in train between delegations, and the multilateral negotiations will be held in the autumn, starting after the summer recess in September."

### Gains Noted in Cereals Talks

"Important and hopeful progress has been made in the discussions which have taken place in the Cereals Group. In the beginning of May the participating governments, members of the Group, tabled their specific proposals according to the agreed procedure. A substantive discussion on the proposals was held in the first half of June at the end of which the Group agreed to carry out a number of technical studies. Considerable progress on these studies has been made already and the Group is continuing its meetings this week.

"At its last meeting the Trade Negotiations Committee agreed that discussions in respect of meat, dairy products and all other agricultural products except cereals should be held with a view, *inter alia* both to seeking to identify the relevant elements of support or protection which could enter



*Eric Wyndham White  
GATT Executive Secretary  
and Chairman of the  
Trade Negotiations  
Committee*

into the negotiation and to exploring the views of participating countries regarding the type and content of offers required to achieve the objectives pursued by the Committee on Agriculture.

"These discussions were held by the Committee on Agriculture and the Groups on Meat and Dairy Products between May 10 and July 2, 1965. The discussions in principle related to products included in the first twenty-four chapters of the Brussels Nomenclature, but certain other products which one or more participating countries felt should be dealt with in the negotiations on agricultural products, were also examined. For practical reasons, a number of tropical products were included in the examination in conjunction with non-tropical products of a similar nature.

"The discussions have enabled participating countries to identify the relevant elements of support or protection which could enter the negotiations as well as to obtain explanations on the content and scope of offers. Countries also availed themselves of the possibility of making known their requests with regard to offers to be made by other participants."

### Agricultural Bargaining Scheduled for Fall

"The present program provides for the tabling of offers on all these products on September 16. As from that date, therefore, substantive negotiations on all agricultural products can be activated, and they will be an important part of the autumn program.

"As the Committee will be dealing with tropical products on a separate item on the agenda, I will content myself at this stage with saying that there appears to be no reason why offers on tropical products should not be tabled on September 16 and negotiations on them fully activated as from that date. (The Committee agreed later in the meeting that the negotiations on tropical products should be started after the summer recess.)

"Following the submission of a paper by the United Kingdom delegation, a new group has been established on the question of anti-dumping policies, and this group will be convening its first meeting on July 19. This apart, there has been no further development since the last meeting of the Committee in this field, the general feeling remaining that further work on non-tariff barriers is best left until more progress has been made on other aspects of the negotiations.

### Developing Nations to Participate

"At its last meeting the Committee adopted a plan for the participation of the less-developed countries. A large number

of less-developed countries have notified their wish to take part in the negotiations under this plan, and these countries are at present taking part in the examination of the items of interest to them which are included in the exceptions lists of the developed countries. I hope that this examination, by clarifying the benefits likely to accrue in the industrial sector to less-developed countries, will assist them in formulating the statements of the offers which they are prepared to make as a contribution to the objectives of the negotiations.

"In accordance with the procedure for the participation of Poland in the negotiations earlier agreed upon by the Committee, the Government of Poland submitted in April the offers which will be the basis for her participation. Bilateral contacts have since been taken by the Polish delegation and

the delegations of some other participating countries. Multi-lateral negotiations will be resumed in September.

"That concludes this brief review of where we stand, and of the program for the resumption of negotiations in the early autumn. I hope it will be clear from what I have said that, while no spectacular progress has been achieved since the Committee last met, the negotiations are continuing in the pattern, and in accordance with the timetable, which we then formulated and that, when we resume in September, negotiations can be fully engaged on all sectors and with the full participation of all the countries who have indicated their intention to participate. A determined effort will be called for if the final stage of the negotiations shall, as we all hope, be reached early in 1966.

## COMMUNITY GROWTH TO ACCELERATE IN 1966

### Prospects Improve for 1965 Economic Expansion

THE EEC COMMISSION predicts a stronger economic expansion in the Community during 1966 than in the two preceding years but warns of tendencies toward an imbalance between prices and costs.

The second quarterly survey of the Economic Situation in the Community, published in July, said that the increase would result from greater demand and more harmonious economic growth than experienced in 1964 and 1965. However, the Commission pointed out that the outlook for 1966 could be distinctly improved if short-term economic policy measures were brought completely into line with the EEC Council of Ministers' recommendation April 8 encouraging investment in Belgium, France, Italy and Luxembourg.

### Economic Situation Looks Brighter

The Commission also presented a more optimistic picture of continued economic expansion in the Community during 1965 than in its April survey. A possible gross Community product growth of 4 per cent was forecast compared to the 3.5 per cent rise previously expected.

Exports to non-Community countries will continue to grow vigorously during the second half of 1965 due to increased demand from industrial countries. Internal demand is also expected to rise appreciably.

The adjusted trend of external demand during the first half of 1965 was nearly as lively as in the last quarter of 1964. In the first quarter of 1965, the year-to-year growth rate of the Community's goods exports to non-member countries was no less than 12 per cent in value. However, certain factors such as the dockers' strikes in the United States and in Antwerp and expectation of a cut in the United Kingdom import surcharge at the end of April tended to slow activity for a time.

The Commission expects only a modest growth in imports from non-member countries during the last half of this year due to a continued increase in internal supply and demand. Consequently, the Community's trade balance should continue to improve.

The upward trend of imports (adjusted) slackened again in the first half of the year because businesses were more reluctant to buy fresh stocks of imported raw materials and

semi-finished goods. The trade balance, based on customs returns, showed a deficit of \$336 million in the first quarter of 1965, about one-third of the deficit recorded in the same period last year.

The adjusted trend of intra-Community trade continued to rise in the early months of 1965. According to customs returns, the year-to-year growth rate in intra-Community merchandise trade was 10 per cent for the first quarter. German imports alone from the five member states increased 40 per cent.

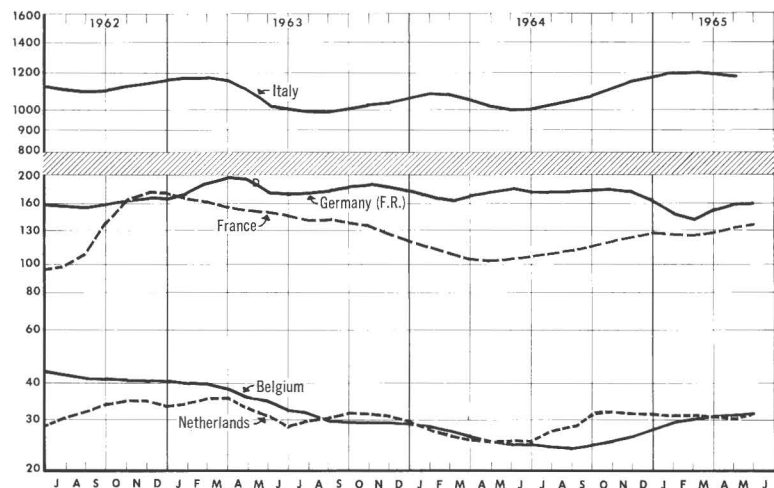
### Balance-of-Payments Shows Surplus

The report said that the overall balance-of-payments in the second quarter probably showed a surplus, though smaller than that for the previous quarter. Net imports of capital continued but were probably less substantial than in the preceding year.

Internal monetary demand also continued to expand,

### UNEMPLOYMENT

End of month figures (thousands)



Note: Fully unemployed, excluding short-time working. Seasonally adjusted figures; three-month moving average. Belgium: monthly average of day-to-day figures. France: number of persons seeking employment; including repatriates from Algeria. Italy: persons, registered as unemployed; real unemployment is lower. Luxembourg: no unemployment.

although the faltering investment in stocks may have shrunk the actual growth rate slightly. The adjusted growth rate for investment in plant and equipment remained relatively modest. Demand from private enterprise stayed weak in Italy and in France and the increase in spending showed signs of slowing down in Belgium and, to a lesser extent, in the Netherlands. These developments offset the effects of the upward trend of spending in Germany.

Investment in building continued to grow rapidly, except in Italy where housing construction still lagged. The substantial growth in mass incomes led to an appreciable expansion in consumption expenditure. The increase in spending was relatively slow in France, more substantial in Italy, and considerable in Germany and the Benelux.

Internal supply continued to grow at a moderate rate until the spring of 1965. Industrial production grew by barely 1 per cent between the fourth quarter of 1964 and the first quarter of 1965.

The slight decline in industrial production seems to have halted in France and recovery continued in Italy. The expansion of production remained the same in the Netherlands and slackened slightly in Germany due to a decline in the elasticity of supply. The slow-down was more marked in Belgium and Luxembourg.

### Industrial Production to Increase

The Commission predicted that industrial production will continue to grow at a modest and, perhaps, at a slightly

higher rate than in 1964. The recovery of industrial production should gather momentum in Italy and increase again in France during the second half of 1965. However, the supply situation in Germany is depressing its growth slightly. Agricultural output is unlikely to increase as much as in 1964.

Private consumers' spending will also rise appreciably, the report said, especially in the Netherlands and Germany. Incomes are expected to increase in those countries as well as in Italy and France.

Prices may rise but at a slower rate in most member countries during the last half of 1965 compared to the same period last year. Demand and costs in Germany and, particularly, the Netherlands are likely to continue to force prices up. However, prices should remain relatively stable in the other member countries.

The cyclical upward tendency of prices continued at a slightly faster rate in Germany. Cyclical strain ended the lengthy price stability in the Netherlands. On the other hand, underlying factors pushing up prices continued to weaken in France, in Italy and, to a lesser extent, in Belgium.

Strains on the labor market eased again slightly in France, in Belgium and, to a lesser extent, in the Netherlands. A larger number of persons were unemployed in Italy. However, other signs such as the lengthening of working hours in several industries indicated stability of the Italian labor market. The labor shortage remained severe in the Netherlands and deteriorated in Germany.

## Newsbriefs

Common Market  
Euratom  
Coal & Steel Community

### Firms End Restrictive Business Practices

A group of Belgian and Dutch detergent manufacturers and a number of sanitary ware manufacturers, importers and wholesalers in Belgium ended their restrictive business practices in July under penalty of fine by the EEC Commission.

Both actions resulted from Commission decisions in April that market sharing agreements between these firms violated EEC anti-trust policies. The Commission warned the firms that they were subject to fine unless the offending agreements were dissolved or changed.

Under Council regulation No. 17, the Commission may impose fines from \$1,000 to \$1,000,000 on firms or associations of firms which willfully or through negligence have infringed Article 85 of the Rome Treaty relating to the prevention, restriction or distortion of competition.

The group of detergent manufacturers had agreed not to sell their product, even indirectly, on the domestic markets of their partners. They also forbade their customers any form of resale which would impair this market sharing arrangement. The agreement included a threat of penalties for any infringements.

The Commission had found that this arrangement was incompatible with the Treaty's ban on restrictive agreements which do not contribute to the improvement of production or distribution of goods. It had also ruled that the agreement

could affect trade between Belgium and the Netherlands and had as its object or result the restriction of competition within the Community by market sharing.

Under the second agreement, a number of manufacturers and importers and a larger number of dealers of sanitary ware agreed to exclusive business dealings, common price fixing and price concessions. The agreement's rules also limited the number of manufacturers and importers who could subscribe to the arrangement and specified that three-fifths of them must possess Belgian nationality and have their main business in Belgium.

The Commission had ruled that the object of this agreement was to confine the sales of goods in Belgium to manufacturers of that nationality resulting in an elimination of trade between the member states. The agreement also gave the manufacturers and importers the power to abolish competition almost completely due to the scale of operations of the wholesalers on the Belgian-Luxembourg market and the nature of the collective exclusive dealership arrangement.

### Community Coal Stocks Reach Record High

Community coal stocks reached a new high in May of 24.7 million metric tons, representing an increase of 62 per cent compared to the same month last year and 6 per cent over April, 1965.

Germany contributed 7.26 million metric tons to the total increase of 9.45 million metric tons in the past year. Coal stocks rose by 631,000 metric tons in France during the same period.

Since May 1964, coal stocks have increased in Belgium by 72 per cent to 1.9 million metric tons and by 71 per cent to

1.29 million in the Netherlands. Belgium was the only Community country in May forced to shorten working hours due to lack of demand. Five out of 48 Belgian pits cut back working hours causing a decrease in production of 11,000 metric tons.

Short-time working through lack of sales outlets during the first five months of 1965 resulted in a coal output loss of 222,000 metric tons throughout the Community. Belgium accounted for 182,000 metric tons of the total production decrease.

## Exclusive Dealership Exempted from Treaty Ban

The EEC Commission in July exempted from anti-trust action an exclusive dealership agreement between a producer of household equipment in the Netherlands and a French sales outlet.

Under the agreement, Diepenbroek & Riegers N.V. ("DRU") of Ulft, Netherlands, granted Etablissements Blondel S.A. of Paris sole selling rights in France for its enamelled iron household products. Neither Blondel nor other purchasers are forbidden by the contract to export DRU's products. In addition, rival imports to France are neither excluded by the agreement with Blondel nor by DRU's arrangements with dealers in other member states.

The Commission found that the agreement's intention was to restrict competition. It also decided that trade between the member states could be affected by conditions in the agreement governing imports of the products from the Netherlands into France.

However, the Commission considered the Rome Treaty's ban on cartels inapplicable to the agreement on the grounds that the distribution of goods was improved, that consumers were given a fair share of the benefits (greater convenience and lower prices) resulting from the improvement, and that imports could still be obtained from other sales outlets. The exemption was granted for an initial period of five years.

The Commission decision further defined the circumstances in which the provisions of the Rome Treaty Article 85(1) are applicable to exclusive dealing arrangements. It confirmed that exclusive dealing contracts without absolute territorial protection can also be restrictions of competition in the sense of Article 85. On the other hand, it also showed that an exclusive dealing system may be authorized provided that it does not afford absolute territorial protection.

## U.K.-Euratom Continuing Committee Examines 1964 Cooperation

The United Kingdom-Euratom Continuing Committee examined the results of last year's cooperation in peaceful uses of atomic energy and basic research during its sixth meeting July 8 in Brussels.

The Committee, established under the United Kingdom-Euratom Agreement for Cooperation of February 4, 1959, also discussed collaboration in research on fast reactors and noted an understanding in principle to exchange information on fast reactor physics. Preliminary exchanges of information between United Kingdom and Euratom scientists have already begun.

The Committee reviewed the long-term prospects for nuclear energy in the Community and the United Kingdom and agreed to continue close contacts in this field.

Pierre Chatenet, President of the Euratom Commission, and E.M.J.A. Sassen, member of the Commission, represented the Community at the meeting. United Kingdom representatives attending were Frank Cousins, Minister of Technology, and Sir William Penney, chairman of the United Kingdom Atomic Energy Authority. Sir James Marjoribanks, British Ambassador to the European Communities, and senior officials from both sides were also present.

The Continuing Committee will hold its next meeting in the United Kingdom during the first half of 1966.

## Parallel Loan Marks Step Toward Community Capital Market

The first European parallel loan was floated in July in the Community countries by Ente Nazionale per l'Energia Elettrica (ENEL), the Italian state electricity authority.

The \$215 million loan is divided into tranches and issued simultaneously in financial centers throughout the Community in the national currencies. The bonds carry a yearly 6 per cent interest rate but differ in the issue price to ensure equal yields in each country, provided the bonds are held to redemption.

The tranches are offered as follows: \$2 million (privately) in Belgium, \$20.3 million in France, \$25 million in Germany, \$160 million in Italy, \$600,000 in Luxembourg, and \$6.9 million in the Netherlands.

## Recent Books on Community Topics

EUROPEAN COMMUNITY will periodically list selected books dealing with Community and Atlantic topics. This presentation does not indicate approval or recommendation of the publications. It is intended as a service to readers.

Barzanti, Sergio, *The Underdeveloped Areas within the Common Market*, Princeton, New Jersey, Princeton University Press, 1965, pp. 437.

A discussion of the underdeveloped regions in the European Economic Community (Southern Italy and certain areas of France) and their relation to the process of economic integration. The author analyzes the economy of each area, emphasizing the major sectors of agriculture, industry, transportation, power and tourism, and traces the historical causes of the underdevelopment. He then points out the dangers of regional imbalance and the need for regional policy in the Community.

Fisher, Sydney Nettleton (ed.), *France and the European Community*, Columbus, Ohio, Ohio State University Press, 1964, pp. 176.

A collection of eight essays on France's role in the European Community. These essays were presented in October, 1963, at a conference on "France and the European Community," held at the Graduate Institute for World Affairs of Ohio State University. Topics include "The Legal Structure of the European Community," "Agriculture in France and the European Community," and "France and European Community." Contributors are: Jean-Jacques Demorest, Carl H. Fulda, Klaus Knorr, Hans Schmitt, Paul Minneman, William Diebold, Jr., Norman Pounds, and Zbigniew K. Brzezinski.

## PUBLICATIONS AVAILABLE

EUROPEAN ECONOMY AND EUROPEAN POLICY, an address by Prof. Dr. Walter Hallstein, President of the EEC Commission, given in Düsseldorf July 8, 1965, 9 pages (mimeographed) . . . . . free

AGRICULTURAL TRADE BETWEEN DEVELOPED NATIONS: PROBLEMS AND PROSPECTS, a speech delivered by Mr. Berend Heringa, Deputy Director, Directorate General for Agriculture, EEC Commission, in San Francisco May 18, 1965, 23 pages (mimeographed) . . . free

AGRICULTURE IN THE EUROPEAN COMMUNITY, Information Service of the European Communities, Brussels, 1965 . . . . . free

A set of ten 5½" x 8" charts.

EUROPEAN INVESTMENT BANK ANNUAL REPORT 1964, European Investment Bank, Brussels, 1965, 89 pages . . . . . free

THE EUROPEAN DEVELOPMENT FUND, European Community Information Service, Brussels, 1965, 32 pages . . . . . free

An illustrated, color brochure which describes how the Community administers its development aid and technical assistance.

AN ASSOCIATION OF FREE PEOPLES: THE EEC AND THE AFRICAN AND MALAGASY STATES, European Community Information Service, Brussels, 1965, 24 pages . . . . . free

ADDRESSES DELIVERED BY SIGNOR DINO DEL BO, PRESIDENT OF THE HIGH AUTHORITY OF THE ECSC, TO THE EUROPEAN PARLIAMENT IN STRASBOURG, March 24, and May 11, 1965, 26 pages . . . . . free

THIRTEENTH GENERAL REPORT ON THE ACTIVITIES OF THE COMMUNITY, High Authority of the ECSC, Luxembourg, March 1965, 400 pages + . . . . . \$3.00  
Report for period February 1, 1964 through January 31, 1965. *This report will not be translated into English.* Available now in French, German, Dutch and Italian. English summary will be available later.

LA CONJONCTURE ÉNERGÉTIQUE DANS LA COMMUNAUTÉ: SITUATION 1964—PERSPECTIVES 1965, High Authority of the ECSC, Luxembourg, April 1965, 237 pages . . . . . \$2.00

Prepared in collaboration with the EEC and Euratom Commissions. This edition contains an 86-page statistical annex not previously published.

PUBLICATIONS OF THE EUROPEAN COMMUNITIES: CATALOGUE, Publications Service of the European Communities, Luxembourg-Brussels, March 1965, 63 pages . . . . . free

EMPLOYMENT 1963-1964, *Social Statistics*, 1965, No. 4, Statistical Office of the European Communities, Brussels, 1965, 167 pages . . . . . \$2.00  
*French/German/Dutch/Italian text. Tables are in the language of the country they concern.*

## EUROPEAN COMMUNITY BULLETIN

EUROPEAN COMMUNITY bulletin is published monthly in English, French, Italian, German, and Dutch by the offices of the European Community Information Service. Copies can be obtained from European Community Information Service,

*Washington:* Farragut Building, Washington, D.C. 20006

*New York:* 155 East 44th Street, New York, N. Y. 10017

*London:* 23 Chesham Street, SW1, London

*Paris:* 61, rue des Belles-Feuilles, Paris

*Rome:* Rome, Via Poli 29

*Bonn:* Bonn, Zitelmannstrasse 11

*The Hague:* Alexander Gogelweg 22, The Hague

*Bruxelles:* 244, rue de la Loi, Bruxelles

*Luxembourg:* 18, rue Aldringer

*Geneva:* 72, rue de Lausanne, Geneva

A copy of this material is filed with the Department of Justice, where, under the Foreign Agents Registration Act of 1938, as amended, the required registration statement of the Information Office, European Community, 808 Farragut Building, Washington, D. C. 20006, as an agent of the European Economic Community, Brussels, the European Atomic Energy Community, Brussels, and the European Coal and Steel Community, Luxembourg, is available for public inspection. Registration does not indicate approval of the contents of this material by the United States Government.



**europa  
community**

Information Service

Washington Office: Farragut Building, Washington, D.C. 20006

Return Requested