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COMMON MARKET • COAL AND STEEL COMMUNITY • EURATOM

EXTERNAL AFFAIRS CROWD COMMUNITY FALL AGENDA

With Date for Customs Union Settled, Post-vacation Backlog Awaits

THE EUROPEAN ECONOMIC COMMUNITY faces a wide variety of contacts with its trading partners this fall, now that the Council of Ministers has agreed to complete the transition to full customs union by July 1, 1968.

All industrial goods and almost all agricultural products will then move freely between the six countries. A single customs tariff will apply to imports from outside the Community. As the world's largest trading unit, the Community will bear heavier responsibilities. The list of countries seeking special relations with the Community is growing steadily.

Dialogue with EFTA Desirable

The head of the Danish Mission to the European Community wrote to the EEC Commission and the member states in 1965, with a suggestion from the Council of Ministers of the European Free Trade Association (EFTA) that an EEC-EFTA dialogue on economic relations in Europe begin.

Replying on Sept. 23 to a written question from a member of the European Parliament, the EEC Commission said it had acknowledged receipt of the letter on Nov. 12, 1965. The Commission indicated that it considered talks desirable and had so advised the EEC Council of Ministers. The Commission noted that it is the EEC Council's responsibility to deal with the request for a meeting of the Ministers of the EEC and EFTA. The Commission's reply also mentioned the increasing interest EFTA members have shown lately in studying the conditions necessary for a closer link with the Community. Ministers from Denmark and Norway have visited Brussels to talk with the EEC Commission.

Negotiations with Austria

The requisite maintenance of neutrality has complicated Austria's request for an agreement with the Community. The Commission has reported to the Council on the first two rounds of negotiations in Brussels during 1965-1966. In November, the Commission will seek a second mandate from the Council.

Ireland, Spain Seek Special Relations

Jean Rey, member of the EEC Commission in charge of external affairs, met in Brussels on Sept. 20, 1966, with Frank Aiken, Minister of External Affairs of the Republic of Ireland and Irish Minister of Finance Jack Lynch. Among the matters reviewed were: Ireland's continued interest in becoming a member of the EEC, the outlook for further expansion of trade between Ireland and the Community, and the evolution of economic policies in the EEC and Ireland.

At the beginning of 1964, Spain reminded the Community of its application for association, filed during the negotiations with Britain in 1961-63. After brief talks with a Commission delegation in December 1964 and an exchange of memoranda, there were further contacts. The EEC Council of Ministers has asked the Commission to report on possible arrangements to meet Spanish wishes.

Evolving Ties with Africa

The Council of Ministers, at its Sept. 21-22 meeting, agreed to ask the European Parliament for its opinion of the association agreement signed with Nigeria on July 16. The agreement offers working solutions to problems that could arise more frequently, as more countries seek special relations with the Community.

Nigeria will receive trade advantages from the Community while maintaining membership in the British Commonwealth and the sterling area. All but four Nigerian exports will enter at the same duty rates which the member states apply to each other. (Internal tariffs, now 80 per cent below the original levels, will be eliminated on July 1, 1968.)

The four products excepted will be subject to gradually

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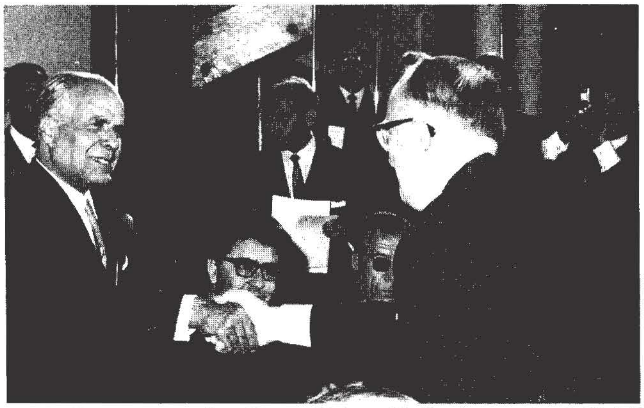
increasing tariff quotas. Gradual liberalization of trade in these products protects the interests of the Community's Yaoundé associates, also major exporters of the four products.

Three other members of the British Commonwealth filed applications for association with the Community similar to Nigeria's in 1963. Kenya, Tanzania, and Uganda want access to Community markets for major export products, among which coffee and cloves are the most important. After exploratory conversations, the Commission and a joint East African delegation held one round of formal talks in Brussels last July. The negotiations will resume in Brussels on Nov. 7, at the request of the ambassador from Tanzania to the EEC, spokesman for the three countries.

Maghreb Talks

Three Maghreb countries which receive special economic treatment from France have also applied for association with the Community. Algeria, Morocco and Tunisia want a free trade area with the Community, economic and technical assistance, and special treatment for their nationals who are migrant workers in the Community.



EEC Commission President Walter Hallstein received Habib Bourguiba, President of Tunisia, on July 14 (right) for an exchange of views on future relations between the EEC and Tunisia.

The Commission has reported to the Council on negotiations held during 1965 with Morocco and Tunisia under a partial Council mandate and on exploratory talks with Algeria. Formal negotiations with Algeria have not yet begun.

Support for Greek Agriculture

The EEC-Greece Association Council chose the beginning of November to open discussions on Community support for Greek agriculture.

Meeting in Brussels on July 21, the Council reviewed progress Greece has made towards harmonizing its agricultural policies with the ECC policy.

Sicco Mansholt, vice president of the EEC in charge of agriculture, will visit Greece from Oct. 4-10 to examine problems arising within the framework of the association. The problems concern the common agricultural policy in general, and tobacco in particular.

EEC and the Middle East

The Community concluded a three-year trade treaty in 1962 with Iran, involving non-preferential trade concessions for Iranian exports to the Community. The treaty expires this fall.

In 1964, the Community and Israel concluded a non-preferential trade agreement. Israel, on Oct. 4, requested new negotiations to substitute an association agreement for the present trade agreement.

The Joint Working Party on technical cooperation, under the Agreement on Commerce and Technical Cooperation between the Community and Lebanon, met for the first time in Brussels on Sept. 28-29. The Working Party examined seven development projects for agriculture, industry, education, and tourism, suggested by the Lebanese Government. Lebanon will discuss these projects bilaterally with the governments of the EEC member states concerned. The Working Party plans to resume its work in February 1967.

Second Report on Talks with Latin America

The EEC Commission, during the past three years, has held two series of meetings in Brussels with the ambassadors of the Latin American countries accredited to the Community. The talks covered various aspects of Latin American trade with the EEC and EEC technical and financial assistance to Latin America.

In February 1966, the Commission transmitted to the Council a memorandum from the Latin American countries. The memorandum reviewed the talks and suggested the creation of a permanent committee to maintain contact between the Latin American countries and the EEC.

The Commission submitted its report on the talks to the Council in June 1966, indicating that a second, more detailed analysis would follow, now planned for October.

Kennedy Round Nearing Final Stage

In the coming months, the Community will participate fully in the Kennedy Round, which is moving into its final stage. The GATT delegations are now formulating a schedule for bargaining, which should end in early 1967 to meet the deadline imposed by the United States Trade Expansion Act. The Act, which empowers the U.S. Government to negotiate, expires at the end of June 1967. The EEC Commission has now filed offers for agricultural as well as industrial products.

The Community is participating fully in the final stage of the Kennedy Round. Shown here, the EEC delegation to the negotiations.

COMMISSION PAINTS PORTRAIT OF COMMON MARKET CITIZEN

Reports Higher Living Standards but Wider Regional Gaps than in 1958

THE COMMON MARKET CITIZEN, with more time, opportunities, and money to enjoy life, emerges from the Commission's 258-page account of social developments in the European Economic Community.

The report supplements the EEC Commission's Ninth General Report covering 1965. This year, the Commission reviews social developments from the Community's beginnings in 1958 through 1965, the end of the second stage of the transitional period.

Economic inter-penetration of the Six, its indirect effects, and direct Community action have brought prosperity and social progress. However, with prosperity, the gap between the industrialized rich and the less-favored poor areas has also widened. Like economic problems, social problems now ignore national borders. Increasingly, the Commission points out, the solution of social problems depends on joint efforts by all, at the Community level.

Work Force Expanding More Slowly than Population

The Community's population grew from 168 million in 1958 to 183.6 million at the beginning of 1966. Active population, including the unemployed, expanded less rapidly during the same period, from 72.4 million to 74.6 million. Unemployment fell from 2.75 million in 1958 to 1.5 million at the end of 1965.

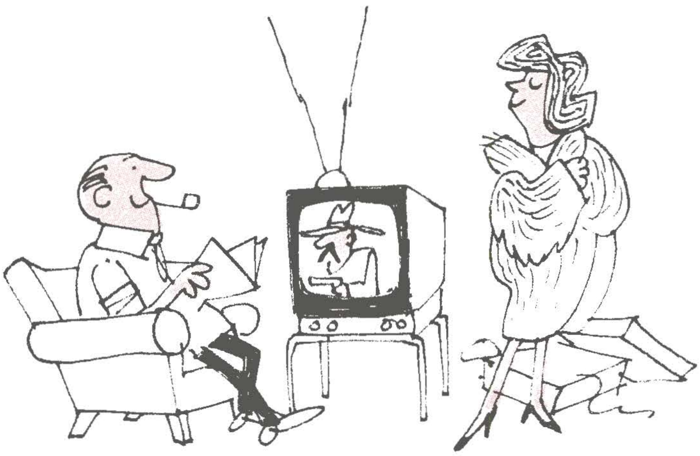
Acute labor shortages in some countries brought more women into the work force. They also caused more workers, primarily from EEC and non-EEC Mediterranean countries, to move away from home for better paid jobs in labor-short areas. In 1965, 268,000 Italians found

jobs in the other five EEC countries, as compared with 156,000 in 1958. Non-Community countries also eased the labor shortage by sending 84,000 workers to the EEC in 1958 and 578,000 in 1965.

In five member states, between 74 and 80 per cent of the work force earned monthly salaries in 1965; 36 per cent of Italy's workers still received hourly wages. The Commission considers the increase in the salary-earning population a reflection of the transfer of workers from the farm into industry, which also improved agricultural productivity. The retraining and re-employment facilities provided by the European Social Fund had assisted 454,000 workers by the end of 1965.

Gross Community product (GCP) expanded 44 per cent by volume in 1958-65, though the member states' individual growth rates varied considerably. Italy recorded the fastest average annual rate, 6 per cent for each person employed. France and the Federal Republic of Germany at 4.5 per cent and Belgium and the Netherlands at 4 per cent followed.

Private consumption also expanded but more slowly than GCP. Its annual growth rate averaged 5.4 per cent in Italy, 5 per cent in the Netherlands, 4.6 per cent in Germany, 4 per cent in France, and 3.8 per cent in Belgium.



Conscious of the new power affluence had conferred, consumers joined or formed groups to promote their interests. In 1962, these organizations formed a joint consumer lobby to the EEC in Brussels.

Incomes Rose, Even After Deducting Cost of Inflation

The Common Market citizen had more money to spend in 1965 than he did in 1958, even though higher prices absorbed part of his improved income.

In Germany, Italy, and the Netherlands, gross hourly earnings rose 90 per cent. They increased more than 60 per cent in France, slightly more than 50 per cent in Belgium, and 40 per cent in Luxembourg.

Increases in the cost of living ranged from 12 per cent from 1958-65 in Luxembourg to a 32 per cent high in France, 4 per cent per year. Social security payments and taxation also affected real income.

Even so, real income rose an estimated 35 per cent in France, 50 per cent in Germany, 40 per cent in the Netherlands, 30 per cent in Belgium, and 25 per cent in Italy and Luxembourg. The gap between real wages in the different member states narrowed less than differences in nominal wages.

Work Week Shortened, Vacations Extended

The Common Market citizen worked a shorter week in 1965 than he did in 1958 and also received a longer paid vacation.

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Only in Belgium and Luxembourg did the length of the work week not change. At the beginning of 1965 the French work week still averaged more than 46 hours and exceeded 50 hours in some industries, but a movement to reduce it started during the year. The German work week shrank four hours and the Dutch two and a half hours, to average respectively 44 and 46 hours at the end of 1965. The Italian work week followed similar trends, but with the recession of 1964, fell to 42 hours per week.

Paid annual vacations lengthened throughout the Community. French workers, who already had three weeks of vacation in 1958, now have four. Instead of two weeks of vacation as in 1950, Belgians now have three, and Germans, two and a half or three. In other member states, the trade unions won longer annual vacations through collective bargaining.

Italy maintained the custom of paying at the end of the year a "thirteenth month's salary," similar to the Christmas bonus in the United States.

Housing Shortage Reduced

In 1965, 1.6 million new dwellings were completed, as compared with 1.2 million in 1958. In spite of the 11 million houses built since 1958 the Community still has a housing shortage, though less severe.

The two outstanding developments in EEC housing have been the reduction since 1958 in public housing and the improvement in the quality of new construction.

Social Security Coverage Harmonized

In 1958, 75 per cent of the Community's citizens were covered by health insurance. By 1963 (the last year for which analyzed welfare data are available), the proportion had risen to 85 per cent.

Social security coverage has also broadened, particularly in Belgium and Luxembourg as the result of reforms. However, the Governments of Germany, Belgium and Luxembourg pay between 18 and 23 per cent of the cost, as compared with contributions of between 6 and 10.2 per cent made by the French, Italian and Dutch Governments. Since 1958, however, French, Italian and Dutch workers have started to pay less, and workers in the other member states, to pay slightly more.

As an indication of successful "upward harmonization" of welfare benefits among the Six, the Commission recalls that in 1958, social security expenditures amounted to between 10.6 and 14.1 per cent of the member states' gross national products. Average benefits also rose between 65 and 90 per cent in France, Italy and the Netherlands where inflation was strongest. In the other three member states, they increased between 30 and 45 per cent.

Six Reforming Education and Vocational Training

All Six are reforming their educational systems, especially at the secondary level. Compulsory schooling starts at a child's sixth birthday and continues for eight or nine years. France will, beginning in 1967, require school attendance for 10 years. Belgium, Germany, and the Netherlands also plan to raise the school-leaving age soon.

The shortage of teachers, however, has inhibited plans for expanding education. The teacher shortage persists, although education now occupies twice as large a share of the member states' national budgets as it did in 1950.

Post-school vocational training has intensified and expanded to include more trades. Facilities for training adult workers have also multiplied, especially for retraining rural workers for industrial employment. However, with the rising importance of science and technology, the need for these facilities has grown more acute.

Accidents at work and occupational diseases still present a major challenge to social policy, according to the Commission, although the member states have attempted to reduce them by education and safeguard systems. Italy for example, in 1965 passed laws to promote the safe use of solvants, and to protect agricultural and construction workers. Belgium and the Netherlands have decided to

(continued on page 14)

EEC BUSINESS FORECASTS GOOD SECOND HALF OF 1966

Commission Reports Rising Output, Easing of Price and Labor Pressures

OFFICIAL STATISTICS on the first half of 1966 and business forecasts for the rest of the year point to continued growth of output in the European Economic Community.

The EEC Commission's report on the economic situation in the Community at the end of the second quarter contains signs of greater price stability. The second of three business management surveys which the Commission makes each year confirms these signs. The sampling excludes the Netherlands, which conducts its own survey, but the other five member states account for 90 per cent of EEC output. More than 90 per cent of the companies replying predicted the same or a higher level of activity for the rest of the year. Most felt that pressures on prices had not increased since the beginning of the year and reported steady improvement in their order books.

EEC Production Up, Labor Shortage Down

Industrial production for the Community as a whole continued to grow during the second quarter of 1966, but more slowly than in the first. Pressures on the labor market eased everywhere in the Community. Rising wage trends appeared to be moderating.

Demand for consumer durables fed the expansion in Italy, in spite of prolonged strikes. French production continued to grow at a fair pace, with some acceleration in the capital goods and chemicals industries. The recent slowdown in capital expenditures had not yet deflected the rising trend of Dutch production. Domestic demand, even for consumer goods, fell off in Germany but strong demand from abroad took up the slack. Germany and Belgium both increased output slightly. Luxembourg's index showed little change.

Greater output per man and rapid growth of the French and Italian labor forces led to higher unemployment in both countries, the two most buoyant economies in early summer. Despite business slowdowns, both Germany and the Netherlands had more unfilled jobs than unemployed workers.

Gross hourly wages again rose in Germany during the first four months of 1966, to a level 95 per cent over 1958 wages. They also rose in Belgium. Wages in France, Italy, and the Netherlands showed no appreciable rise during the first six months.

Price Rises Tending to Moderate

Lower seasonal prices for some crops caused wide fluctuations in wholesale prices but kept consumer price indices stable in most member states. Prices for industrial manufactures changed only slightly in most countries. Retail sales continued to rise in the second quarter.

Prices of processed goods in the Netherlands rose about 5 per cent over the May 1965 level. The strain eased in some German industries, but no general decline in prices occurred. In Italy and France, prices of finished goods remained fairly stable. The Community paid less for raw materials, as world prices dropped.

Excluding seasonal products, consumer prices in Germany rose about 0.4 per cent from June to July. So did more than half the items included in the Belgian consumer price index. The Dutch index dropped three points below its April high, due to seasonal and special factors and more stringent price controls. Discounting higher physicians' fees and other unusual factors, the French price index still showed a mild tendency to rise. The Italian index held steady, even including changes in food prices.

Retail sales in Germany grew at an annual rate of 5.8 per cent in the second quarter, off 4.6 points from the first quarter. In the Netherlands and Belgium, retail sales picked up after a relatively weak first quarter. New car sales, except in France, stopped growing, after an unusually sharp rise during the first quarter. The Dutch motor industry recovered from the setback tax increases had caused earlier.

Trade Balance Stopped Deteriorating

The Community's balance of trade stopped deteriorating in early spring. Exports to the developing countries recovered. Demand from the United States exceeded expectations.

Seasonally adjusted figures indicated that imports had stopped rising. Adequate stocks of raw materials, lower German defense purchases, and slack domestic demand in Germany and in the Belgian-Luxembourg Economic Union had a greater effect on imports than the stimulating influence exerted by Italy and France. Expanding domestic demand in the United States also inhibited the growth of American exports to the Community.

The Community's terms of trade showed little significant change during the second quarter. Seasonal declines in agricultural prices and underlying weakness in iron and steel helped offset the slightly higher prices of EEC manufactures.

Order Books Show Steady Improvement

The Commission's survey of business management showed expanding output for the Community as a whole, with the consumer goods sector providing the major stimulus. New orders progressed steadily.

Order books were considered adequate or above normal by 75 per cent of the French and 80 per cent of the Italian manufacturers who replied. Most German manufacturers expected output and employment to stay at the same level, though they reported larger stocks and shorter order books, as the lull spread into the consumer goods sector.

In Luxembourg, some firms' export orders for iron and steel declined. Replies indicated a strong tendency for prices to rise. However, for the industry as a whole, the survey revealed a high degree of stability. Belgian manufacturers' replies suggested that despite a tendency for prices to rise, government price freezes since May had alleviated price pressures. Below normal orders were still reported by 30 per cent of the businesses.

GROUP ANTI-TRUST EXEMPTION IS PROPOSED

Court Decisions Clear Way for Commission Action

THREE DECISIONS BY THE EUROPEAN COURT OF JUSTICE during the summer, a second proposal for group exemptions, and the examination of four agreements between small and medium-sized firms further define anti-trust policy in the European Economic Community.

In August, *European Community* reviewed the most important of the three High Court decisions, Grundig-Consten v. the EEC Council and Commission (Case 58/64). This decision, together with the Court's rulings in the Italian Government v. EEC Council and Commission (Case 32/65), and Sté Technique Minière v. Maschinenbau Ulm (Case 56/65), enabled the Commission to make its second proposal for group exemptions. The regulation, by exempting automatically the most common exclusive dealing agreements from the prohibitions of Article 85 (1), will eliminate many of the 32,000 exclusive dealing agreements awaiting examination.

How the Backlog Accumulated

Article 85 (1) prohibits restraints on competition which may affect trade between the member states. Article 85 (2) nullifies agreements which violate Article 85 (1). Article 85 (3) provides for exemption of agreements which violate Article 85 (1) on the grounds that the restrictions contribute to progress which could be achieved in no other way and safeguard the consumers' interests. Article 86 forbids the abuse of a dominant position.

Regulation 17/62 instituted a procedure for obtaining a negative clearance, assurance that the agreement as filed with the Commission did not violate Article 85 (1). Regulation 153/62 instituted a short-form negative clearance application. Regulation 27/62 instituted a procedure for obtaining exemption from Article 85 (1) under Article 85 (3). In both cases, filing an application provided temporary amnesty from fines which could be imposed for anti-trust violations, and from nullity under Article 85 (2).

The EEC member states, with the exception of the Federal Republic of Germany, had had little experience with anti-trust laws containing direct prohibitions, such as the Rome Treaty, or the U.S. Sherman Act. Uncertain of the scope of the anti-trust provisions of the Treaty, businesses filed any agreements which might expose them to anti-trust actions. Applications for negative clearance and exemption poured in on the Commission.

Regulation 19/65 empowered the Commission, in consultation with the Consultative Committee on Cartels and Monopolies, to issue regulations exempting certain types of restrictive agreements as a group, rather than case by case as required under the Rome Treaty and the previous implementing regulations. Three cases before the High Court raised questions, however, that the Commission believed should first be settled.

An employee in the EEC Commission's Competition Service logs incoming applications for anti-trust exemption.

Issues Decided During Summer

The Court's decisions in the three cases established that:

- The Rome Treaty prohibits restraints on competition whether by vertical or horizontal agreement, if they directly, indirectly, actually, or potentially hamper the creation of a single market between the Six.
- Consideration must be given to the products concerned, their place in the economic order, and the possibility for trade in the identical product by re-exportation and parallel imports.
- The Council, at its discretion, may circumscribe certain prohibited areas without assuming an obligation to define the entire extent of the ban, and without implying that all acts not exempted are forbidden. Failure to qualify for a group exemption does not prejudice application for an individual exemption.
- Infringement of antitrust prohibitions does not invalidate the entire agreement unless the violating clauses cannot be stricken from the agreement without rendering it meaningless. Nullity applies only to those clauses which violate the bans.

Exemption Proposed for Competing Exclusive Dealers

The proposed group exemption, on which the Commission has invited interested parties to comment until October 31, 1966, will apply to bilateral exclusive distribution and purchase agreements.

These agreements may prohibit the sale of competing articles or advertising outside the exclusive sales territory. They may require the concessionaire to use particular trademarks or packaging. Export prohibitions and agreements with equivalent effect involving the use of trade-marks, resale price maintenance and other more drastic restraints on competition will not qualify for group exemption.

The Commission believes that exclusive dealing agreements in international trade improve the distribution of goods by allowing the entrepreneur to concentrate his sales effort on one outlet. The appointment of an exclusive dealer usually helps assure a regular supply of goods and adequate service facilities. The consumer may benefit, as exclusive dealers in competing products reduce prices to reflect the lower costs of doing business resulting from more efficient distribution methods.

Cooperation Agreements Examined

In a memorandum on industrial concentration, the Commission last January stressed that small firms should not be put at a competitive disadvantage with large companies in purchasing, distribution, or market research. The Commission has now examined four cooperative agreements and invited interested parties to comment on them. Publication in the Official Gazette is a prerequisite for a ruling granting negative clearance or an Article 85 (3) exemption.

One involves an export agreement between ten small and medium-sized companies belonging to the French Machine-tool Manufacturers Association. In return for sole sales rights for the members' products in all countries but France, the Association agrees not to allow competing manufacturers to join. The members promise not to extend their manufacturing and sales activities to encroach on the other members' product lines.

The EEC Commission indicated that it believes the agreement notified promotes economic progress by giving small businesses sales opportunities which otherwise would be beyond their reach. It also widens the range of articles offered to customers in five of the Six.

The second is a specialization and distribution agreement between firms in the marine paint industry. It has given the Commission its first opportunity to define the admissibility under cartel law of research and distribution agreements. Eighteen firms belong to the Transocean Marine Paint Association. They pool know-how, manufacture from standard formulas, use identical packaging and a single trademark to compete more effectively with international paint manufacturers. As originally notified the agreement assigned a specific territory to each member. Amended, the agreement contains only such restraints as are necessary to improve the manufacturers' competitive positions in international trade, the Commission said.

The third agreement involves an association to which the majority of French retail grocers belong, Sté Commerciale et d'Etudes des Maisons d'Alimentation et d'Approvisionnement à Succursales (SOCEMAS). SOCEMAS was established to do market research in France and abroad, to do business in France and abroad, and to purchase some goods for resale by the retailers.

The fourth agreement, which the Commission plans to grant a negative clearance, concerns the organization of European Machine Tool Exhibitions, controled by the exhibit Committee. The exhibit Committee represents the EEC member states' and seven other countries' national machine tool associations.

The Committee specifies the conditions under which exhibitors may participate, notably, that exhibitors may not show their products during the same year, directly or indirectly, at any other fair, exhibition, or salon in any country represented on the Committee. Failure to observe these requirements may lead to exclusion from the next exhibit and the loss of any advance payment of exhibit costs. The subcommittee on admissions, composed of members of the main Committee, may reject any application without stating a reason, and without any possibility of appeal.

MORE VOLUME – LESS VALUE PLAGUES AFRICAN EXPORTS TO EEC

TRADE BETWEEN THE EUROPEAN ECONOMIC COMMUNITY and its 18 African and Malagasy associates neared the $2 million mark in 1965, a 0.3 per cent increase over 1964.

The slight increase during 1965 in the value of trade between the EEC and the Eighteen frustrated optimistic forecasts based on the 15 per cent increase which had occurred since the Yaoundé Convention of Association entered into force in 1964. In 1965, EEC exports to the Eighteen rose 0.8 per cent to $827 million, 13.9 per cent above their 1963 value.

However, the value of the Eighteen's exports to the Six shrank 0.1 per cent in 1965 to $1.146 million, despite a 14 per cent increase in their volume. From 1963-65, the volume of the associated states' exports to the Six increased by 65.5 per cent. Their value rose by 16 per cent during the same period.

Trade in heavy items with low unit prices, such as ores and petroleum products, increased considerably in 1965. A drop in the tonnage of several tropical products occurred and their value declined as well. The average overall value per ton of tropical products had risen from $167.5 in 1963 to $327.8 in 1964. It again fell in 1965, to $309.3.

The fall in world prices for some commodities, particularly cocoa, affected the value of associates' exports to the Six. A slightly new orientation in the trade of some EEC member states also dampened the expected expansion.

PRINCIPAL EXPORTS OF EIGHTEEN TO EEC

(in thousand tons and millions of dollars)	*1963* tons	*1963* $	*1964* tons	*1964* $	*1965* tons	*1965* $
Iron ore	955	11	3 160	37	4 383	50
Tin ore	9	17	7	17	6	16
Manganese ore	360	10	515	15	529	17
Copper ingots	225	143	281	173	240	174
Crude oils	865	15	884	15	1 145	20
Tropical hardwoods	2 113	136	2 501	173	2 296	161
Bananas	297	57	251	51	370	71
Green coffee	196	123	207	163	188	136
Groundnuts	336	71	320	68	314	59
Palm kernels	105	16	112	17	81	14
Groundnut oil	121	45	149	56	150	57
Palm-kernel oil	16	4	14	4	26	8
Palm oil	124	27	156	37	100	27
Cocoa	142	74	149	78	185	76
Cotton	59	35	59	36	47	28
Total commodities	5 923	784	8 765	940	10 060	914
Total all products	7 156	989	10 344	1 147	11 845	1 146

A raft of tropical hardwoods awaits lading in the harbor of Abidjan, Ivory Coast.

SIX SEE NO URGENT NEED TO INCREASE WORLD LIQUIDITY

IMF-World Bank Meeting Focuses on Adjustment Process, Development Aid

THE GOVERNMENTS REPRESENTED in the European Economic Community took similar stands in the world liquidity debate, the focal point of the joint annual meeting of the International Monetary Fund and the World Bank.

International liquidity is the total of reserve assets (gold, credit and foreign currency holdings) available to finance international transactions. Discussions of international liquidity centered on its present adequacy, the creation of additional reserve assets, and the relation of reserves to development assistance.

Delegations from the 105 Bank and Fund member countries and guests from regional free trade areas, private banks, development banks, and international organizations attended the meeting in Washington, D. C. from September 26-30. Representatives of each EEC member state (except Luxembourg) spoke, reaffirming the positions stated in a communiqué which the six finance ministers issued in Luxembourg on Sept. 12, after a conference in preparation for the IMF meeting. The Luxembourg statement confirmed "agreement on the principles underlying the communiqué" issued in July by the Group of Ten but "without underestimating the points of disagreement . . . on procedural issues."

The ten countries participating in the General Arrangements to Borrow are known as the Group of Ten. They are: France, Germany, Italy, Belgium, the Netherlands, the United States, Canada, Japan, Sweden, and the United Kingdom. The Central Bank of Switzerland attends as an observer. Their July communiqué was based on their report on ways to create additional liquidity should future developments require it. The Group of Ten report was one of two completed this year. Working Party Three of the Organization for Economic Cooperation and Development (OECD) prepared the other, on the balance-of-payments adjustment process.

Background of the Liquidity Debate

Karl Blessing, president of the Deutsche Bundesbank and governor of the IMF for Germany, summarized developments leading up to the liquidity debate. The following excerpt from his address at the joint meeting also reflects views expressed by France, Italy, Belgium, and the Netherlands concerning the U. S. obligation to correct its balance-of-payments deficit.

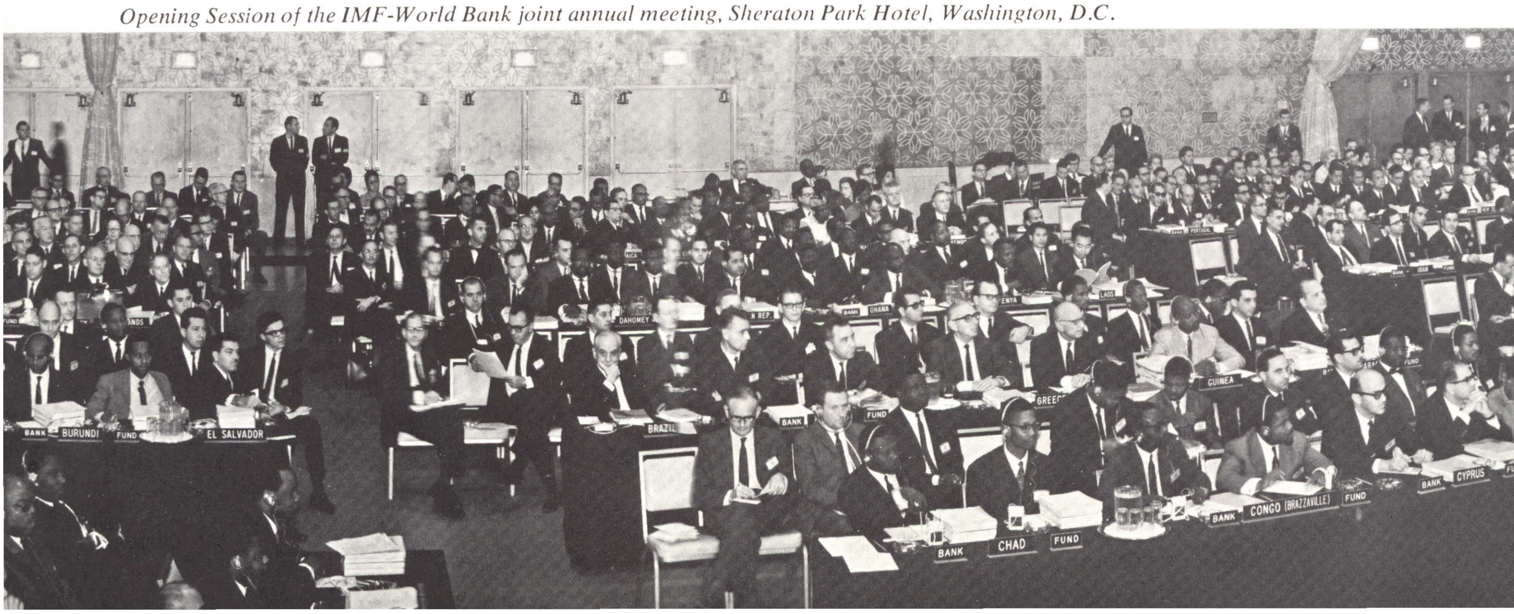
The postwar trend at first led to a desirable replenishment of the monetary reserves of the world out of the U.S. balance of payments deficit. Since this deficit has continued for a number of years, this has gradually brought about an overabundance of dollars. Neither can the United States go on increasing its short-term liabilities to foreign countries substantially, nor are the other countries prepared to build up their dollar holdings in the same measure as hitherto. The Group of Ten was quite right when in its latest study it subscribed to the view that the most important means of maintaining confidence in the reserve currencies and strengthening the monetary system is a restoration of equilibrium in the balances of payments of the reserve countries. There is indeed no alternative to this.

The present international monetary system, the gold exchange standard, was agreed upon immediately after World War II, when the U.S. held most of the world's reserves. Countries use gold to settle their international accounts, exchanging excess foreign currencies for an equivalent amount of gold. The U.S. buys and sells gold at fractionally more than $35 per fine ounce. Other currencies are denominated in terms of the U.S. dollar.

Michael Debré, minister of economy and finance and governor of the World Bank for France, amplified Mr. Blessing's remarks on the problem of maintaining confidence and commented on the gold exchange standard.

Starting from a form of gold exchange standard which was intended for a short time, owing to circumstances, we are now moving toward a notion of world reserve currencies which some are trying to substitute permanently for gold. The prominence given to these world reserve currencies is aggravated by the fact that, through a probably unavoidable process, (the U.S. dollar) *tends to become the exclusive reserve asset. . . . Obviously a national monetary policy cannot be guided, as it always should be, by the prior con-*

Opening Session of the IMF-World Bank joint annual meeting, Sheraton Park Hotel, Washington, D.C.



sideration of international equilibria. National interests cannot help but predominate. . . . To convert surpluses into gold is considered . . . as a dangerous, indeed as an inadmissible action, where as this is one of the principles of the gold exchange standard in its normal functioning. Conversions into gold have the advantage of ensuring that unlimited credit is not granted to deficit countries.

Creation of New Reserve Assets

M. W. Holtrop, president, De Nederlandsche Bank N. V. and governor of the IMF for the Netherlands, made the following remarks on plans for further study of the problems of international liquidity and deliberate reserve creation in the event of a shortage. Spokesmen for the other governments belonging to the EEC expressed similar views.

At the present moment there is no question of such insufficiency . . . we live . . . under conditions of active inflation. Deliberate creation of reserves is not going to solve that problem. Nor will it bring a solution for the persistent deficit/surplus relationships. . . . I still think such planning should proceed, because the contingency it would take care of is a potential threat that should be removed . . . the possible reform of the monetary system should also contribute to enhancing the disciplinary function of gold . . . by providing for a transfer ratio linking the use of a new reserve unit to gold. . . .

Mr. Debré defined the role of gold in the adjustment process between surplus and deficit countries and in international trade:

The economic activity of the international community results from the adjustment of the mechanisms commanded by national economies . . . nothing but an instrument independent of national powers can regulate the balance of trade.

Hubert Ansiaux, governor of the Banque Nationale de Belgique and governor of the Fund for Belgium, emphasized that any addition to international liquidity should:

. . . be accompanied by the discipline necessary to prevent the substitution of liquidity creation for the adjustment efforts required by the balanced functioning of the international monetary system. . . .

International Liquidity and Development Aid

Emilio Colombo, minister of the treasury and governor of the Fund for Italy, contrasted traditional reserve accrual with reserve creation and the implications of both.

Traditional reserves are earned through a surplus in the balance of payments. . . . The new reserve assets, by contrast would be distributed without any such counterpart. . . . Whatever form the new assets might take, what is involved in substance is reciprocal granting of credits between countries worthy of it . . . because they have as a rule demonstrated their political willingness to make such adjustments as are necessary to eliminate external imbalances. . . . The new reserve assets would be distributed also to countries which have not met the above condition to the same extent; but (then) *. . . the transaction rests only formally on a balance of rights and obligations.*

This interpretation . . . differs basically from another interpretation that deliberate reserve creation should be exclusively a system of rights "free of charges," and available by definition to all countries. No monetary system which fails to take into account the need to help developing countries can gain wide acceptance. . . . The advantages . . . accruing to developing countries cannot be measured merely in terms of the quota of new assets allocated to them; they stand to gain much from the more liberal trade and aid policies which the industrial countries would then be willing to adopt.

Mr. Debré commented:

There is no miracle cure capable of providing international money unless someone is willing to pay for it. . . . Capital is not born of nothing. Money means production.

Of the high demand for capital, Mr. Blessing said:

We are all sorry to see that development aid has not been rising significantly over the last few years . . . the present high, if not excessive demand for capital experienced all over the world is not matched by a supply sufficient to satisfy all requests . . .

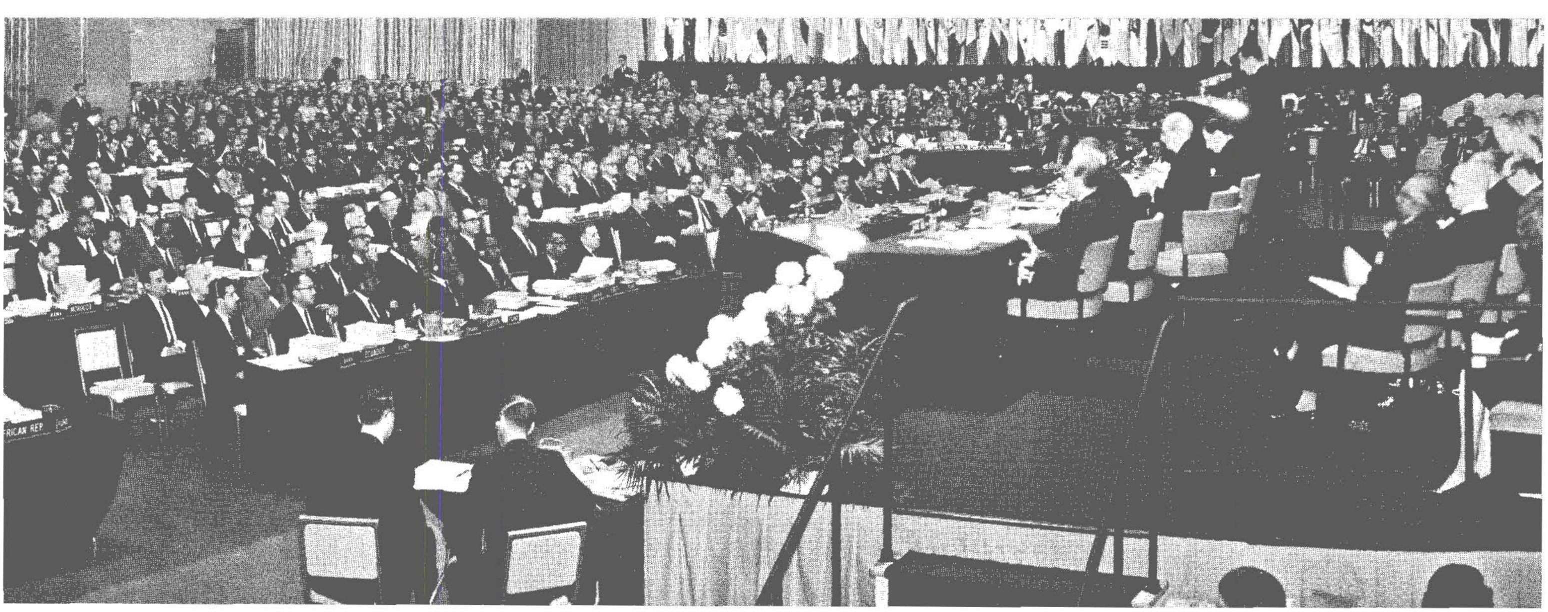
Mr. Holtrup said he did not believe that reserve creation would:

. . . give the answer to the problem of capital scarcity of the developing countries. Deliberate creation of monetary reserves should not have the purpose of bringing about a permanent transfer of real resources from one group of countries to another.

The Group of Ten report said:

We have . . . taken account of the needs of all countries . . . treated reserve creation as a problem distinct from the provision of capital for developing countries.

Referring to the OECD Development Assistance Com-



mittee report of last July (see *European Community* No. 96) Mr. Colombo said that in appraising development assistance, it is necessary to:

. . . look beyond the mere figures which account for the flow of aid and the terms on which it is granted. Industrial countries can make a contribution to international cooperation . . . by dealing with the typical and recurring difficulties inherent in their own stage of economic development. . . . One can make it a firm principle of policy decisions that the economy must remain open, that no use shall be made of restrictive measures harmful to developed and developing countries alike. . . . The problems of financing development cannot be seen in isolation from the commercial policy of the industrial countries and from their collaboration in the field of international liquidity, whereby they promote the smooth functioning of the existing international monetary system—a matter in which the developing countries, too, have an obvious interest.

U. S. View of Liquidity and Aid

Concerning the OECD Working Party 3 and Group of Ten reports, Henry H. Fowler, secretary of the treasury and governor of the Fund for the United States said:

Each of these reports recognized that . . . the responsibility for adjustment should fall upon both deficit and surplus countries. Deficit countries must make full efforts to balance their payments positions through appropriate policy mixes. . . . Surplus countries must employ their surpluses or hold them in forms that are consonant with the international interest, taking measures which will permit the adjustment policies adopted by deficit countries to work.

It is neither the course of national economic wisdom nor of international cooperation for surplus countries to use their capital markets as instruments for the accumulation of gold and other reserves beyond their needs.

Such large reductions in reserves as have occurred have affected the reserve currency countries . . . where reserves were too concentrated . . . they have been redistributed. But that process—having taken place—cannot be expected to continue under normal conditions—and further dispersion at the expense of the reserve currencies does not strengthen the monetary system as a whole.

Progress in the direction of better monetary arrangements, including assurance of adequate reserves in the future, is our decided purpose. . . . The time for decisive action is here. . . .

On reserve creation and its relation to trade, Mr. Fowler said:

Many more people, wanting many more goods and services, and increasingly able to earn them will require a very substantial rise in the world's needs for reserves. While we must not make the mistake of confusing money, the lubricant, with incomes which provide the fuel for the whole economic machine, it is equally unwise not to give proper care to an adequate supply and use of lubricant.

George W. Ball, Under Secretary of State and temporary alternate governor of the Fund and the Bank for the United States, added:

Surely aid transfers should not be so managed as to result in contraction of world liquidity and world output. . . . It should be possible—and indeed it is essential—to devise satisfactory arrangements that will permit donors in balance of payments deficit to make their proper contributions . . . without further unbalancing their external accounts.

Summary of Opinions by IMF

The Fund report noted, summarizing the work of the past year:

To some extent, the question as to the most appropriate method of providing a supplement to world reserve growth as and when needed can be considered separately from the questions of whether the present level of reserves, their composition, and their rate of growth are satisfactory, when the need for supplementation could arise, how large a supplement would then be required, or even how the need for such a supplement would be assessed. It is evident, nevertheless, that the answers given to these questions are bound to affect the nature of the machinery envisaged for the creation of additional reserves and the urgency with which the task of planning such machinery is approached.

EFTA Gains in Trade with EEC

Trade between the European Free Trade Association (EFTA) and the European Economic Community is growing faster than EFTA's trade with the rest of the world, and a little more slowly than trade among EFTA members.

The Sixth Annual Report, which EFTA released in September, indicates that the yearly increase in EFTA-EEC trade averaged 10 per cent from 1959-65. This average corresponds roughly with its growth rate prior to the formation of EFTA in 1959, the report says. Trade between EFTA members expanded 12 per cent per year during the same period, while EFTA trade with the rest of the world grew 6 per cent per year.

The increase in EFTA exports to the Six amounted to 5 per cent from 1964-65. EFTA imports from the EEC rose 8.8 per cent. Thus, the EFTA deficit on trade with the EEC rose to $3 billion, an 80 per cent increase over the $1.7 billion deficit in 1959.

The report mentions a change in this trend in early 1966. EFTA exports to the Community rose more than 11 per cent as their imports from the EEC increased 8.8 per cent. Renewed economic expansion in France and Italy, the report notes, "seems to be having a healthy effect on the figures."

U.S. Chief of Protocol James W. Symington administered the oath of office to the new Chief of the U.S. Mission to the European Communities J. Robert Schaetzel. U.S. Under Secretary of State George W. Ball (center) attended the swearing in ceremony on Sept. 21, 1966.

TREAT CAUSE, NOT SYMPTOM, HIGH AUTHORITY TELLS ECSC

Price Disparity Between ECSC Coal and Imports Distorts Competition

THE HIGH AUTHORITY of the European Coal and Steel Community is trying to dissuade the member states and their coal and steel industries from pursuing disjointed, national remedies for difficulties caused by structural defects in the ECSC market.

The price disparity between coking-coal mined in the Community and imported coking-coal, chiefly from the U.S., threatens to disrupt the common market in steel. Community coking-coal, deposited in narrow strips below the surface, is more difficult to mine, and has a higher sulphur content than U.S. coking-coal, mined from wide-strip and open basin deposits. Higher processing costs of ECSC coking-coal, added to the costs of retraining excess coal mining labor for work in other industries have also raised the cost of ECSC coking-coal. U.S. mines, which automated early to offset an acute shortage of miners, still have a shortage. Both physical and social considerations mitigated against the automation of the ECSC industries.

Lack of Common Energy Policy, A Factor

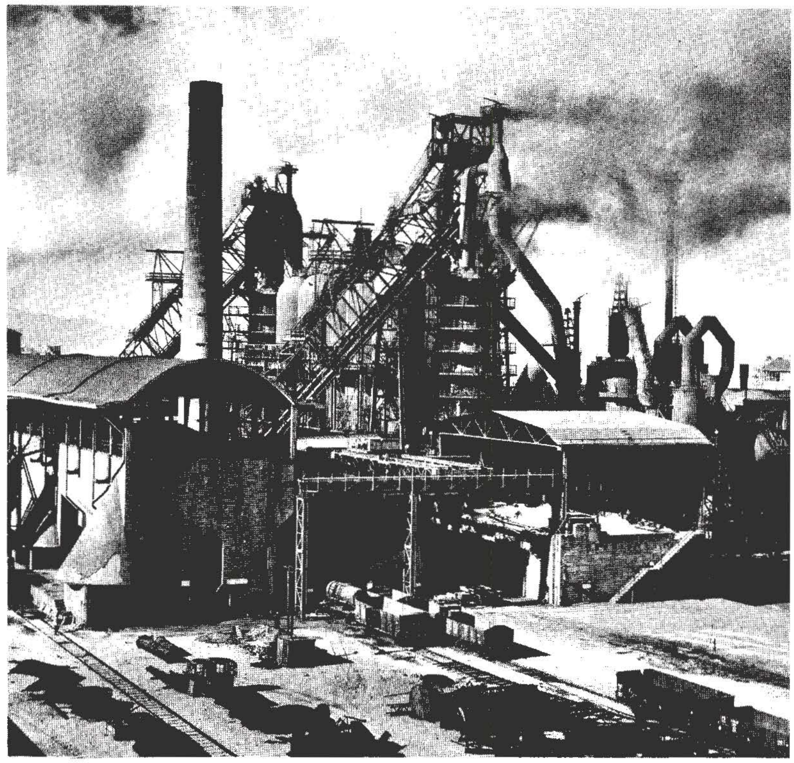
The Paris Treaty of 1951 creating the ECSC made no provision for a common energy policy or a common commercial policy. Thus, nothing prevents Italian and Dutch plants, located on the seacoasts, from importing coking-coal from outside the Community at a decidedly lower cost. The German steel industries, located in the coal mining regions, use the more expensive ECSC coal, placing them at a competitive disadvantage.

The ECSC Council of Ministers on July 12, failed to agree on Community aids to the coking-coal industries, designed to eliminate the price disparity as a competitive factor. There followed announcements of plans for national coal subsidies and steel cartels.

In a communique issued on Sept. 14, the High Authority reserved comment on the compatibility of the "latest developments in the coal and steel industries" with the Paris Treaty. It emphasized the urgency of returning to the Community context to seek solutions. The High Authority stressed that price differentials threaten increasingly to distort competition, and that action solely on the national level isolates the national markets, endangering first the common market in steel, and ultimately, the common market in all other sectors.

Lack of Provision Does Not Imply Permission

The High Authority acknowledged that the Paris Treaty lacks specific provisions in some areas, such as commercial policy. However, it emphasized that lack of provision does not imply permission to improvise, individually or at the national level, measures contrary to the basic spirit of the Treaty. Legalities aside, the High Authority pointed out that correctives must attack the problem, the structural weakness of the coal and steel markets. The High Authority "is convinced that these solutions can only be found in a Community framework . . ." Seeking them elsewhere would "repeat past errors which, instead of arresting the disease, aggravated it by constantly decreasing trade and production."



Italian steel companies are free to use cheaper, imported coking coal, instead of coal mined in the ECSC. Shown here: a blast furnace belonging to Italsider, S.p.A.

Before adjourning on July 12, the Council of Ministers asked its ad hoc policy committee to continue studying the problem of aid to the ECSC coking-coal industries. On Sept. 14, the High Authority appointed two expediting committees to investigate the problem and to propose Community solutions at the earliest possible date.

The first committee, as the High Authority instructed, has established contact with the member states' governments to examine the iron and steel industries' coking-coal supply problem and to promote Community solutions. The second group will present its first report to the High Authority on Oct. 5. The report will cover measures now applied to iron and steel imports into the Community: quotas on imports from the Eastern bloc; the prohibition of price alignments by Community producers on these imports; and a temporary surcharge of $7 per ton on foundry pig iron. All expire at the end of the year, unless the Council of Ministers decides to renew or extend them.

Its second study, to be ready by Oct. 12, will compare competitive conditions and investment financing in the Community steel industry with those in other major steel producing countries. It will provide an initial outline for new medium-term policy for iron and steel.

The ECSC Consultative Committee met in Luxembourg on Sept. 23. Spokesmen for the producers, workers, consumers, and dealers represented on the Committee endorsed the High Authority's assessment of the steel crisis and its endeavors to contain it.

COMPUTER COMPANIES FIGHT FOR EEC MARKET

by **S. A. GEE-SMYTH,** *staff writer, The Economist*

A GERMAN, FRIEDRICH ZUSS, developed the first electromechanical computer between 1937 and 1941, but "Eniac," the first electronic computer, built in 1946, was American.

The United States pioneered the use of computers in business, but the European computer revolution started late and is just beginning to gather momentum. In the competition for the European market, American companies have already made more than 80 per cent of all installations. International Business Machines (IBM) holds 70 per cent of the market. Other American giants (Univac, Honeywell, General Electric and National Cash Register) take the rest of the orders.

Approximately 10 European companies manufacture computers that are not entirely of American design. This estimate excludes some small, semi-independent firms making a few specialized scientific models, but most of these manufacturers have some liaison with American companies.

Recently, there have been indications that European governments, industries and research institutions are not entirely happy at the thought of American domination in the computer field.

IBM Shares French Market with GE-Machines Bull

"L'affaire Bull," the General Electric (GE) takeover of the French computer firm Machines Bull, left France without a centralized computer industry. Excluding fragmented computer divisions belonging to other French manufacturers and the French subsidiary of IBM, only two French computer manufacturers of any size survived.

Currently, IBM and GE-Machines Bull share the French market. IBM has enormous factories at Essones and La Gaude where it does research and manufactures computers and components. GE-Machines Bull, despite a loss in its first 18 months after takeover, remains confident. Bull has installed 11,000 of its small "Gama 10" computers throughout Europe.

French Independents Lack Capital

Cross agreements interrelate the two independent French computer manufacturers: Compagnie pour l'Information et les Techniques Electroniques de Controle (CITEC) and Société d'Electronique et d'Automatisme (SEA) linked with the Schneider group.

(Ed. Note: Since this article was written, the French Government has announced its "Plan Calcul" to revitalize the French computer industry. As described in the August 13, 1966 issue of *The Economist,* the Plan approved a merger between CITEC and SEA. The merged company will concentrate its efforts on a new range of "predominantly scientific computers." The Government will provide $103 million in research grants and development contracts, to be supervised by a new centralized administration created for this purpose.)

CITEC, the largest, was formed as a holding company in 1964 by the Compagnie Générale de Télégraphie Sans Fil and the Compagnie Générale d'Electricité. It agreed to exchange ideas with the British computer manufacturers International Computers and Tabulators (ICT) and English Electric. Originally, CITEC and the British firms planned to cooperate on the development of a large scientific computer. However, total demand for such a computer was estimated at 25, and the project appears to have been shelved.

The French firms lack capital, and the Government has reported it would favor their merging. If such rationalization does occur, the French will probably concentrate on developing third-generation machines for commercial application, such as process control computers. The Americans have not concentrated much effort in this field.

The French may, on the other hand, give up manufacturing "hardware" altogether to concentrate on producing highly sophisticated peripheral equipment. The initial cost of such a project would be in the vicinity of $200 million. The French Government would supply half that amount.

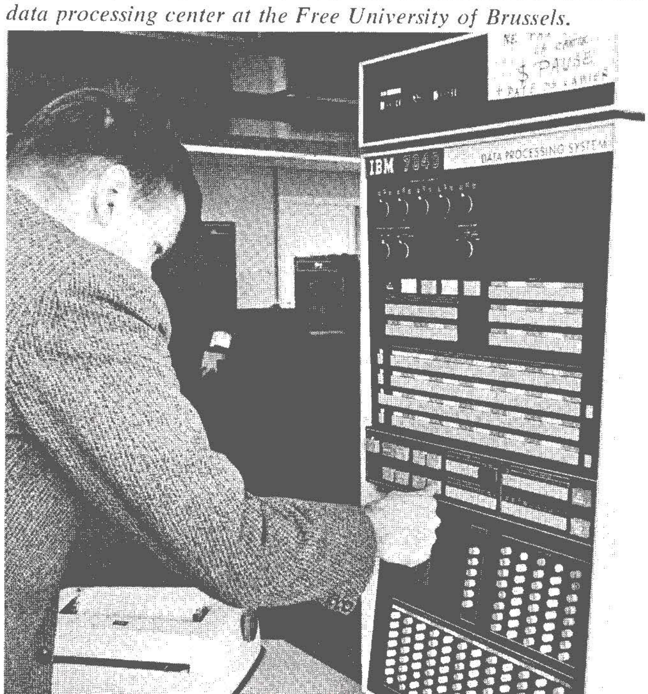
Other EEC Computer Manufacturers Compete

Allgemeine Elektricitäts-Ges. (AEG) and Telefunken have joined forces to expand a computer line in Germany, Telefunken, concentrating on the manufacture of large specialized machines, has remained reasonably independent to date. It might be a good candidate for any European joint projects. Siemens & Halske manufacture models under license from the Radio Corporation of America (RCA).

GE also bought out the computer division of the Italian firm, Olivetti. Olivetti, however, retains the right to continue research on "software" and peripheral equipment and would probably welcome close ties with other European computer manufacturers.

Philips, the gigantic electrical company in the Netherlands, recently acquired a small but important company, Electrologica. It plans to manufacture research and process control computers.

American computer manufacturers have installed more than 80 per cent of Europe's data processing centers. Shown here: the data processing center at the Free University of Brussels.



The views expressed in this article are those of the writer and do not necessarily reflect the policies of any Community institution or official.

British Computer Industry—Europe's Most Independent

Only Britain in Europe has a wholly independent industry of any size with a definitely stated intention of remaining self-sufficient. International Computers and Tabulators (ICT), formed after a series of mergers, has recently aimed a "Buy British" drive at industry and has also declared war on IBM. Significantly, IBM commands less than 50 per cent of the British market. ICT has received a lump sum of $75 million from the Government for research and development, far more than any of its rivals. Financially, the company is not strong, although its second generation 1900 series of computers had earned $40 million by 1965.

English Electric, ICT's closest rival, supplies 15 per cent of the British market. It recently announced "System 4," a new series of third generation machines. These computers employ microelectronic components printed in "integrated circuits" on silicone chips. "System 4" results from license agreements with RCA, thus English Electric is no longer wholly British.

Eliott Automation manufactures the whole range of computers from commercial machines to process control installations. Ferranti and Marconi produce military electronic scientific devices competitive in world markets.

There is a belief that the British Government would like to see rationalization in the computer industry. It is likely that mergers will take place in time, the most favored companies being English Electric and ICT.

Regnecentralen of Copenhagen manufactures scientific machines. The Swedish firm, Saab also makes a few machines of its own, but is closely connected with Honeywell. The Swiss firm, Brown Boveri, manufactures research computers on a small scale.

Market Has Exceeded Even Most Optimistic Forecasts

Accurate forecasts of the future growth of computers in Europe are impossible. The market has been expanding faster even than optimists dared hope.

Germany saw a 33 per cent increase in the number of computers in use during 1965. Britain and France had increases of 20 and 22 per cent respectively. From January 1965 to January 1966, the estimated number of data processing installations in the three countries rose as follows:

	1965	*1966*
Germany	1603	2132
France	1061	1294
U.K.	1160	1415

Western Europe's present 6000 computer installations should jump to 18,000 by 1970, a $3.3 billion increase by value.

Europe stands at the threshold of a snowballing technology. Eastern Europe, anxious to buy all types of computers from the West, is the plum ripe for picking today, and there are rich pastures farther afield in South America and Australia. Industry will install computers right across the board. Perhaps the biggest explosion will come in factory automation by process control. In such labor-tight countries as Switzerland and Germany, computer installations are increasing rapidly.

Europe Will Also Need Skilled Programmers

Much has been written about the "monster machine" taking work away from the needy worker, but research shows that, assuming a tenfold increase in the number of computers in use by 1974 and a reduction from 3 to 2 per cent in the annual rate of increase in demand for clerical jobs, offices would still absorb all available clerical labor. Such large, labor-intensive concerns as banks say that without computers, lack of staff would force them to their knees by 1974.

Data processing center of the Kundenkredit Bank KGAA, Düsseldorf, Germany. PHOTO: IBM WORLD TRADE CORP.

A chronic shortage of programmers and systems analysts has been one important and serious byproduct of the computer revolution. Overall European demand is estimated at 200,000 by 1970.

Only the Rich Survive

Since GE's takeovers in France and Italy, the European industry has been considerably weakened. Many observers consider it has suffered a mortal blow. The collapse of these comparatively large firms shows that only very wealthy companies can afford to gamble in the international computer game.

An independent European computer industry might still be able to give the American companies a run for their money.

If Europe wants to retain its independence, government backing combined with international exchange of technology will have to play an increasingly important part. Considerable savings of time, money and duplication of research in such complicated areas as compiler design, programming and peripheral equipment adaptation would be achieved.

The question is whether it is too late to catch up?

COMPUTERS PER MILLION NON-AGRICULTURAL WORKERS (1965)

U.S.A.	386
Switzerland	125
Sweden	95
France	60

FORECAST OF COMPUTERS INSTALLED BY 1970

	Number	*Value in millions of dollars*
U.S.A.	45,000	$12,500
Western Europe	18,000	5,500
Japan	4,575	900
Australia	1,000	250

SOCIAL DEVELOPMENTS *(continued from page 4)*

establish within their medical services a section to treat occupational diseases.

Family Life Is Changing

The average EEC citizen marries one or two years earlier now than he did in 1958. He has a smaller family, more leisure time, and his wife often works. He purchases more durable goods both for his home and for his leisure enjoyment.

The member states' actions reflect their endeavors to adapt family life to the changing pattern of modern society. Some countries increased family allowances and introduced new benefits. Germany, for example, in 1965, decided to grant an education allowance for young adults who continue to study or take vocational training.

COMPARATIVE COST OF LIVING INCREASES *1958 = 100*

	Annual Average 1964	*Annual Average 1965*	*Dec. 1964*	*Dec. 1965*	*June 1966*
Belgium *	111	115	113	117	121
Germany	114	118	115	120	122
France	129	132	130	134	136
Italy	124	129	127	131	132
Luxembourg *	108	112	110	115	115
Netherlands	119	126	120	128	135
United States	107	109	108	110	113 (Sept.)

* excludes rent

Some countries have improved the legal status of women by revising laws to allow wives to hold property in their own names. The Commission also notes a growing awareness of the need for nursery schools and kindergartens as more women take jobs outside the home.

CORRECTION

The chart on page 11 of *European Community* No. 94 for July 1966 is incorrect owing to a transposition of figures. The figures in the first line, "Franc zone," for all columns except "Germany" and "Total" are percentages and should be in the last line, "Per Cent." All other figures in these columns should be moved up one line. Thus, imports from Belgium into the franc zone are $455,000, from Belgium into the Congo, Burundi and Rwanda $117,000, etc. The columns under "Germany" and "Total" are correct.

NEWS BRIEFS

Common Market
Euratom
Coal & Steel Community

Council Continues Work on Farm Details

The Council of Minisers of the European Economic Community continues to work on details of the common market organizations decided in May and July.

At its meeting on Sept. 21-22, the Council discussed sugar, fruits and vegetables and adopted the regulation establishing a common market in fats and oils. It also approved a regulation on refunds on production of cereal and potato starches, to take effect on July 1, 1967, and extended the present regulation to cover the interim period. The Council asked the EEC Commission to make further proposals for the gradual establishment of a common market organization for non-edible horticultural products. The Council also took note of a Commission memorandum concerning the member states' requirements that marks of origin appear on all egg imports and agreed to examine this question at its next meeting.

The Council set the following schedule for future meetings devoted to agriculture: Oct. 24-25, Nov. 21-22, Dec. 13-15, and possibly Dec. 16.

ECSC to Lend $7 Million for Housing

Funds from the High Authority of the European Coal and Steel Community will help build homes for French and German steelworkers and coal miners.

French coal and steel industries will match ECSC loans of $3.25 million to help house steelworkers, and $2.24 million towards the cost of building dwellings for coal miners. These funds will build 2,000 of the 9,000 dwellings needed.

German financial institutions will lend more than twice the amount of the ECSC $1.6 million housing loan. This amount will provide 1,500 of the 7,100 homes necessary.

The High Authority will lend these funds under its sixth housing program. Under the first five programs, the High Authority provided $700 million to help finance the construction of more than 100,000 dwellings.

In 1952, when the ECSC was formed, the housing shortage was acute. Miners and steelworkers often had to travel long distances to their homes in the evening. The High Authority early recognized the social need for suitable housing at reasonable distances from the plants and mines. It also realized that housing would help to bring workers into the ECSC industries. Early ECSC housing programs, however, suffered from a lack of funds.

The High Authority still follows the policy developed under its first successful housing program in 1955. By raising money on the capital markets, the High Authority supplements its own resources and relends at nominal interest rates. The High Authority finances up to 50 per cent of the building costs. The member states' governments and private industries provide the rest.

U.S. EEC-Subsidiaries to Invest More

U.S. subsidiaries in the European Economic Community will invest at least $4 billion more in plant and equipment by the end of 1967.

Investments in the chemical industry will be particularly strong. They will rise from $0.9 billion in 1965 to $1.2 billion in 1966 and $1.3 billion in 1967.

The September issue of "Survey of Current Business," published by the U.S. Department of Commerce, says that the steady increase in the rate of return on domestic manufacturing investments has not yet affected total capital outlays in Europe by U.S. manufacturing subsidies. Domestic return has risen from 10.2 per cent in 1961 to a high of 15 per cent in 1965. However, manufacturing investments in Europe still return 13 per cent a year.

The table below compares 1966-68 investment projections for major industries with actual outlays in 1965, in millions of dollars. Asterisks indicate investments of less than $500,000.

	1965			*1966*			*1967*		
	Mining and smelting	*Petroleum*	*Manufacturing*	*Mining and smelting*	*Petroleum*	*Manufacturing*	*Mining and smelting*	*Petroleum*	*Manufacturing*
EEC TOTAL	3	306	1,042	2	474	1,424	1	482	1,449
Belgium and Luxembourg	–	26	113		43	240	–	46	156
France	2	75	243	2	127	286	1	90	345
Germany	*	97	508	*	161	615	*	183	657
Italy	*	75	110	*	99	144	*	106	162
Netherlands	–	33	68	–	44	138	–	57	129

EEC Journalists Deplore New Nationalism

The Association of European Journalists, meeting in Berlin for its fourth annual review of the situation in the European Economic Community, expressed concern over the "resurgence of nationalism in several member countries."

The journalists, in their final resolution, divided blame between those governments which had set policies tending toward nationalism and other governments which passively accepted them. The journalists also expressed impatience at the delayed merger of the executives of the EEC, the European Coal and Steel Community and Euratom.

The journalists criticized the lack of a provision to strengthen the powers of the European Parliament in the 1966 agreement which completed most market organizations under the EEC common agricultural policy. However, they praised both the Commission and the public for their roles in promoting the agreement—the Commission by conciliation, and the public by bringing pressures on governments.

A Community which included all free European countries would best assure peace, the journalists said. In conclusion, they stressed that enlarging the Community must not dilute the Community concept, as defined in the treaties of Rome and Paris.

Patent Gap Cost France $80 Million

France incurred an $80 million deficit in its international transactions involving patents and know-how during 1965.

French Minister of Economy and Finance Michel Debré pinpointed the source of the French deficit in his recent reply to a parliamentary question. France paid to foreign licensors $144 million in royalties, but collected only $60 million from foreign licenses. France sold patents worth $3.2 million more than the foreign patents it purchased.

France sustained the largest deficits in patent and know-how transactions with the United States ($55.2 million) and Switzerland ($30.4 million). In transactions with members of the European Economic Community, France had a deficit of $1.8 million.

European Social Fund to Retrain 51,000

Decisions the EEC Commission made on June 30 will allow 51,100 unemployed workers to be retrained and re-hired.

The European Social Fund will contribute $7.34 million. The five member governments involved will contribute the same amount. The sums allotted vary with the needs of the unemployed workers.

The Social Fund's contribution will be distributed as follows (value shown in millions of dollars):

	Value	*Workers*
Belgium	0.60	1,017
France	1.36	8,623
Germany	0.05	5,057
Italy	3.75	34,563
Netherlands	1.48	1,840

Job Guidance Stressed in Labor-Short EEC

Population changes and technical, social, and economic progress continuously and radically alter manpower demand. Vocational guidance, closely coordinated with placement, should help workers find out what skills employers want and how to get them, according to the Commission of the European Economic Community.

The Commission stresses these aspects of vocational training in a recommendation to the member states. The Community now plans to report yearly on vocational guidance activities and improvements.

The member states have improved their vocational guidance services, but the Commission believes they must try harder to reach workers who have special employment problems. In particular, the Commission mentions the physically and mentally handicapped, rural and migrant workers, and the inexperienced, transferring from school to jobs.

The Commission recommends that the member states participate in pilot experiments, exchange information and experience regularly, and extend joint aid to workers moving from depressed areas.

House Plans Compete for ECSC Awards

Five thousand designs for houses using prefabricated steel parts are competing for $80,000 in prizes offered by the High Authority of the European Coal and Steel Community.

An estimated 2,000 to 3,000 architects, engineers and housing experts from all over the world individually and jointly submitted these plans. They tried to design houses simple enough so that 10,000 units a year could be built, using prefabricated steel roofs, stairs, windows and other parts to reduce construction costs. The ECSC Steel Congress in 1964 suggested the idea for the contest.

By the end of October, the jury hopes to narrow the competition to a maximum of sixteen designs. The contestants, during the second stage, will elaborate their designs.

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