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COMMUNITY ENERGY NEEDS TO DOUBLE BY 1980

Report Warns Against Over-Reliance on Imported Supplies

COMMUNITY ENERGY NEEDS WILL NEARLY DOUBLE BY 1980 with imports of hydro-carbons supplying the major part of demand.

This conclusion arises from a report published on June 3 by the High Authority of the European Coal and Steel Community and the Commissions of the EEC and Euratom. The report, the second of its kind, is entitled *New Considerations on the Long-term Energy Outlook for the European Community: Recent Developments, Prospects for 1970, Trends Up to 1980*.

According to the long-term estimates, world energy requirements will total 6,800 million metric tons coal equivalent by 1970 and 10,900 million tons by 1980. These figures represent an annual increase in world energy consumption of 4.7 per cent.

Six to Consume 1,130 Million Tons

The report predicted that Community energy needs will rise from 596 million metric tons coal equivalent in 1965 to about 1,130 million tons in 1980. Community supplies will cover between 425 and 585 million tons, or 38 to 52 per cent of the total. The remaining amount of between 545 and 707 million tons must be provided by imports.

Community coal, which will remain in a difficult position vis-à-vis other types of energy, is expected to supply between 100 and 185 million tons, or 9 to 18 per cent of energy requirements by 1980 as compared with 39 per cent in 1965. Petroleum and imported coal will together meet 46 to 61 per cent of total needs, depending on Community coal production.

Community atomic energy production will supply between 8 and 11 per cent, whereas the estimate for natural gas is 11 to 13 per cent. Hydro-electric power and lignite will each cover 4 per cent of Community demand.

Dangers of Energy Imports

The inter-executive report, which is intended to help shape the energy market in 1980, stresses the dangers of relying too heavily on imported energy supplies. In addition to traditional reasons of supply security for avoiding too great dependency on imports, the economic problem of price

uncertainty will be a major consideration. Although adequate supplies of imported energy will be available, price levels might rise greatly, the report points out, particularly the more the Community comes to depend on imports.

By 1980, oil will be the dominant source of energy throughout the world, supplying at least half the requirements of all non-Communist countries. If discoveries of new reserves are not at least as abundant as in the immediate past and if the present intense competition among oil companies is reduced, one result could be a general increase in prices, according to the report.

Although the cost of crude oil is not likely to increase greatly as the result of technical factors, the maintenance of the existing relationship between prices and costs will depend largely on the energy policies pursued not only in the Community but throughout the world. The main means of preventive action are, the report said, increased stocks, a permanent increase in the production level of the most secure supplies, and a wider diversification of supplies. With these objectives in mind, the EEC Commission has proposed a Community policy for oil and gas. (See *European Community*, No. 91, April 1966.)

Whereas the price development of petroleum is uncertain, alternative sources of imported energy will clearly become more expensive. The report suggests that a moderate increase in coal imports from the United States could be obtained at existing prices. Much larger purchases of imported coal, however, might raise prices because foreign suppliers would have to invest heavily to meet the bigger demand.

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Community Energy Supplies in 1980

	Community Origin		Net Imports		Total	
	%	Coal equivalent	%	Coal equivalent	%	Coal equivalent
Coal	9-16	100-185	46-61	525-695	66-73	760-825
Oil	3-4	30-50				
Natural Gas	11-13	120-140	1-2	10-20	12-15	130-160
Lignite	4	40	—	—	4	40
Hydro-electric power	4	46	—	1	4	47
Nuclear power	8-11	90-125	—	—	8-11	90-125
Total	38-52	425-585	48-62	545-705	100	1,130

(Coal equivalent in millions of metric tons)

Community Energy Output to Rise

A rapid development of atomic energy and natural gas production is foreseen in the next few years, representing a new reserve of Community-produced energy. Atomic power, which supplied two million tons of coal equivalent in 1965, will provide between 90 and 125 million tons in 1980. Government subsidies will be necessary to ensure that this target is met or perhaps exceeded and to encourage exploration for new uranium deposits. Natural gas production will expand from 22 million tons coal equivalent last year to a maximum of 130 million tons in 1980.

Despite these fast increases, Community energy other than coal will provide at most one-third of total requirements. Indigenous coal supplies could bring Community self-sufficiency in energy to 50 per cent but only with a coal output of about 200 million tons in 1980, much above the long-term predictions.

The High Authority has set an objective of 190 million tons coal output in 1970, while admitting the possibility of a smaller total close to 170 million tons. The higher figure represents a drop of about 30 million tons from 1965 to 1970 as compared with a 15 million ton decline from 1960 to 1965.

Community coal production in 1965 dropped by 10 million tons, and stocks increased by 10.8 million tons with an additional increase of 10 million tons expected this year. Costs, particularly wages, have risen despite large productivity increases such as the average annual 6.4 per cent climb in the Ruhr between 1960 and 1965.

Coal Markets Shrinking

At the same time, prices of oil and imported coal have fallen, resulting in the loss of markets for Community coal. A 33 per cent decline in domestic coal sales to the industrial sector and a 50 per cent drop to the transport sector were registered in 1960-65. Only sales to power stations increased, encouraged to some extent by the member states' governments; and coking coal sales to the steel industry remained stable. Both these trends are expected to continue over the next five years. Other markets for Community coal will follow the drop of the last few years.

A major consequence of the declining position of Community coal is the necessity for industrial redevelopment in coal-mining areas affected by the reduction, the High Authority pointed out. A reduction of 30 million tons in coal output by 1970 will mean the elimination of 200,000 of the present 700,000 coal-mining jobs. A special effort will be needed to increase the stability and skills of the

labor force. The High Authority also noted that the production subsidies of forty cents a ton in Germany and eighty cents in France and Belgium may rise to between \$2 and \$3 per ton by 1970.

Help for Community Mines Proposed

The High Authority presented several proposals for aiding the Community coal industry to the ECSC Council of Ministers on May 3 in Luxembourg. Rather than tariff protection, it suggested the use of quotas which would vary according to the different categories of coal. Coking coal imports, which are about \$4 per ton cheaper than Community supplies, could not be limited without serious difficulties for ECSC steel producers, unless Community aid were introduced. Imports of other types, such as anthracite and steam-raising coal, could be temporarily reduced if internal Community trade in these products were to rise, the High Authority judged.

Fuel taxes could be reduced for those sectors where coal no longer supplies more than marginal quantities of energy, assuming the major markets for Community coal become the steel industry and electricity production. The High Authority suggested that the costs of a coal policy should be borne by taxpayers and private consumers to keep direct costs to industry low.

The Council requested the High Authority to continue its studies of the long-term coke supply, coordination of production targets, and means of increasing intra-Community trade. A standing committee of the Council will look into the overall aspect of energy supply security.

Imported oil will play a more vital role in supplying the Community energy needs in the year 2000.





Robert Marjolin (left), Vice President of the EEC Commission, and Wolfram Langer (center), German Secretary of State for Economic Affairs, present the Community's medium-term economic policy at a press conference in Brussels on May 6.

EEC ECONOMIC POLICY SETS GROWTH GUIDELINES

Five-Year Program Stresses Regional and Industrial Development

THE EUROPEAN ECONOMIC COMMUNITY'S first medium-term economic policy attacks regional and social disparities as threats to future economic growth.

The program is the result of eighteen months' work by the Medium-Term Economic Policy Committee, composed of chief national economic planners under the chairmanship of Germany's Secretary of State for Economic Affairs, Wolfram Langer, and a group of independent experts selected by the Commission to establish medium-term forecasts.

The draft policy predicts that in the period 1966-70, the Community will attain an average annual real product growth of 4.3 per cent, as compared with 4.9 per cent for the preceding five years. In its April 29 letter transmitting the draft to the EEC Council of Ministers, the Commission called inadequate professional and geographic mobility of labor the main obstacle to growth. It also stressed the mandate of the Rome Treaty to allow labor to participate equally in the prosperity achieved under the Common Market.

Medium-term Objectives Outlined

The program sets no quantitative goals but suggests guidelines, based on forecasts, for the cooperation among member states and Community institutions, and outlines the following major tasks of a medium-term economic policy:

- To achieve steady and balanced growth, high employment, a rapid rise in living standards, and internal and external stability.
- To balance private initiative and government action.
- To narrow difference in regional living standards.

Coordination of medium-term policies would be a continuous process. The program would be adapted annually to the Community's changing economic situation.

The medium-term program foresees that growth trends established in the preceding five years will continue in all member countries except Germany, where shortages in the labor force will reduce the growth rate from 4.3 per cent in 1960-65 to 3.5 per cent.

Decreases in immigration will cause the labor force increase for the Community to taper off from the 1960-65 rate. The 3.8 per cent anticipated productivity increase will, therefore, largely determine growth. If the predicted increase materializes, productivity will have doubled over a 20 year period.

Private consumption per person also will have doubled. The Committee stressed the necessity of curbing the tendency for private consumer spending to assume ever greater proportions of gross domestic product. The medium-term plan predicts a 4.1 per cent expansion in real private consumption. A vigorous drive to increase both public and private investment must take up the slack, the Committee suggested.

Unless additional measures control the cost-price spiral, the Community may suffer excessive strains during the next five years, the Committee indicated. General price rises would threaten the Community's competitive position and jeopardize the external balance necessary for stable economic growth.

The first five-year plan presents a framework, a set of guidelines for policies of the member states and the Community as a whole. The program centers on two imperatives for Community growth: the need to increase productivity and to control demand.

Guidelines to Increase Supply Suggested

The suggestions to improve supply pair complementary factors: employment and vocational training policy; public and private investment and scientific and technical research; legal and tax law alignment with active competition policy and optimum size corporations; and sectoral and regional balance in economic structures.

The guidelines call a major build-up in science and technology the key to productivity gains. Member states must match the research and development efforts of other highly industrialized countries. Committee recommendations include: facilitating prompt exploitation of research discoveries; earmarking public research funds several years in

advance; establishing research priorities; improving cooperation between governments, universities and businesses; and investigating whether, how far, and in what fields coordination at the Community level might expedite research and development.

The employment guidelines emphasize the need for vocational training of young people and measures to enable adults to move more easily from area to area and from trade to trade. Vigorous immigration policies and efforts to attract more women into the labor force are to be encouraged, the Committee asserted.

The program assigns to investment policy the primary task of establishing the conditions in which public and private investments resulting in enlarged production capacity will flourish. Tax incentives and capital market reforms are to be used as appropriate.

Structural Policies to Become More Important

The Committee predicted that policy affecting the industrial structure will become particularly important in coming years. The EEC must simultaneously promote a vigorous competition policy and the expansion of the more dynamic industries to meet modern technological and economic exigencies. Obstacles to concentration arising from corporate and tax law must be removed. Subsidies to weak industries must be temporary, flexible, and oriented towards fitting these industries into the economy.

Balance between regions must be improved and a special effort made to help less-favored areas catch up. Here, the transport infrastructure becomes crucial to connect new industrial centers. These centers or "development poles"

located in the less developed areas would continue to grow and attract "secondary centers" after initial help, according to the draft program.

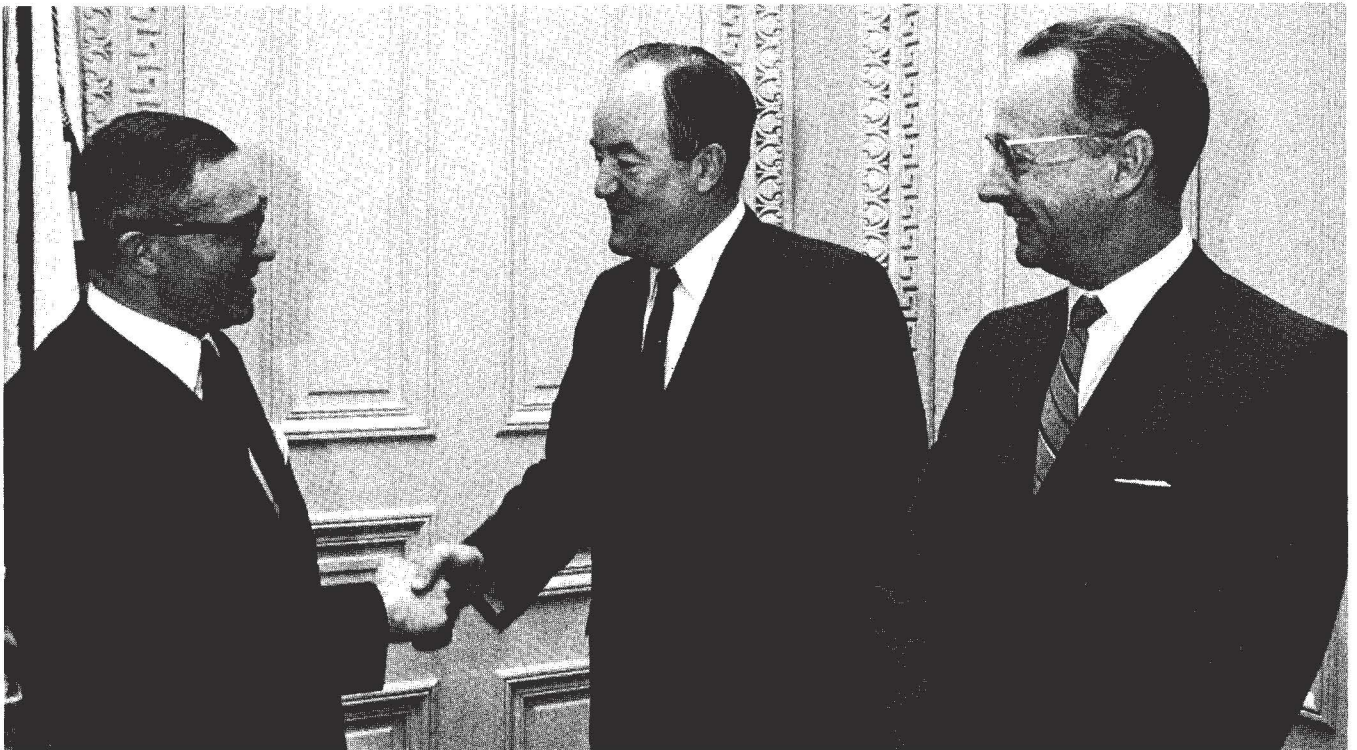
The Commission's introduction to the draft placed further emphasis on coordinating national regional policies at the Community level. It also cited coal mining, textiles, and shipbuilding industries as crisis industries which require special readaptation programs.

Curbs on Demand Delineated

The program suggests measures in the various fields of economic policy to reconcile demand with stable price trends and a stable external balance.

Budgetary policies, covering a number of years and establishing priorities, would enable the longer-term effects of budget decisions to be evaluated. These policies should limit public expenditure in accordance with the priorities established, approved expenditures should be re-evaluated against the guidelines, and public utilities and public transport should be self-supporting. If heavier taxation is needed, it should be oriented to affect industrial investment and private savings as little as possible, and to fit in with plans for harmonizing Community tax systems.

The Committee viewed incomes policy as a key factor to balanced growth. It should prevent inflationary pressures from becoming permanent by aligning overall expansion of incomes with economic realities. The Committee recommends regular contacts between unions and management to work out guidelines for wage increases. Competition policy, credit policy and tax policy, the Committee pointed out, must complement incomes policy.



Jean Rey, member of the Commission of the European Economic Community, met with U.S. officials for talks on trade issues during a two-day stay in Washington last month. Mr. Rey, who is the Commissioner responsible for external affairs, is pictured above with Vice-President Hubert Humphrey and John W. Tuthill (right), U.S. representative to the European Economic Community. Other officials on Mr. Rey's schedule included Secretary of State Dean Rusk, Secretary of Agriculture Orville Freeman, Secretary of Commerce John Connor, and the President's Special Representative for Trade Negotiations, Christian Herter.

COMMUNITY ELECTRICITY TO BE TWO-THIRDS NUCLEAR PRODUCED IN YEAR 2000

Euratom Report Calls Common Industrial Policy Urgent

NUCLEAR ENERGY, which supplied 1.1 per cent of Community electricity in 1965, will provide two-thirds of total electricity consumption and 30 per cent of all energy needs by the end of the century.

These conclusions arise from two recent documents published by the Commission of the European Atomic Energy Community, the 9th General Euratom Report issued on May 18 and the First Target Program which appeared on April 28.

The target program predicted that by the end of the century one-half of the Community's total electricity-generating capacity will be nuclear. Installed nuclear capacity will be 370,000 MWe, half of this in fast-breeder reactors. Atomic generating plants built between 1980 and 2000 will represent two-thirds of new construction.

The Commission stated that at least \$60 billion must be invested in nuclear power plants if atomic energy is to reach by 2000 the target set. The required investment by decades is \$6.5 billion for 1970-79, \$15.7 billion for 1980-89, and \$37.6 billion for 1990-99.

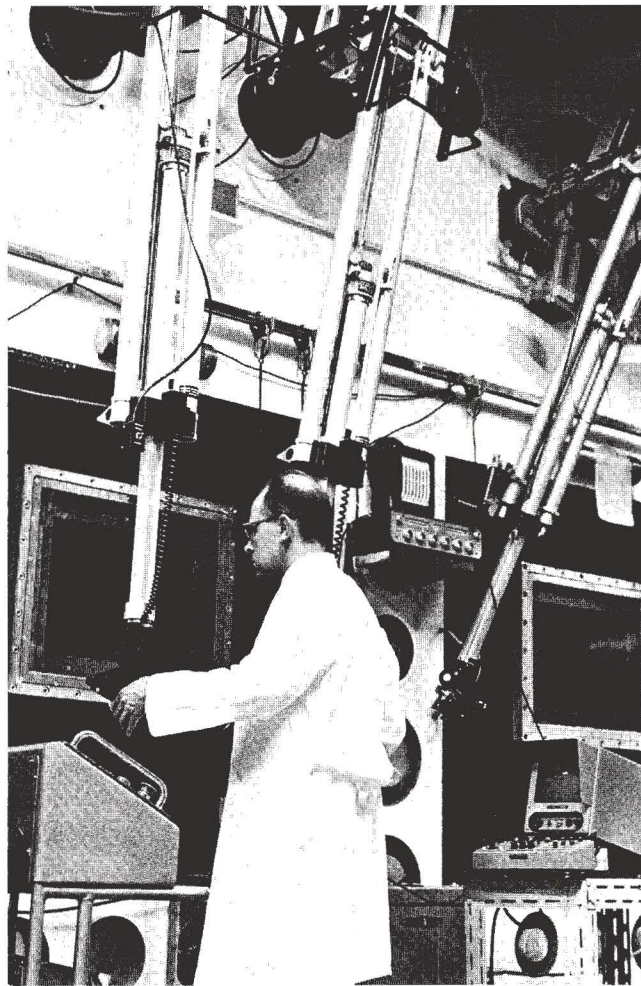
In view of the Community's long-term nuclear energy needs, the Commission called upon the member states to give urgent consideration to formulating a common industrial policy on nuclear energy which would:

- Promote the most effective use of research funds.
- Further the application of nuclear energy in industry.
- Ensure adequate supplies of fissile materials for member states by coordinating with the Community their relations with other countries.
- Harmonize health and safety standards governing the production and use of nuclear energy.

In the introduction to the General Report, the Commission warned against weakening the Community's nuclear industries by confining them to national markets. The Commission also urged member states to coordinate social and technical training policies to assure the availability, "at the right moment, of a labor force and executive staff of the best possible caliber and quantity for the task."

Further Concentration, Specialization Needed

The criticality of two new nuclear power plants during 1965 raised the Community's nuclear generation capacity



Remote control arms are used in handling radio-active material at the nuclear research center at Mol, Belgium.

to 1,037 MWe of total electrical generating capacity, a 0.3 per cent increase over 1964 in the proportion of total electrical requirements supplied by nuclear energy. Construction was also started on facilities to supply an additional 2,036 MWe by 1968.

A higher degree of specialization on the part of small- and medium-size firms was mentioned as a desirable goal. Larger companies had progress towards greater concentration during the year, but, the report indicated, further consolidation was needed in the fuel elements sector. It also suggested that a Community-scaled plant to reprocess irradiated fuel might be necessary by 1980.

Emphasis in the revised second five-year program was shifted to the Joint Research Center (JRC), the ORGEL project, and the development of fast reactors. The budget itself was increased \$5.8 million to a \$455 million total. Although all four JRC establishments were operating by the end of 1965, the Commission noted that a shortage of trained personnel had restricted its direct activities.

New contracts signed in 1965 for joint research under association accords totalled \$28 million. The conclusion of two such contracts with Belgian and Dutch firms for fast reactors had extended Euratom activities to every member state. Fast reactor research especially had been impeded by price increases announced after the Council had approved the budget and by differences in the member states' industrial structures, some excluding private industry from nuclear research.

The report noted gradual development of cooperation on fast reactor research with the United States and the United Kingdom. Nine new contracts signed in 1965

raised total expenditures under the U.S.-Euratom Joint Program to \$54.4 million.

Industrial Participation Promoted

Euratom's activities during 1965 to promote industrial use of nuclear energy focused on two areas: coordinating member states' policies on nuclear energy, and researching and disseminating information on nuclear applications.

Information activities during the year included: publication of technical and scientific reports and the first "European Nuclear Buyer's Guide" to European manufacturers of equipment for nuclear use; distribution of unpublished information on research; expansion of the Commission's portfolio of patents and licenses; and continued computer storage of data for use by the end of 1964.

Bureau Isotop concluded 80 contracts involving methods and equipment employed in radiometry, radiochemistry, activation analysis, radioactive tracers and intense radiation sources. The Commission mentioned, as an example the textile industry program initiated by the Bureau in 1964. By the end of 1965, 40 nuclear experts, 21 textile engineers and 335 textile manufacturers had assessed possible textile industry uses for isotopes and radiations.

The Commission also reported that the Council had extended the full suspension of duties on nuclear reactors and parts under the common customs tariff until December 31, 1966.

Although the Commission acknowledged the present impossibility of a uniform policy on nuclear accidents, it sought during the year to resolve questions pertaining especially to third party liability, insurance and safety standards.

Safety control activity during 1965 was affected by the increase in stocks and personnel subject to Euratom con-

Estimated Electricity Generation in Euratom

By Type of Reactor (in MWe)

	proven-type reactors		advanced converters (heavy water)	fast reactors	total
	gas-graphite	light water			
1970	2,000	1,800	200	4,000
1980	15,500	15,500	8,000	1,000	40,000
1990	35,000	35,000	4,600	19,000	135,000
2000	35,000	35,000	115,000	185,000	370,000

trols. In the case of health standards, the Commission studied and made proposals on problems raised by the application of national regulations in the JRC establishments. During the year, inspections nearly doubled, and 187 import and export declarations covering fissile materials were filed in the member states.

Coordinate Prospecting Efforts

The Commission recommended, in the introduction to the report, coordinated efforts to prospect for new uranium deposits, financial participation in the mining deposits in all non-member countries, and conclusion of long-term supply contracts.

During 1965, to ensure adequate supply of fissile materials, the Euratom Supply Agency contracted with the U. S. Atomic Energy Commission (USAEC) for 414 kg. of plutonium for use in fast reactor research. It also made interim arrangements to secure enriched uranium until U. S. legislation permitting private ownership of fissile materials and toll enrichment of supplied materials goes into effect.

LEGAL DISPARITIES OBSTRUCT INTRA-COMMUNITY MERGERS

Commission Seeks Formula for European Company Status

DISPARITIES AMONG SIX NATIONAL LEGISLATIONS hinder Community companies striving to meet competition through mergers and other joint activities across member states' boundaries.

In a memorandum submitted to the Council of Ministers on April 22, the Commission examined three proposals to enable formation of larger, multi-national EEC companies:

- Apply to the fullest extent the Rome Treaty provisions for freedom of establishment, free movement of capital and harmonization of tax laws.
- Introduce into each member state's legislation uniform law recognizing a new, "European" legal form of company.
- Establish by convention the legal framework for a "European" company, covering all phases of business conducted on a Community-wide scale, and exempting these activities from national laws.

The third possibility appears to be the most appropriate, the Commission indicated, but reserved its final decision until studies of the practical problems have been completed.

Community companies must adapt to compete effectively overseas as well as in their increasingly unified home market. Adaptation, in many instances, means expansion. Competing effectively in another member state's home market often entails compliance with unfamiliar or conflicting laws governing all types of business activity.

To compete successfully in world markets, Community companies need the same financial and technological resources as their non-EEC competitors, the report explained. (A study published by the *Union des Industries de la Communauté Européenne* (UNICE) in February 1965 revealed that of the 500 largest industrial companies in the free world, 306 belonged to the United States and 93 to the European Community. The study pointed out that most European firms cannot reach the size desirable for their research expenditures and mass production and distribution techniques to be really effective. (See *European Community*, May 1965, No. 81.)

The gradual extension of member states' business interests

throughout the Community and the world has outpaced the evolution of jurisprudence, according to the Commission. Some economically desirable activities are now impossible under law. As the customs union nears completion, the Commission expects the movement towards greater concentration to gather momentum. With this acceleration, legal obstacles to the formation of subsidiary companies, mergers between companies of different nationalities, and transfer of corporate registration from one country to another will impede realization of the Community's economic potential.

The Commission examined the solutions to the present dichotomy between the legal and economic orders in the light of the following Community objectives:

- To facilitate commercial activity across national borders.
- To encourage the concentration necessary for business adaptation to the requirements of the enlarged European market, technical progress, modern scientific research and development, and above all, international competition.

Only Partial Solutions in Treaty

The Commission concluded that the Treaty offers only partial solutions to the problems arising from the existence of six autonomous juridical systems. Although Article 220 empowers the Community to deal with these problems through inter-governmental negotiations leading to agreements, it maintains the existence of the six national systems. Article 220 negotiations, covering every legal form of company in the Community, would be long and tedious, and would not lead to identical national laws on companies. Without identical legal forms, companies could not easily transfer registration to another member state.

Introduction of the European corporate form into the legislation of each member state would induce uniform evolution in the main points of corporate law. It would also facilitate formation and control of subsidiaries. As the European company became more common, it would provide greater legal security for business associates and creditors and facilitate access to the Community's capital markets.

However, this alternative would not solve the two main problems arising from the existence of distinct though parallel juridical systems: the transfer of corporate registration from one member state to another and international mergers. The question of the newly formed company's nationality would remain.

European Law May Solve Most Problems

The European law alternative would confer all the benefits of the uniform law proposal, the Commission noted. More importantly, it would facilitate transfer of corporate registration across national borders, as well as mergers, joint ventures and other business associations between companies located in different member states. Instead of changing nationality to engage in these activities, companies would "Europeanize." Community company law, covering all business activities that can be conducted on a Community-wide basis, would remove "Europeanized" firms from national jurisdiction.

Studies so far completed seem to indicate that Europeanized corporations could better be achieved by a "European" company law, rather than by uniform national laws on "European" companies, enacted by each member state.

EDF Grants \$20 Million to African Projects

The EEC Commission has approved grants totaling \$19.6 million from the European Development Fund to finance eight African development projects.

The new projects bring planned expenditures by the second European Development Fund to \$240 million since it began to operate in July 1964.

The Republic of Chad, in central Africa, will receive \$7.19 million for the construction of a 95-mile road between Fort-Lamy, the capital, and Guelendeng, and \$2.19 million to provide bridges and culverts over 550 miles of existing track linking the cotton-growing areas of southern Chad with the ginning plants. Chad is Africa's fourth largest cotton producer.

A road project in Madagascar has been awarded a \$5.47 million grant from the Fund to improve communications in the Malagasy Republic's Lake Alaotra rice-growing area, while another \$344,000 will be devoted to improvement of 20,000 acres of land in the Anony Delta in a joint operation between the Fund, the World Bank, the French and Malagasy governments, and private capital.

Approximately \$160,000 will be contributed for the installation of a low-powered hydro-electric generating station for a tea factory in Bugarama, Burundi; and \$606,000 will be used to construct three water towers at Djibouti, French Somaliland, to supply its estimated population of 45,000.

The other grants recently approved include \$2.56 million for developing pyrethrum production in Rwanda and \$1.11 million for supporting and reforming cotton and coffee growing in the Central African Republic.



Legal Blocks to Mergers

COMMUNITY AGREEMENT BRINGS NEW HOPE FOR KENNEDY ROUND

Much Work Remains before U.S. Negotiating Authority Expires

by MICHAEL CARTER, *Correspondent for Commerce Clearing House*

THE EEC COUNCIL OF MINISTERS' success in achieving an agreement on agricultural financing has given fresh hope that the weary trials of the agricultural part of the Kennedy Round may be almost over and that a period of intense and productive talks can now begin. In fact, concrete discussions have already started in Geneva; and others are soon to start on aluminum, pulp and paper, and textiles.

The agricultural agreement is important for two reasons. First, it means that the Common Market can now begin to function normally for the first time since last June. Secondly, all of the member states have realized that carrying out the May 11 decision depends, among other things, on development of the Commission's Kennedy Round negotiating directives and on further decisions setting common prices for agricultural products subject to negotiation in the Kennedy Round. Cautious optimism is now being expressed by both U.S. and EEC officials who feel that the much talked-of probability that a request would have to be made to the U.S. Congress to extend the Trade Expansion Act (TEA) may not be necessary.

Yet, only a day or so before the May 11 decision, Governor Christian Herter, the President's Special Representative for Trade Negotiations, in his testimony before a U.S. Senate Foreign Relations sub-committee expressed considerable doubt concerning the future of the Kennedy Round. Governor Herter's declaration was one of several recent statements reflecting concern by such persons as Under Secretary of State George Ball, Ambassador Michael Blum-

enthal, who is Governor Herter's representative in Geneva, and Eric Wyndham White, the Director-General of the General Agreement on Tariffs and Trade (GATT).

Chances for Success Uncertain

The observer of the perils of the Kennedy Round is forced to remain a bit confused. Is the Kennedy Round on the road to salvation now? Were the expressions of pessimism produced for tactical reasons? Are the partners really ready and able to negotiate on important matters? None of these questions can be answered now—only time will supply the answers.

Certainly, there has been a sudden change in attitude; but after the long gloomy months of inactivity which resulted from the Community's crisis, any ray of light must look like a sunburst. Neither the new optimism nor the actual start of the negotiations can hide the fact that the Kennedy Round has been very slow-moving; and, unless tremendous efforts are made to speed it up, it will expire on July 1, 1967, with many of the original aims unaccomplished.

It might be reasonable to conclude that the Kennedy Round never had a chance to achieve fully its original, revolutionary objectives. It was conceived at a time when it appeared probable that the EEC would be enlarged by the addition of Great Britain and one or more other nations traditionally dependent on international trade. Thus the EEC would have an incentive to lower the general level of protection of the Community.

Kennedy Round inaugural session in Geneva May 1964: The United States' delegation is pictured on the left and the EEC delegation on the right. In the foreground is the Secretariat of the General Agreement on Tariffs and Trade (Gatt).



The first major setback to the original concept of the Kennedy Round was the failure of these nations to gain Common Market membership and their subsequent appearance as additional bargaining partners. This has meant more scope for bilateral negotiations and less for broader, more effective, multilateral negotiations for which the TEA had been enacted.

EEC Must Observe "Parallelism"

The failure of the British bid soured the atmosphere of the Common Market and was a cause of, or brought into the open, a new method of doing business which has characterized the Community ever since 1963. This method is known as "synchronization" or "parallelism"; it is, above all, concerned with the production of "balanced package deals." This means practically that any decision reached by the Council of Ministers in regard to Kennedy Round negotiations is tied to other decisions in other areas, most frequently in agriculture. Thus, not only does each separate decision to negotiate in a certain area represent a fine balance of national interests achieved with difficulty, but also it is a counterpart to another agreement on a totally different subject. This procedure, if not respected during negotiations at Geneva, could jeopardize other EEC interests.

Directives given to the EEC bargaining team in Geneva have not always been complete. The need to seek additional directives from the Council of Ministers has used up valuable time. In any case, delays between offer and counter-offer can take weeks and sometimes months consuming the balance of time left, a balance already diminished by the seven-month cessation of Community activity from June 30, 1965 to February 1, 1966.

Talks Include Agriculture

It is possible to go even deeper in the search for an explanation of the troubles which have plagued the Kennedy Round. One of these troubles was the necessity imposed by the U.S. Congress that agricultural products be included in the negotiations. The inclusion of agriculture can be justified as a domestic political necessity which assured passage of the Trade Expansion Act. It can also be justified on grounds that U.S. sales of agricultural products to the EEC, running at some \$1.4 billion a year, are the most important segment of \$4.5 billion over-all U.S. sales to the Common Market. The importance of agriculture is reinforced when one considers that many U.S. industries believe that establishment of branch activities or subsidiaries is a more effective way of increasing their share of the European market than is the tariff cutting. Obviously, farmers do not have the same mobility.

The Common Market, however, is far more sensitive about agricultural imports than about industrial imports. Statistics released by the EEC and the U.S. demonstrate a dramatic rise in EEC imports of agricultural products from the United States in the last 8 years. They do not mean that the EEC is necessarily happy about this. They merely demonstrate that increased economic well-being brought on in part by the EEC itself has in turn caused greater demand for food products than the EEC can now supply, particularly meat products and meat-producing grains.

EEC Unable to Bargain on Farm Products

Nevertheless, the EEC accepted to negotiate agricultural products in good faith but not on the basis of the classic,

commercial approach. Not having organized its own common mechanisms for the various major products nor determined, except for cereals, the common price levels, the EEC has not been able to bargain yet.

In fact, the only products capable of being negotiated, grains, are now the subject of intense discussion within the EEC Council of Ministers. The question is how to organize the world market in cereals—according to the Commission's plan or along lines suggested in the French Pisani-Baumgartner proposals. It may be that, having at long last achieved the agricultural financing agreement, the French reluctance to prepare for agricultural negotiations in Geneva will diminish and they will accept the Commission's plan. They must, as noted above, give the Germans satisfaction on the Kennedy Round among other things before the agricultural financing agreement can become operative. If they do and if the missing common prices are determined by July of this year, some kind of agricultural negotiating will be possible by autumn.

Much will depend on American willingness to accept some form of freezing of support levels and commonly-imposed discipline on domestic policy. These negotiations will be extremely difficult and the results are not likely to be entirely in keeping with original U.S. objectives.

50 Per Cent Tariff Cut Improbable

Taking what can be obtained will also characterize the industrial negotiations. Starting with the working hypothesis of a 50 per cent cut across the board, agreed upon in May 1964 at Geneva, the United States has seen the possibility of achieving anything near such an overall reduction gradually disappear in the hard bargaining on disparities and exceptions.

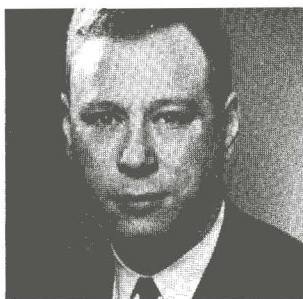
The question of how to deal with the problem of disparities between tariff levels on identical products has not yet been solved. Very likely the United States will have to agree, in the light of the GATT Ministerial Conference decision in May 1963, that when an American tariff is a great deal higher than a corresponding Common Market tariff and a "substantial" amount of trade is involved, a formula will be found which will permit the EEC to cut its tariff by a lesser amount than the United States. The number of disparities which will be claimed is impossible to predict.

Nor can one be definitive about the final effect of the exceptions lists—items removed wholly or partly from the negotiations—but estimates are that the final overall average tariff reduction will be somewhere between 20 and 30 per cent, probably in the lower levels of the bracket.

One thing at least that can be said for the industrial part of the talks is that they have had the benefit of three years of preparative discussions on disparities and exceptions and that the really difficult items have been isolated. These are chemicals, steel, aluminum, pulp and paper, textiles, and dumping practices. Multilateral talks on these items have begun or are about to begin. Other difficult topics will be treated bilaterally.

Time Is Main Obstacle

The talks which have actually started on chemicals serve to demonstrate the real problem of the Kennedy Round: Is there enough time? These talks are difficult but given ample time would pose no serious threat to the negotiations. The EEC has made an offer to cut the tariffs on certain organic chemical products, on certain plastic products and on



Michael Blumenthal, head of U.S. delegation in Geneva



Theodorus Hijzen, head of EEC delegation in Geneva

derivatives of cellulose and resin. A strict arithmetic average of these cuts yields a 26 per cent reduction. This offer is conditional upon a "satisfactory" U.S. offer to abolish the inconveniences of the American Selling Price regulation which affects certain chemical products and other items such as rubber shoes. These products are not valued by the U.S. customs for the purpose of assessing duties at their declared prices but rather at the prices of comparable products produced in the United States.

The EEC, the British and the Japanese have a considerable interest in seeing the ASP eliminated. Even though the amount of trade now involved is not very great, potential commerce could increase dramatically if the barriers were removed. The United States has raised the possibility of revising the method by which it calculates the ASP and to include the effect of the revised ASP as part of the tariffs to be cut by 50 per cent. Both sides have made public and/or private statements that the other's proposals are totally inadequate. This is the starting point. The likelihood of a long negotiation is evident especially when one considers that an act of Congress may be necessary to permit negotiating the American Selling Price. As of now, the request for such authority by the U.S. bargaining team has no chance of being heard until January 1967.

Trade Act Extension Proposed

The EEC will have similarly difficult negotiations with the Scandinavian countries on pulp and paper and with Norway, among others, on aluminum. It becomes evident that

tremendous effort and good faith is going to be required of all parties either to complete the Kennedy Round negotiations while the TEA is still operative or to achieve results substantial enough to justify a request by President Johnson that Congress extend the act to clean up any matters left unresolved. There has been an inclination in Europe to take it for granted that the President would ask for an extension in any case. The statements made by Representative Wayne Hays in Strasbourg early this month to the effect that there would be no substantial difficulty in obtaining an extension of the TEA if the President requested one, may have reinforced this feeling. Governor Herter's remarks, on the other hand, may serve as a warning that this is not necessarily the case.

No doubt Governor Herter intended to produce some healthy consternation but his and other U.S. officials' stated preoccupation has not been entirely for effect. Success in the Kennedy Round represents for the United States, though perhaps now in a diminished way, an important political as well as commercial objective. To allow the Kennedy Round to shed its political aim of increasing bonds between the United States and Europe and become merely another tariff negotiation might mean that another step had been taken towards the dissociation of the United States from European affairs. Already there have been rumors of increased U.S. interest in alternatives such as UNCTAD and in a regional Western Hemisphere trade organization. Although these may be worthy of thought in themselves, they could not replace the political effectiveness of the Kennedy Round nor hide the potentially tragic fact that the United States might be taking a step back towards isolation.

The conclusion is that, although the Kennedy Round probably has little chance of achieving all that was originally hoped for, there may still be a possibility of accomplishing a significant reduction in trade barriers among the negotiating partners in both agricultural and industrial goods. A radical change of attitude is necessary on the part of both the United States and the EEC. The United States must seek some way of dramatizing its very real interest in the Kennedy Round. The EEC must prove by its actions that it really does wish the talks to succeed.

ECSC Raises Two Loans in Italy

The ECSC High Authority contracted two major loans totalling \$39.2 million in Italy last month.

The first was a private 20-year loan of \$24.2 million from a northern Italian savings bank, the Cassa di Risparmio delle Provincie Lombarde. The loan carries 6 per cent interest.

The second loan amounted to a 20-year bond issue of \$15 million. The bonds, bearing 6½ per cent interest, were offered by a banking syndicate at 99½ per cent. Application will be made to list the bonds on the London Stock Exchange and on the Luxembourg Bourse.

The High Authority has borrowed \$83 million so far in 1966 to help finance investment projects and industrial redevelopment within the Community. Up to the end of 1965, the High Authority loaned \$702 million for these purposes, either from its own resources or from funds raised on capital markets. The latest loans bring the total funds raised by the High Authority on capital markets since its inception in 1952 to \$642.5 million.

Parliament Urges More European Schools

The research and cultural committee of the European Parliament has adopted a socialist group resolution urging the establishment of "European Schools" in all areas containing a sufficient number of school-aged children of different national or linguistic groups.

The decision followed a visit to the European School in Brussels by members of the committee, who expressed particular interest in the teaching of languages, history and geography.

European Schools, operated by the Community executives in cooperation with the six national ministers of education, presently exist in Luxembourg, Brussels, Ispra (Italy), Karlsruhe (Germany), Mol (Belgium) and Petten (Netherlands). Attendance at the schools is open not only to the children of Community officials and scientific-research workers but also to the children of other nationalities living nearby, including local residents. The total number of pupils at all six schools now exceeds 5,000.

Coal and Steel Oversupply Cited in 14th Annual Report

LONG-TERM STRUCTURAL CHANGES UNDERWAY IN THE COMMUNITY necessitate a common industrial policy among the six member governments.

This plea for cooperation was made by Dino Del Bo, President of the High Authority of the European Coal and Steel Community, as he presented the ECSC's 14th Annual Report to the European Parliament in Strasbourg on May 10. He urged that a new treaty merging the three European Communities include the legal basis for an industrial policy covering all basic sectors.

Such a treaty should incorporate the methods used by the High Authority for the coal and steel sectors under the Treaty of Paris, he said. As examples, President Del Bo cited the High Authority's role in guiding investments and providing financial assistance, in helping with the retraining and re-employment of workers and the redevelopment of industries and regions.

The Annual Report also pointed out the original and constructive features of the ECSC mechanisms and their importance for general economic and social progress in the Community. The High Authority expressed its intention in the report's introduction to prepare for the European Parliament a study of how these mechanisms could best be included in a single Community.

New Conditions Bring Crisis

President Del Bo described the changing conditions in the 15 years of the ECSC's existence. Whereas a chief aim of the Community had been to create conditions for a rapid increase in coal and steel output in time of shortage, the current problem for both sectors is oversupply. In particular, coal is in a crisis situation, and output will have to be cut back considerably, he said. Iron ore is in a similar situation.

The President indicated that a less critical problem exists for steel, although special attention will be necessary to prevent supply from rising much more rapidly than demand. In particular, Community steel problems must be considered within their world context and in relation to the development of overall demand and capacity.

Energy Increase Met by Imports

The entire overall increase in energy requirements last year in the Community was covered by imports, as shown in the chart below from the Annual Report and the production of Community energy actually diminished. Hard-coal output fell by 10.5 million metric tons or nearly 5 per cent. Production costs for coal followed the same upward trend as in previous years with direct wages rising much faster than productivity. Social security costs and equipment prices also rose considerably.

Parallel with economic activity in 1966, total Community energy requirements are expected to rise more rapidly to a total of 628 million metric tons hard-coal equivalent as compared with 596 million tons in 1965. Hard-coal requirements will level off after the steep decline in 1965, and for the first time internal consumption of Community coal will be less than 200 million tons. There will be an increase of about 11 per cent in the consumption of hydrocarbons which will account for over 50 per cent of Community energy.

State Aids Given to Coal Industry

In the field of energy policy, the outstanding developments in 1965 were, according to the Annual Report, the beginning of consultation procedures on energy policy among the member governments and the High Authority, initial studies on coking coal supplies, and, above all, the introduction of a Community system of state aids to the coal industry.

Under the state aids system, the coal industry received in 1965 over \$1 billion in subsidies, 90 per cent of which went for social costs such as pension and insurance payments borne by employers. Without these subsidies the Community coal industry could not compete with imported energy, the report said. The Community would have to rely more heavily on imported energy, which presently provides one-half of requirements, with no assurances about the long-term price developments of those imports.

The report emphasized that the present system of national subsidies for coal mines under High Authority approval is only temporary and is to be replaced by a common energy policy for a single European Community. In the meantime, the High Authority is completing its general objectives for coal up to 1970 at which time an output of 190 million metric tons is foreseen, a considerable cutback over the 220 million tons produced in 1965. The High Authority is also working

A former coal mine stands abandoned in Belgium. Community coal output of 190 million metric tons is predicted for 1970 compared to 220 million produced in 1965.



on an overall long-term energy outlook for the Community for 1965-1980 (See story, page 1).

World Faces Steel Over-Capacity

The Annual Report pointed out that over-capacity in steel-making exists world-wide as well as in the Community. World capacity of about 500 million ingot tons in 1965 well exceeded world demand, in spite of abnormally high demand in the United States due to the threatened steel strike. Overall world production increased 4.2 per cent over 1964 to a total of 445 million tons.

Crude steel production potential in the Community rose to more than 100 million tons, an increase of eight million over 1964, whereas actual production increased only about three million tons despite high export demand. The amount of capacity used in the ECSC therefore fell from 90 per cent in 1964 to 86 per cent in 1965.

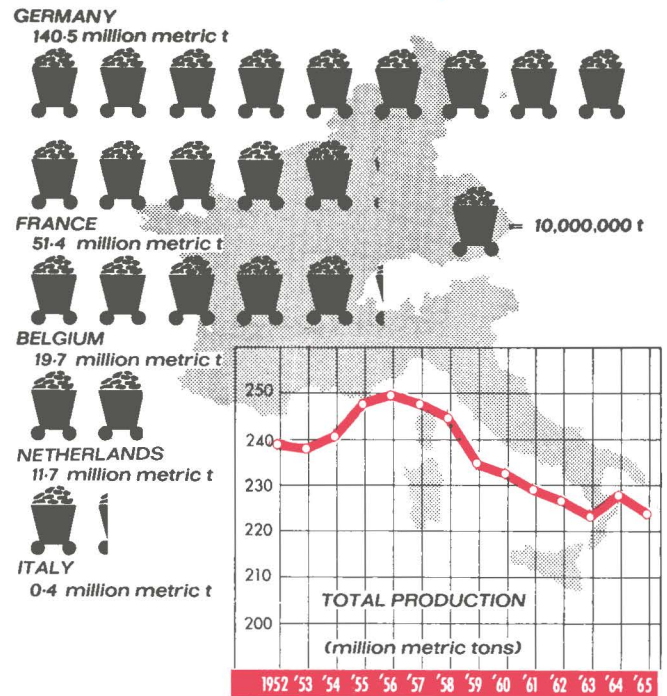
Real consumption of steel rose 2.7 million tons to about 71 million tons last year, but this increase was not wholly reflected in demand because of drawings from extra stocks built up in 1964. In addition, steel consumption is no longer expanding at the same rate as industrial production. Between 1960 and 1965, real consumption of steel increased by an average 4.5 per cent each year, while industrial production was rising 5.8 per cent.

In contrast, export demand remained high, and Community steel exports rose almost 34 per cent in 1965 to 18.6 million tons, one quarter of which went to the United States. ECSC steel imports fell to 2.5 million tons in 1965 from 3.4 million tons the previous year. The general price level within the Community sagged after a resurgence in 1964, but the High Authority attributed this drop to stiffer competition among Community producers rather than to pressure from third-country exports.

Capital Expenditures Declined

Capital expenditures in industries covered by the ECSC dropped considerably in 1964. Total expenditure in coal-mining fell to \$302 million from \$334 million in 1964, and investment in iron ore mines suffered a similar decline from \$28 million to \$24 million. In the iron and steel industry, capital expenditure amounted to \$1,480 million in 1963 and \$1,291 the following year. The High Authority's report predicts a further falling-off for 1965.

THE EUROPEAN COMMUNITY'S COAL PRODUCTION, 1965



Intense world competition and the need to increase productivity and specialization have been inciting steel firms to create larger units through mergers, a trend supported by the High Authority. Among recent mergers approved are those between two German companies Dortmund-Hoerder-Huttenunion and Hoesch and a Dutch company, Koninklijke Nederlandsche Hoogovens en Staalfabrieken and between two Luxembourg companies, ARBED and HADIR (See *European Community*, May 1966, No. 92).

The High Authority is prepared to help alleviate the effects of such mergers on workers by means of readaptation and industrial redevelopment. In 1965, credits totaling \$10 million were given for this purpose. Increased requests for industrial redevelopment help, particularly in Belgium and the Netherlands, were submitted during the year, and forecasts show that continued support will be necessary.

Euratom Publishes Reports on Research

The Information and Documentation Center (C.I.D.) of the European Atomic Energy Community has published almost 2,500 scientific reports since its inception in 1961.

In 1965 alone, 35,000 pages of scientific and technical reports on different aspects of Euratom's research program were issued. All C.I.D. publications are announced in its monthly periodical "Euratom Information."

The C.I.D. also publishes the monthly "Transatom Bulletin" which since 1962 has listed over 42,000 scientific papers on nuclear topics translated from the original languages into English or one of the Community languages.

In addition, the C.I.D. has sent to individuals and firms in the Community more than 1,000 reports of particular industrial value.

Parliament Votes to Extend Youth Contacts

The European Parliament voted unanimously on May 10 for the creation by the member states of a European Youth Office.

The purpose of the organization would be to increase the number of exchange visits and other contacts between young people in the Community countries. The Parliament also urged the expansion of youth activities of the European Community Information Service and closer coordination of the Community and member state activities in this field pending the creation of the office.

A 10-year budget of \$10 million has been proposed for office's operation. It has also been suggested that the organization work alongside existing bilateral intra-Community projects, such as those under the Franco-German Treaty.

THE FLOW OF CAPITAL in all forms to the Community has become "excessive," jeopardizing its international payments equilibrium and hampering its drive against inflation, the EEC's Monetary Committee recently concluded.

The Committee, in its Eighth Annual Report to the Council and the Commission, called the American balance of payments deficit the most important counterpart to the Community's surplus payments position. It stated that "the measures designed to curb exports of American capital to the Community certainly appear necessary," while conceding that it is still too early to judge the effects of these measures on European capital markets.

The Committee also urged member states to increase their capital exports to the rest of the world. It has consequently begun studies on facilitating exports of capital to the highly developed countries as well as to developing countries, especially through international institutions.

The report pointed out that the developed countries' objective of giving aid amounting to one per cent of national incomes presupposes a balance of payments pattern with an adequate surplus on current account. Excluding capital exports to Europe, the Committee found the U.S. balance of payments composition, unlike that of several member states, compatible with this goal.

Overall Surplus Drops Sharply

The Community reduced its overall surplus on balance of payments from \$1.9 billion in 1964 to \$1.5 billion despite an increase of \$850 million in surplus on current account over the previous year. Net surplus on imports of long-term private capital fell to \$500 million from \$1.4 billion in 1964.

The United States, on the other hand, reduced its overall deficit to \$1.3 billion, despite a \$2 billion deterioration in visible trade balance and a \$1.6 billion decline in export surplus. The Committee stated that "Measures by the U.S. government to curtail capital exports, which were stepped up towards the end of 1965, have as yet had no noteworthy effect on long-term capital movements." These amounted to \$4.4 billion in 1965. By contrast, short-term capital exports shifted from a \$2 billion deficit in 1964 to a net surplus of \$850 million in 1965.

European Capital Markets Pinched

The Committee's report attributed increasing strains in European capital markets to the inability of long-term savings to keep pace with heavy demand rather than to the level of overall savings which remained high in all member countries. These strains have recently been aggravated by heavier borrowing of public authorities.

The tightness of European capital markets and the need for reforms in several member countries have assumed increasing importance in view of higher Community capital exports and expected decrease in American capital exports. The Committee pointed out that liberalization of long-term capital movements in the EEC has made no appreciable progress.

As it is impossible to create at short notice an integrated capital market in Europe, the Committee is turning its attention to ways of liberalizing capital movements. A directive before the Council would remove administrative obstacles to

these movements. For this directive to be workable the Committee urged relaxation of exchange controls. It indicated its intention to study these problems further and to make concrete proposals shortly.

International Monetary Problems Reviewed

During 1965, the Committee devoted more time than in previous years to international monetary problems. It set up a working party to seek a common basis for member states' points of view, and prior discussions were held on renewal of the European Monetary Agreement (EMA), the increase in quotas of the International Monetary Fund, and the extension of the General Arrangements to Borrow.

The Committee has attempted to coordinate member states' policies in the negotiations for reforms of the international monetary system. It reported that there is common agreement on a number of important questions of principle but deferred comment due to the discussions continuing in the Group of Ten.

Rapid Price Increases Noted

The report noted further interpenetration of member states' economies and persistent "unduly rapid" price increases in all EEC countries. The Committee recommended closer coordination between the Six in seeking the proper "policy mix" to restore internal balance. Rapid price increases "could eventually undermine the competitiveness of exports from the Community and thus jeopardize the stability of the various currencies," the Committee warned.

Economic developments in the member states followed "markedly divergent lines." Economic recovery continued in Italy and France, and expansion remained modest in Belgium and Luxembourg. Excess demand persisted in Germany and the Netherlands. In all EEC countries, consumer prices continued their climb at a rate from 2.5 per cent in France and Italy to 5 per cent in the Netherlands. Price stability must continue to be "a major policy objective in all the member countries," the Committee added.

In the current situation the Committee thought it would be difficult to establish a common incomes policy as an anti-inflationary instrument and impossible to substitute such a policy for monetary and budgetary policies to control demand. Most member states neglected budgetary policy during 1965 and relied too heavily on monetary policy.

Less Emphasis on Monetary Policy Urged

Excessive reliance on monetary policy, the Committee warned, could harm industrial investment and construction, hamper the work of monetary authorities in other member states, and weaken efforts to improve the operation of national capital markets. Growing economic integration and greater accessibility of international credit decrease the effectiveness of monetary measures taken at the national level.

The Committee concluded its review of member states' economies by emphasizing the need to improve the "policy mix" and by warning against the possibility of heavy price increases which would be exported to all member countries. It also urged that the EEC countries follow Council recommendations of the past two years in fighting inflation.

EURATOM GUARDS AGAINST MISUSE OF NUCLEAR FUEL

Community Controls Are Automatic, Direct and Obligatory

THE SWIFT GROWTH IN THE COMMERCIAL USES OF NUCLEAR POWER brings to the forefront the world-wide problem of controlling the possible misuses of fuel intended for power reactors or other civil uses.

Euratom led the way in putting nuclear safeguards into the hands of multi-national authority. The Euratom system has been fully operational and effective over the last seven years; and it is the most thorough system in existence.

A nuclear safeguards system was from the outset accepted as implicit in the Community's plans for nuclear integration. Such a system was seen as essential to the establishment of mutual trust between the participating countries. It is, however, only one of the Commission's wide range of nuclear responsibilities. These include the supply of materials, the survey of investment projects, research and health and safety. The Euratom Commission thus has a complete and detailed view of the industry over which the control is exercised.

Community System Obligatory

The Euratom safeguards' system differs in many ways from voluntary inter-governmental arrangements. First, it is exercised by the Commission operating as a supra-national authority. The system is applied obligatorily throughout the Community: all installations are subjected to Euratom Commission control, directly and not through the intermediary of the governments. It is also applied automatically to all holders of nuclear materials, wherever obtained. Other multi-national systems can only be applied if the material or equipment is supplied from other countries or when a country voluntarily submits to international control.

But there are other features which distinguish the Euratom system from other systems. Euratom has legal title over all special fissionable materials produced in or supplied to the Community and subject to their safeguards. This, of course, includes plutonium recovered from spent fuel elements and used at a later stage.

Moreover, any unilateral abandonment of the system is a virtual impossibility since it would be tantamount to a revocation of membership in the three European Communities (Euratom, the EEC and the ECSC), with all the political and economical consequences that that would entail.

Euratom Gives Guarantee

Euratom, then acts as a public authority in keeping track of all nuclear activities in the Community and of the circulation and use of nuclear materials. This enables it to give third countries a guarantee that the materials they supply will not be misused. This guarantee is accepted in the US-Euratom Agreement, as well as in cooperation agreements with other third countries. The US-Euratom Agreement set up a system of frequent consultations to ensure that the Euratom system effectively meets the responsibilities and conditions of efficiency mentioned in the Agreement.

The Euratom system covers all uranium and thorium ores, source and special fissionable materials destined for

peaceful purposes. The Commission must ensure that they are used for the purpose declared by the holder, that the Treaty's supply provisions are correctly applied and that the Community's safeguards commitments to foreign suppliers or international organizations are respected. For instance, the large quantities of plutonium recently supplied by the United States for Euratom's fast reactor research are under Euratom safeguards control, as will also be the additional quantities likely to be required during the next few years.

The system works as follows. All Community concerns producing, separating or consuming nuclear materials must provide the Commission with technical data of their plant and maintain and submit operating records allowing account to be kept of the use and location of the materials. These reports are checked by frequent on-site inspections carried out by the Commission's own staff, acting on the Commission's instructions.

Commission May Impose Sanctions

The inspectors, who are Commission officials and thus recruited from all the Community countries, have access at all times to all places, data and personnel to the extent necessary for the control to be effective. In the event of a breach of the safeguards' regulations, the Commission may impose sanctions ranging from a reprimand to the withdrawal of the material and the placing of the enterprise under a temporary administration appointed jointly by the Commission and the member state concerned.

Euratom's experience in operating a control system has

U.S. OFFICIAL COMMENT

"As you know, we have vigorously pursued a program to strengthen the safeguards system of the International Atomic Energy Agency and Euratom. We feel our efforts in this regard have been successful, and that both the IAEA and Euratom systems are equivalent and effective."

—Hon. Dean Rusk, before the Joint Committee on Atomic Energy (JCAE) on February 23, 1966.

"In addition to the IAEA system, another important international system of safeguards has been developed in the European Atomic Energy Community (Euratom). Under our cooperative agreements with Euratom, Euratom safeguards, whose effectiveness we have the opportunity to review, are applied to materials and equipment which we supply to Euratom."

—Dr. Glenn T. Seaborg, Chairman U.S. Atomic Energy Commission before the JCAE on March 1, 1966.

"In recognition of the vitality, high technical standards, and international character of the Euratom control system, we have provided in our agreements with Euratom for the exercise of control on U.S.-supplied materials by Euratom rather than by ourselves."

—John G. Palfrey, Commissioner, USAEC before the Netherlands Atoomforum Conference on March 2, 1966.

benefited other organizations as well. For instance, the experience acquired has willingly been put at the disposal of the International Atomic Energy Agency (IAEA), which is now developing its own control activities. Technical cooperation between experts of the two organizations has taken place but closer cooperation unfortunately has been hindered by the Soviet bloc countries which view Euratom as an accessory to NATO.

NEWS BRIEFS

Common Market Euratom Coal & Steel Community

Nigeria Concludes Agreement with EEC

The EEC and Nigeria completed on May 6 negotiations begun in July 1964 for the first association agreement of an English-speaking country with the Community.

The agreement provides for Community preferences on Nigerian exports at tariff rates presently applied among the Six and on the exports of the 18 African and Malagasy associated states. Four major Nigerian exports to the Community, cocoa beans, peanut oil, palm oil, and plywood, will, however, be subject to a tariff quota. The Community will obtain tariff preferences on the Nigerian market for 26 products.

Association institutions are to be set up but on a less formal basis than with the 18 Yaoundé associates. Nigeria will receive no Community development aid.

The Treaty is scheduled to be signed in July in Lagos and Brussels.

Euratom Requests More Plutonium Sales

Euratom has asked the US Atomic Energy Commission to take steps for obtaining Congressional approval of an increase in the quantity of plutonium available for export to the Community.

In 1963, Congress set a ceiling of 500 kilograms on the plutonium which the USAEC might supply to Euratom. Under a contract signed last year, over 400 kg. of this quantity have been delivered to Euratom for the Community fast reactor program. The Euratom Supply Agency now estimates that, through 1970, Community consumption will be an additional 1,000 kg.

If Congressional approval is obtained for the Euratom request, negotiations for supply contracts within this 1,000 kg. limit can be opened as the need for more plutonium arises.

EEC-Trained Teams Gather Statistics in Africa

The EEC Commission and the European Communities Statistical Office are now operating a new system for assisting statistical offices in the 17 associated countries in Africa and Madagascar.

Teams of six to ten young African statisticians, who have graduated from the European Community's training center for statistician-economists from the developing countries, will be sent to African countries requiring their services.

Nevertheless, as the Euratom Commission has declared, in reply to a parliamentary question (put by Deputies Oele and Merten): "The absence of a cooperation convention between Euratom and the Agency has not formed an obstacle to good relations between their services, and the numerous contacts . . . have been sufficient proof of their efficacy."

The teams, working closely with national statistical offices, will gather certain basic statistics which are available but have not been widely published because of lack of funds. They will then collect the data needed for a medium-term statistical program.

EIB Issues Bonds in U.S. Market

The European Investment Bank (EIB) has issued \$25 million of 10-year bonds on the New York Market.

The bonds, which became available on May 3, bear annual interest at 6 and ½ per cent and are offered to the public by an international syndicate at a rate of 98 per cent. The price for United States citizens amounts to 103.539 per cent, since such purchases are subject to the U.S. interest equalization tax.

Net proceeds from the sale of the bonds will be used for general lending operations by the EIB which is an independent agency of the European Economic Community. This issue brings the total of EIB outstanding bonds to \$241.1 million.

The underwriting syndicate consists of 73 banks, 55 of which are European. The group is managed by Kuhn, Loeb, and Co. Inc., The First Boston Corporation, Lazard Frères and Co. and six European banks.

Where To Study In Europe—IV

Community Law Stressed at Saarbrucken Institute

The Institute of European Studies, established at Saarbrucken, Germany in 1951, specializes in the legal aspects of European integration.

Law courses explore the general aspects of European national and Community law as well as questions of competition and establishment. In addition, regular courses are offered in the general, economics, and language areas. Courses in economics cover Community policies in energy, transport, financial and agricultural matters. Special language training in Community legal terminology is also available.

Proficiency in French and German and a university graduate degree are required for registration at the Institute. A certificate of European studies is awarded after one year to students passing oral and written examinations. Students obtaining an examination mark of one or two accompanied by a dissertation are eligible for a diploma of European Studies.

PUBLICATIONS AVAILABLE

EIGHTH GENERAL REPORT ON THE ACTIVITIES OF THE COMMUNITY, EEC Commission, Brussels, June 1965, 399 pages \$1.50

Annual report on the Common Market activities from April 1, 1964 through March 31, 1965.

SOCIAL POLICY IN THE ECSC, *Community Topic No. 20*, European Community Information Service, Brussels, January 1966, 20 pages free

A review of the ECSC's activities in vocational training, readaptation, industrial redevelopment, wages, social security, housing and occupational health.

EIGHTH REPORT ON THE ACTIVITIES OF THE MONETARY COMMITTEE, EEC Monetary Committee, Brussels, April 1966, 25 pages free

Annual report of the Monetary Committee activities during 1965. It contains an account of the economic and monetary situation in each member country.

LA RÉPARATION DES CONSÉQUENCES DOMMAGEABLES D'UNE VIOLATION DES ARTICLES 85 ET 86 DU TRAITÉ INSTITUANT LA CEE, Série Concurrence, No. 1, EEC Commission, Brussels, 1966, 74 pages \$1.40

A study of the possibilities for redress for injuries resulting from infringement of the EEC Treaty's rules on competition. The opinions expressed are those of the Commission's consultants and are not to be regarded as official.

LA REMUNÉRATION AU RENDEMENT, The High Authority, Luxembourg, 1965, 193 pages (mimeographed) free

A collection of speeches presented at a 1964 study conference of remuneration based on output in the steel industry of the European Coal and Steel Community.

AGRICULTURE IN THE COMMON MARKET, *Community Topic No. 21*, European Community Information Service, Brussels, November 1965, 19 pages free

This new brochure describes the Community's Common Agricultural Policy and summarizes the market organization for major farm products.

PUBLICATIONS OF THE EUROPEAN COMMUNITIES: CATALOGUE, Publications Service of the European Communities, Luxembourg-Brussels, March 1966, 63 pages, free.

This catalogue lists the titles and relevant particulars of official publications placed on sale by the Institutions of the European Communities.

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