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COMMUNITY WORKERS BENEFIT FROM 1964 ECONOMIC GROWTH

Tight Labor Market Continues As Serious Problem

COMMUNITY WORKERS SHARED in the benefits of favorable economic growth last year while the chronic problem of insufficient manpower continued to plague industry.

This finding was published in August by the EEC Commission in its eighth Annual Survey on the Social Development in the Community. The report covers the evolution in 1964 of population, employment, economic expansion and the social benefits of workers in the Community.

The Commission pointed out that workers' real incomes continued to increase in 1964 and overall employment was satisfactory due to the Community's rapid economic growth. Certain regions and industrial sectors, however, experienced difficulties from a structural imbalance in the supply and demand of workers.

The report urged member governments and Community institutions to cooperate in alleviating the imbalance by establishing common policies for employment, regional development and vocational training.

Italy Registers Unemployment Increase

All Community countries, except Italy, suffered from an insufficient supply of manpower, particularly skilled workers. In Italy, unemployment increased for the first time in several years (from 2.4 per cent to 2.8 per cent) due to slow industrial growth. However, some industrial regions and sectors lacked the skilled workers needed for the rapidly modernizing economy.

Unemployment in Italy contrasted sharply with virtually full employment in France, Belgium, and Luxembourg and over-employment in Germany and the Netherlands. The per cent of workers unemployed in these countries respectively was 1.1, 1.6, 0, 0.7 and 0.8. Unemployment in the Community stayed at the same level as last year, 1.4 per cent.

The total number of employed workers in the Community increased by 0.4 per cent in 1964, from 72.9 million to 73.2 million, confirming a tendency in recent years of a more slowly rising employment figure. The agricultural labor force continued to decrease sharply in 1964 as 600,000 workers left farms to seek jobs elsewhere. The largest increase in employment occurred in the services sector, which gained 650,000 workers, raising its total share of the Community work force to 39 per cent. The industrial sector, which employs 44 per cent of the Community workers, expanded by 300,000 employees last year.

The working population of the Community represents 41 per cent of the total inhabitants. The Community's population reached 181.7 million by January 1, 1965, a rise of 1.2 per cent last year compared to an 0.7 per cent increase in 1963.

Community industries turned more toward non-member countries to fill manpower needs in 1964. Immigration of unskilled workers into the Community countries, except Italy, increased greatly over 1963. However, the demand for skilled labor remained unsatisfied.

Intra-Community immigration stayed relatively stable compared to the previous year and the net increase of Italian workers in the labor markets of the other Community countries was slight. The principal supply of foreign manpower came from Greece, Spain, Portugal, Turkey, Yugoslavia, and North Africa.

Workers' Wages Climb

The tight labor market was reflected in a general increase of nominal wages throughout the Community, the report said. This rise was counteracted by the upward tendency of consumer goods prices, which varied among member countries, and by the reduction of the work week in certain sectors. The largest wage increase occurred in countries with relatively low salaries, revealing a trend toward wage harmonization among the member states. Wages increased about 18 to 19 per cent in the Netherlands, 17 per cent in Italy, 11

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per cent in Belgium, 8 per cent in Germany and 4 per cent in France.

The increase in prices lessened the amount of buying power which would have resulted from the wage increases alone. Prices rose 5.9 per cent in Italy, 5.5 per cent in the Netherlands, 4.2 per cent in Belgium, 3.1 per cent in Luxembourg, 3.4 per cent in France and 2.3 per cent in Germany. Prices increased by a larger per cent last year than in 1963 in the Benelux countries.

Fringe Benefits Raise Costs

Labor costs also increased owing to new fringe benefits such as longer annual vacations, higher vacation pay, and larger employer contributions to social security. Fringe benefits were broadened most in those countries where workers had received the fewest advantages, again showing a tendency toward harmonization of social conditions throughout the Community. In all the EEC countries, the percentage rise of total labor costs was higher than the relative increase in direct salaries.

The Commission pointed out that Community action would solve many of the labor market problems. The Commission has proposed the framework for this cooperation in its medium-term economic policy. The policy would establish the major economic measures and the main lines for a Community social policy from 1966-70. The Commission said that the elaboration of the medium-term economic policy would mark a major decision on the social plane in affirming that "economic and social policy are indissolvable and have to be treated at the same level."

Commission Urges Vocational Training

One of the important social aspects of the five-year plan, according to the Commission, is a common vocational training program. The Commission pointed out that the increasing demand for qualified workers in industry can best be satisfied by giving priority to vocational training. The nature of the training should be coordinated with the needs of the economy to prevent reduced industrial activity due to insufficient workers.

Aiming for a common vocational training policy, the Commission has proposed an action program for vocational training in agriculture and one in industry and the services sector. It has also sent to the Council a draft decision for an accelerated vocational training program to meet the short-term needs for skilled labor.

In addition, the Commission has suggested measures to adapt the European Social Fund to the tasks of satisfying labor needs. The Fund, established by the Treaty to promote employment facilities and encourage geographical and occupational mobility of workers, would be used to aid construction of social housing, to support elements of a regional policy, and to enable workers to obtain special skills.

A second important social feature of the medium-term economic policy is a coordinated regional policy to assure harmonious development of all areas in the Community, the report pointed out. The Commission has proposed such a policy to the Council to facilitate the work of Community financial bodies as well as coordinate the regional policies of member countries.

The report warned against a growing tendency of young workers to leave certain areas, particularly in southern Italy. On the other hand, it said that emigration from low employment regions can help offset the lack of labor in other Community areas.

The Commission also pointed out that the Community must have ways of finding concrete and immediate solutions for difficulties in various sectors arising from the establishment of the customs union. The report warned against using safeguard measures, foreseen by the Rome Treaty, on a regular basis and urged instead collaboration among the member states to solve imbalances.

In addition to the measures within the general framework of the medium-term economic policy, the Commission reiterated the need for harmonization of member states' social policies, as prescribed in Article 118 of the Treaty. The report urged that social harmonization keep pace with the progress of establishing the customs and economic unions.

Commission's Progress Charted

The report also reviewed the EEC Commission's activity in the social field from April 1, 1964 to March 31, 1965. The EEC Council of Ministers adopted in May a Commission regulation abolishing job priority for national labor permitting Community workers to seek jobs in the member country of their choice on an equal basis with workers of that country. The regulation also provides that Community nonnationals working in a member country qualify for the same rights as nationals after two years of employment. Free movement throughout the Community is also extended by the regulation to seasonal and border workers. Two directives passed by the Council in 1964 concern removal or coordination of restrictions on movement and residence of workers due to reasons of public health or security.

The Commission also proposed strengthening two regulations concerning social security of migrant workers. These regulations were passed by the Council in 1958 to facilitate the free movement of workers by enabling them and their families to receive uniform social security benefits in all Community countries. The new proposals would simplify the procedures of the original regulations and broaden their coverage to self-employed workers. The Council adopted a regulation abolishing the six year limit on the right to medical insurance for migrant workers and for family members separated from the workers.

Social Funds Increased

The European Social Fund, administered by the Commission, provided in 1964 aid totalling $4,639,519 of which 92 per cent was used for vocational readaptation and 8 per cent for assisting worker mobility. A total of $45,872,601 has been allotted for 1965.

Management and labor organizations continued efforts to coordinate their relations with overall economic needs, and more attention was given in each country to labor developments in the other member states. A special committee composed of labor and employer representatives from the Six was established to study and appraise the medium-term economic policy.

The construction of workers houses increased from 1,448,000 in 1963 to 1,587,000 last year. In some EEC countries, the building industries worked at full capacity without meeting all demands for housing. The Commission issued to the member states in July a recommendation to help migrant workers solve the housing problem encountered last year.

COMMUNITY WOMEN APPROACH WAGE EQUALITY WITH MEN

Additional Measures Needed to Improve Status of Female Workers

WOMEN WORKERS have recently advanced further on Community pay scales toward wage equality with males.

A report, published in July by the EEC Commission, said that women's wages have risen faster than those of men in recent years due to joint efforts of the member states' governments and labor and management groups. However, the Commission indicated that additional measures should be taken in some member states to improve the status of women in the Community.

Equal Pay Progress Assessed

The report charts the member states' progress in applying the equal pay principle up to December 31, 1964, the date foreseen for its full application. The principle was established by Article 119 of the Rome Treaty and was specifically formulated in a resolution passed by a conference of the member states on December 30, 1961.

The Commission reaffirmed in its report that the principle of equal pay should include the elimination of all measures involving direct or indirect salary discrimination. In particular, the Commission rejected the contention that the principle should apply only to technically identical jobs. It also disapproved of those measures which resulted in the systematic down-grading of women workers, the adoption of different qualifications for men and women workers, and the use of job evaluation criteria not related to the real conditions in which the work is done.

Under Article 119 and the subsequent resolution, the member states were required to apply the equal pay principle directly in the public sector, and to enact appropriate legal safeguards. The labor and management organizations in all the Community countries were given the task of ensuring equal pay in collective bargaining agreements.

In Belgium, labor and management groups have made considerable progress in assuring wage equality between the sexes. However, women still do not have legal recourse to the courts for salary injustices. Although collective agreements are legally enforceable, the Belgian government is not exempt from legislating the application of equal pay. In addition, a number of collective agreements are still in effect which include employment disparities between men and women workers and limit equal pay to jobs in which both men and women are customarily employed.

The system of standard job classification has been included in many collective agreements enabling direct measures of discrimination to be eliminated. However, the Commission warned that this classification system must not be used as a loophole for down-grading jobs normally performed by women.

Principle Applied in Germany

The Commission said that in principle the problem of applying the equal pay requirement has been solved in Germany. Women workers, who believe that their right to equal pay is not being respected, can appeal to the courts under the constitution. The labor unions also concur that the principle is properly applied in Germany, with the exception of a small number of cases now being negotiated.

However, the December 31, 1964 time-limit has not been universally met. Explicit wage discriminations still survive in some industries. The classification of jobs according to light-work or heavy-work has resulted in the down-grading of jobs normally executed by women.

In France, the principle of equal pay is sanctioned both by constitutional law and ordinary legal requirements. The government and labor and management groups said in a joint declaration that equal pay has been generally applied for some time in both collective agreements and in practice.

The Commission pointed out, however, that women in some types of jobs not covered by collective agreements lack proper legal protection. French authorities have announced that a bill will soon be presented to fill this gap.

Women's Pay Increased in Italy

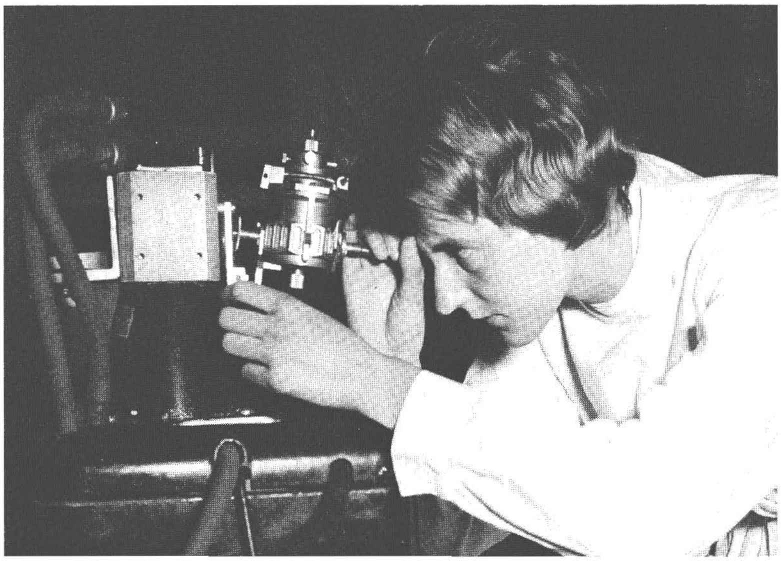
Women have achieved pay equality in most sectors of Italy's economy. Women's pay has increased considerably through the reclassification and reduction of jobs in industry and equal pay agreements in other sectors. Equal pay must still be achieved in fringe activities (such as some small businesses and crafts) not covered by collective agreements or those in which old contracts are still in force.

The equal pay principle is legally guaranteed in Luxembourg by minimum wage law and collective agreements for all professions except domestic work, agriculture, aviculture and horticulture. The government is urged to take appropriate measures to safeguard the fair employment treatment in those areas not covered by the law or agreements.

Disparities Appear in the Netherlands

Fairly wide disparities between men's and women's salaries still exist in some sectors in the Netherlands. The Commission said that the Dutch government should introduce the necessary laws so that the right to equal pay can be upheld in the courts. In addition, the government should declare non-enforceable any clauses in collective agreements departing from the rules provided in the equal pay resolution.

The Commission pointed out that labor and management groups, mainly responsible now for fixing wages, have not used fully the opportunities provided by recent pay raises to speed up increases in women's wages.



EEC SEEKS SOLUTION TO DEVELOPING NATIONS' TRADE PROBLEMS

Industrialization Encouraged to Diversify Exports

by Henri Rochereau

THE WORLD HAS BECOME increasingly concerned over the trend of trade between the industrialized and the developing countries. This anxiety has arisen from the uneven geographical distribution of the recent upsurge in world trade.

Between 1953 and 1962, exports of the industrialized countries rose by 70 per cent, or twice as fast as those of the developing countries. The developing countries' share of world trade fell from 31 per cent to 24 per cent over this period.

Industrial Countries' Trade Rises

The proportion of world trade represented by trade between the non-industrialized countries declined from 8 per cent to 6 per cent during the last 10 years, while trade between the industrialized countries rose from 37 per cent of total world trade in 1953 to 44 per cent in 1962.

In addition, the fall in commodity prices, which continued throughout the period 1953-62, caused a reduction of about 10 per cent in the unit value of exports of the developing countries while the unit value of exports of the industrial countries improved by 4 per cent.

However, prices of many primary products began to recover from the end of 1962 due to increased demand following the high level of economic activity in the industrialized countries and to non-economic factors in the case of sugar, coffee and copper. This upward movement has been fairly steady for two years benefiting the exports, trade balance and foreign exchange reserves of the developing countries.

It is hard to say whether this trend will continue. Prices for some products (sugar, coffee, cocoa) have been declining again for some time. However, the present recovery confirms the close dependency of the developing countries on world economic trends, in effect, on the situation of the industrial countries.

Henri Rochereau, EEC Commissioner responsible for relations with developing countries

If trade between the industrialized countries has developed more strongly in recent years than their trade with the developing countries, it has been due to a number of closely interdependent factors. Investment and productivity in modern industries have been growing rapidly, causing a large output of manufactured goods with a "high added value per worker." Internal and international demand is expanding much more quickly for these products than for primary goods. In addition, the industrialized countries have followed a trade policy aimed at greater international specialization. A feature of this policy is the lowering of quota and tariff barriers to trade.

Economic Progress Impeded

In contrast, the expansion of the developing countries' exports, and particularly of trade between them, is impeded by the almost complete lack of industrialization, narrow and divided markets, and, in some cases, by the lack of foreign exchange.

Consequently, primary products predominate in the exports of these countries. But world demand for these goods is expanding at only a relatively slow pace due to competition from synthetic products and to technical advances enabling industrialized countries to economize on raw materials. Moreover, supplies of many raw materials have increased, and surpluses have appeared.

The fact that the developing countries' national markets are so small and divided prevents specialization and adequate scales of production, impairing competitiveness and the growth of enterprises and curbing the expansion of production and trade.

A sufficient increase of economic growth in the developing countries cannot be expected from the expansion of their exports alone in the next few years.

Faster economic growth and expansion of their exports both require an adequate diversification of national production which will gradually transform their present pattern of exports. This can only be accomplished through industrialization oriented toward supplying more sophisticated products particularly to other developing countries. Such a policy demands effective economic cooperation and market unification between the developing countries in order to promote investment and industrial specialization.

Developing Nations Have Prime Duty

Primary responsibility for economic progress remains and will always remain with the developing countries. External aid can be decisive only when the amount of productive resources is the sole bottleneck obstructing progress. But this is rarely the case. What is generally lacking most is not so much capital as a community's ability to utilize its own resources and external aid. It is not just a matter of scarcity of capital and foreign exchange but of skills and know-how.

Apart from providing capital, the industrialized countries should:

- Join in a concerted policy for stabilizing and increasing commodity prices; and
- Progressively open their own markets to the processed and semi-finished primary products from the developing countries.

These are the two prime demands made by the developing countries in both the GATT (General Agreement on Tariffs and Trade) and the United Nations' Conference on Trade and Development in Geneva.

I shall make three general points on these questions:

First, such an opening of the markets in the industrialized countries is likely to have a limited effect in the short or even medium term. Demand for primary products is growing less rapidly than overall national product in the industrialized countries and this trend will continue. Furthermore, a reduction of duties and taxes on imports from the developing countries would only increase industrialized countries' purchases of these products to the extent that demand is stimulated by lower prices.

The competitive capacity of the developing countries appears limited for most manufactured products as regards prices, quality, and sales organization in export markets. In practice, only such goods as cotton and jute textiles, certain hardware articles, some foodstuffs, toys and sports goods, produced in Asia and Latin America rather than Africa, stand much chance of higher sales. In short, liberation of imports into industrialized countries is only likely to benefit countries already partly industrialized.

Secondly, the 17 African countries and Madagascar associated with the European Community obtain fewer trade advantages under their multilateral links with the Six than were offered under their former bilateral associations particularly with France. Although the 18 associates receive tariff preferences in Germany and the Benelux in competition with non-associated African countries, the precise effect of this preference has not yet become apparent. It is unlikely in itself to lead to any large increase in trade between the Six and the 18 associates.

Consequently, the effects of the preference system need to be intensified by broader measures to promote trade. These measures must be taken jointly by the Six and the African states for the association to produce its beneficial effects in the medium term and without waiting for the economic diversification of the associated countries.

Thirdly, the trade balance of the associates has only a limited significance in itself as long as the deficit is financed by a flow of capital into the developing countries. The continuing trade deficit of the associates is less worrisome than the faltering trend in the movement of long-term public and private capital to the associated African countries. If this fear is justified it would be an additional reason to pursue the question of guarantees for private investment capital against non-commercial risks and perhaps to try new approaches which would enable both private and public sources of finance to contribute to the expansion of industry and trade in the developing countries.

U.S. TO SUBMIT AGRICULTURAL OFFERS TO GATT IN SEPTEMBER

U.S. ADMINISTRATION OFFICIALS announced on August 19 in Washington that the United States will table its agricultural offers with the GATT (General Agreement on Tariffs and Trade) on September 16, as planned, to keep up the momentum of the Kennedy Round.

The September date was set in March by Kennedy Round negotiators in Geneva as a deadline for submitting concrete bargaining proposals on farm products, other than grains. Grain offers, submitted in May, are already being discussed.

The officials said that the United States will comply with the agreed date even if the EEC is unable to submit its offers. Major Community decisions have been blocked since the end of June by the deadlock in the Council. The impasse arose over the EEC Council's failure on June 30 to decide on a method of financing the Community's farm policy.

The GATT has not been officially notified that the EEC will be unable to table offers, the officials said. They remained optimistic that the EEC would do what it could "within the limits of its own difficulties."

The announcement was made in a statement prepared by Governor Christian Herter, the President's Special Representative for Trade Negotiations. "As regards the EEC, we understand the difficulties confronting it at this time and hope they may be resolved," he said. "We anticipate that the EEC, which occupies a key role in the negotiations, will be able to table agricultural offers, if not on September 16 then at an early date."

"The United States' offer will essentially comprise products of interest to countries tabling agricultural offers," he added. "The United States has repeatedly made clear that offers it puts forward are made in the expectation that the other major participants will make and be willing to implement offers of a like degree. If this proves not to be the case, the United States will withdraw or modify its offers on both agricultural and industrial products to the extent it deems necessary to achieve reciprocity in the negotiations."

The officials said that the EEC may be able to make offers on some selected products such as poultry or pork for which it has established common policies. However, they expect that the Community will be unable to present its full agricultural package on September 16 and will supplement its offers later.

If the EEC cannot submit concrete and specific offers, the United States will negotiate with other countries tabling bargaining bids until the EEC can participate on the basis of its own offers. The officials declined to judge how long the agricultural discussions could continue without EEC participation but said that the United States is making its offers with the belief that "the Community will complete its own internal (agricultural) program and move ahead in the Kennedy Round."

The officials reaffirmed the United States' confidence that a fair and equitable agreement would be reached in the Kennedy Round leading to a substantial liberalization of world trade. They also reiterated that the final agreement must include both industrial and agricultural products.

Italian-language group participates in geography lesson.

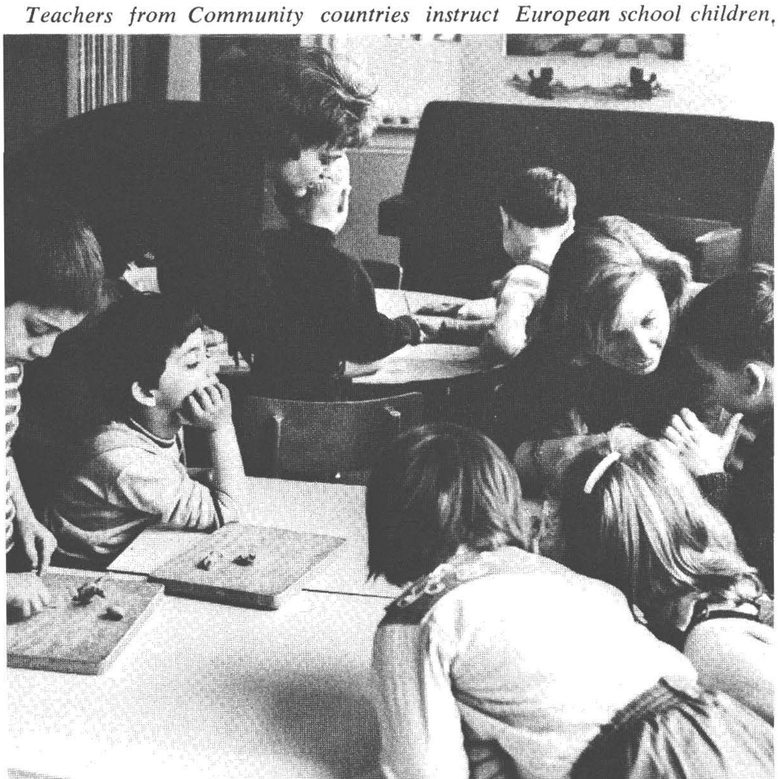
European Schools Offer New Adventure in Learning

SIX EUROPEAN SCHOOLS will reopen in September to children from the Community and other countries.

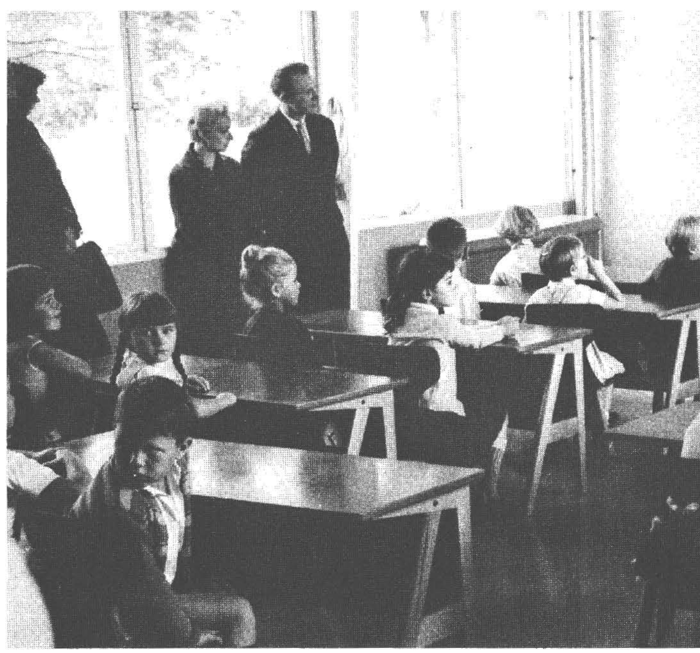
These schools in Luxembourg, Brussels and Mol (Belgium), Varese (Italy), Karlsruhe (Germany), and Bergen (The Netherlands) are involved in a unique experiment in European education. Children mainly from Community countries but also from nations interested in building a united Europe attend classes together in kindergarten through secondary school.

A total of 5,024 students were enrolled in European Schools during 1964-65, 541 more than reported the previous year. These children of many nations are being taught to think of themselves as Europeans first and as Dutch, Belgian, French, German, Italian and Luxembourgeois second. The children of Community employees, of diplomats, merchants, and workers receive not only a first class education but one that cuts across national barriers of language, custom and ways of thought.

Teachers from Community countries instruct European school children.



Parents observe their children in class.



This adventure in learning was born of a council of parents of the six Community nations in Luxembourg in 1952. Begun on a modest scale for the children of European Coal and Steel Community employees, the Luxembourg school has served as a model for the other five. The six schools now operate under the same charter and are financed and administered by the six Community governments and the executive branches of the three Communities—the ECSC High Authority, Euratom and EEC Commissions.

The number of students attending the European School in Brussels increased by 150 last year compared to 1963-64, 60 in Mol, 140 in Varese and 114 in Karlsruhe. The school in Bergen opened with a small number of students in 1963.

Climbing the jungle gym during recreation period.

In the 1964-65 academic year, 69 students attended kindergarten, primary school and the first three classes of secondary school.

The teaching staff of the six schools grew from 312 in 1963-64 to 385 last year. Teachers are selected by their national authorities and assigned to a European School for one to nine years. The teachers are responsible to the headmasters who can consult only with the superior council of the six Ministers of Cultural Affairs in the Community countries.

In kindergarten, children aged four to six learn to speak and be understood in their own language in multi-national classes. Classes in primary school are divided according to the four official Community languages (Dutch, French, German and Italian). A student is taught basic studies in one of these languages for five years. Primary school students also learn a foreign language which is used daily in learning art, gymnastics, music or crafts during a supervised recreation period. This foreign language then becomes the vehicle for the student's instruction in history, geography, philology and sometimes science in secondary school. Latin and English are also required courses.

Children congregate outside the European School in Brussels.

Students completing secondary school become candidates for the *Baccalauréat Européen*. The Baccalauréat, established in 1956 when the schools were chartered, has been recognized by the universities in the six Community countries, Austria, Great Britain, Switzerland and some in the United States. To attain this degree, students must pass written and oral examinations under the control of an international jury composed of representatives of academic authorities in the Community countries.

At the end of the 1964-65 school year, 87 out of 98 candidates received a *Baccalauréat Européen* from the European Schools in Brussels, Luxembourg and Varese—41 out of 45 candidates in Brussels, 35 out of 40 candidates in Luxembourg and 11 out of 13 candidates in Varese. Since 1958, 262 students from the European School in Luxembourg have been awarded the degree.

WESTERN EUROPE'S PUBLIC SECTOR CHANGES FOCUS

Nationalization Shifts from Political Problem to Economic Policy Tool

by Colin Jones, *Industrial Editor of "The Statist," a British weekly economics magazine*

The views expressed in the following article are those of the writer and do not necessarily reflect the policies of the Commissions of the EEC and of Euratom or of the High Authority of the ECSC.

NATIONALIZATION is no longer a very real political problem in the European Community.

However, with large parts of the national economies, particularly basic industries like transport, fuel and power, now firmly lodged in the public sector, the nationally-owned industries continue to present governments with problems of administration, finance and economic policy.

The nationalized sectors also permit governments to pursue economic or social objectives more directly and more quickly than by relying on the private sector alone. Among these objectives is the industrial development of southern Italy or the establishment of basic infrastructure for faster economic growth as seen notably in France. On the other hand, government ownership presents dangers: it is sometimes hard to abandon economically weak activities when governments are politically committed and when withdrawal would irritate existing social problems.

Nationalization Covers Brief Time Span

Considered in historical perspective, Western Europe's trend toward the nationalization of major industries is concentrated into a relatively brief period. Public enterprise existed in earlier centuries: gunpowder factories, military arsenals and naval dockyards in most countries; the Gobelins, Beauvais and Sèvres factories in France dating from the days of Colbert; the tobacco, match, and post office monopolies founded in the 19th century; and the creation of state broadcasting services after World War II. However, it was not until the mid-1930's that the public sector made substantial inroads into major industries, particularly in Italy, Germany and France. This process was resumed in France during the post-war period, beginning in 1945.

Political events have greatly influenced the extension of the public sector in most of the Western European countries. The bitter political harvest of the inter-war world depression explains state ownership of central banks in virtually every Western European country, of a number of savings banks in France and Italy and of insurance companies in France.

Almost everywhere in Western Europe, with the principal exception of Britain, the riches of the sub-soil are vested in the state. Consequently, coal mining is either carried out by public industries or conducted on government leases; and many extractive industries such as iron ore, oil and natural gas are partly or entirely run as public enterprises.

The legacy of war is apparent in the public ownership of the potash and lignite mines of Alsace-Lorraine, the Renault car factories in France, and in the sizeable and dissimilar shareholdings of the Federal, Land (state), and local governments in the Federal Republic of Germany.

Limits of Public Sector Defined

The industrial and commercial interests of public authorities, public boards, public corporations, and public companies are both numerous and varied in most countries. Therefore, the limits of Western Europe's public sector are hard to define precisely.

In transport, state ownership encompasses virtually all the railway systems (except for a few in Italy and Switzerland), a majority of the airline companies, many bus companies, part of the merchant marine in France and Italy, and part of the long-distance road haulage fleet and some docks in Britain.

The situation does not differ greatly for fuel and power. Coal mining is publicly owned in Britain, France, Italy and Austria, and partly nationalized in Sweden and Germany. Gas and electricity production are government-owned in Britain and throughout the European Community, with the exception of Belgium, and substantially publicly owned in most other West European countries. Public enterprises are important in the domestic production of oil and natural gas in Italy, France, Germany and the Netherlands.

Nationalization Low in Manufacturing

The edges of the public sector are particularly blurred in the manufacturing industry due to the extent of minority holdings by public authorities.

Public manufacturing companies do not exist in Belgium and the Netherlands. In Britain, government ownership comprises a minor aircraft firm, a major steel company (with about one-eighth of the total market), a sizeable portion of the rail-equipment industry, and a small part of the brickmaking industry.

The public sector is more extensive in the Federal Republic of Germany but difficult to assess because of the divided majority and minority shareholdings of the Federal and Land governments. At least two-thirds of aluminum production, nearly one-third of the shipyards and significant parts of the engineering industry are publicly owned.

France and Italy Lead

On the other hand, the public sector is large in France and Italy. The government ownership sector in France covers all the tobacco and match industries, the greater part of the aircraft industry, about one-third of the motor industry and one-fourth of the shipyards. The government owns through subsidiary interests the state coal mines, Renault, a considerable part of fertilizer output and a minor part of the production of tractors, motor cycles, refrigerators, and certain groups of chemicals.

The public sector in Italy includes tobacco, half the steel capacity, four-fifths of the shipyards, one-tenth of the engineering industry (comprising one-third of the motor-vehicle industry, one-fourth of electrical machinery and one-sixth of industrial plant production, one-tenth of the railway equipment and a sizeable part of the electronics industries), as well as a substantial proportion of chemical and cement production. Engineering, steel and chemicals are largely government-owned in Austria and Scandinavia.

This list comprises an impressive part of Western Europe's industry. It also constitutes a substantial part of the continent's industrial capital spending programs particularly due to the heavy cost of new investment in electricity capacity.

Operation of State Industries Varies

Germany's government-owned industries are managed, taxed and financed in the same manner as private enterprises. Nationalized enterprises must compete for capital on the ordinary market. Their borrowing terms depend upon the market's view of their earning capacity. Consequently, prices charged for their products must also be those of the market. If the company's record is poor, the government, like any other shareholder, can name new directors. However, certain laws protect the railways from the full force of road competition. The government's return on nationalized enterprises, excluding railways and postal services, was about 25 per cent by the late 1950's.

The operation of private and public industries does not differ greatly in Italy, although a large amount of private equity and loan capital is furnished through the largest state holding company IRI, Istituto per la Recostruzione Industriale, to finance capital spending programs. Every lira invested by the state in IRI is matched by 11 lira from private funds, providing Italy with a unique union of public policy with the imperatives of private enterprise. By and large, state companies compete outright with private industry, with exceptions such as shipyards and some engineering companies.

However, Rome's market economy is not quite the same as Bonn's. The public sector in Italy is considered an instrument of public policy. The reorganization of the steel industry, the development of indigenous oil and natural gas, and the attempt to transform the South from a subsistence peasant economy into an industrial economy have been engineered largely through the public-sector industries.

Public Sector to Aid National Planning

The public sector is also being considered more as an essential basis for achieving the objectives of national economic planning. The trend toward lower profit margins and thus a lower degree of self-finance in new investment (amounting to about one-third in state holding groups until recently) and the growing shortage of private capital have been responsible for the change. In particular, it has been proposed that the state deliberately channel more funds into state enterprises to aid the achievement of economic objectives.

Italy is moving further away from Germany and nearer the French approach toward publicly owned industry. France has pioneered in economic planning in Western Europe. The public sector in French industry, especially in electricity, fuel and transport, has been deliberately used to lay the foundation for faster economic growth. State enterprises in the major industries, except such companies as Renault, have been closely meshed into the planning system, both administratively and financially. Their managements have been expected to run their enterprises competently and successfully on ordinary competitive lines. However, production planning, investment financing, wage negotiation, and pricing policy have been closely supervised by the central government ministries, especially the Ministry of Finance, and the planning commission.

Public funds and the publicly owned credit institutions provide a large part of the money required to meet the capital-spending programs of the public sector of French industry. However, they do not provide all of the state enterprises' external capital finance as in Great Britain, at least for long-term finance.

The British government also exercises close supervision of the nationalized industries' capital expenditure programs and discusses such matters as prices and wage increases with management. However, these extensive powers have not been exploited either to push the state industries into full pursuit of a market economy, as in West Germany, or to make them conform to the needs of national economic planning. A somewhat stiffer attitude has been adopted in the last three years toward the degree of self-financing of new investment that each of the main state industries is expected to attain. The recent move toward indicative planning for the economy as a whole has had a corresponding influence upon the advance output planning of these industries.

Assembly line: Car bodies are lined up for the installation of parts in the Renault factory, a government-owned industry in France.

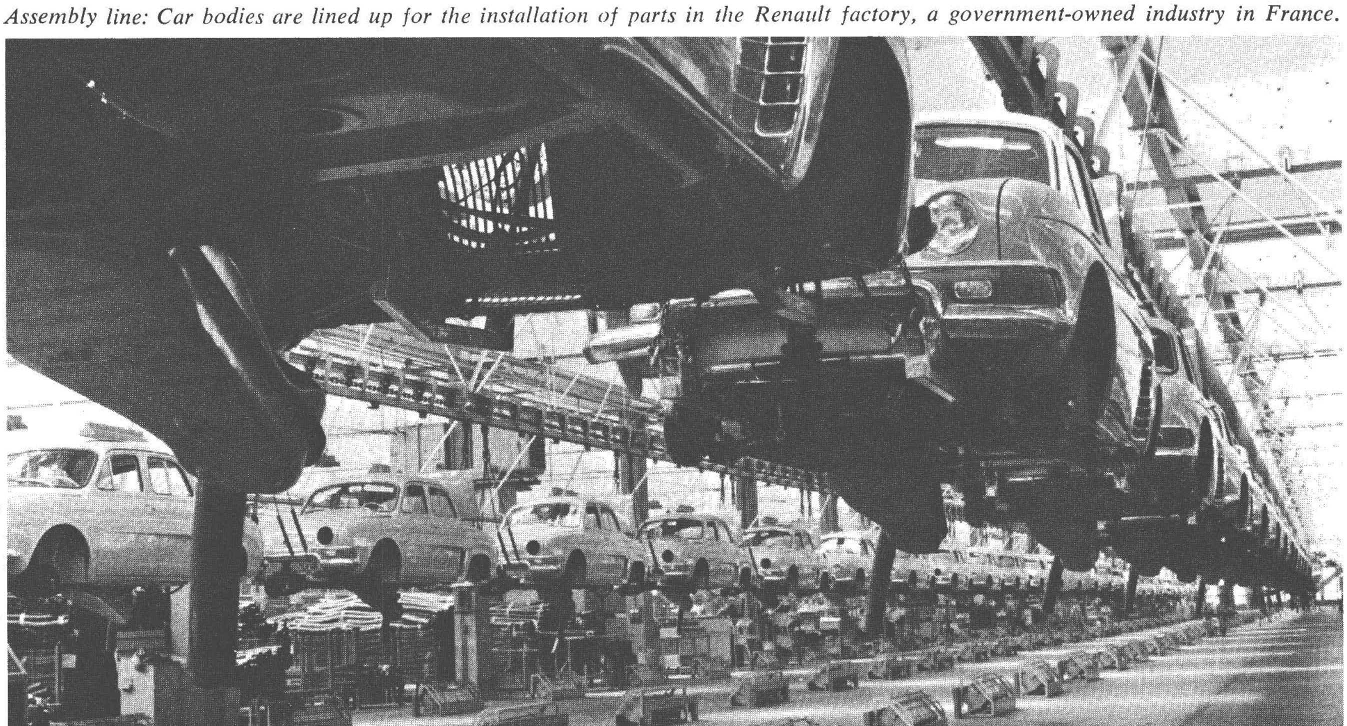


photo by Regie Renault

EDF AIDS 74 DEVELOPMENTS PROJECTS

The Community has authorized $161 million under the European Development Fund since mid-July 1964 to help finance 74 development projects in the EEC associated African states, Madagascar and overseas countries and territories.

This total includes $37.2 million approved by the EEC Commission during July in Brussels for 24 new projects in the associated countries.

The projects cover:

- First installment of production aid for cotton, peanut, and rice growing ($1,195,000), and building a biological research center in Mali ($776,000).
- Constructing 23 miles of asphalt road in Togo ($1,013,000), and the first installment of production aid for peanuts, cotton, coffee and coconut palms ($991,000).
- Sinking 275 wells to supply drinking water to approximately 110,000 persons in central and northern Dahomey ($2,094,000). The remaining 249 wells planned under the national program will be financed by the United Nations Special Fund.
- Organizing an irrigation and soil conservation project financed in the Upper Volta by the first European Development Fund. The project will promote the use of simple tested agricultural techniques ($960,000).
- Constructing a veterinary school for approximately 100 pupils in Niamey, Niger. Enrollment will also be open to nationals from Upper Volta, Dahomey and the Ivory Coast ($749,000).
- Improving a road serving the main ports on the East Coast of Madagascar ($3,079,000), the first installment of production aid for coffee, pepper, rice and cotton ($8,552,000), and completing the mountainous Andapa-East coast road and a breakwater at Morondava ($1,742,000).
- Equipment and assistance for 14 agricultural cooperatives, including a school of agricultural economics in the Central African Republic ($1,191,000).
- Improving the main drainage system in Brazzaville to prevent yearly flooding ($1,661,000), and creating two stock-raising farms to improve the supply of fresh meat ($1,398,000).
- Constructing a pharmaceutical supply depot ($648,000) and conducting surveys to locate an underground water supply for Fort Lamy, Chad ($225,000).
- Technical surveys for building a deep water harbor at Owendo, Gabon ($263,000).
- Developing cotton growing to diversify Senegal's national economy ($1,025,000).
- Building a wharf in Abidjan, the Ivory Coast, to facilitate its growing fishing industry ($2,001,000).
- Completing a fishing port at Port-Etienne, Mauritania ($1,134,000).
- Constructing a salt-water distillation plant to supply drinking-water on St. Maarten Island, in the Netherlands Antilles ($1,925,000). This is the first aid granted by the second EDF to the Netherlands Antilles, which have been associated with the Community since October 1, 1964.
- Training 20 government employees of the associated countries in EEC Commission departments for approximately 5 months ($54,000), 1000 scholarships for the academic year 1965-66 ($3,810,000), 30 Community seminars for a total of 1,500 persons ($148,000).

The new Fund, established under the Yaoundé Convention, provides for the allocation of $730 million over five years for the economic development of the associated countries.

Newsbriefs

Common Market
Euratom
Coal & Steel Community

Commission Proposes Banking and Finance Directive

The EEC Commission submitted to the member states in August a draft directive to ensure the right of self-employed persons to establish businesses and to supply services in banking and finance.

The directive would enable Community citizens to set up businesses or to supply services in a member country on the same terms and with the same rights as nationals. Member states would also remove any restrictions arising from administrative practices which discriminate between foreigners and nationals.

Beneficiaries of the directive would be allowed to join trade or professional associations on the same terms and with the same rights and duties as nationals. The directive applies to activities such as banks, credit and financial institutions, investment trusts, savings banks, intermediaries in share dealings, exchange and bank brokers. Liberalization will not apply to activities involving the exercise of public authority.

Some of the following discriminatory conditions would be eliminated: conditions imposed for engaging in savings bank activities, the nationality requirement for stockbrokers and for chairmen of boards of directors in investment trusts, and the obligation to hold a foreign trader's identity card.

Member states, requiring nationals to prove good character and/or solvency, would accept from other Community citizens a certificate based on police records and testimony from the appropriate authority in the home country.

ECSC High Authority and Japan To Meet Twice Yearly

The ECSC High Authority and the Japanese government decided July 12 in Luxembourg to exchange ideas twice a year on the state of their iron and steel industries.

The first meeting is scheduled to take place in Luxembourg in September. Senior officials will discuss market trends, forecasting studies on steel supply and demand, the supply of raw materials (iron-ore, scrap, coal), technical developments and scientific research.

Steel Industry Gains More Migrant Workers

An additional 10,000 migrant workers joined the Community's steel labor ranks in 1964.

The number of migrant workers in the Community's steel industry rose from 55,300 in 1963 to 65,300 last year, or to 14 per cent of the total steel work force. The increase resulted mainly from a larger immigration of workers into the Community from non-member countries, particularly North African countries, Spain, Turkey and Greece. The proportion of Community nationals included in the migrant work force in the steel industry fell from 57 per cent to 50 per cent during the two-year period.

Italian workers continued to emigrate to other Community countries in 1964. However, they comprised only 38 per cent of the total number of migrant workers, compared with 42.8 per cent in 1963.

Common Market Gives Famine Relief to Somalia

The European Economic Community has provided a total of $250,000 since April to aid the famine-stricken areas of Somalia.

The financial aid from the European Development Fund was authorized by the EEC Commission at the request of the Somalian government to offset the damage to crops and water resources. The famine, caused by the lack of rainfall during 1964, has affected five of Somalia's eight provinces, comprising nearly one-third of the entire population.

The aid was divided as follows:

- Medicine, antibiotics and vitamins costing $23,000 were sent by air during the first part of April.
- Prepared and uncooked food, baby food, solutions for intravenous feeding, medicines and vitamins, amounting to $117,000 arrived by ship in Mogadiscio on July 28.
- A total of $90,000 was given to the government to pay for transporting food and medicine into the interior and for additional purchases.
- A total of $30,000 is allotted for the purchase of tank-trucks to transport water.

Commission Appeals French Chemical Duty

The EEC Commission has appealed to the European Court of Justice against France's action of levying a duty on imports of Diofan, a German plastics product.

Diofan was classified by the French government in 1954 as a "polyvinylidene chloride," and the duty of 30 per cent on this classification was suspended until August 1957. This duty was abolished on January 1, 1959 for imports from other EEC countries.

In May 1961, the French government claimed that a new chemical analysis had shown Diofan to be a copolymer under another tariff heading for which a 35 per cent duty was charged on January 1, 1957. Diofan imports were then taxed with this duty, retroactive for three years and subject to successive tariff reductions provided by the Treaty and Council decisions.

The Commission charged that France had infringed Articles 14 and 12 of the Rome Treaty. Article 14 requires member states to make successive tariff reductions on the basis of the duty applied on January 1, 1957, which for Diofan was zero. Article 12 forbids the member states to increase the duties they applied in their trade relations with each other on January 1, 1958, which was also zero for Diofan. The Court has ruled in the past that the term "duty applied" refers to "duties actually charged" and not "duties legally applicable" in the member states.

Under Article 169 of the Rome Treaty the Commission issued an opinion on October 21, 1964, after giving France the opportunity to submit its comments, that there was an infringement of the Treaty. The Commission requested the Court's ruling after the failure of the French government to cease its action.

Community Registers Low Radioactivity Level

Radioactivity levels in the Community, which decreased during the second half of 1964, are now extremely low, according to a quarterly bulletin published in July by the Euratom Commission.

The report on background radioactivity levels in the Community covers the period January-March 1965.

Average overall atmospheric beta activity level recorded for all six countries for the first quarter of 1965 was 0.24 pc/m^3. This figure represents a very small percentage of the maximum concentration permissible, the report pointed out.

Fallout radioactivity has also decreased in relation to the value recorded for the last quarter of 1964. The total fallout reading for the Community for the first quarter of 1965 amounted to 15.8 mc/km^2.

Radioactive contamination of food and milk diminished substantially in 1964 compared to 1963.

EIB Loans Italy $24 Million To Complete Brenner Highway

The European Investment Bank concluded in Brussels July 15 a loan agreement with the "Autostrade del Brennero" Authority for the construction of a highway between Bolzano and the Brenner Pass.

The $24 million loan will be used to build the northern section of the Brenner Highway covering about 42 miles of the most mountainous stretch of the highway.

The total cost of building the northern section has been estimated at $89.6 million. The EIB loan, bearing 6¼ per cent interest yearly, will be repayable in 20 years. This is the Bank's third loan in the field of transport in Northern Italy.

The Brenner Highway will be approximately 156 miles long and provide a direct link between the Brenner Pass at the Italian-Austrian frontier and the "Autostrada del Sole" (Milan-Rome-Salerno). At Verona, it will cross the west-east motorway Turin-Venice-Trieste.

Quarterly Euratom Bulletin Available

"Euratom," a quarterly bulletin, describes the research and achievements of the European Atomic Energy Community in the peaceful application of atomic energy.

The bulletin contains such articles as "Nuclear energy in Germany," "What is *Orgel*—a brief 'recap'," and *"Cirene*—a natural-uranium boiling-water reactor project." The magazine also regularly features "Euratom News" on recent activities of the Community.

Yearly subscriptions are available in English, French, German, Dutch and Italian from: A. M. P., 34 rue du Marais, Brussels 1, Belgium.

PUBLICATIONS AVAILABLE

LES RECETTES ET LES DÉPENSES DES ADMINISTRATIONS PUBLIQUES DANS LES PAYS MEMBRES DE LA CEE, *Collection Études, Série Économie et Finances,* No. 2, EEC Commission, Brussels, 1964, 305 pages . . . $4.50

TEXTES—SÉCURITÉ SOCIALE DES TRAVAILLEURS MIGRANTS, European Economic Community, Brussels, 1965, 183 pages . . . $1.60

Full texts of all Community arrangements concerning social security for migrant workers updated to January 1, 1965.

THE ECONOMIC SITUATION IN THE COMMUNITY, 1965, No. 2, EEC Commission, Brussels, June 1965, 111 pages . . . $2.00

Quarterly survey of the economic situation in the member countries of the European Economic Community. This survey was completed in mid-June.

ANNUAIRE 1964-1965, European Parliament, Luxembourg, June 1965, 798 pages . . . $6.00

The yearbook contains the composition and organization of the European Parliament, the principal officers of other European Community institutions, a report on the activities of the Parliament, and a digest of Community legislation during 1964.

COMPETITION POLICY AS PART OF ECONOMIC POLICY IN THE COMMON MARKET, address by Mr. Hans von der Groeben, Member of the Commission of the European Economic Community, to the European Parliament, Strasbourg, June 16, 1965, 21 pages . . . free

LABOR IN THE EUROPEAN COMMUNITY, No. 9, European Community Information Service, Washington, July 1965, 16 pages (limited quantity available) free

THE STORY OF THE EEC CRISIS, Spokesman's Group of the EEC Commission, Brussels, August 1965, 10 pages (mimeographed) . . . 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.

COMPARATIVE GLOSSARY OF OCCUPATIONS IN WHICH MIGRATION IS FREQUENT IN THE EEC COUNTRIES. Second edition. EEC Commission, Brussels, 1965, 119 pages . . . $ .60

French/German/Italian/Dutch edition only. The glossary gives definitions and brief job descriptions in four languages of 199 different occupations in the Community countries. The object of the glossary is to provide a guide for officials responsible for locating jobs in different countries so that clearing and placing operations are facilitated. It is also a source of comparative information, linguistic and descriptive.

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