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COMMON MARKET COAL AND STEEL COMMUNITY EURATOM

CONTENTS

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The European Community's new administrative center on the Rond Point Robert Schuman, *Brussels. Last fall, the agriculture division moved into new quarters in the right wing of the building in the center. Other parts are rapidly nearing completion.*

Progress Despite Crises

OUR COMMUNITIES have passed through a succession of crises . . . but have still made great progress from year to year. The customs union is being established faster than was originally expected, common policies have been developed, and the Community has persevered in its activities within the context of its association with certain African states and Madagascar and, more broadly, for the benefit of the developing countries. . . .

To complete the common policies, to merge the Treaties, to enlarge the Community, to increase the part it plays in the world—these are the objectives that the Commission has set itself in order to help forward the building of a united, independent Europe that will be a force for peace and progress in the world.

Introduction to the First General Report of the European Communities Commission on the Activities of the Communities in 1967, to the European Parliament, February 1968

The Real Story on Consumer Prices

STATISTICS have again shown the wide diversity of living habits among the countries of Europe: Italian and French families spend more than 40 per cent of their money on food, drink, and tobacco; the Belgians are the Community's champion beer drinkers; France has too many cars and too few telephones, and the Federal Republic of Germany has the lowest industrial prices in the European Community.

Two studies by the European Community's Statistical Office provide this evidence. One, a survey in the six member states of 42,000 families,[1] revealed wide and unexpected differences in spending patterns, indicating that in Europe living standards still differ markedly from country to country. The other study, based on a sampling of prices charged by department stores and shops in April 1967 for 215 consumer items,[2] showed that a single Community-wide market was still a long way off.

What 42,000 Families Buy

An analysis of the volume and types of expenditures for goods and services of population groups in the Community revealed wide differences in living standards, not only in different Community countries but also between different types of households—between farmers and industrial workers or wage- and salary-earners, for instance.

The average wage-earning family in Luxembourg had the highest standard of living of any such family in the Community and spent 68 per cent more than the Italian family, which had the smallest expenditures. Standards of living on the farm differed even more radically. Life was hardest, according to spending patterns, for Italian farming families which spent 80 per cent less than their Dutch counterparts, the pace-setters.

CONSUMPTION INDEX (Italy=100)

Wage-earning Families		*Farm Families*	
Luxembourg	168	Netherlands	180
Belgium	152	Luxembourg	162
France	143	Germany	153
Germany	141	Belgium	153
Netherlands	134	France	138
Italy	100	Italy	100

[1] Statistiques sociales, série speciale, Budgets Familiaux 1963/24, No. 7-1967

[2] Marché intérieur No. 4-1967

VOLUME OF CONSUMPTION

Country-Yearly Consumption per Household

Article	*High*	*Low*
Bread	Italy, 268 lbs.	Netherlands, 189 lbs.
Meat	Luxembourg, 158 lbs.	Netherlands, 81 lbs.
Milk	Netherlands, 268 pts.	Italy, 152 pts.
Potatoes	Belgium, 418 lbs.	Italy, 75 lbs.
Beer	Belgium, 94 pts.	Italy, 3.5 pts.

The survey by the Statistical Office covered family budgets during 1963-64. Trained investigators recorded every detail of expenditures by more than 42,000 families. The only categories not investigated were families maintained by self-employed persons, families with independent incomes, and persons living alone. The analysis, based on more than ten million items of information and covering approximately three-quarters of the population of the Communities, provides the first Community-wide picture of how families in the Six live.

Ownership of durable goods, another significant gauge of living standards, was also considered. As car owners, French families headed the list: 48 per cent of the families surveyed owned cars, compared with 20 per cent in Italy, the lowest. In the Netherlands, 57 per cent had television sets, compared with 27 per cent in Luxembourg. But Luxembourg led in ownership of washing machines (82 per cent), refrigerators (70 per cent) and telephones (40 per cent). Only 20 per cent of Italian families owned washing machines, and only 6 per cent of French families had telephones. In Luxembourg 81 per cent of families had kitchen gardens; Belgians came second with 58 per cent.

Why Smart Shoppers Travel

The second study, of consumer prices in the six member states of the Community, showed why thrifty housewives will probably continue to shop in neighboring countries, even after duties disappear completely next July. Belgians, for instance, go to the Netherlands to purchase clothing and certain foods. No attempt was made to compare the overall cost of living in the various Community member countries, nor to explain the persistence of the large price differences that appear in the following charts.

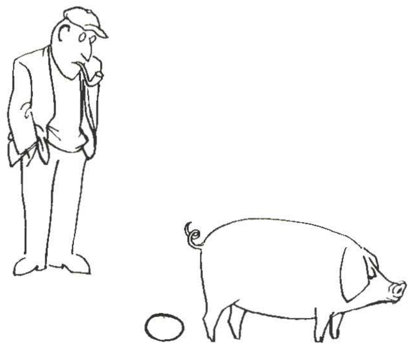
FOOD PRODUCTS

(in dollars)	B	F	G	I	L	N
Potatoes (kg)	.10	.10	.09	.14	.09	.10
Peas, canned	.39	.37	.44	.39	.37	.34
Beef, prime (kg)	3.52	3.04	2.75	3.09	2.32	2.70
Pork, choice (kg)	1.16	1.53	1.16	1.52	1.36	1.15
Chicken, roasting (kg)	1.26	1.23	1.31	1.49	...	1.19
Bread, white	.22	.17	.41	.28	.24	.23
Milk, pasteurized (liter)	.17	.15	.16	.21	.17	.16
Coffee (250 g)	.56	.50	.75	1.07	.52	.53

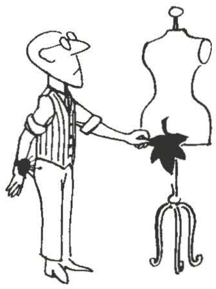
B—Belgium, F—France, G—Germany, I—Italy, L—Luxembourg, N—the Netherlands.

Overall prices for food in the different Community countries are closer than industrial prices. Potatoes cost about the same in all countries but Italy. Peas are most expensive in Germany where production is limited. Beef prices are lowest in Luxem-

ınd Purchases in Europe



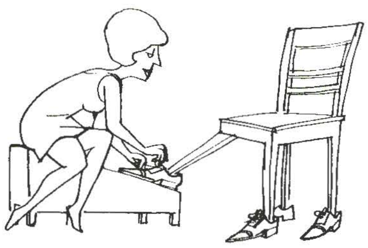
bourg, the Netherlands, and Germany. Pork is also less expensive in Germany than in France, but chicken, milk, and eggs cost less in France than in Germany. French bread costs much less than bread in Germany. Coffee, and sugar as well are most expensive in Italy.



TEXTILES AND CLOTHING

(in dollars)	B	F	G	I	L	N
Man's suit (wool)	75.41	76.10	53.60	51.10	64.30	53.23
Man's shirt	5.82	8.59	5.03	6.74	5.94	4.47
Lady's skirt (synthetic material)	9.45	12.16	8.69	8.40	9.43	7.84
Women's stockings	.79	.78	.75	.81	.77	.64
Slip	4.54	6.31	4.95	4.96	5.37	3.86

For textiles, prices are lowest in the Netherlands and relatively high in France and Belgium. For the products above, the Germans pay less than the French, often much less, as in the case of men's suits, shirts, and work clothes (uniforms).



HOUSEHOLD GOODS

(in dollars)	B	F	G	I	L	N
Spring mattress	51.10	56.97	50.70	46.24	49.34	30.82
Bedspread	6.46	4.25	6.18	4.72	6.77	5.34
Kitchen chair	9.43	9.39	8.87	8.93	10.22	7.96
Porcelain plate	.68	.99	.45	. . .	.54	.83

For household goods, again, Dutch prices seem to be the lowest in Europe. French prices are highest, with a few exceptions (bed spreads) and sometimes, fantastically higher. French prices for porcelain plates were 117 per cent higher than German prices.

HOUSEHOLD APPLIANCES

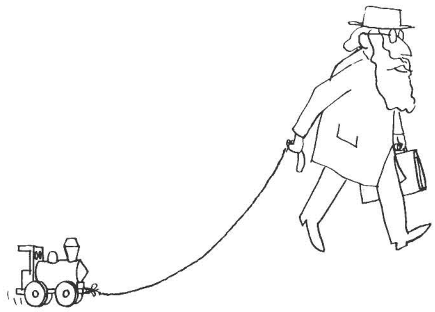
(in dollars)	B	F	G	I	L	N
Sewing machine	156.01	171.75	142.48	191.00	176.26	130.00
Gas stove	200.55	209.33	144.40	153.34	201.82	181.82
Vacuum cleaner	41.90	53.05	28.99	44.13	41.20	35.61
Refrigerator	169.40	175.46	126.57	149.29	151.52	147.93
Washing machine	505.39	585.15	383.72	421.90	452.94	418.84
Iron	9.39	12.21	7.13	9.35	9.33	9.59
Electric coffee grinder	4.74	5.43	4.80	5.45	4.82	5.53
Electric razor	18.71	23.46	19.77	20.63	18.83	21.17
Light bulb	.21	.24	.28	.26	.22	.22

With the exception of light bulbs, where prices are about the same, possibly because of the concentration of production, prices for household appliances differ very markedly in the different Community countries. They are relatively high in France and lowest in Germany. Italian prices are good, especially for refrigerators (although they are more expensive than in Germany), gas stoves, and especially washing machines. There are often substantial differences in French and German prices.

RADIOS AND TELEVISION SETS

(in dollars)	B	F	G	I	L	N
Portable radio	53.75	60.97	35.35	49.97	47.66	50.42
Table TV	322.76	326.10	198.05	286.00	314.40	311.54
Tape recorder	212.62	259.10	158.07	231.23	218.15	255.23
Record	1.33	1.05	1.20	1.07	1.33	1.18

Prices for records are comparable, but for the other items German prices are lowest, and French and Belgian prices highest.



STATIONERY, BOOKS, TOYS

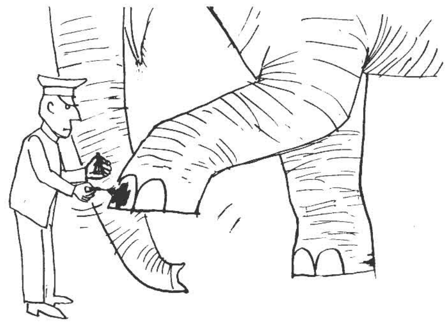
(in dollars)	B	F	G	I	L	N
Typewriter	73.32	93.56	61.68	63.89	66.93	82.64
Pen, ballpoint	.11	.06	.08	.08	.12	.10
Paperback book	.54	.41	.60	.48	.48	.55
Electric train	15.15	19.10	9.88	15.82	11.66	12.60
Baby's building blocks	6.78	7.80	6.06	6.81	6.08	5.74

The minute anything mechanical is involved, German prices are lower than the others (typewriters, electric trains, toys). On the other hand, prices for books in France are lower than anywhere else.

CARS AND GASOLINE

(in dollars)	B	F	G	I	L	N
Cars						
Type 1	1539.96	1538.14	1354.65	1540.93	1421.90	1605.00
Type 2	2281.00	2249.98	2080.50	2395.18	2172.41	2806.34
Type 3	2059.15	2215.74	1795.75	2158.00	1898.58	2195.83
Type 4	1628.52	1818.71	1477.49	1598.32	1584.17	1761.68
Gasoline (per gallon)						
Regular	.35	.41	.33	.41	.35	.33
Extra	.37	.46	.35	.46	.35	.34

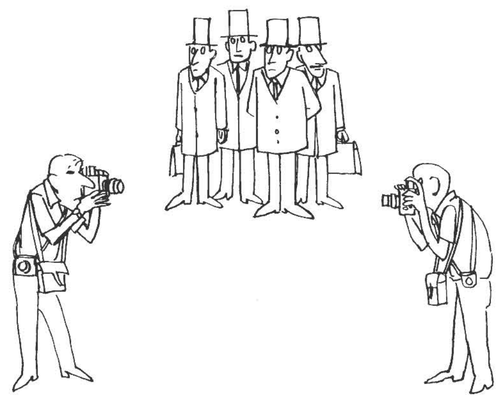
In the Netherlands prices are highest, at least for cars. In Germany they are lowest. The differences in prices of gasoline come from differences in taxes applied in the different member states.



DRUGSTORE ITEMS

(in dollars)	B	F	G	I	L	N
Toilet soap	.23	.21	.30	.21	.23	.15
Razor blades	.59	.56	.50	.64	.60	.55
Nail polish	1.22	1.33	1.39	1.62	1.21	1.25
Shoe polish	.27	.22	.30	.30	...	.23
Aspirin	.34	.24	.38	.27	.34	.33

This is one area where European prices are close together. However, French prices tend to be lower than German prices, and Dutch lower than French.



PHOTOGRAPHIC SUPPLIES

(in dollars)	B	F	G	I	L	N
Camera						
Type 1	7.92	8.02	6.72	7.40	8.22	7.20
Type 2	87.35	147.37	88.48	...	103.23	85.44
Film						
Black and white	.40	.39	.43	.40	.48	.48
Color	2.56	5.15	3.42	3.94	3.40	3.78

Prices for different photographic materials are close, but begin to diverge with more complex equipment, particularly between France and Germany. All cameras were manufactured in the Community. Type 1 was a simple model with a built-in flash and a fixed shutter. Type 2 was a 35mm camera with a built-in light meter, a built-in range finder, and a f/2.8 lens.

A Situation Report

New Commission Outlines Priorities After July 1, 1968

THE EUROPEAN COMMUNITIES COMMISSION after seven months in office delivered its First General Report to the European Parliament on March 12.

Both in the periods of time reviewed and in the institutional arrangements examined, the report is a transitional one. It describes not only the activities of the single Commission that on July 6, 1967, took over the responsibilities of the European Coal and Steel Community High Authority and the Commissions of the European Economic and Atomic Energy Communities, but also the activities of those three executives between their last reports and the merger in July. It announces the policies which the executive branch intends to pursue in the next year.

A Politically Significant Year

For the Community, 1967 brought internal and external events of political significance and far-reaching consequences.

The merger of the three executive branches in July was the first major institutional change in the Community since the three Treaties came into force. It was "much more than a simple matter of administrative concentration," the Commission explained in the Introduction to its First General Report, because it increased "both the political authority and the efficiency of the single Commission."

Two decisions made by the Council of Ministers in February 1967 will influence Community economic policy in years to come. In one, the Community decided to harmonize indirect taxes, starting by instituting a common turnover tax system based on the value added. In the other, the Council adopted the Community's first medium-term economic policy.

The tariff cuts agreed in the Kennedy Round of negotiations under the General Agreement on Tariffs and Trade (GATT) was an international achievement of great significance in which both the EEC and the ECSC played a considerable part. For the Community, the negotiations were also significant in that it was the first time that the Community as an entity had taken part in international negotiations of this scale—a test that proved the efficiency of the Community's system and its validity for use in external relations.

In international monetary relations, the solidarity of the Six in November 1967 also helped to support the pound sterling after the British Government announced its plans for devaluation.

The problem of enlarging the Community has dominated the political scene since last summer when the United Kingdom, Ireland, Norway, and Denmark applied for membership. The Commission maintains that to remove the uncertainties that still persist, negotiations should take place with the applicants.

Final Preparations for "The Common Market"

The completion of the cutoms union this July will make it more and more necessary to continue establishing economic union. "Tariff disarmament and the elimination of frontiers increasingly underline the need for common policies," the Commission stated.

The six Community members will apply the common customs tariff to industrial imports starting on July 1, 1968, when they remove the remaining tariffs on their own "internal" trade. The same day, they will reduce the common customs tariff by 20 per cent, the first of the cuts agreed upon in the Kennedy Round of negotiations under the GATT. Until July 1, the Council has extended an existing reduction of 20 per cent on 500 tariff headings.

To assure the uniform application of the common customs tariff, the Commission sent proposals to the Council for a regulation on customs valuation of goods and for the harmonization of customs legislation on duty-free entry on economic grounds, bonded warehouses, and processing traffic and transit through the Community. It also continued work on a program to eliminate by January 1, 1970, technical obstacles to trade, such as technical specifications and safety standards.

In connection with the application of the EEC Treaty to restrictive trade practices, 23,423 cases were still unsettled at the end of the year, but 13,729 cases were closed. Inspections of ECSC enterprises continued, to make sure that the rules were being respected on prices and levies, agreements and industrial concentration, and investment declarations. The Commission also made important inquiries in such sectors as plate glass, quinine, wire and cables, and titanium dioxide and performed numerous checks in connection with its investigation of the margarine industry.

Freedom of Establishment: Company Law Problem

Company law remains the largest problem in carrying out the Treaty principles of freedom of establishment and freedom to supply services, though here, as in other difficult areas, progress was made during the year.

A preliminary draft statute for European joint stock companies was published. Government experts and representatives of the Commission have worked out a draft convention on jurisdiction and the execution of judgments in civil and commercial cases, and a preliminary draft of a convention on an international bankruptcy law has been completed. In April, an *ad hoc* working party was created to consider whether there was a case for establishing a European type of company.

Other actions included a proposal for a Council directive on the advertising of branded pharmaceuticals so that advertising does not endanger public health, and four proposals for directives concerning the profession of architect.

Successful Transition to Farm Prices

The report contains a detailed review of the functioning of the common agricultural organizations and singles out three main events in 1967:

- the introduction of single markets for cereals, pork, eggs and poultry on July 1, and for rice on September 1
- the launching of the common market organization for sugar and the Council's adoption of the basic regulation for sugar at the single-market stage
- the fixing of prices for 1968/9.

Despite substantial changes some member countries had to make to adapt to the single-price system, the Commission said, the transition from the preparatory phase to the single-market stage was successfully accomplished.

Common Economic Policy to Coordinate Sectoral Policies

With increasing interpenetration of the six economies, each member country depends heavily on economic trends in the partner countries. The process of integration has thus created a need for fuller coordination of monetary, financial, and budgetary policies.

During 1967, most of the member states followed the Council's recommendation of July 11 in their short-term economic policies. However, the Commission said there was a growing need for greater flexibility in short-term instruments and closer coordination.

Regular discussions of the member countries' economic policy measures were held during 1967 by the Medium-term Economic Policy Committee. The Committee, in an opinion dated June 9, 1967, on the ways of encouraging structural adaptation of firms, stressed that the new market conditions and the demands of technological progress called for firms with plants in several Community countries.

The formulation of a coherent Community industrial policy is becoming increasingly urgent. Companies in the Community can expect a further intensification of domestic and foreign competition as a result of elimination of duties remaining on intra-Community trade on July 1, the 20 per cent Kennedy Round reduction of tariffs on imports from non-member countries, the British devaluation, and the U.S. balance-of-payments program.

To prepare Community companies for these challenges, the Commission has tried to provide the necessary remedies at four different levels:

- To enable them to reach optimum size, appropriate measures must be prepared in company law, taxation, and competition policy.
- Their financial resources must be increased and a real Community capital market created.
- Industry must allocate greater resources to research and development. The Commission will give special attention to electronics and space industries.
- Outmoded management practices must be corrected.

The Commission has worked out a four-stage program to eliminate customs and administrative obstacles to trade caused by national technical and safety standards. The first proposals for directives will be submitted to the Council in early 1968. They will concern motor vehicles, tractors and agricultural machinery, pressure instruments, crystal glass, and electrical goods and machinery.

Community Law Gaining Acceptance

Community law is increasingly permeating the domestic law of the Six, and lawyers are reacting to this phenomenon with more and more understanding. Fewer legal disputes connected with the foundations of Community law arose in 1967 than in past years. At no time during the year was the constitutionality of Community treaties at issue in cases before the member states' courts.

In one important interpretative decision on the substantive rules of Community law, the Court held that the Commission's "communications" concerning restrictive agreements have the status of "decisions" in Community law, thus recognizing the right to appeal "communications."

Another important finding clarified the non-contractual responsibility of the Community for damages caused by its institutions or its employees in performing their duties. In the case at issue, the Court decided that before determining the damages for which the Community would be held responsible, the national court should have been in a position to rule on any responsibilities incumbent on the member state involved.

The report stressed that the submission to the member states and to the Atomic Energy Community of the draft of a nuclear non-proliferation treaty (NPT) had raised the problem of the harmonization of international commitments. The member states can shoulder international commitments only in so far as the obilgations involved do not affect the coherence of the Community system and do not impair the authority of the joint institutions. On the subject of the NPT, the Euratom Commission and subsequently the single Commission have advocated solutions that should ensure coherence while enabling any member state that so wishes to undertake, along with a large number of non-member states, the commitment that it will forego all atomic weapons.

A Research and Technological Policy

In the field of research and technological policy, an important resolution was adopted on October 31, 1967. The Council itself, the governments of the member states, and the Commission jointly declared their intentions of acting to revive and promote scientific research and industrial innovation. The Council requested a special report, on the possibilities of cooperation on research, beginning with six key sectors: data processing, telecommunications, oceanography, meteorology, metallurgy, and water and air pollution. The report was to be presented to the Medium-term Economic Policy Committee by March 1, 1968, then routed to the Committee of Permanent Representatives of the member states, whose conclusions the Council requested by June 1, 1968.

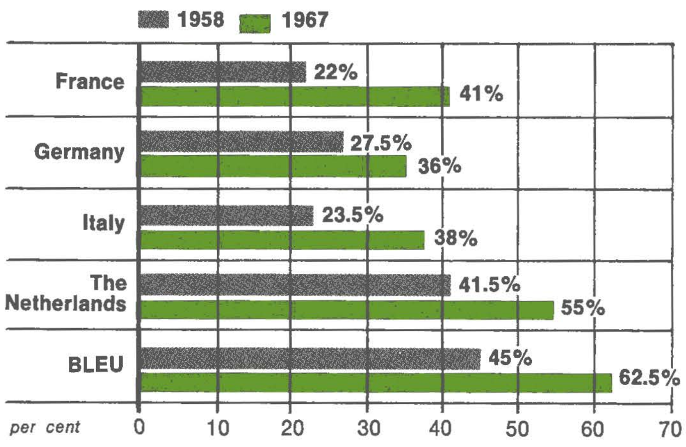
The emphasis in technical research in coal and steel has been shifted from promotion of production generally to selective promotion. During 1967, $3 million was made available for steel research and $4.2 million for coal. For "social projects," such as promoting the use of coal and controlling air pollution, $4 million was made available for research.

Nuclear Research and Development

The year 1967 saw the completion of Euratom's Second Five-year Research and Training Program, during which a total of $458.7 million was made available to the Commission. Of this total, $244.8 million, or 49 per cent, was assigned to the Commission's own work, including the management and work of the four Joint Research Center establishments, the ORGEL project for an organic liquid-cooled gas reactor, training activities, and the dissemination of information. The major associations were assigned $199.4 million for an organic liquid-cooled gas reactor, and $34.5 million, or 8 per cent, went to research contracts.

The Second Program had to be amended, mainly because of the development of the association program in fast reactor re-

Intra-Community trade accounts for a growing share of the member countries' total trade.



search. Since the 1967 budget depended on this revision, it could not be adopted until September 24, 1967. In February 1967, the Euratom Commission sent to the Council a memorandum entitled "Future Activities of Euratom." After January 1968, there was not enough time to draft a research and investment budget for 1968 as part of a program covering several years. The single Commission therefore proposed an interim program in November 1967 to ensure continuity of the Commission's research work until the new program could be prepared.

On December 8, 1967, the Council adopted a one-year interim program with a budget of $41 million for direct action, mainly at the Joint Research Center. A decision is to be made by June 30, 1968, on indirect operations, while interim arrangements enable the work of the associations to continue.

Under Euratom-U.S. Atomic Energy Commission Joint programs, work continued on power reactor development. Under the association, the Export-Import Bank of Washington opened lines of credit of up to $44 million to finance AEC sales of enriched uranium to Euratom.

Prices Depressed by World Over-Supply of Steel

Steel surpluses and keener competition on the world market continued to depress prices in the Community's steel industry. Output rose from 85.1 million metric tons in 1966 to 89.6 million tons in 1967.

As a result, the Community again extended measures enacted in 1963 and 1964, raising external tariffs to an average of 9 per cent, imposing limits on steel imports from state-trading countries, and forbidding alignments of prices with those offered by state trading countries. In order to get a better idea of prices actually charged for steel, the Community, on June 1, 1967, decided to require producers in the Community to report their invoice prices on deliveries.

The ECSC's annual survey of investments planned by the coal and steel industries showed that expenditures planned for 1967 amounted to $1,110,000,000, compared with actual expenditures of $1,102,000,000 in 1966. In 1970, despite the Community's attempts to reduce coal production, mines will still be able to produce 198 million metric tons of coal, and steel capacity may reach 121 million metric tons.

Seeking Full Employment

As changes occur in the structure of production and the size of enterprises, the Community will have to increase its efforts in social and labor policy to achieve the best living conditions possible throughout the Community.

The Commission submitted a first proposal for the harmonization of standards for various professions to facilitate free movement of workers from country to country. The proposal concerned the minimum qualifications and skills for the trade of turner; work is continuing on similar definitions for jobs in metallurgy, construction, transport, and agriculture.

Repayments by the European Social Fund amounted to $13,964,239 in 1967 (see *European Community* No. 110). The Community's readaptation program for coal and steel workers was the largest since this program began—between February 1 and December 31, 1967, $18,986,744 was allocated for 55,307 workers. Credits of more than $20 million were opened to bring new industries into depressed coal, iron, and steel centers, mostly in the Ruhr and the Saar in Germany, the Belgian and Dutch Limburg, and the French province of Lorraine.

The ECSC continued to promote research in mining health and safety.

Other Aspects of External Relations

The enlargement issue and the Kennedy Round eclipsed other aspects of the Community's relations with non-member countries during 1967. Nevertheless, through its associations, the Community assisted the development efforts of Greece, Turkey, and its 18 African associates.

- GREECE: Decisions made by the Greece-EEC Council of Association since the military coup on April 21, 1967, included the extension of provisional arrangements on trade in farm products and the approval of the Community's Kennedy Round tariff concessions on tobacco and raisins. On December 31, 1967, the EEC completely removed duties on imports of Greek tobacco.

- TURKEY: The Turkey-EEC Council of Association decided to widen the Community's trade preferences for Turkish products including fishery products, certain quality wines, dessert grapes, and some citrus fruits. The European Investment Bank has granted Turkey more than $110 million in loans.

- "THE EIGHTEEN": Under the Yaoundé Convention associating the EEC and 18 African countries, the Commission approved $138 million in development aid, $121.6 million of it in grants and the rest in soft loans. Since April 1, 1967, the Community has awarded production aids amounting to $18.2 million. The Association Council has drawn the financial and technical cooperation policy stressing combined agricultural and industrial plans. The Community made 1,891 more places available for Africans to study in Europe, and arranged correspondence courses for 560 more.

Commercial Relations with Non-Member Countries

In the area of commercial agreements, the Community amended and extended its trade agreement with Iran and extended its agreement with Israel. The Commission continued negotiations for agreements with Spain, and with Morocco and Tunisia.

How Has "Merger" Affected the Eurocrats?

How Many Have Received "Notices"?

How Many Have Quit?

Reshuffling the "Eurocrats"

by MARGOT LYON

The author of this article was The Economist *correspondent in Brussels for several years where her husband was a member of the Common Market Commission's staff. She now resides near Paris and is a correspondent for the* New Statesman *and* The Nation *and a regular contributor to* The Baltimore Sun *and* The Dallas News.

THE LONDON WEEKLY *Economist* coined the word "Eurocrat" in its issue of July 29, 1961, with an article on the Common Market's administrators from its Brussels correspondent. They were a new phenomenon, the writer said. Though the 2,000-strong organization no doubt contained some dead wood, the best of its new-type civil servants were noticeably different from national bureaucrats. Dynamic, full of "European" spirit, they wanted to build a new Europe and saw their Community as an embryonic federal European executive. Not starry-eyed, they behaved like tough-minded Europeans convinced they were creating something worthwhile.

How Have They Fared?

How do they look, now that enough time has elapsed to take the edge off their pioneering spirit? Essentially they are still doing the same job, of initiating community action for the six member states, mediating betwen member governments, and seeing to the execution of the Treaties—mainly by pressure on national administrations but to some extent, especially in agriculture, by direct executive action.

Their Community has taken a few hard knocks since 1961. Action and reaction by various member nations have threatened more than once to destroy it, and French President Charles de Gaulle has called its civil servants "stateless technocrats." Instead of working in an atmosphere of approval and support, officials complain that not only France's leader but nobody else likes them now that they are beginning to have real authority.

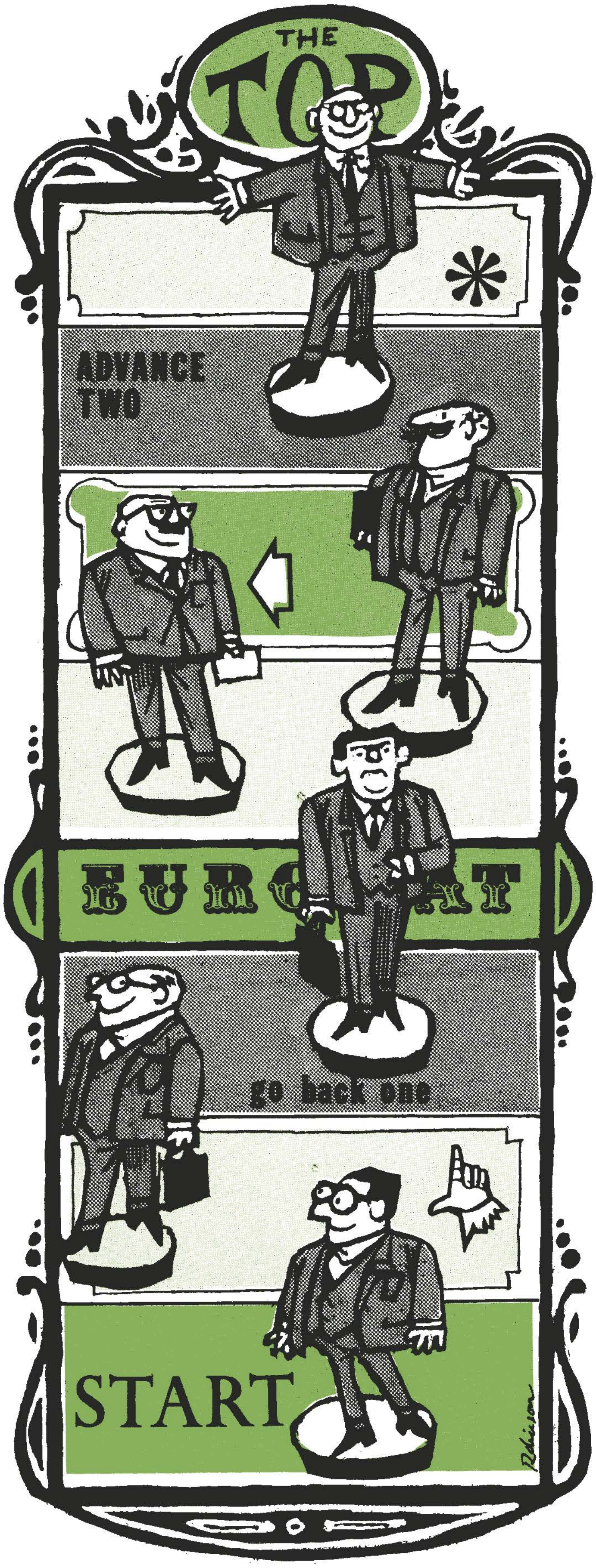
Since 1961 the situation within their organization has changed. Last July the three European Communities—the Common Market, Euratom, and the Coal and Steel Community—merged their executives into one single, joint Commission as a step toward the proposed merger of the three organizations themselves by 1970. Now, the 14 commissioners of the new single executive are gradually settling into the big new administration block, built for them in Brussels, and are engaged in fusing and streamlining jobs previously done by 2,900 Common Market, 800 Euratom, and 800 ECSC officials. This reorganization gives an opportunity to cut out some of the dead wood and to coordinate sectors that have been dispersed in the past—for example, energy, where Euratom has been responsible for nuclear power, the ECSC for coal, and the Common Market for oil and gas.

A Reshuffle—With Balance

The main difficulty in every sector of this giant reshuffle is to keep the balance fairly evenly distributed among the nationals of the six member countries. From the beginnings of the Common Market and Euratom Communities, it has been standard practice to fill posts more or less in proportion to the amounts the member states pay into the common budget—that is, a quarter each from France, Germany, Italy, and the Benelux. In the early days, candidates came from the six countries' national civil services and also from the business world, banking, and the universities. Most recruits still come from the same sources but in different proportions. For instance, there are more from industry because of the specialized knowledge such recruits can bring—and also because, unlike the civil servants, they have no ties with the national governments. Since 1962, when a personnel statute came into force, all candidates have had to take a competitive examination.

Of the three administrative levels most "A"-grade men have university degrees and are hired preferably after a few years experience outside the Community; most are specialists, many of them economists and lawyers. The number of farm experts has sharply increased since the common agricultural policy began to take shape in 1962, yet the Commission has often complained that its present farm staff of 600 or so is too small to deal with the day-to-day agricultural decisions now made in Brussels.

All "A" men must know a second language well enough to work in it. All four Community languages have always theoretically had equal status, but French has been accepted as the



The Commission's organization chart has undergone repeated prunings since the merger of the three executive branches last July. As approved by the Council of Ministers on February 29, 1968, the chart has posts for 4,882 employees, out of 5,138 originally proposed by the Commission and later lowered to 4,933.

common working language. Frenchmen are virtually never heard speaking any but their own tongue, which gives them an edge over their colleagues. But this is not the only reason for their clarity in presenting their ideas; they are usually the products of one of the French *grandes écoles.* Many of them come to the Community after years of experience in the French administration; they have the right to take a renewable five years' leave of absence. Though some make the Community their permanent career, most return to the national administration. German and Italian civil servants are free to do much the same, whereas the Dutch discourage temporary absences. Others besides the career administrators spend only a few years with the Community. They come to it intending to learn about it from the inside and then move back home, often into industry with higher salaries and better chances of promotion.

Ladders to the Top

Eurocrats have always complained that the promotion ladder is harder to climb in Brussels than at home because of the need to divide the jobs with at least theoretical equality between the six nationalities. The "dosage" principle means, they complain, that if, say, a German leaves his post he is likely to be replaced by another German even if a man of another nationality could do the job better. Consequently there is no guarantee of promotion by seniority, especially as most of the work is so specialized that it is not possible to move easily between sectors.

Another complaint is that although the work has expanded, the national governments have not been overwilling to allow the Community more money. Sometimes men have done advanced work without getting the corresponding salaries. This situation has also led to an influx of auxiliary workers with less stiff entry conditions and lower pay than the permanent officials. In 1963 auxiliaries formed about a quarter of the total staff, but there are fewer now, especially in the "A" grades.

Apart from political dosage with its danger of "nationalization" of key posts, the Community also has to contend with the member governments' habit of dosing their own administrations according to political and religious factors. For example, all six countries have Christian Democrat or Catholic parties that did much in the early days to pioneer the European movement. These parties often display open interest in appointments to high Community posts although, theoretically, no one inquires into a Eurocrat's politics or religion. There are also other kinds of dosage: Germans for instance try to balance their intake from the different *Länder,* as Belgians certainly balance the Dutch-speaking Flemings and the French-speaking Walloons.

As the streamlining process continues in Brussels, the air is thick with all its complications and with consequent rumors of who is to be fired or demoted or promoted. The Commission is blamed for its slowness in ending the suspense.

The present unrest and uncertainty, however, do not seem to lie deep. Few men have voluntarily chosen to leave. In spite of the crises the Community has known, there is an assurance that the venture will continue and a confidence that the men who made "Europe" their career have a future. As in 1961, the best Eurocrats feel themselves to be, not stateless technocrats, but charter members of Europe, the first holders of "European" citizenship.

TVA: 1970 and Beyond

by JOHANNES JANSEN

Last month Johannes Jansen, head of the Commission's Indirect Tax Division, explained why the European Community decided to base its common turnover tax system on the value added to goods at each stage of manufacture. In this article, he discusses the incidence of the tax on the value-added (TVA) and other aspects of tax harmonization.

TVA, the European Community's common turnover tax system, will be in force throughout the six member countries by January 1, 1970; but tax harmonization will not be finished, because the common system still leaves many choices in the hands of the individual governments.

The first two Community TVA directives require the member governments to apply TVA to only a small part of the service sector. Depending on each country's own possibilities for collecting TVA, it may work out its own provisions for small business and may decide for itself whether or not to apply the tax to retail trade and to the many services not connected with production and distribution of goods, such as banking, physicians' fees, and other services normally supplied to private individuals. Only a few services that have a direct bearing on production and distribution must become subject to the common TVA, among them, the transfer of patents and trade marks, advertising, and the transport and storage of goods.

"Choices" Still Leave Room for Disparities

Of all the choices left to the member governments, however, the selection of tax rates and the granting of exemptions give the most room for disparities in the first phase of turnover tax harmonization.

Even after January 1, 1970, considerable differences will persist between the six countries in both the standard rates and the higher or lower rates levied on specific goods or services. It is too early to make precise forecasts of what the normal rate will be in any of the Six on January 1, 1970, but I would guess they would be roughly 20 per cent in France and Belgium, between 10 per cent and 12 per cent in the Netherlands, Italy, and the Federal Republic of Germany, and 9 per cent in Luxembourg.

In areas where harmonization need not yet be applied, the member countries are entitled to provide their own national regulations. After consulting the Commission and the other five countries, one member country may decide, for instance, to disallow some or all tax deductions for expenditures on capital goods or to allow deductions on this equipment by annual installments only, when economic considerations warrant such action. During a transitional period after the introduction of TVA, even without prior consultations, member countries may restrict deductions for capital goods. Germany has already done so in its new TVA law that came into force on January 1 this year, on budgetary grounds. The German restrictions were also intended to prevent a temporary halt of investments prior to the introduction of the TVA.

TVA and the United States

Under the new TVA system, as long as each Community member applies a different rate, set at a level that maintains the total incidence of the preceding cumulative turnover tax, U.S. exports to these countries will be taxed at exactly the same amount

Excise duties will also have to be harmonized. The tobacco excise tax is one of the most important of these.

as similar goods produced in those countries. In cascade system countries where compensatory taxes on imports were too low, imports will lose their unwarranted competitive advantage upon the introduction of TVA. Conversely, exports from those EEC countries to the United States and other non-member countries will lose the competitive disadvantage from which they may have suffered because the cascade system gave them an inadequate rebate. Competitive conditions will also be equalized in trade between the EEC countries themselves.

TVA Will Mean Higher Prices

Not all effects will be felt immediately, however, because governments are likely to impose transitional measures for budgetary reasons.

In Germany, for example, stocks of merchandise and capital goods existing on December 31, 1967, are not completely relieved from the old turnover tax paid on them. Moreover, the TVA paid on capital goods purchased during the first five years after the introduction of the new system is only partially deductible. These measures will, during the depreciation period allowed for capital goods, involve a supplementary charge on German products which is not adjusted on imports and exports. German experts think this extra charge could cause an overall increase in German prices of 1.5 per cent in 1968 and 1 per cent in 1969. Later, it will gradually diminish and eventually disappear completely. Thus, the effects of TVA on prices will reduce or even neutralize any advantages German industry could otherwise expect from the introduction of the TVA.

The second phase of turnover tax harmonization will eliminate tax frontiers between the Community members by introducing common rates of taxation. At this stage, the incidence of TVA on trade will be greater, both on the Community members' trade between themselves, and on trade between the Community and non-member countries. So far, no time table has been set for this operation.

For Community members, one of the first drastic consequences of the TVA rate alignment will be the surrender of virtually all sovereignty in turnover taxation. Their opportunities to use these taxes as an instrument of national economic and social policy will be minimal, remaining available only for use in areas where the member countries retain freedom of action—retail trade and services to private individuals, for example.

In several Community countries the TVA rate alignment will have radical repercussions on their fiscal patterns and tax burdens. The common rate will result in a higher or lower yield from the turnover tax and a corresponding increase or decrease in the tax burden, depending on whether the overall burden is now lighter or heavier than the burden of the common rate.

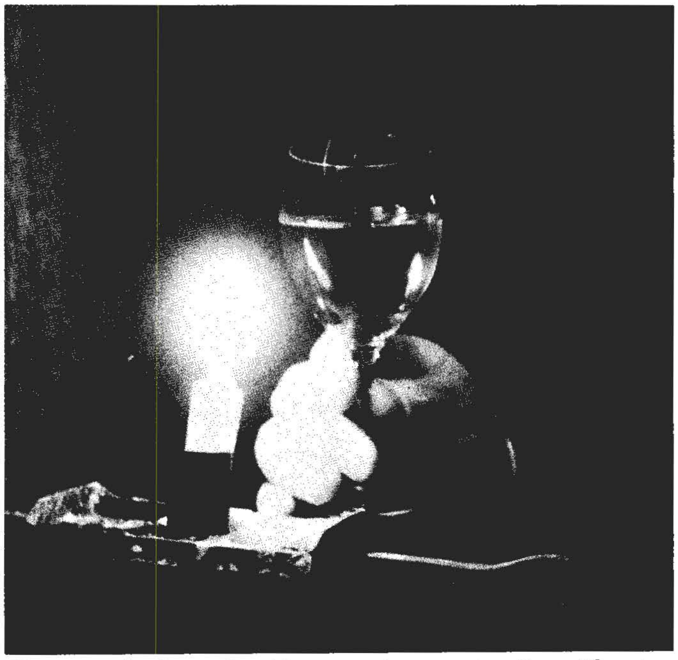
Nothing yet is definite, of course, on the level of the common rate, but it could conceivably be fixed at around 15 per cent. In that case, introducing the common rate would mean a heavier turnover tax burden in Germany, Italy, the Netherlands, and Luxembourg, and a lighter one in France and Belgium. The first four countries would have to lower direct taxes, while France and Belgium would need to raise them. Naturally, an attempt should be made within the framework of Community policy to seek compensations for existing tax disparities that might distort the Common Market.

Harmonization of turnover taxes could thus constitute an important step towards bringing the ratio between direct and indirect taxes in the six member countries into line. This is considered as another important aim in order to ensure equal conditions of competition.

Harmonization of Excise Duties

Although turnover tax harmonization is being given priority, other taxes will have to be adjusted if the economic union is to come into effect. Last year, the Commission put before the Council a program for the other tax harmonization measures it considers necessary to ensure smooth operation of the Common Market.

Beer is one of the products on which excise taxes would be levied.



Wine may also be made subject to excise taxes, together with petroleum and sugar.

The "country of destination principle" also applies to excise duties. As with turnover taxes, taxes on exports are refunded and imports are taxed. The present measures are by no means always compatible with the Common Market Treaty ban on discriminatory treatment based on the origin of goods; they often discriminate against imported products. Some of these forms of discrimination have been abolished at the insistence of the Commission, but a number of others can be eliminated only through harmonization of the method of collection. If tax frontiers between the member states are to be completely dismantled, rates of excise duties will have to be harmonized.

The excise duties levied in the six countries are extremely disparate, varying in their number and application as well as in their rates. Consultations between the Commission and the permanent committee of the member countries' revenue department chiefs have reached agreement in principal on the way excise duties could be harmonized.

Common excise duties would be levied on few items: tobacco, spirits, beer, and perhaps petroleum products, wine, and sugar. The Commission thinks collection methods should be harmonized as soon as possible. The harmonization of rates, which is normally essential for the removal of tax frontiers, would come later, perhaps at the same time as the harmonization of turnover-tax rates.

A second type of existing excise duties—for instance those on salt, matches, playing cards, and certain tropical products such as tea and coffee—could be abolished or incorporated into the common TVA. No harmonization would be necessary for local excise duties, a third and relatively unimportant group which does not affect trade between the Community members. So far, a draft regulation for the harmonization of tobacco excise duties has been submitted to the Council. Working parties, including government experts, are studying the other excise duties.

"Otto Hahn" Passes Tests

EUROPE'S FIRST NUCLEAR MERCHANT SHIP SOON READY

EUROPE'S FIRST NUCLEAR POWERED MERCHANT SHIP, the ore carrier "Otto Hahn" will soon put to sea, opening a new phase in the development of nuclear propulsion in Europe. Equipped as a "floating laboratory," the ship is expected to furnish technical data for future nuclear vessels as well as information with immediate potential use in container shipping.

"Containerization"—the shipment of goods packed in one standard-sized container that can be transferred at different legs of the voyage from truck to train to ship—suddenly ballooned in the sixties, along with air transport. Shippers demanded faster transport to release capital tied up during transit in expensive inventory. Shippers of small, light-weight, compact goods switched to jets.

The others had to find the fastest ships available; but ship owners, under competitive pressure from airlines, were also anxious to improve their image and to increase the profitability of their fleets. At a time when the steady rise in handling costs and delays in port seemed the only certainty in maritime shipping, they decided to adopt standard-sized containers to simplify loading and unloading operations and thus reduce their turn-around time. On each voyage, the time thus saved in port amounted to as much as 80 per cent of the ship's normal utilization costs, and labor costs dropped to 6 per cent of the usual expense.

The container concept had been germinating in the United States since 1956, when the first container experiments began. But it was barely two years ago that four big American shipping companies started regular container services between Europe and the United States. So immediate was their success that orders were placed to build a score of container vessels with speeds of over 25 knots and propelling powers of up to 72,000 h.p. In Europe three groups of firms, formed especially to engage in container transport, placed orders for twenty ships.

Ships Enter Atomic Age

Traditional cargo vessels rarely do more than 20 knots, so that shortening sailing time is another way of reducing costs. Since speed requires high power, it is here that nuclear propulsion may prove superior to the conventional diesel propelling systems.

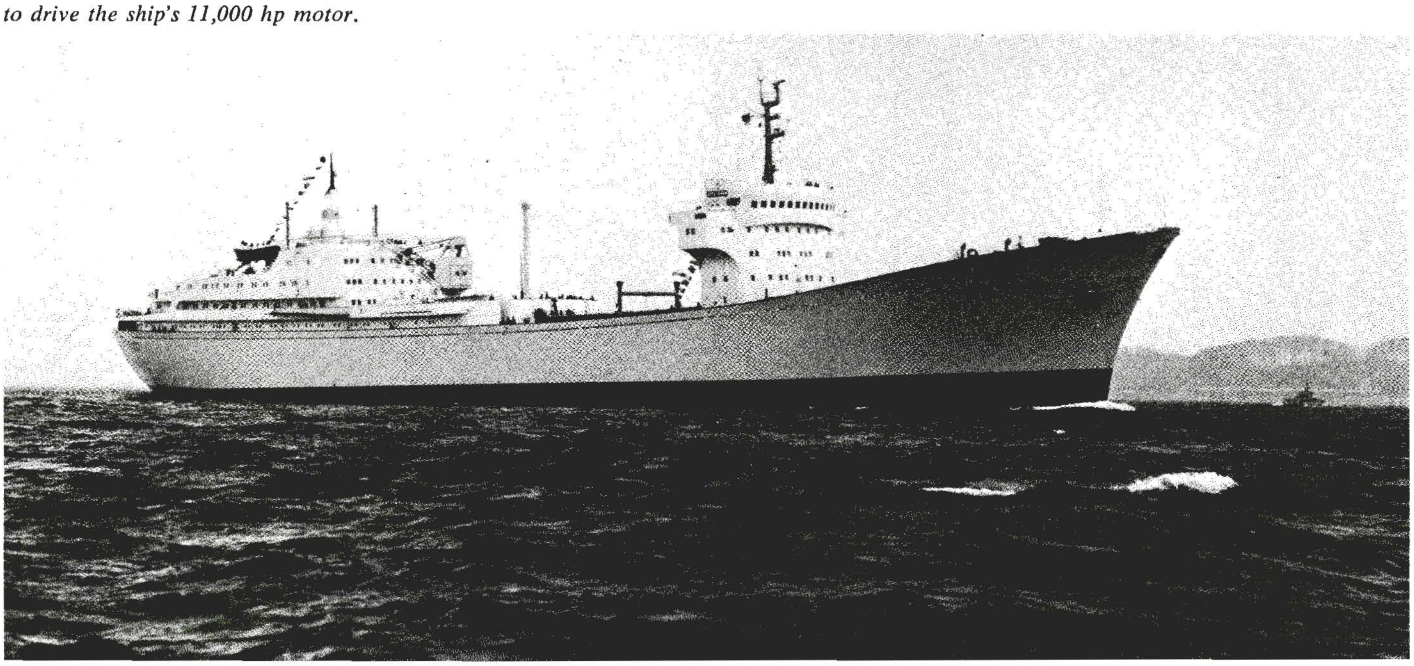
Fifteen years ago, when the possibility of using nuclear energy for ship propulsion was first explored, it was thought that the natural field for nuclear propulsion would be in power thresholds beyond the 15,000 h.p. of diesel engines. Since then, diesel engines of up to 30,000 h.p. have come into use delaying the development of nuclear powered engines. Maritime circles also doubted that higher powers would ever find any economically justifiable use. They appeared to be of no special value either to liners—few in number and not always reliably profitable—or to bulk carriers and tankers, even the largest, mainly on account of their relatively low speed. Today, however, sailing speeds for all types of transport are continually rising and fewer ships are needed to carry a given annual tonnage. For container ships speeds of up to 30 knots will soon be the normal thing, compared with the 20-25 knots of today.

Euratom's Nuclear Ship Propulsion Program

It will take more than a single experimental ship like the "Otto Hahn" to break into this new era of ocean transport. That goal can only be reached by building and operating a prototype nuclear container ship. For such an enterprise, aid from the public authorities—state or Community—will be indispensable.

The "Otto Hahn" is a major element in Euratom's Nuclear Ship Propulsion Program for expanding the knowledge of nuclear power applications in merchant shipping. Of $12 million spent by Euratom under this program, the "Otto Hahn" received $4 million. The Commission supports and coordinates different projects submitted by the various Community countries. From projects submitted by the private sector, the Commission selected the most promising ones and, under association contracts, contributed funds and qualified personnel. Euratom receives data which in turn is passed on to interested parties in the Community. To coordinate the work, the Euratom Commission set up a Nuclear Marine Propulsion Liaison Group to evaluate progress and to promote the exchange of information.

The Otto Hahn *has a displacement of 26,000 tons and a speed of 16 knots. A pressurized water reactor develops thermal power at 38 Mw to drive the ship's 11,000 hp motor.*



COMMUNITY NEWS

COUNCIL CONTINUES WORK ON AGRICULTURE PROBLEMS ADOPTS 1968 DRAFT BUDGETS FOR COMMUNITIES

The European Communities Council of Ministers held four meetings—on January 22-23, February 19-20, February 26-27, and March 11-12—in Brussels on agricultural matters. The major topics of discussion by the agriculture ministers of the Six were milk products, veterinary problems, the beef and veal market, sugar, and live plants. A meeting of the Council of foreign ministers was also held, on February 29, which continued to discuss the Communities' enlargement.

Economic Situation and Milk Discussed

The Council continued its work on the European Communities Commission's report on the economic situation in the Community's milk sector. In particular, it examined possible measures to restore a balance between supply and demand. The Council gave favorable consideration to certain short-term measures, such as the sale of butter at reduced prices to consumers for cooking purposes, to certain food industries, and to certain lower-income group. The Council recognized that the idea of using butyric fats for feeding calves could go some way toward reducing surpluses, but considered that there were certain technical, practical, and financial problems which still required study. The Commission, in its report on achieving structural balance on the milk market, proposed to adopt certain measures—other than those included in its "Report on the Economic Situation of the Milk Market in the Community" and intended to reduce the existing and foreseeable stocks of butter—with a view to limiting surpluses. The proposed measures aim at simultaneous actions on prices and structure.

The Council also undertook an initial examination of some of the problems connected with the Commission's proposal for regulation on the establishment of a common organization of the markets in milk and milk products. The discussions centered on the general aspects of the matter and on proposals which represent departures from rules now in force.

The Council agreed to consult the European Parliament on this matter, as well as the market in beef and veal.

Council Agrees on Veterinary Policy

At its February 26-27 meeting, the Council noted its agreement on a resolution concerning measures implementing a Community veterinary policy. The Council said the measures must be directed toward achieving the following program:

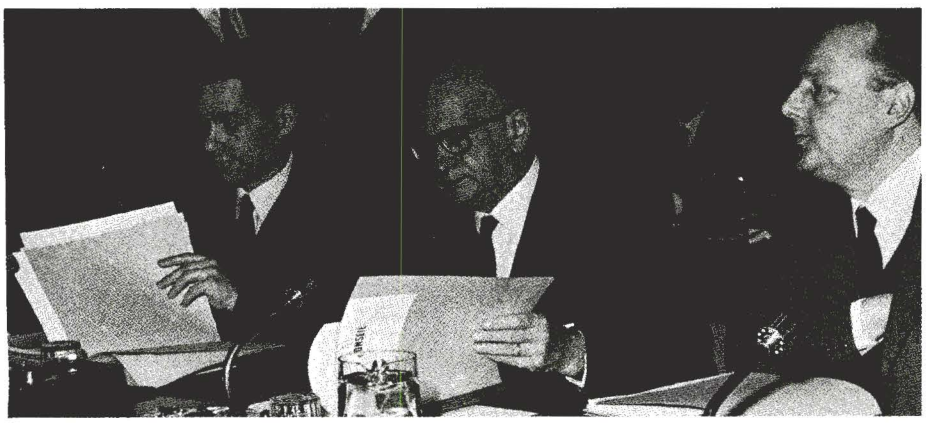
- Achievement of a single market for animals and products of animal origin dictates the progressive implementation of Community health measures, the harmonization of the existing provisions in force in the member states, and the coordination of measures intended to protect human and animal health.
- Community health regulations must enable animals and products of animal origin to move freely within the Community, whether or not they originated in the Community. The entry of such animals or products into the Community must not be subject to less stringent measures than those applicable within the Six.
- Provisions must permit: more flexibility in veterinary inspections, especially frontier checks, aimed at eliminating the latter as soon as possible; development of Community animal health rules to replace rules now in force in the member states, some of which sometimes prohibit all imports; uniform implementation of existing Community provisions, regardless of national frontiers, of animal health measures in any part of the Community's territory where an infectious animal disease breaks out.
- Current work on harmonization must be speeded up so that the Council adopts before March 31, 1968, the proposals already submitted by the Commission, which referred particularly to new measures relating to contagious diseases.
- Quick and effective measures must be possible to ensure close cooperation between the Community organs and the member states through a standing veterinary committee.

Beef and Veal Quotas Set

The Council, at its January 22-23 meeting, adopted a regulation on the Community tariff quota of 22,000 tons of frozen beef and veal, parceling the quota among the member states as follows: Germany, 2,200 tons; France, 1,000 tons; Italy, 15,000 tons; the Netherlands, 2,500 tons; and the BLEU, 1,300 tons. The Community tariff quota of 20,000 head of heifers and cows of certain milking breeds was allocated as follows: Germany, 10,000 head; France, 2,500 head; and Italy, 7,500 head.

At its February 26-27 meeting, the Council undertook an initial examination of the main problems connected with the proposed Commission regulation on the establishment of a common organization of the market in beef and veal. The discussions concentrated on arrangements for imports from third countries and on intervention measures.

At its February 19-20 meeting, the Council adopted a regulation laying down standardized terms for contracts and for agreements within the trade for the purchase of sugar beet, while at the January 22-23 meeting, the Council instructed the Special Committee on Agriculture to examine the Commission's proposed regulation fixing the maximum amounts of refunds to producers of sugar used in the chemical industry.



Council of Ministers, Agriculture, February 19-20, Brussels. Left to right: Yanne Gaillard, deputy secretary general, French Interministerial Committee for questions of European economic cooperation; Edgar Faure, French minister of Agriculture and Council President at that meeting, and F. Rossi, director, agricultural section, Councils' Secretariat.

Market for Trees and Other Plants

On the basis of a proposal by the Commission, the Council on February 20 noted its agreement in principle on a regulation on the establishment of a common organization of the market in live trees and other plants; bulbs, roots, and the like; cut flowers, and ornamental foliage. This common organization entails a system of quality standards and trading arrangements. As regards imports into the Community from third countries, each member state would apply the common external tariff as of July 1, 1968. As regards exports of bulbs from the Community to third countries, a minimum price might be laid down to which export prices must be referred. The imposition of customs duties or of quantitative restrictions would be forbidden in the Community's trade as would recourse to exemptions under Article 44 of the Treaty. Exceptions would be authorized for certain specified products. Finally, this regulation would set up a management committee responsible for examining any problems arising from its implementation, similar to those provided for under the other common organizations of markets.

Euratom Research Budget Adopted

On February 29, the Council's foreign ministers met and discussed the requests for admission presented by the United Kingdom, Ireland, Denmark, and Norway and heard a statement by the Commission on its consultations with representatives of the U.S. Government relating to U.S. balance-of-payments problems. At this meeting, the Council adopted the draft operating budget of the three Communities for 1968. According to the provisions of the Rome and Paris Treaties, this budget will be transmitted to the European Parliament for its opinion.

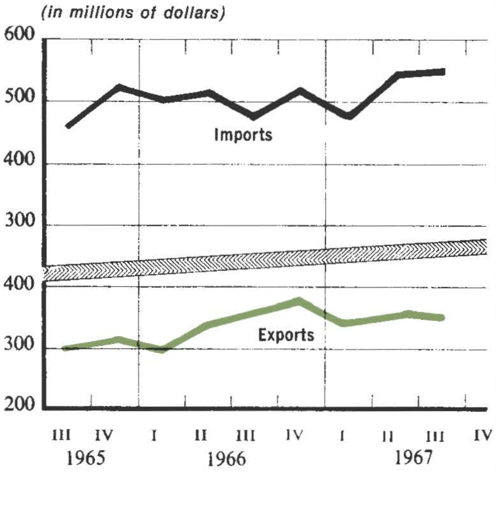
The Council, after examining proposed parliamentary amendments to the draft budget, finally adopted the Euratom Research and Investment Budget for 1968. This budget contains no changes from the draft which the Council had drawn up at its meeting on December 8, 1967 (see European Community No. 108, page 21).

1968 ECONOMIC EXPANSION IN COMMUNITY SEEN AS HELPING U.S. TRADE AND PAYMENTS BALANCE

Imports of the European Community may increase by 10 per cent in 1968, thus giving an appreciable boost to American exports, according to the Commission's Fourth Quarterly Report on the economic situation in the Community in 1967 and the outlook for 1968 published on March 21.

The report is of interest in view of the measures taken or proposed by the governments of the United States and the United Kingdom intended to eliminate balance-of-payments deficits in the course of 1968 and 1969. It contains a number of indications on the expected reductions in the Community's current balance-of-payments surplus, which was particularly large in 1967 as the result of the slowdown in economic activity. The report suggests that foreseeable economic developments in the Community in 1968 should greatly facilitate the adjustment process in the United States balance of payments.

Trade with the USA
(in millions of dollars)



Commission Vice President Raymond Barre, discussing the report, told the European Parliament on March 13 that the Commission recommendations were:

- an expansionist policy
- a concerted policy to prevent increases in the rate of interest
- stabilization of prices and incomes
- more planning in short-term economic policies.

The Community, he added, should contribute to re-establishing international monetary peace, and this implied solidarity and cohesion between the Six. He said that expansion in the Community was necessary, not only to achieve its own aims, but also to contribute to solving international economic problems.

GNP Should Grow 4.5% in 1968

With expansion gathering momentum again in the member countries, the Commission now considers that the real gross Community product should grow by at least 4.5 per cent in 1968, as compared to 2.5 per cent in 1967. The implementation of the British and American measures permits the forecast that the expansion of demand for Community exports will be distinctly less vigorous than in 1967. The annual growth rate of visible exports of the Community, which in 1967 attained 8 per cent in terms of value, may therefore be perceptibly smaller in 1968 and will undoubtedly not exceed 6 per cent. By contrast, internal demand in the community, which showed a growth rate of only about 1 per cent in terms of value and which will probably suffer little from the direct and indirect effects of the above measures, should pick up considerably. Gross fixed asset formation should show a more vigorous expansion than in 1967. Although trends may vary somewhat from country to country and according to the type of investment, total consumer expenditure will expand much more appreciably than in 1967.

In view of this trend in internal demand, the Commission considers that the Community's visible imports, after a slow advance in 1967—2 per cent as compared to 7 per cent in 1966—will rise rapidly in 1968.In terms of value their growth rate may be as high as 10 per cent. Thus, it is expected that the Community demand for imports from the United States, which was relatively weak in 1967. will expand at a lively pace in 1968. The Commission believes that the increase of investment in plant and machinery will be very large and the replenishment of stocks, particularly in raw materials and semi-manufactures, will progress strongly. Since purchases of plant and machinery and of basic products account by themselves for more than 40 per cent of total Community imports from the United States, American sales to the countries of the Community should receive an appreciable boost.

Community Surplus with U.S. to Shrink

All in all, with exports to non-member countries slowing down and imports expanding vigorously, the Community's 1968 trade balance should deteriorate considerably in relation to the previous year. The decline in the balance could reach $1.3 billion. The surplus on current account can be expected to contract even more.

Considering the above factors and providing that domestic demand in the United States can be kept within limits compatible with general equilibrium, the U.S. surplus in trade with the Community will rise considerably in 1968. The aggregate deficit of the Community countries in trade with the United States, which in 1967 totaled $1.4 billion, may be distinctly higher in 1968. An additional factor to be considered is the deterioration of the Community's balance-of-capital transactions with the United States, which may be particularly large, since the American restrictive measures now in force affect mainly the countries of western Europe and, in particular, the countries of the Community.

EDF APPROVES $17 MILLION FOR SIX NEW PROJECTS

Six decisions to finance projects by grants from the second European Development Fund were approved by the European Communities Commission on March 7. These decisions covered $16,829,000 for projects in Dahomey, Togo, Rwanda, Congo (Kinshasa), Madagascar, and Senegal.

HALTING THE SPREAD OF NUCLEAR WEAPONS: EURATOM AND THE NON-PROLIFERATION TREATY

The UN General Assembly is expected to be convened this April to consider the revised draft text for a nuclear weapon non-proliferation treaty which the United States and Soviet Governments jointly presented to the Geneva Disarmament Conference on March 11.

The presentation of a complete text (including Article III which deals with safeguards) is the latest move in a negotiation which has now been under way for nearly three years. The first U.S. and Soviet drafts were put before the Eighteen Nation Disarmament Committee (ENDC) in the summer of 1965. From the beginning, the U.S. Government insisted on the inclusion of a safeguards' clause providing for an internationally policed control system. The Soviet Government, at first unenthusiastic about safeguards, insisted that any inspections should be performed exclusively by the International Atomic Energy Agency which has its headquarters in Vienna, Austria. By early 1967 the United States and the USSR had reached full agreement on the text of a complete draft treaty, with the exception of the safeguards article (Article III), though even here their views were not far apart. Prior to putting the new draft before the ENDC, however, the U.S. Government wished to consult both its NATO allies and Euratom. Consultation with Euratom was in fact necessary under the terms of the 1958 Euratom-U.S. Cooperation Agreement, especially as regards the proposed safeguards provisions.

The Commission's role under the Treaty was, then as now, limited to pronouncing on the compatibility of the proposed non-proliferation treaty with the Euratom Treaty, advising its member countries accordingly, and working for a coordinated attitude to this as to all other external problems. The essential point facing the Commission concerned the repercussions on Euratom of the provision that signatory non-weapon states would have to put their civil nuclear activities under IAEA control, whereas weapon states, wether signatories or not, would be exempt. It was immediately clear that on this point the NPT would have been fundamentally discriminatory, and this was what the Commission reported to the Council. It was felt that the existence of Euratom as a single area subject to uniform conditions for its civil nuclear operations would have been ended by the Treaty as it then stood.

Since the outset, the six Community countries have been subject to a security control system, exercised by the Euratom Commission, which applies directly to all installations handling nuclear materials—for it is essentially the use of nuclear materials that is controlled. This system, which is complete and watertight, obliges operators of nuclear installations to report on the technical characteristics of their plant and, at regular intervals, their stocks and transfers of materials. (Over 200 operators had reported on their plant and were cooperating in the Commission's materials' accountancy bookkeeping at the end of 1967.) The reporting system is backed by inspections carried out by a team of 17 inspectors who have access to any civil nuclear plant at any time: in 1967 about 100 inspections took place in all the Community countries, bringing total inspections to over 400.

Discriminatory Control

This draft of the NPT would have subordinated the Euratom system, set up under an international treaty, to the IAEA control system and replaced the non-discriminatory control system by a discriminatory one. Above all, one area of the Community (the nuclear-weapon state, France) would have been subjected to procedures different from those applied to her partners, thus establishing a new "legal frontier" within the Community.

The repercussions on the operation of the nuclear community would have been manifold. It would have been impossible for the Commission's agency to carry out its responsibilities in the field of supplies, especially in maintaining the principle of equal access to materials or in exercising its exclusive right to conclude contracts (a right exercised in the centralized procurement of fissile materials). Furthermore, a displacement of both industrial and research activities from the controlled to the non-controlled area was feared, while transfer of materials across the new frontier was likely to be impeded. One specific example that has been cited is the Franco-German high-flux research reactor under construction at Grenoble: one of its functions will be irradiation of fuel elements produced in Germany, which is furnishing 50 per cent of the cost of the reactor. If Germany is a signatory state, IAEA inspectors would have the right to "follow-up" the materials to their destination (French soil). This might prevent the transfer of the materials to Grenoble altogether.

All this would result in effectively annuling the part of the Euratom Treaty making the Community a single area for nuclear activities, thus hindering the creation of a European nuclear industry. The original draft of Article III and the Euratom Treaty were incompatible.

Since last February, the Commission had been in continuous contact with the U.S. Government, and further drafts of the NPT went far towards meeting Euratom's concerns. In September, for instance, a revised U.S. version proposed that an "international safeguards system other than the IAEA," e.g. the Euratom system, would be subject to verification by the IAEA as to its effectiveness "under a verification procedure mutually agreed upon." Coupled with this, however, was the so-called "guillotine clause" according to which the IAEA system would enter automatically into force if no agreement had been reached with the IAEA at the end of three years. The implication was that at a certain date Euratom's exclusive competence for safeguards could have been removed.

Five Conditions

In October 1967, the member countries took up a clear position on this and other points. With the agreement of the Commission, they set out five conditions which would have to be incorporated in the NPT to remove points of conflict with the Euratom Treaty:

- Control should be exercised on the use of nuclear materials and not over installations as such.
- Agreement on the Treaty should be subordinated to a satisfactory arrangement between Euratom and the IAEA.
- The arrangement should concern the verification of Euratom control methods and not direct IAEA control.
- Until agreement was reached, the supply of nuclear materials to the Community should be assured.
- Member states should be assured that there would be no guillotine clause in the event of no agreement.

The new U.S.-Soviet draft provides a number of assurances for non-nuclear weapon states. It provides that non-nuclear weapon states should negotiate safeguards agreements with the IAEA, and Mr. Adrian Fisher, deputy director of the U.S. Arms Control and Disarmament Agency, is reported as having said at Geneva that the IAEA "could make appropriate use of existing safeguards controls." Furthermore, the revised draft provides that such negotiations should begin within six months after entry into force of the Treaty and conclude within 18 months after that—the automatic entry into force of IAEA safeguards in the event of non-agreement having been dropped.

The ENDC, in which the only participating member from the Community is Italy, adjourned its deliberations on March 14. Its report of the UN General Assembly includes the U.S.-USSR sponsored draft treaty; the joint offer by the United States, the USSR, and the United Kingdom to the non-nuclear powers of guarantees against nuclear attack and blackmail, and the amendments sponsored by several non-nuclear members of the Conference. According to press reports, the U.S. and Soviet Governments hope that the Treaty will be endorsed by a two-thirds majority of the General Assembly and opened for signature this summer. Before Community countries intending to sign do so, they are bound to consult the Commission about the compatibility of their new obligations with those assumed in signing the Euratom Treaty.

$15 MILLION LOAN FOR INDUSTRIAL CHANGE

The European Communities Commission has raised $15 million on the Belgian capital market to finance industrial redevelopment in the European Coal and Steel Community. The money will be relent mainly to companies setting up or turning to new industries in areas hit by decline in the coal and steel sectors, and to companies in the coal, steel, and ancillary industries planning further development.

Including the new loan, the ECSC has raised $790 million for this purpose on the open capital markets since 1952. Up to the end of last year it had made loans to companies throughout the Six of $869 million, including funds from its own resources.

SIX ASKED TO END TRADE OBSTACLES

The Commission of the European Communities has submitted to the Council of Ministers a general program for the elimination of technical obstacles to trade caused by disparities between the laws of the different member states.

Progress made in the work indicates that it may be possible for most of the directives under which national legislation will be aligned to be adopted by January 1, 1970. The Commission proposes that the program be carried through in three phases, and it has submitted to the Council a draft resolution to this effect.

Vehicles, electrical appliances, foodstuffs, and textiles are among the products involved. The Commission wants to ensure that after the customs union comes into effect on July 1 this year, one member state does not hamper exporters in other member states by introducing, for example, new safety specifications which would block imports during the period that manufacturers rearranged (often at great expense) their production to conform with the different standards.

To prevent further laws from nullifying this program, the Commission has suggested a procedure under which the Commission would be informed of any proposed laws and regulations. It could then arrange that member states amend them or defer their implementation in return for an undertaking by the Commission that priority be given to proposals for the harmonizing of legislation in the sectors concerned.

The program includes two draft Council resolutions. One of these concerns the mutual recognition of supervision systems: in other words, French authorities would accept a German product destined for France with only one control—by the German authorities. The other resolution provides a procedure for adapting directives to technical progress. This would be based on the delegation of powers to the Commission; safeguards would include the setting up of a committee to help the Commission. Should the Commission and the committee fail to agree, the dispute could be referred to the Council.

JOINT RESEARCH AGREEMENT ALLOWED

The European Communities Commission has decided that the aims of Eurogypsum, an association with 31 members in 16 different countries—five of which are Community members, do not contravene the Rome Treaty's competition rules. This is the Commission's first decision in favor of a joint research agreement.

The objective of the association, which has its headquarters in Paris, is to promote joint research, at a European level, in the development of the plaster and gypsum industry and of the industry producing building components derived from these materials.

Eurogypsum is a non-profit organization, and membership is open to all European producers and experts likely to help the association. All members of Eurogypsum may benefit on an equal footing from the work organized and financed by the association, and there is no bar to their carrying out research of their own.

World production of gypsum is close to 50 million tons, of which the Community produces ten million. About 25 per cent of the gypsum produced is used for the manufacture of cement, but the manufacture of plaster is the main outlet. From 1955 to 1965, the plaster industry, though expanding steadily in the Six, failed to match the growth of the building-materials industry.

These growth difficulties stem from many scientific and technological problems which require costly and complex research. The Commission has therefore stated that the pooling of research facilities by a group of firms in no way conflicts with the objectives of the EEC Treaty, especially if, as is the case for Eurogypsum, the joint research arrangement is not accompanied by any restraint on competition.

The Commission said that even in cases entailing restraint on competition, a favorable decision might be adopted if the restraint were deemed necessary for the attainment of economically desirable results in the fields of production or technical progress.

Agreements Voluntarily Cancelled

In another case under the Rome Treaty rules of competition, a trade association has voluntarily cancelled exclusive buying and selling agreements following an investigation by the Commission.

The agreements were between a Belgian trade association of wood importers, a group of agents in Belgium representing the producers of this wood, and the Belgian National Federation of Timber Merchants. The parties to these agreements included all importers' and producers' representatives, and virtually all dealers in Belgium.

The strict conditions of admission to the Belgian importers' association, in conjunction with the general provisions of the agreements, both aimed at and succeeded in preventing any Belgian importer who was not a member of the association from obtaining the wood in question and from dealing in it with clients in the other member states. These provisions also prevented importers from dealing with agents of producers of the wood other than the agents in Belgium. In addition, dealers were not allowed to import directly.

When the Commission investigated the agreements it was found that, in affecting trade between the member states and restricting competition, they artificially isolated a sector of the Belgian economy in violation of the Rome Treaty. The three organizations concerned thereupon voluntarily cancelled the agreements.

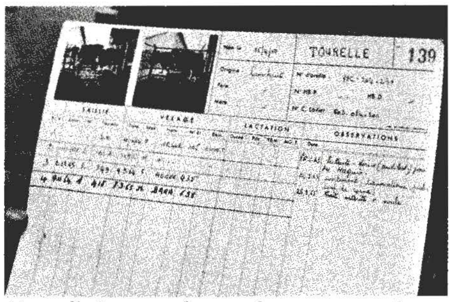
NEW REGULATION FOR FARM PRODUCTS SUBMITTED

The European Communities Commission on March 11 submitted to the Council of Ministers a proposal for a regulation on those farm products mentioned in Annex II of the Rome Treaty that are not covered by the common agricultural policy.

The Commission has announced that it will submit market organization proposals for processed fruit and vegetables, fish products, flax and hemp, hops, potatoes, bananas, alcohol, sheep, and chicory roots, in the near future. The regulation proposed March 11 will apply to remaining Annex II products, including live horses, horsemeat, pure-bred animals for breeding, natural honey, coffee, tea, cocoa, spices, many tropical fruits and nuts, seed and fruit for sowing, meat extracts and juices, cider, and cork.

The proposal provides for the free movement of these products. This means that in intra-Community trade quantitative restrictions and customs duties would be abolished and the fixing of minimum prices prohibited; from July 1, 1968 the common external tariff would be applied, and all quantitative restrictions on goods imported from non-member countries prohibited.

The Rome Treaty on aids (articles 92 to 94) would be applied, and additional measures could be taken to help "sensitive" products, such as horses for slaughter and horsemeat. The Council could decide that import licenses should be obligatory for these products. If any of these products were offered at 85 per cent or less of the normal price, a charge could be levied to bridge the gap between the normal price and that of the imported product or, alternatively, the issue of import licenses could be suspended. A safeguard clause is also provided, and a management committee procedure similar to that operating for other products would be introduced.



Not all farmers keep adequate records, so that the application of TVA to agriculture necessitates different arrangements from those applicable to industry.

TVA ON FARM PRODUCE PROPOSED

A draft directive prepared by the European Communities Commission provides for the application of the added-value tax system to Community agriculture by July 1, 1969—at the latest.

The proposed directive submitted to the Council of Ministers in February is the third on the harmonization of the legal provisions of the member states on turnover tax. The tax rate applied would be half the general TVA rate that goes into force when the Community system for other sectors of the economy becomes effective on January 1, 1970. (Initially, each state will decide what rate of tax to apply pending agreement on a standard Community rate.)

The directive asumes that the Common TVA system must be extended to agriculture so that this sector shall be subject to the same competitive conditions as other sectors in the economy and discrimination between producers avoided. It is intended to make it easier for agriculture to integrate itself into the general economy, facilitate agricultural trade within the Community, and avoid differences in the impact of the tax at the stages where agricultural prices in the member states are formed.

As not all agricultural undertakings keep adequate accounts and therefore cannot comply with the provisions of the normal TVA system, an arrangement is made so that deductions of previous taxes can be made at a flat rate, although each farmer has the option to apply the normal TVA. Excluded from the flat-rate deduction arrangement are associations of agricultural cooperatives, producer associations and other cooperatives, producer combinations of these, and so called mixed establishments if their non-agricultural turnover exceeds an amount fixed by each member state.

Under the new proposed directive, deliveries and imports of agricultural products will become subject to a common, reduced rate fixed by the Council, acting unanimously on a Commission proposal. Where deliveries under the flat-rate deduction are concerned, the buyer will pay to the tax authorities whatever constitutes the tax liability of the farmers, while the price paid to the producer includes the previous taxes borne by him. The list of products to which this directive is applicable includes in principle all agricultural "ex-farm products," including certain processed products. The list also applies to a number of means of production, such as seeds and plants, fertilizers, insecticides and plant protection products. Lastly, it contains certain groups of products which are considered as substitution products for others on the list. (For details of the operation of the common TVA, see articles by Johannes Jansen in this issue and No. 110 of the *European Community*.)

FINANCE MINISTERS ACT TO STABILIZE INTEREST RATES


Meeting of the Ministers of Finance, Villa della Farnesina, *Rome, February 26-27.*
PHOTO: © ANSA, *Rome.*

The economic and finance ministers of the six member countries of the European Community, meeting in Rome on February 26 and 27 with governors of Europe's Central banks, acted in concert to stress their intention of maintaining interest rate stability in their respective countries.

This decision of the Six, following the announcement of President Johnson's action program to meet U.S. balance-of-payments problems was termed "a major economic contribution to the adjustment of payments balances" by the Commission of the European Communities, in a March 21 communiqué.

The finance ministers also tackled various aspects concerning revision and reform of the statutes of the International Monetary Fund. They restated their position adopted at their last meeting in Paris, on December 15, 1967, regarding these matters. At that time, the ministers said that they had taken a firm common position that the reform of IMF statutes, regulations, and practices should parallel the arrangements already agreed upon regarding the special drawing rights under the IMF. The Six obtained sufficient voting rights among them to exercise a veto over the activation of SDR's.

TRUCE CALLED IN "KITCHEN WAR"—FRENCH QUOTA BID DENIED

A request by France for permission to restrict imports of Italian washing machines, refrigerators, and other home appliances was turned down by the European Communities Commission at its meeting on January 30-February 1.

The Commission assured France that should investigation show that Italian manufacturers benefited from fiscal allowances, which are incompatible with the Rome Treaty, it might reconsider its decision. In a similar investigation, Britain's Board of Trade found that it could not substantiate the claim that Italian imports were being dumped on the British market.

France had asked the Commission in November 1967 for authorization to establish import quotas on electrical household equipment for 1968 and 1969 at the level of imports for the first half of 1966. Theoretically, the quotas would have applied to all imports, but in practice they would have affected chiefly those from Italy.

Sales of Italian washing machines to France rose from 60,000 in the first half of 1966 to about 124,000 in the first half of 1967. Sales of Italian refrigerators rose from about 190,000 to 280,000 during the same period.

France made its request under Article 226 of the Rome Treaty which entitles member states with serious difficulties likely to persist in any field of economic activity to "ask for authorization to take measures of safeguard in order to restore the situation and adapt the sector concerned to the Common Market economy."

This request was France's third attempt to protect its own industry against the lower-priced Italian appliances. The first time, the Commission gave France six months to streamline its industry to meet Italian competition. France, at that time, introduced stringent safety specifications which would have effectively throttled Italian exports. Following strong protests, the French authorities eased these regulations.

French manufacturers stated that imported Italian domestic appliances retail at about 15 per cent less than French ones and attributed the price difference to export refunds. The Italians, however, enjoy the benefits of mass-production and concentrate on a few simple models instead of producing a large variety of models in smaller batches.

Italy's "Miracle Industry"

Italy is Europe's largest producer of domestic appliances and the third largest in the world after the United States and Japan. Italy's biggest manufacturer of refrigerators, Igris, turns out more units—about 900,000—than the entire French industry—an estimated 760,000 units last year. In 1958 Italy ranked behind France, Germany, and Britain, but by 1966 had left them all behind.

In France, manufacturers are responding to the Italian invasion by consolidating. Today three groups, compared with about 40 ten years ago, produce more than 90 per cent of France's domestic appliances. Two of these groups, Thomson-Brandt and Claret, have recently agreed to cooperate. (Arthur Martin is the third group.) Thomson-Brandt has absorbed two smaller companies, Frigearin and Flandria, which assembled refrigerators and washing machines. Other "French" appliances, such as Laden, Bendix, Lincoln, and Hoover have for some time been made in Italy and sold under these well-established brand names.

Italy's predominance has also had its effects in Germany: a partial link-up between the German companies Siemens and Bosch, and an agreement whereby Zanussi, Italy's second largest producer of refrigerators, will manufacture parts for the German company "AEG."

ITALY'S SHARE OF THE FRENCH MARKET

Washing Machines	*1964*	*1697**
Total sold	858,000	913,000
number imported	114,000	198,000
number imported from Italy	18,000	167,000

Refrigerators	*1964*	*1967**
Total sold	933,000	1,225,000
number imported	291,000	570,000
number imported from Italy	185,000	473,000

* estimated

ITALY TAKES THE LEAD

	Washing Machine Production		*Per Cent Change*	*Refrigerator Production*		*Per Cent Change*
	1958	*1966*	*1958*		*1966*	
France	479,000	800,000	+ 67	675,000	849,000	+ 26
Germany	698,000	1,482,000	+ 112	1,549,000	1,421,000	− 8
Italy	100,000	1,710,000	+1600	500,000	2,800,000	+460
Great Britain	869,000	702,000	− 19	562,000	984,000	+ 75
TOTAL	2,144,000	4,694,000	+ 117	3,286,000	6,054,000	+ 84

The Italians are the leading producers of washing machines in the Community.

A session of the European Parliament, Strasbourg, France.

INCREASED TRADE URGED WITH EASTERN EUROPE

Eastern Europe is a fast-growing and important market for the European Community. The Common Market countries should develop a coordinated policy to increase trade with the East, according to Jean François Deniau, a member of the European Communities Commission.

Mr. Deniau, speaking to the European Parliament at Strasbourg on March 12, said the question for the Six is no longer "whether or not we should trade with Eastern Europe, but only how trade can best be carried on in the interest of both parties." The occasion was the first debate in three years in the Parliament on trade with the countries of the Communist bloc. Mr. Deniau has special responsibility in the Commission for questions of external trade.

He said that despite difficulties, Eastern Europe already offers an important and fast-growing market that is crying to be developed. He pointed out that Community trade with the East bloc countries has continued to grow considerably since 1958 and especially since 1964. Imports have increased by 196 per cent and exports by 237 per cent. The market accounts for 6.5-7 per cent of the Community's sales abroad, making Eastern Europe a more important market than Latin America.

Mr. Deniau pointed out that while a coordinated policy towards the East is needed by the Six, a number of evolutionary changes must also occur in the Eastern countries to reduce the differences in the structures of the two markets presently hampering further expansion of trade between them.

In the legal sphere, Mr. Deniau said, the Common Market must adapt its trading interests more to the conditions of East-West trade, which are sometimes "peculiar."

Goods exported by the East consist primarily of farm produce, raw materials, energy products, and semi-manufactures—goods not necessarily needed in the Six. Changes, including more industrialization and diversification of their production and better quality products, depend on the East European countries themselves; these will require time. But, he pointed out that various positive developments are already taking place: the standard of living in these countries is rising, their production is being increasingly diversified, and in the West there is a movement toward more harmonization of commercial terms offered by the Six. The move towards trade liberalization by the Community has been matched in the East bloc countries by a change in attitudes and methods, including an incipient reassessment of ideas of cost and price, and even of international trade.

Mr. Deniau urged a shift of emphasis in East-West trade away from specialized political and legal problems and their consequences to a more general economic approach. In the past, the Six have sought to ensure that the relations of each with the countries of Eastern Europe caused no disruption of the Common Market. While this consideration is no less important now, the new trend toward trade liberalization should enable the Six to look forward to a stage where, case by case, more active cooperation can take place.

Mr. Deniau attributed the growth of trade with Eastern Europe largely to the political background of *détente* with the East. This *détente* benefits the growth of trade, he said, which in turn contributes to the *détente*.

SIX SIGN TREATY ON MUTUAL RECOGNITION OF COMPANIES

The six countries of the European Community on February 29 signed the first European convention on the mutual recognition of companies and legal persons throughout the Community.

The purpose of this convention is to facilitate the freedom of establishment and freedom to supply services throughout the six member countries, considered an essential part of the formation of the Common Market. Two other necessary conventions—one on the transfer of a firm's registered offices and the other on the means to facilitate international mergers—are still being studied by the Commission.

Companies subject to the laws of one member state have so far been recognized in the others, but recognition depends on different sources of law (statutes, customary law, international conventions), and this has led to wide differences in the practical effects and requirements from country to country. A major element in the new convention is a definition of the criteria determining whether a company belongs to a member state and, if so, which. Problems often arise when a company does not have its real registered office (where the management holds its meetings) in the country where it was set up or where it has its official registered office. The member states have empowered themselves not to recognize a company in the extreme case when it is established under the law of a member state but has its real registered office outside the Community and has no real contact with the economy of the Community.

C. Calmes, secretary general of the Council's Secretariat hands a pen to French Foreign Minister Maurice Couve de Murville at the signing of the mutual recognition convention.

In addition, a joint declaration recommends that the possibility of assigning certain powers to the European Communities Court of Justice should be investigated in order to secure uniform interpretation of the convention in the member states.

FRENCH PAY HIGHEST TAXES IN COMMUNITY

The French pay the highest taxes in the European Community, the Italians the least, according to a study of tax revenues in the European Community from 1958 through 1965. The Community's Statistical Office, the author and publisher of the survey, says that it provides a good picture of trends in taxation and differences in receipts. However, the experts warn, no absolute comparisons of tax loads in the member countries can be made from the data because of radical differences in their tax systems.

The following chart shows the average taxes paid in 1965, the latest year studied:

STATE AND LOCAL TAXES —1965

Country	*Per Person*	*Per Person in Labor Force*
France	$468	$1,163
Germany	450	990
Luxembourg	423	1,008
Belgium	373	969
Netherlands	358	949
Italy	219	572

Despite these apparent differences in the relative tax loads, the report points out that France's gross national product in 1965, at $94.8 billion, and Germany's, at $112.9 billion, were twice as high as Italy's, which was $57 billion. Roughly the same percentage of the French and German GNP, 24 per cent in each case, went to the French and German tax authorities as the percentage of Italy's GNP—20—which went to the Italian authorities. In fact, in all six member countries, tax revenue in 1965 represented between 20 per cent and 24 per cent of GNP. In 1958, it varied between 18 per cent and 23 per cent of GNP.

Local Taxes Reflect National Customs

Traditions, social preferences, and government policies explain some of the differences in local taxes disclosed in the study.

Local taxes constitute 17 per cent of all French taxes. Local taxes, by contrast, furnished 13 per cent of total tax revenue in Italy, 12 per cent in Germany, 10 per cent in Luxembourg, 6.3 per cent in Belgium, and 2.3 per cent in Holland. The breakdown of tax revenue by type (income, capital, turnover, or consumption) brought to light other differences: relatively high taxes on consumption in Italy and France and high income tax rates in Germany, Luxembourg, and Holland.

Local and central government taxes have increased most sharply in Germany, 81 per cent from 1958 through 1965 (at constant prices). The corresponding increase was 76 per cent in Italy, 71 per cent in both France and Holland, 69 per cent in Belgium, and 25 per cent in Luxembourg. During the same period, taxes per capita increased by 67 per cent in Italy, 64 per cent in Germany, 61 per cent in Belgium, 56 per cent in both France and Holland, and 17 per cent Luxembourg.

Tax receipts during 1958-65 thus rose more sharply than the tax load on each Community citizen because the population and the labor force expanded so much.

COMMISSION ACTS TO NORMALIZE RAIL ACCOUNTS

The Commission has submitted to the Council a draft regulation on common rules for the normalization of the accounts of railroad operations.

Normalization of accounts is one of the steps needed to put the railways on an equal footing with other means of transport by eliminating the effects of certain kinds of government intervention. This intervention, which takes the form of obligations imposed on the railways (such as the obligation to employ staff in excess of requirements) or advantages accorded them by the authorities (for example, the granting of loans on favorable terms) is liable to falsify railway accounts.

The proposed normalization is partly designed as an accountancy operation to reveal the charges imposed on, and benefits enjoyed by, railways which do not affect other means of transport to the same extent. It is also intended as a financial adjustment to offset charges against benefits, compensation being paid by the state if the obligations imposed outweigh the advantages, and by the railways where the opposite is the case. The normalization does not extend to infrastructure costs or to taxation.

As understood in the Commission's proposal, the normalization of accounts does not mean normalization of accounting rules to standardize railways accounting systems.

The proposal was based on the Council decision of May 13, 1965, on the harmonization of certain provisions affecting competition in road, rail, and inland waterway transport, which stipulated that accounts of railroad enterprises be normalized in accordance with common rules by January 1, 1969. In the initial stage, the proposal concerns the Community's six national rail networks. The Commission reserves the right to submit to the Council, within three years of the regulation's implementation, the provisions needed to extend its application to other undertakings engaged in rail transport.

$26 MILLION ALLOCATED FOR 152 FARM PROJECTS

The Commission of the European Communities has made the fourth allocation of aid from the Guidance Section of the European Agricultural Guidance and Guarantee Fund—the body empowered to carry out the financial provisions of the common agricultural policy.

The total outlay is $26,039,369 for 152 projects for 1967. The 1967 budget includes $80,040,000 for operations under the Guidance Section of the Fund. From this sum, however, the Council of Ministers has allocated to Italy $45 million for structural improvements in the production and marketing of olives, olive oil, fruit and vegetables; $5 million for damage caused by the disastrous floods in 1966, and $4 million to finance a survey of structural problems in agriculture. Therefore, the total available to finance projects was the $26-million sum. (The equivalent amount in 1966 was $41,587,676.)

The sums granted were divided among three categories: for the improvement of production structures ($14,472,832), for the improvement of marketing structures ($10,728,958), and for mixed projects ($837,579).

Recess at the European School, Brussels.

6,634 PUPILS ATTEND "EUROPEAN SCHOOLS"

The enrolment at the six European Community schools now stands at 6,634—560 more pupils than in the 1966/67 academic year.

The "European Schools" were founded for children of Community officials, but their student body includes local children and children from countries outside the Community, including the United States. Classes are taught in the four official Community languages: French, German, Dutch, and Italian.

With 2,083 students, the European School in Brussels is the largest. The oldest School, founded in Luxembourg in 1953, has a current enrollment of 1,557. The children of personnel employed at the European Atomic Energy Community's Joint Research Centers attend the other four Schools: 1,434 pupils at Varese, Italy; 884 at Mol and 253 at Bergan, the Netherlands; and 423 at Karlsruhe, the Federal Republic of Germany.

SELECTED PERIODICALS of the European Community

Following are descriptions of some European Community publications available by subscription. They may be ordered from the European Community Information Service, 808 Farragut Building, Washington, D.C. 20006 or from the Central Sales Office of the European Communities, 2 Place de Metz, Luxembourg. In either case, subscription orders will be filled by the Luxembourg office. Please note that subscriptions are offered by CALENDAR YEAR only.

NIMEXE: ANALYTICAL TABLES OF EEC FOREIGN TRADE

A new series from the Statistical Office of the European Communities. EEC foreign trade statistics are broken down according to the 4,828 items of the Harmonized Nomenclature for Foreign Trade Statistics of the EEC Member Countries (NIMEXE). Available in a single French/German edition.

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Each volume includes import and export data expressed in quantities and values.

The tables include import and export data by commodity for all countries of origin or destination whose share in EEC imports or exports is $10,000 or greater.

Statistics will be published for the reporting periods January-March, January-June, January-September, and January-December. The complete edition for 1966 is now available.

Volume	*Chapters BTN*	*Partial Contents*	*Price Per issue*	*Price Annual Subscription*
A	1-24	Live animals; animal and vegetable products; fats and oils; prepared foodstuffs; beverages and tobacco	$ 3.00	$10.00
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F	50-67	Textiles and textile articles; footwear, headwear, umbrellas, sunshades	$ 3.00	$10.00
G	68-72	Articles of stone, of plaster, of cement ceramic products; glass and glassware; pearls, precious and semi-precious stones and metals and articles thereof; coin	$ 2.00	$ 6.00
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An annual subscription to the complete edition (Volumes A through L for all four reporting periods) is priced at $90.00.

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PART L

Legislation

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