

EUROPEAN COAL AND STEEL COMMUNITY
EUROPEAN ECONOMIC COMMUNITY
EUROPEAN ATOMIC ENERGY COMMUNITY

COMMISSION

Second

GENERAL REPORT

on the

Activities of the Communities

1968

BRUSSELS-LUXEMBOURG

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The President and the Members
of the Commission of the European Communities
to the
President of the European Parliament

Mr. President,

We have the honour to submit the Second General Report on the Activities of the Communities, which the Commission is required to publish in pursuance of Article 18 of the Treaty establishing a single Council and a single Commission of the European Communities.

In accordance with Article 122 of the Treaty establishing the European Economic Community, the Commission also prepares a Report on the Social Situation in the Community as an annex to the General Report. This document will be submitted to you in the near future.

Please accept, Mr. President, the expression of our high consideration.

Brussels, 11 February 1969.

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INTRODUCTION

1. It is no easy task to summarize the essential points among the activities of the European Communities in 1968. This is not just because the richness and diversity of life cannot be neatly tucked into the limits set by arbitrary deadlines, but even more because the existence and development of the Communities during the last twelve months have been fraught with astonishing contrasts: difficulties, delays and disagreements on major aspects of Community life have alternated with major advances, with not inconsiderable successes and with a great many undertakings whose diversity cannot fail to strike the reader of this General Report.

This being so, the Commission believes that, instead of trying to make a general appraisal of all that has happened in the Community, it should single out the fields where it considers there are grounds for satisfaction with the progress achieved and those where, on the contrary, there is cause for concern, and close with a few general opinions on the state of the Community.

A. Reasons for satisfaction

2. There can be no question here of examining chapter by chapter each of the fields in which advances have been

made; they are indeed far too numerous. The public will concentrate more easily on the outstanding difficulties and spectacular disagreements than on the slow but certain progress of Community life. The Report itself is a mine of information in this respect, and only a few essential points will be touched on here.

Customs union was completed when customs duties within the Community were abolished on 1 July 1968. The common external tariff was introduced and the first instalments of the reductions resulting from the multilateral negotiations held in Geneva during May 1967 were put into effect. The problems still pending in the sphere of customs harmonization, important as they may be, are not such as to detract appreciably from the value of these fundamental results.

3. Despite the political difficulties between them at various points in the year, the Member States have been able to work together on the building of economic union and to take some important decisions in this field.

The Community has, for instance, passed to the single market stage for all the leading agricultural products. The common prices which had been fixed beforehand have come into force, so that from 1 July 1968 it has been possible to move most agricultural products freely from country to country.

In transport, there has been the progress expected since work in this field was given fresh impetus at the end of 1967. On the economic and technical plane, as in the social field, the decisions taken in 1968 represent a

considerable step forward which will make it possible to continue with the elaboration of the common policy.

In 1968 one of the great objectives of the Rome Treaty, the free movement of workers within the Community, was also achieved. All discrimination in employment, pay and working conditions based on nationality has thus disappeared. This completes the process which began when the Treaty came into force and progressed through the successive stages of the 1961 and 1964 regulations.

Particular mention should also be made of several important decisions that have been taken in the commercial policy field with an eye to the 1 January 1970 deadline.

After a long period of inaction it was at last possible, at the end of 1968, to resume—with the full co-operation of the Commission—the work begun by the Group on Scientific and Technical Research Policy.

In addition to these Council decisions, mention should be made of the action by several Member States in 1968 to adapt their internal legislation to the decisions taken by the Council in 1967 with a view to adoption of the tax on value added. This is one of the cornerstones of the Community's whole fiscal policy.

4. The Commission has itself taken action on a large number of matters and has submitted proposals and memoranda to the Council on several fundamental questions.

In the spring it specified the main lines of the policy it intends to pursue in the various sectors of industry (industry

in general, traditional branches in difficulty, growth industries).

In the nuclear field, it submitted a White Paper to the Council concerning the industrial exploitation of the results of research, the problems faced by the Community because of its technological backwardness, and the possible solutions.

In the tax field the Commission has completed its studies of common fiscal arrangements to be applied when an enterprise domiciled in one Member State merges with or acquires holdings in an enterprise domiciled in another Member State. It has worked out and submitted to the Council the main lines of a common fiscal system for use in all Member States. The aim is to enable firms in the Community to adapt themselves without fiscal handicaps to the common market and to competition within the Community or elsewhere.

In the field of competition, application of the regulations in force has made it possible to pigeonhole a great number of files and so to make a considerable reduction in the backlog of cases pending. Moreover, the Commission has made it perfectly clear that it views co-operation between enterprises with favour.

The merger of the Executives has produced its first effects in the field of energy. Taking over the studies in hand where the former Executives left off, the Commission has drafted and sent to the Council a general memorandum covering all sectors and proposing first guidelines for the Community policy on energy.

Finally, the Commission has drawn up a memorandum setting out, for the Community institutions and the public

at large, the essential problems of agricultural structure within the Community. Once the consultations which have just begun are completed this memorandum will serve as a basis for specific proposals, discussion of which will more than fill the year 1969.

5. To these internal measures must be added the policy pursued by the Community with regard to the Associated African States and Madagascar. The Community's work in Africa is one of its great achievements, and co-operation between the European and African peoples is developing in an exemplary manner in the framework of the Yaoundé Convention. There could be no better proof of the success of this Convention than the unanimous decision to renew it taken both by the Member States of the Community and by the eighteen Associated States.

The Commission has made precise proposals to the Council as to what the new Convention should contain. It is striking to see that the disagreement between the Member States in Europe has no repercussions outside, and that the Community's work in Africa is pursued with all the necessary proficiency and drive thanks to the fruitful co-operation of the Community institutions amongst themselves and with the Member States. In this field the European Parliament plays a very effective role, a point which should once again be emphasized.

6. This list is in no way exhaustive. It merely highlights a few sectors in which progress has been more obvious than in others. However, we should not forget the less

spectacular but extremely necessary action which the Commission has to undertake whenever a Member State encounters great difficulties in its economy or in some particular sector. We need only point to the decisions which the Commission took following the difficulties experienced by France in May and June 1968, and which constituted a correct application of the provisions of the Treaties of Rome and Paris.

Mention should also be made of the day-to-day aspects of Community activity, the application of the regulations in force, the pursuit of the negotiations with non-member countries, all of which add up to an immense amount of work for the Community institutions (Parliament, Council, Commission, Court of Justice) and constitute the daily life of the Community.

B. Reasons for concern

7. But the Community has had its due share of worries in 1968.

The first matter of grave concern is the political controversy which has arisen between the Member States concerning the enlargement of the Community. The disagreement which crystallized in the Council discussion of 19 December 1967 was not resolved in 1968. It has caused the Council and the Commission to lose valuable time, since the greater part of the Council's discussions have been devoted to it. The negative attitude adopted in this field by one Member State has evoked negative reactions by its partners in a number of other spheres. The blocking of

the enlargement of the Community has provoked the blocking of the negotiations with the Mediterranean countries and of progress in the technological field. After months of irritating discussions it was only slowly that the atmosphere improved, in the second half of the year, and that the efforts made in the spring to work out a temporary compromise solution began to bear fruit.

8. The second matter for concern is the spread of these disagreements to other sectors. The Commission has noted, and regrets, a general deterioration of the atmosphere within the Community. There has been less goodwill, and conciliatory solutions have become more difficult to work out; the advocacy of purely national interests has become quite open. It took a year and a half to establish the procedures for providing food aid to the developing countries, the principle of which was accepted by the Community in May 1967. In dealing with agricultural regulations, customs regulations or regulations in the field of commercial policy, Member States have too often made their agreement conditional upon the satisfaction of immediate interests and failed to consider those of the Community as a whole. It would be vain to conceal the fact that this attitude has not only struck specialists discussing these matters within the institutions, but has been very widely noted by public opinion both inside and outside the Community, and has done nothing to reinforce the latter's authority in Europe and throughout the world.

9. The third cause for concern is unquestionably the Euratom crisis. It is perfectly understandable that Member States should disagree on the programme of work to be

accomplished by this Community institution, since the basic elements of nuclear research and its industrial follow-up have changed greatly since the European Atomic Energy Community was established, and their disagreement is even more understandable when it is remembered that in most of them the national programmes themselves are the subject of difficult rethinking. But the real cause of the crisis is the absence of any genuine political will for joint action. It is deeply disquieting that once again agreement has proved possible only on a provisional programme for one year—and even then half the projects are to be paid for by only five of the Member States out of six—while the 1969 research budget is still not adopted. If the Member States should get into the habit of financing only those projects which are of direct concern to them, the result would be a rapid and serious deterioration of Community action.

The interest of the Community as a whole must come first; and so it was not without a feeling of bitterness and impatience that the Commission participated in the deliberations at the end of the year when the Member States were discussing the reduction of their joint effort in the first large technological centre created by the Community. And this at the very time when American astronauts were flying round the moon and striving to outbid their Soviet rivals in the conquest of space!

10. Finally, economic and monetary anxieties have been caused by the problems that 1968 has brought to the fore. These difficulties have drawn attention to the divergences which have become apparent in the last two years in the economic development of the various member countries

and which make closer co-ordination of their economic and monetary policies necessary.

Moreover, the machinery for prior Community consultation established in 1964 did not function satisfactorily during the monetary crisis in November. The Commission would, however, emphasize that Community consultations were constant and fruitful during the conference of the Group of Ten in Bonn.

The Commission regrets that the unity of views and action which had been reinforced since 1966 in the field of international monetary relations, and which had produced considerable results, was not maintained in the spring of 1968.

It is illogical that at a time when customs union has been achieved, the common agricultural market is functioning and the future of international monetary relations is fraught with uncertainty, the Member States should not strengthen their economic and monetary solidarity. Opinion in our six countries feels this need more every day; in the building of our Community it is one step forward which we can postpone further only at our peril.

C. Concluding remarks

11. Concluding this Introduction, the Commission believes that it is in duty bound to draw the attention of the Parliament—for which the Report is first and foremost intended—and of public opinion throughout the Community to a few fundamental points.

The difficulties through which the Community is passing—and which get a little too much of the limelight—should not blind us to the patient and unremitting work of construction which is being performed.

The reader of this Report cannot but be struck by the scale of what has been accomplished in so many and varied fields. It would be a mistake to think that the Community is paralysed, and equally mistaken to believe that it has come to a halt with the establishment of customs union and the operation of certain agricultural markets. The force impelling our six Member States to integrate their economies and their social structures has, happily, so far proved more powerful than the obstacles encountered on the road to integration.

12. It is in the nature of things that there should be disagreements between Member States; they stem from the diversity of traditions and mental attitudes and from certain interests, and are the fruit of free discussion within a democratic organization. What is not reasonable is that the States should have so much difficulty in coming to terms on their sometimes divergent immediate interests and in framing common solutions acceptable and profitable for all.

The Commission does not claim to be perfect and cannot be surprised when the other institutions also have their problems. It can, however, only regret that the Council should sometimes give the impression of being an international conference at which national delegations are negotiating with each other, whereas in reality it is one of the government organs of a Community of 180 million in-

habitants which must be guided efficiently in the same way as any one of our member countries.

For a Community in the making, a Community which still has to assert itself, efficient guidance is a vital necessity. It is unacceptable that important problems should remain unsolved for years on end. There is nothing to be gained by retarding or blocking decisions which will eventually have to be adopted anyway. Is it good sense to hold up completely, despite the Opinion issued by the Commission, the start of work on enlarging the Community when all parties state that they want this enlargement and know that it will ultimately come about? Was it wise to block, despite the Opinion issued by the Commission, the procedures for negotiations with the Mediterranean countries, which eventually had to be resumed after all? Was it wise, despite the Opinion issued by the Commission, to let the Community lose a year in which it could have been working on a common technological policy—one of the most urgent questions of today? All this loss of time has been to no purpose and has profited nobody, and it would have been better to realize that at the start rather than at the end. Can it be hoped that the lesson of these experiences will not be completely wasted in the years ahead?

13. Finally, the Commission would like expressly to remind the reader how important it is for the life of the Community that its institutions should function normally. Quite apart from the institutional developments which are becoming increasingly necessary as the Community advances, the Commission is astonished at the lengthy battles it has to fight merely in order that its functions under the Treaty shall be respected and that nothing be done to

whittle them down. At a time when all the Member States declare that they wish to strengthen the Community, it must be clearly realized that the way to any such strengthening is primarily through respect for the institutions, their reciprocal powers and their methods of deliberation and decision.

If the Communities were to be reduced to a vague inter-governmental organization, their effectiveness would be immediately and irretrievably jeopardized.

Alone of all the large European organizations, the Communities have succeeded in building up and administering common policies, and this they owe essentially to their institutional machinery. The same men who did not succeed in framing and implementing common policies in the amorphous framework of other organizations have managed to do so in the framework of the Community, which provided them with the necessary institutional instruments.

CHAPTER I

ESTABLISHING AND FUNCTIONING OF THE
COMMON MARKET

1. Free movement of goods

ENTRY INTO FORCE OF THE CUSTOMS UNION

1. On 1 July 1968, on the basis of a Council decision of 26 July 1966⁽¹⁾ and a Council regulation of 28 June 1968,^(2,3) the customs union was completed 18 months ahead of the time-limit laid down in the Treaty of Rome. It was given concrete form by two essential measures: the abolition of customs duties between the Member States and full application by all these Member States of the common customs tariff.

Tariff disarmament within the Common Market is now complete for goods in the industrial sector. For the agricultural products listed in Annex II to the Treaty, however, tariff disarmament has been made effective only for the major part, not generally; the method used has been the setting up of common organizations for the various markets. Pursuant to Council Directive No. 67/364/CEE of 31 May 1967⁽⁴⁾, customs duties not exceeding 25% of the basic duty are still applied between the Member States on imports of about forty agricultural products not covered by common market organizations or by Council Regulation (EEC) No. 827/68 of 28 June 1968.⁽⁵⁾

⁽¹⁾ *Official gazette* No. 165, 21 September 1966.

⁽²⁾ *Ibid.* No. L 172, 22 July 1968.

⁽³⁾ The Commission has published, in the four Community languages, a new edition of the "Customs Tariff of the European Communities" listing the duties applicable at 1 July 1968, 1 January 1970, 1 January 1971, and 1 January 1972. This work is kept up to date with all amendments, reductions or suspensions of duties.

⁽⁴⁾ *Official gazette* No. 108, 7 June 1967.

⁽⁵⁾ *Ibid.* No. L 151, 30 June 1968.

With regard to customs protection of the Common Market against imports from non-member States, the common customs tariff, in the new form adopted as Council Regulation (EEC) No. 950/68 of 28 June 1968,⁽¹⁾ has replaced the customs tariffs of the Benelux countries, Germany, France and Italy. The resultant customs union embraces almost all industrial and agricultural products. Two exceptions have been authorized by the Commission under Article 26 of the Treaty of Rome: these cover certain manufactured tobaccos for the Benelux countries⁽²⁾ and a quota for unwrought aluminium for Germany.⁽³⁾ Among agricultural products, only some forty tariff headings and sub-headings are excluded; for these, as for the exceptions referred to above in connection with tariff disarmament, approximation under Article 23 of the Treaty of Rome remains the rule. Finally, for products which come under the Treaty establishing the Coal and Steel Community, a common customs tariff will not be applied *de facto* before 1 January 1972. At that date the tariff rates that are being harmonized in the Member States will, as a result of the 1963/67 round of tariff negotiations in GATT, be fully aligned.

Tariff union is, however, only a stage on the road to a real customs union. The latter calls for uniform interpretation of the common customs tariff, its continuing administration and Community legislation to replace national legislations in this field.

THE COMMON CUSTOMS TARIFF

2. Now that intra-Community duties have been abolished, uniform interpretation of the common customs tariff, that is, the levying of one and the same duty on a given item, no matter which Member State has imported it, assumes greater importance. To this end two kinds of measure will need to be adopted at Community level, similar to those that already exist at national level. These are the drafting and application of explanatory notes to the common customs tariff and the tariff classification of goods.

In order to have these two kinds of measure handled by the Community, the Commission proposed to the Council, in what became Regulation No. 950/68, the setting up of a Common Customs Tariff Committee

⁽¹⁾ *Official gazette* No. L 172, 22 July 1968.

⁽²⁾ *Ibid.* No. L 221, 7 September 1968.

⁽³⁾ *Ibid.* No. L 110, 11 May 1968.

to assist the Commission over the interpretation of the tariff nomenclature with a view to its uniform application in all six Member States. This proposal was examined in the Council at the same time as the regulation on the common customs tariff; as the Permanent Representatives' Committee had had reservations on certain of its clauses, the part concerning this committee was taken out for later consideration. Discussion of the point was resumed in November 1968.

While waiting for the committee to be set up, the Commission continued the work of drafting explanatory notes. Of the 91 chapters for which such notes are to be compiled, 52 have already been dealt with. The texts adopted will be available at the beginning of 1969. In addition, about 60 decisions on the classification of goods have been taken by the panel of experts from the Member States attached to the Commission and have been communicated to the national authorities for implementation.

After 1 July 1968 the Commission, in conjunction with the national experts, examined applications for reduction or suspension of duties for 1969. As in previous years these concerned products imported from non-member States for which output in the Community is either inadequate or non-existent. Out of the 118 products examined, 82 already benefited in 1968 from various reductions in the rates of duty. Agreement was reached on about a hundred reductions or suspensions.

A certain number of changes in the customs nomenclature, based on technical grounds, were examined on behalf of the Commission by the panel of government experts. Agreement was reached and a draft regulation amending the common customs tariff was submitted to the Council with a view to its application from 1 January 1969 onward.

TARIFF QUOTAS

3. The number of applications for national tariff quotas, which reached its highest level in 1962 with 278 applications, has declined continuously in recent years; they totalled 68 for 1968 and only 26 for 1969.

This very satisfying result is the consequence of efforts made since 1961 to eliminate as many national tariff quotas as possible. In 1968, for instance, 21 applications ceased to have any purpose after the Council had adopted a draft decision submitted by the Commission; this decision, taken under Article 28 of the Treaty, suspended the CCT duties on 14 items.

A similar proposal will be added to the collective proposals for suspension or reduction of customs duties for 1969.

Another means of eliminating national tariff quotas is the Community tariff quota. The opening of 8 Community tariff quotas bound in GATT (1963/67), some of them increased autonomously during the year, also robbed 26 applications for national tariff quotas of all purpose.

Good progress was again made by the Council in examining the Commission's memorandum on the general lines for the administration of Community tariff quotas, but no conclusion has yet been reached. The Commission has therefore put before the Council concrete proposals, based on earlier experience, for the administration of the conventional Community tariff quotas to be opened for 1969.

A proposal is being drafted for the approximation of legislation on the administration of tariff quotas and on the alignment of the divergent practices of Member States in this field.

ELIMINATION OF CHARGES WITH AN EFFECT EQUIVALENT TO THAT OF CUSTOMS DUTIES

4. The Commission actively continued its examination of charges on imports and/or exports which may be considered as equivalent to customs duties.

To date it has been possible to list 380 different cases of such charges of the most heterogeneous kinds (licensing charges, statistical dues, stamp duty, fees for plant, animal and other health controls, duties on the loading and unloading of goods, etc.) as well as numerous other charges and dues, the revenue from which is intended to finance the activities of organizations which are partly government controlled. Of these:

279 have been definitely settled (charges abolished, charges transformed in such a way that they no longer have an effect equivalent to that of customs duties, while in a few cases examination has shown that the charges do not have "equivalent effect");

17 are in course of being regularized (the Commission has taken the necessary steps to have these charges suppressed, but the necessary action has not yet been taken by the Member States).

There remain therefore 84 cases for which examination has not yet shown definitely whether Articles 12, 13 and 16 of the Treaty offer valid legal grounds for action by the Commission; they all present difficult legal problems.

In addition, new cases are frequently brought to light and the true extent of the charges levied on imported (or exported) products becomes more and more apparent with the disappearance of the traditional protective measures on trade between Member States (abolition of customs duties and quantitative restrictions).

Although the incidence of some of these charges is rather limited and their protective effect is sometimes scarcely perceptible, they none the less hamper the free movement of goods. If the Member States continue to subject imported or exported goods to any form of charge, whether fiscal or parafiscal, they prevent the Commission from fixing even an approximate date on which it will have completed its drive to suppress all charges having an effect equivalent to that of customs duties.

VALUE FOR CUSTOMS PURPOSES

5. On 27 June 1968 the Council adopted Regulation (EEC) No. 803/68 on the customs value of goods.⁽¹⁾ The further precision which this regulation gives to the various parts of the Definition of Value introduced by the Brussels Convention on Valuation for Customs Purposes,⁽²⁾ and the implementing regulations for which the regulation provides, will quickly reduce to a minimum the differences which are still to be found in the methods by which Member States assess the value of goods and, in consequence, they will help to ensure that the incidence of the duties in the common customs tariff is truly equal no matter where goods are cleared through customs within the Community.

The Committee on Valuation of Goods for Customs Purposes, established by the Council regulation mentioned above, has agreed a draft regulation on the air freight charges to be incorporated in the customs valuation. These provisions came into force on 1 January 1969. Three other draft regulations are at present being studied.

⁽¹⁾ *Official gazette* No. L 148, 28 June 1968.

⁽²⁾ Signed at Brussels on 15 December 1950.

CUSTOMS LEGISLATION

6. Under the terms of Article XXIV of GATT, the application of substantially similar customs regulations in each of the contracting countries is one of the characteristics of a customs union, and during the first half of 1968 the Commission accordingly submitted to the Council a considerable number of proposed regulations and directives on this subject. The Commission made these proposals not only with a view to completing the customs union but also as a means of bringing home to the peoples of the Member States the reality of the Common Market. Together with the proposals previously submitted or adopted, adoption of this group of regulations and directives would have the effect of harmonizing a large part of customs law in the Member States and considerably reducing customs formalities at intra-Community frontiers. The Council has approved several of the proposals, but the Commission notes with regret that a number of important proposals, although both their content and their form have been approved, have not yet been formally accepted by the Council. Inevitably, then, attention is being focused increasingly on the problem of redistribution of customs revenue, for while complete harmonization of customs legislation will not prevent imported goods destined for one Member State from being cleared by customs in another Member State, the continued existence of disparities in the customs legislation of the various States concerned cannot but contribute actively to diversion of revenue. The correlation between disparities and diversion of revenue was, moreover, recognized by the Council in its resolution of 11 May 1966.

The Commission has proposed a procedure for identifying and, if need be, offsetting diversion of customs revenue. On the basis of the information which will be obtained by this procedure, a decision will be taken on the advisability of arranging for redistribution among the Member States.

7. The work on customs legislation has reached the following stage:

In the aeronautical sector, equipment for the servicing, repair and construction of aircraft has since 1 July 1968 been subject to Community provisions under which it enters, on economic grounds, duty free or at reduced rates. This decision, taken by the Council on 18 June 1968, rounds off decisions previously adopted in the field.

Harmonization has been achieved in the shipbuilding sector by a further decision of the same date. From 1 July onwards all equipment

for the construction and general fitting out of sea-going vessels may be imported duty free. As there is no similar Community measure to cover vessels used on inland waterways, the total or partial exemption from duty granted in respect of these vessels by certain Member States has had to be cancelled as from 1 July.

As regards duty-free allowances for travellers, the Commission submitted to the Council on 21 June 1968 a draft regulation aimed at harmonization in this field. Parallel to this is a proposed decision based on Article 99 of the Treaty and submitted to the Council on 26 June 1968; it is intended to harmonize the tax facilities to be granted to travellers.

The two proposed directives drawn up by the Commission concerning bonded warehouses and free zones have not yet been adopted by the Council. Pending this, work has been put in hand at expert level on implementing provisions and, in particular, on a list of the forms of processing which may be carried out in bonded warehouses and free zones.

A proposed directive on Community arrangements for inward processing traffic was submitted to the Council on 27 March 1968. Pending its adoption, the experts are working on the provisions which will have to be included in the rules of procedure of the Processing Traffic Committee provided for in the proposed directive. In close connection with all this, work is in hand on a procedure by which products imported duty free can be used, under certain conditions, in the production of goods for the internal market, the goods themselves being subject to the duties applicable to them. This procedure, known under German law as "Umwandlungsverkehr", helps to prevent business from being transferred abroad in cases where such a move would be encouraged by imbalances within a tariff, the finished goods being subject to less tax than the product needed for their manufacture.

Work was begun early in 1968 on Community arrangements for outward processing traffic. From the economic point of view, the importance of this traffic is smaller than that of inward processing traffic, but for a wide variety of reasons Community firms frequently need to send products abroad to be repaired or otherwise worked on or processed, and then to reimport them. Since reimportation benefits from special tariff treatment,⁽¹⁾ there will have to be a decision on the advisability of authorizing this treatment in all cases where the

⁽¹⁾ See the Commission recommendation on this subject dated 29 November 1961, which is applied by all the Member States. *Official gazette* No. 3, 17 January 1962.

technical conditions are fulfilled, or of providing for a possible refusal when the operation concerned is prejudicial to the essential interests of the Community economy.

Work has been undertaken on the harmonization of temporary import arrangements other than those for inward processing traffic. The main need is to determine the conditions under which machines and tools (including moulds), temporarily introduced into the customs territory without payment of the normal duties, may be used within the Community. Since their use is liable to distort conditions of competition to the detriment of enterprises using machines and tools on which duty has been paid and to prejudice the interests of Community producers of similar products, the application of these arrangements should be made dependent on certain economic conditions, and even then exemption from duties should in certain cases be no more than partial.

The proposed directive on customs controls to be applied to goods entering the Community and the temporary warehousing of these goods was adopted by the Council on 30 July 1968 (Directive No. 68/312/CEE).⁽¹⁾

The proposed directive on the methods of payment of customs duties, of charges with equivalent effect and of agricultural levies, which was submitted to the Council on 27 November 1967, has not yet been formally adopted.

On 1 April 1968 the Commission submitted to the Council a proposed regulation on Community transit trade, based on Article 235 of the Treaty. Since the institution of Community transit trade arrangements requires the adoption of a considerable number of implementing regulations, work in this field has continued pending adoption of the regulation; with the assistance of government experts, members of the Commission's staff have been concentrating especially on the formulation of a guarantee system. In addition, the documents for transit of the Community, of which only a general outline was annexed to the proposal, and the instructions on their use, have been worked out in detail.

With the adoption by the Council, on 27 June 1968, of Regulation (EEC) No. 802/68⁽²⁾ on a common definition for the concept of

⁽¹⁾ *Official gazette* No. L 194, 6 August 1968.

⁽²⁾ *Ibid.* No. L 148, 28 June 1968.

origin, the Community has provided itself with a necessary instrument for the uniform application of any Community provision on tariffs or other matters whose application, whether to imports or exports, depends on the origin of the goods. Apart from the adoption of its rules of procedure, one of the first tasks to be performed by the Committee on Origin which was set up by this regulation was to give an opinion concerning a draft regulation on the institution of a Community certificate of origin.

A second proposal approved by the Council concerns anti-dumping and countervailing duties. As Regulation (EEC) No. 459/68⁽¹⁾ on defence against dumping practices and bounties or subsidies given by countries which are not members of the EEC, this was adopted on 5 April and came into force on 1 July 1968.

Since the various proposals on the harmonization of customs law frequently refer to the concept of the customs territory of the Community, it was becoming urgently necessary for the concept to be defined. The Commission therefore drew up a proposed regulation, based on Article 235 of the Treaty, under which the Community customs territory embraces all the territories of the Member States, apart from the exceptions specifically laid down. The proposal was adopted on 27 September 1968 as Regulation (EEC) No. 1496/68.⁽²⁾

As the date of 1 July approached, the Commission sent to the Member States a recommendation dated 21 June 1968,⁽³⁾ to the effect that control of tourist vehicles and passengers at intra-Community frontiers should be reduced to the minimum.

MEASURES WITH EQUIVALENT EFFECT TO QUANTITATIVE RESTRICTIONS, OBSTACLES TO TRADE, TECHNICAL HARMONIZATION

Quantitative restrictions and measures with equivalent effect

8. The few residual agricultural import quotas (in particular for fish)—the number of which has diminished further following the entry into

⁽¹⁾ *Official gazette* No. L 93, 17 April 1968.

⁽²⁾ *Ibid.* No. L 238, 28 September 1968.

⁽³⁾ *Ibid.* No. L 167, 17 July 1968.

force of agricultural regulations—continued to be enlarged in conformity with Article 33. Since 1 January 1968 they have been equal to at least 20% of national output in order to comply with paragraph 3 of the Article.

In the matter of measures with effect equivalent to quantitative restrictions, the Commission has endeavoured, as in the past, to bring to light, examine and take action against measures which affect imports only and thus correspond to the Commission's definition of such measures.

As soon as it is found that a provision is in the nature of a measure equivalent in effect to a quantitative restriction, procedure under Article 169 is initiated if the measure is a new one, i.e. if it was introduced after the entry into force of the Treaty. For measures already existing on 1 January 1958, Commission directives are drawn up abolishing them before the end of the transitional period. There has, for example, been further work on a directive to remove restrictions on supplies to the state, regional and local authorities and other legal persons under public law.

It should be noted that the Commission's task in dealing with measures with equivalent effect is proving particularly delicate, as there are often problems of demarcation between the fields of application of Articles 30 to 36 and other provisions of the Treaty.

Such a problem arose, for example, in connection with provisions applicable without distinction to domestic and imported products, namely provisions which subject products of whatever origin to certain marketing conditions, for example provisions relating to packaging or composition. Obstacles to trade resulting from such trading rules normally have to be removed by harmonization under Article 100. To the extent, however, that such provisions constitute measures with effect equivalent to quantitative restrictions, Articles 30 *et seq.* are applicable. On this point, the Commission's experience and thinking lead it, in the present circumstances, to class among such measures any provisions that are applicable without distinction to both domestic and imported products and whose restrictive effects on the free movement of goods exceed those proper to rules on trade. It is from this angle that the Commission intends to examine the cases currently referred to it.

Harmonization of technical rules

9. The total elimination of customs barriers has revealed the considerable extent to which obstacles to intra-Community trade are due to differences between one country and another in domestic legislation on industry. Such obstacles can be removed under Article 100, which provides the legal instrument for this purpose in the form of harmonization of domestic legislation by means of directives.

The Commission has therefore endeavoured to get things moving quickly in the various industries and for this purpose has drawn up a general programme for the removal of technical obstacles to trade resulting from differences in domestic legislation between one country and another. The programme was adopted on 5 March 1968 and submitted to the Council on 7 March; it was endorsed by the Economic and Social Committee on 27 June and adopted by the European Parliament on 3 October 1968.

As regards the Commission's commitments, the programme provides for three phases, to be implemented, on 1 July 1968, 31 December 1968 and 1 July 1969.

10. For the first phase the Commission has submitted to the Council directives concerning the following sectors:

Motor vehicles

1. Proposed directive on acceptance tests for approval of motor vehicles;
2. Proposed directive on lighting and signalling equipment;
3. Proposed directive on permissible noise level and exhaust assembly;
4. Proposed directive on driving mirrors, field of vision, windscreen wipers, windscreen washers;
5. Proposed directive on connections for lighting and signalling equipment for trailers;
6. Proposed directive on horns.

Agricultural tractors and machinery

1. Proposed directive on acceptance tests for agricultural tractors and machinery;
2. Proposed directive on:
 - (a) Permissible total laden weight;
 - (b) Towing weight;
 - (c) Steering;
 - (d) Driving mirrors;
 - (e) Windscreen wipers;
 - (f) Protection of drive take-off and protruding moving parts;
 - (g) Connections for lighting and signalling equipment of trailers;
 - (h) Position of the rear registration plate;
 - (i) Fuel tanks;
 - (j) Ballast weights;
 - (k) Driver's cab;
 - (l) Field of vision;
 - (m) Driver's seats;
 - (n) Equipment for suppressing radio interference;
 - (o) Horns;
 - (p) Lighting and signalling equipment;
 - (q) Permissible noise level;
 - (r) Exhaust assembly;
 - (s) Traction equipment.

Crystal glassware

Proposed directive on the designation of products and criteria for determining and distinguishing them.

Electrical machinery and equipment

Proposed directive on electrical equipment to be used within certain voltage limits.

Measuring instruments

1. Proposed directive on measuring instruments in general;
2. Proposed directive on clinical thermometers;

3. Proposed directive on cylindrical weights;
4. Proposed directive on block weights;
5. Proposed directive on the measurement of the natural weight of grain by the hectolitre;
6. Proposed directive on the measurement of the capacity of ships' tanks.

Dangerous substances

Proposed amendment to the directive of 27 June 1967 on peroxides.

Oil pipelines

Proposed directive on safety measures for the construction and operation of oil pipelines.

11. The Commission is actively preparing directives for the second phase of the general programme.

Draft laws and regulations forwarded by the Member States to the Commission in response to its recommendation of 20 September 1965⁽¹⁾

12. The following drafts have been forwarded to the Commission in respect of Belgium:

On 26 April 1968:

A draft royal decree regulating the use of electricity in underground mining and quarrying works.

On 9 September 1968:

Two draft royal decrees laying down safety requirements for fuses for rated current not exceeding 63 amp., and for wall-plugs and flex for domestic and similar purposes.

⁽¹⁾ *Official gazette* No. 160, 28 September 1965.

13. The following drafts have been forwarded to the Commission in respect of France:

On 21 March 1968:

A draft amendment to the decision of 25 May 1962 fixing the safety principles for the approval of cold-forming presses with reciprocating components; a draft decision fixing the safety principles for the approval of multi-purpose cutting machines for building sites.

On 29 August 1968:

A draft decree making French standards relating to movable fire-extinguishers compulsory.

14. The following draft has been forwarded to the Commission in respect of the Netherlands:

On 27 May 1968:

Draft amendment to the 1959 regulation concerning the deposit on beer bottles.

Euronorms

15. Technical standardization is likewise a means of removing obstacles to intra-Community trade. Work begun in the ECSC on the standardization of certain steel products was pursued in 1968.

The Co-ordinating Committee on the nomenclature of iron and steel products and its 17 working parties continued to make satisfactory progress in drawing up Euronorms in 1968.

The finalization of Euronorm 79—definition and classification of steel products by shapes and sizes—has enabled definitions that had largely become technically outmoded to be classified more rationally and brought up to date in the light of the possibilities of modern production machinery.

In the group of Euronorms on the qualities of non-alloy steel products, several important standards have been published. Several

quality Euronorms concerning steel for heat treatment have reached the final phase. Euronorm 52 on heat treatment terms has been published. In the Euronorm group concerning sizes and tolerances of rolled products, two size norms for special products have been published. The problem of tolerances of flat products is progressing satisfactorily, but certain questions of principle remain to be settled. The question of tolerances of long products is being looked into again in order to adapt them to the capacity of modern machinery. Rapid progress is being made on the necessary revision of the ten-year-old Euronorms for wire rod. A start has been made on widening several quality standards to include new grades.

The Co-ordinating Committee has no intention of being left behind at world level from the angle either of quality of the metal or of perfection in the shape of products. In working out modern standards its aim is to reflect the efforts made both in research and in investment by the Community's iron and steel industry.

SAFEGUARD MEASURES (ARTICLE 226)

16. Of the Italian industries to which application of Article 226 was allowed when the List G agreements were concluded, only the silk industry is still protected by a safeguard measure, which is valid until 31 December 1969.

The safeguard measures concerning the lead, zinc and sulphur industries in Italy expired on 31 December 1967. By its decision of 20 March 1968, the Commission rejected an application from the Italian Government dated 13 December 1967 for an extension until 31 December 1969 of the measures safeguarding lead and zinc. At the same time the Commission declared itself ready to examine, in the framework of the Treaty of Rome, any proposed solutions that the Italian Government might submit to it in order to take into account social and regional difficulties arising after 1 July 1968.

The Commission also rejected, by its decision of 9 February 1968, the application made by the same Government on 28 December 1967 for an extension until 1 July 1968 of measures safeguarding the sulphur industry.

On 8 April 1968 the German Government renewed its request of 5 September 1967 that Article 226 should be applied to the carded wool fabrics industry, the measures to consist mainly of quotas for imports from Italy. The Commission came to the conclusion that opening such quotas was not a suitable way of solving the relevant difficulties. When it informed the German Government of its decision, the Commission pointed out that a study was being made of the best way to improve the situation in the carded wool fabrics industry, which is in the throes of a crisis in all the Member States.

On 16 November 1967 the French Government applied to the Commission for authorization to open quotas for two years for imports of household refrigerators, washing machines, gas cookers and combined gas and electric cookers, on the basis of the situation in the first half of 1966.

By its decision of 23 February 1968, the Commission rejected this application and informed the French authorities that "should these French industries encounter difficulties liable to have serious consequences at regional level, it would be ready to examine solutions submitted to it by the French Government in the framework of the Treaty".

By its letter of 20 March 1968 the German Government applied to the Commission for authorization to levy, from 1 July 1968, countervailing charges equal to the domestic duties being levied on imports of products under tariff headings 22.09 B and C (compound alcoholic preparations and spirituous beverages) from the other member countries. The German Government argued that, in the absence of a common organization for the spirits market, manufacturers and processors in the other Member States were in a position to produce cheaper spirits and spirituous beverages than manufacturers and processors at home. By its decision of 15 July 1968 the Commission rejected this request, but was prepared to examine by emergency procedure any further invocation of this Article should serious difficulties arise in the months to come.

Conversely, the Commission accepted an application by the French Government, dated 30 May 1968, for authorization to levy an import charge on certain pigmeat products. This was granted on the grounds of the events in May, which had upset normal shipments of pigmeat from production areas to consumption centres. The French Government feared that once the situation had been re-established, pigmeat supplies

in stock-raising areas would greatly exceed requirements. This authorization expired on 31 July 1968.

On 5 August 1968 the German Government applied to the Commission for authorization to levy a countervailing charge on imports of semi-finished products made from cocoa. This application is being examined.

17. These requests for the application of Article 226 fall into three categories: those concerning certain industries to which the Council gave priority when the Treaty was drawn up, those concerning foodstuffs or products made from spirits, and those which concern other industries.

The Commission rejected the requests in the first category (lead, zinc and sulphur), considering that these industries had been protected for eight years and no extension could be given; any solutions to outstanding problems should be sought not in Article 226 but in some other context.

The safeguard measures in the second category concerned pig-meat, alcoholic beverages and semi-finished products made from cocoa. In the first case they were requested because of the economic circumstances (May events in France) and in the second case because of the lack of a common market organization. The fact that in the latter case the Commission rejected the application does not mean *ipso facto* that invocation of Article 226 cannot be based on the absence of a common organization of the market. Certain analogies are to be noted between the case of cocoa products and that of spirituous beverages, particularly as regards problems linked with production methods.

Applications coming under the third category (carded wool fabrics, electrical household appliances) result from the progressive establishment of the customs union and the specialization of production within the Community. Certain industries have found themselves facing problems of recasting structures or of conversion, problems aggravated by the pressure of competition from industries in other Member States.

The Commission considered that in an expanding economy that is undergoing a process of integration, and in view of the progress made in establishing the customs union, a solution to the structural and growth problems facing firms should not be sought primarily in measures restricting imports.

2. Difficulties arising from the economic situation in France⁽¹⁾

QUOTA MEASURES

18. The exceptional difficulties with which the French economy has been faced following the events in May and June 1968—difficulties which could not only jeopardize France's external balance, but also affect the whole Community—persuaded the Commission that it was necessary to apply measures to facilitate a rapid return to normal in the industries more particularly hit by the strikes.

With this aim it authorized France, by its decisions of 6 and 23 July 1968, issued under Article 37 of the ECSC Treaty and Article 108(3) of the EEC Treaty respectively, to limit the growth of certain imports from the other Member States of products of such industries.

As these, however, are measures allowing exemptions from the normal functioning of the Common Market, the Commission stressed that they should be strictly limited in time, not susceptible of extension nor an obstacle to the reasonable growth of intra-Community trade and conditional upon the adoption by France of similar arrangements to limit imports from non-member countries.

Content of the quota measures

19. The measures took the form of the re-establishment of import quotas for goods from the other Member States in the steel, motor vehicle, textile and electrical domestic appliances industries.

The Commission limited the application of these quotas to:

- a) Four months (from 1 July to 31 October 1968) for motor vehicles;
- b) Six months (from 1 July to 31 December 1968) for products of the other industries concerned.

⁽¹⁾ See also secs. 115 *et seq.*

It fixed the volumes by taking as a basis the corresponding period of 1967, increased by a growth rate corresponding to the trend of trade which could reasonably be expected in 1968.

In both its decision of 6 July 1968 and that of 23 July 1968, the Commission said that the quotas should be allocated by the French Government among the various Community countries in a fair and non-discriminatory manner that took into account the traditional trade flows.

In the latter decision, the Commission detailed the manner in which the quotas should be distributed by breaking them down into two instalments. It also recommended that, as far as possible, priority should be given to contracts concluded before 1 June 1968 and providing for the delivery of the goods before the expiry of the validity of the relevant quotas.

The decision of 6 July 1968 concerning ECSC products, which constitutes an obligation to apply quotas (while the decision of 23 July 1968 is only an authorization to apply them), fixed the tonnages to be allocated on a monthly basis.

Management of the quotas by France

20. The quotas were opened in two instalments (including, for the sake of simplicity, those for ECSC steel products).

The deadlines established and the amounts to be shared out under each of the two instalments have been observed by and large except for the textile quotas, over which there were delays even when the first instalment was being allocated.

In order to mitigate the delays in this sector, the French authorities have allowed importers to clear their goods, by making use of the "soumissions cautionnées" or bond procedure, without waiting for licences to be issued, up to a percentage of the volume of their imports in 1967.

All licences for the second instalment had been issued by 25 October 1968.

The quotas opened were all allocated to the extent of at least 100% of the amounts provided for.

Re-establishment of liberalization

21. Liberalization was re-established in the motor industry by notices addressed to importers on 30 October 1968 and 1 November 1968. Subsequently, previous decisions temporarily halting liberalization in other industries were rescinded by notices addressed to importers published in the official gazette of the French Republic on 28 December 1968 and by Decree No. 68/1241 of 31 December 1968.

Free trading has therefore been re-established for all products subject to the quota measures.

3. Competition policy

GENERAL

22. In 1968, competition within the Community was keener than in the previous years and was continuing to gain strength, mainly because of the completion of the customs union. The increased pressure of competition led to a stronger trend towards industrial combination and co-operation between firms.

The lack of appropriate legislation—permitting, for example, the incorporation of “European” companies—and of adequate fiscal measures continued to hamper most seriously “transnational” mergers. This is the reason why most mergers were between firms in a single Member State. In so far as this trend was liable to be relevant to the EEC, it was observed closely from the angle of Article 86 of the Treaty of Rome. There has so far been no need to take action under this article. In the coal and steel sector, several decisions were taken to authorize combination under Article 66 of the Treaty of Paris. In the steel industry, the question increasingly arises as to the point up to which amalgamations can be authorized without the working of competition being affected. In the Commission’s opinion the amalgamations authorized in the year under review stayed within this limit. For coal the question did not arise to this extent, since this industry is exposed to stronger pressure as a result of competition from other sources of energy.

In 1968, the Commission endeavoured to facilitate co-operation between enterprises, especially between small and medium-sized enter-

prises. It therefore drew up a catalogue of forms of co-operation which do not restrain competition. It published this list under the title "Notice concerning agreements, decisions and concerted practices in the field of co-operation between enterprises".⁽¹⁾ Through various decisions taken under Article 85(3) and through decisions granting negative clearance, the Commission also indicated forms of co-operation which are unobjectionable from the angle of competition policy. These are, of course, examples only, and do not provide a complete conspectus of the law. The Commission intends to provide further guidance through more decisions on individual cases, regulations, and possibly decisions granting block exemption.

23. The Commission attached particular importance to applying the provisions of the Treaties of Rome and Paris according to uniform criteria. Its "Notice concerning agreements, decisions and concerted practices in the field of co-operation between enterprises" covers the areas controlled by the ECSC Treaty as well as the EEC Treaty. Decisions on individual cases, on the other hand, relate necessarily to matters falling under either the EEC or the ECSC. The criteria serving as a basis for these decisions are, however, applicable to the fields governed by the two Treaties, provided the Treaty provisions do not differ. In this respect it may be pointed out that the concept of "appreciable restraint" developed in the decision *Société commerciale et d'études des maisons d'alimentation et d'approvisionnement à succursales (SOCEMAS)* is applicable to both fields. The Commission intends to develop the "appreciability" concept further in order to limit it to agreements really liable to alter the conditions ruling in the common market and, in particular, to have an influence on the market position of other firms.

Special importance attaches to the adoption by the Council, on 19 July 1968, of Regulation (EEC) No. 1017/68 on the application of the rules of competition to transport by rail, road and inland waterway. With this Regulation the applicability of the rules of competition is settled in respect of all economic sectors except sea and air transport.

The Commission also considered with increasing care the general aid schemes operated by the member Governments. The Commission is concerned about the tendency for most member countries to step up aid, a tendency which, especially in the regions near the frontiers, is leading the countries to vie with one another in a way that impedes efforts to achieve optimum location of investments and that also involves unduly

⁽¹⁾ Official gazette No. C 75, 29 July 1968.

heavy commitments from the Governments without appreciably raising the total volume of investment. Nor is the incidence which these general state aid schemes may have on competition in the various economic sectors to be ignored.

APPLICATION OF THE CLAUSES OF THE EUROPEAN TREATIES
RELATING TO AGREEMENTS, MERGERS,
DOMINANT POSITIONS AND CASES OF PRIVATE DISCRIMINATION

Individual cases

*Individual cases on 31 December 1968: numbers and stage reached
Articles 85 and 86 of the EEC Treaty*

24. Table 1 shows the stage reached in the cases dealt with between 1 January 1968 and 31 December 1968 under Articles 85 and 86 of the EEC Treaty.

TABLE 1
Articles 85 and 86 of the EEC Treaty
(31 December 1968)

	Proce- dures based on notifica- tions and negative clearance appli- cations	Procedures based on complaints		Own- initiative proce- dures	Total
		from firms	from Member States		
Total number of individual cases on 1 January 1968	23,296	64	—	63	23,423
New cases submitted in the year under review	93	17	—	24	134
Cases settled in the year under review:	—	—	—	—	—
(i) Settled by decision	8	—	—	—	8
(ii) Otherwise settled (e.g., through withdrawal of application or termination of restraint of com- petition and suspension of pro- cedures, discontinuance of pro- cedures, etc.)	375	9	—	20	404

Of a total of some 17,000 exclusive dealing agreements notified on Form B (included in Table 1), the Commission decided to take no further action in respect of about 12,000, which were found to involve no export ban.

The Commission considers that now that these cases have been disposed of and a further batch settled by Regulation No. 67/67, the problem of sheer quantity has been largely solved, so that it is now able to devote most of its work to really important cases.

The number of notifications and applications for negative clearance was appreciably lower in 1968 than in preceding years. This is doubtless mainly due to the Commission decisions that had been adopted on exclusive dealing agreements (block exemption) and partly also to the fact that more detailed information was available in respect of the application of Article 85 to co-operation agreements. The 93 agreements notified include 38 exclusive dealing agreements and 37 licensing agreements. Of the 259 agreements notified in 1967, 166 were still exclusive dealing agreements and 60 licensing agreements.

The number of complaints and own-initiative procedures, by contrast, was higher in 1968. Various complaints were filed in respect of networks of exclusive dealing agreements binding national and foreign dealers not to export, and in respect of exclusive procurement agreements, market protection agreements and other arrangements. The own-initiative procedures concerned market-sharing agreements, cases of presumed abuse of dominant positions and unnotified co-operation agreements involving clauses liable to restrain competition.

Articles 65 and 66 of the ECSC Treaty

25. Table 2 gives details of progress made in cases dealt with in 1968 under Articles 65 and 66 of the ECSC Treaty.

Surveillance of the markets, spot checks and investigations

26. The Commission sponsors inquiries into the conditions of competition in the common market. When an inquiry suggests that there is an infringement of the rules governing restrictive agreements subject to compulsory notification, restrictive business practices or abuse of dominant position, the Commission decides to institute an investigation

TABLE 2
Articles 65 and 66 of the ECSC Treaty⁽¹⁾
(31 December 1968)

Procedures	under Article 65		under Article 66	
	following application	own-initiative	following application	own-initiative
Total number of individual cases on 1 January 1968	43	33	37	15
New cases submitted in the year under review	2	6	15	4
Cases settled in the year under review:	—	—	—	—
(i) Authorizations	4	—	11	—
(ii) Otherwise settled	—	—	—	—
Total number of cases settled	22	20	14	9
Number of individual cases pending on 31 December 1968	23	19	38	10

⁽¹⁾ While covering the same information as that provided in previous General Reports, the presentation of this table has been simplified. Minor cases have been excluded and certain cases have been joined to others.

on its own initiative. The number of cases of this type being investigated is indicated in Tables 1 and 2. Failing sufficient evidence, some of these cases were closed. In two cases, procedures were formally initiated in compliance with Article 9 of EEC Council Regulation No. 17/62. The inquiries sometimes elicit new notifications or provide the basis for complaints. During the investigations the firms concerned sometimes drop their plans or adjust them. Examples were certain price agreements and firms which held dominant positions and had imposed procurement restrictions on dealers. The verification arrangements therefore have a double effect: they help to remedy situations which are not consistent with Treaty rules, and they help to prevent such situations from arising.

27. In 1968, 112 investigations were carried out on the basis of Article 14 of EEC Council Regulation No. 17/62. The authorities of the Member States assisted the Commission in all cases and at the request of the

Commission in three cases carried out 12 investigations of their own on the basis of Article 13 of the same regulation.

Decisions

28. Commission decisions in 1968 included the following:

(i) Negative clearance was granted to *Eurogypsum*,⁽¹⁾ an association having at present 31 members established in 16 different countries, five of which are member countries of the EEC. The objective of the association is to promote, at European level, the development of the plaster, gypsum and anhydrite industry and of the industry producing building components derived from these materials, by joint examination of all scientific, technical, economic and legal questions relating to these industries, by joint advertising for the materials involved and by making available the results of the research undertaken on its initiative.

After its foundation, the association rapidly enlisted the support of a large number of producers because of the industry's need to solve the problems connected with the cost of scientific research. Considering that research and development should be promoted provided they raise productivity in the activities connected with building, the Commission stressed that, in the case submitted to it, the pooling of research facilities by a group of firms does not involve a restriction of the free play of the forces of competition within the meaning of the EEC Treaty rules.

(ii) In a second decision, negative clearance was granted to the *Alliance de constructeurs français de machines-outils*.⁽²⁾ The aim of this company is to create a joint export service for its nine members, which are small and medium-sized firms.

In the Commission's view, the establishment of a joint export service does not conflict with the objects of the EEC Treaty where this service—as is the case here—acts merely as a joint market prospection agency and does not constitute an intermediate stage in distribution. The Commission also held that the commitment accepted by each Alliance member neither to manufacture nor to sell machines liable to compete with those manufactured by another member does not consti-

⁽¹⁾ Decision of 26 February 1968, *Official gazette* No. L 57, 5 March 1968.

⁽²⁾ Decision of 17 July 1968, *Official gazette* No. L 201, 12 August 1968.

tute, in this case, a restraint of competition in the meaning of Article 85(1) of the EEC Treaty, since the situation on the market for machine tools tends to encourage specialization and since the members of the Alliance account for only a relatively insignificant part of the relevant EEC market.

(iii) With a third decision granting negative clearance to the *Société commerciale et d'études des maisons d'alimentation et d'approvisionnement à succursales (SOCEMAS)*,⁽¹⁾ the Commission took a first step towards solving competition problems in the field of co-operation between firms in the retail trade.

SOCEMAS has about 60 French member firms specializing in the retail food trade. One of its aims is to prospect foreign sources of supply on behalf of its members. Negative clearance was granted because the activity of SOCEMAS in the EEC countries other than France was not on a sufficiently large scale to affect competition in the common market. The Commission holds, however, that the provisions of Article 85(1) of the EEC Treaty are applicable to agreements between purchasers in the same way as they apply to those concluded between sellers.

(iv) The Commission granted negative clearance in three instances involving joint selling agreements concluded in Belgium among the manufacturers of nitrogenous fertilizers belonging to the *Comptoir belge de l'Azote-Cobelaz* (cases *Cobelaz-usines de synthèse*⁽²⁾ and *Cobelaz-Cokerie*⁽²⁾) and in France among the producers owning the *Comptoir français de l'azote (CFA)*.⁽²⁾

Originally, the Commission had been considering prohibiting the agreements, which in its view infringed Article 85 of the EEC Treaty, chiefly because they impeded the expansion of exports of nitrogenous fertilizers within the common market. When notified of the "provisions or arrangements challenged by the Commission", the participating firms agreed to terminate the restrictive practices concerned.

Under the present arrangements, COBELAZ and CFA remain responsible, on behalf of their members, for the marketing of nitrogenous fertilizers on the respective domestic markets and on export markets outside the EEC. On the other hand, they are no longer concerned with exports to other Common Market countries. These must now be effected directly by the manufactures or their dealers.

⁽¹⁾ Decision of 17 July 1968, *Official gazette* No. L 201, 12 August 1968.

⁽²⁾ Decision of 6 November 1968, *Official gazette* No. L 276, 14 November 1968.

With these three decisions the Commission for the first time defined its attitude to the application of Article 85(1) of the EEC Treaty to joint selling agencies. There have always been strong restrictive agreements and virtually no trade between Common Market countries in this sector and, given the great importance of nitrogenous fertilizers for agriculture, the need to encourage competition in order to improve the market for the buyer has been particularly pressing.

(v) A further decision to grant negative clearance relates to an exclusive dealing agreement on exports to a country outside the Common Market.⁽¹⁾

Under this agreement, the export company Johs. Rieckermann KG, Hamburg, has undertaken to market in Japan the inductive heating, melting and hardening equipment manufactured by AEG-Elotherm GmbH, Remscheid-Hasten. Rieckermann is required to market AEG-Elotherm equipment in Japan only and to purchase equipment of this type for export to Japan exclusively from AEG-Elotherm. AEG-Elotherm is required to market its equipment in Japan through Rieckermann only and to ensure that its other customers do not sell such equipment in Japan.

In the Commission's view, the ban of Article 85(1) of the EEC Treaty does not apply to this agreement since it does not appreciably impair competition within the common market. The agreement is chiefly aimed at stepping up sales to Japan and exerts only a negligible influence within the common market.

Through the decision the Commission made it clear that, in respect of most exclusive dealing agreements to which export companies that are not equipped for selling within the common market are party, there is no need for notification and no point in applying for negative clearance. The Commission considers that the bulk of the notifications of this type already filed with it can be settled in a simplified procedure.

(vi) A decision adopted by the Commission in pursuance of Article 85(3) of the EEC Treaty⁽²⁾ relates to a technical co-operation and joint research and development agreement concluded between *S.A. Ateliers de construction électriques de Charleroi (ACEC)*, Brussels, and the *Société des automobiles Berliet*, Lyons. The aim of the agreement is the design, principally through joint research arrangements, and the marketing of a new type of bus with an electrical transmission

⁽¹⁾ Decision of 6 November 1968, *Official gazette* No. L 276, 14 November 1968.

⁽²⁾ Decision of 17 July 1968, *Official gazette* No. L 201, 12. August 1968.

system. When a marketable prototype has been designed under the co-operation arrangements, it is agreed that ACEC will supply the electrical transmission systems and Berliet the mechanical parts of the vehicles. In the common market, however, ACEC will be free to deliver its transmission systems to only one manufacturer in each of the four other member countries, in addition to Berliet in France and to Belgian users.

Through a decision applying Article 85(3) of the EEC Treaty, the Commission has made clear its attitude to joint research and development agreements which contain certain restraints of competition deemed indispensable to obtain economically desirable results from the agreement, especially with regard to the improvement of the output and technical progress. This decision therefore provides useful guidance for European firms interested in concluding agreements of this type.

(vii) Acting under Article 65 of the ECSC Treaty, the Commission also authorized specialization agreements and agreements similar to joint selling arrangements in the field of special steels between the French steel companies *Société des forges et ateliers du Creusot S.A.* and *Compagnie des ateliers et forges de la Loire S.A.*

In its assessment, the Commission took the view that an appreciable improvement in production is achieved by the closing down of the less profitable plants and better use of the facilities. The joint creation of central storage points achieves an improvement in distribution.

Given the special circumstances obtaining on the market for special steels, the Commission took the view that these agreements do not, for the products involved, restrain competition enough to disqualify them for authorization under Article 65 (2 c) of the ECSC Treaty. The authorizations, valid until 31 December 1987, were granted subject to certain conditions designed to enable the Commission to ascertain whether the improvements in production and distribution to be achieved under the agreement have in actual fact been realized.

(viii) By a decision adopted under Article 66 of the ECSC Treaty, the Commission authorized the acquisition by the iron and steel firm *August-Thyssen-Hütte* of a controlling interest in the steel fabricator *Hüttenwerk Oberhausen*. This amalgamation accounts for about 12% of the Community's crude steel production.

August Thyssen-Hütte is a member of the rolled steel agency West, while Hüttenwerk Oberhausen belongs to the North agency. By its deci-

sion of 19 June 1968⁽¹⁾ the Commission, making due allowance for this fact and acting under Article 65 of the ECSC Treaty, authorized Hüttenwerk Oberhausen to join West. The iron and steel works participating in this selling agency, Hüttenwerk Oberhausen included, produce now about 20% of the Community's crude steel.

In this case, as in the De Wendel-Sidélor case referred to below, the parties concerned will, in the production and the selling of various products, hold a strong position on the market so that the steel market is assuming an increasingly oligopolistic structure. However, after having taken into account all factors of importance for competition—particularly where the required improvements in production are concerned—the Commission took the view that the tests of Article 65(2) and Article 66(2), justifying authorization, were met.

(ix) By another decision the Commission authorized the iron and steel firms De Wendel & Cie, Union sidérurgique lorraine, and Société mosellane de sidérurgie to set up the joint venture *De Wendel-Sidélor*. The enterprises directly or indirectly affected by this combination account for about 11% of the Community's crude steel production.

Individual cases settled by other means

29. The most important cases which were closed as not requiring further action were:

(i) *Reciprocal exclusive dealing agreement*: A Belgian union of importers of timber felled in non-member countries had concluded exclusive buying and selling agreements with a group of agents in Belgium representing producers of the types of timber concerned and with the Belgian National Federation of Timber Dealers. The parties to these agreements included all importers' and producers' representatives, and virtually all dealers.

The strict conditions of admission to the Belgian importers' union, combined with the general provisions of the agreements, had the effect

⁽¹⁾ Commission Decision (ECSC) No. 1359/68, *Official gazette* No. L 218, 4 September 1968.

of preventing any Belgian importer who was not a member of the union from procuring the types of timber in question and trading in them with clients in the other Member States.

A Belgian importer, deeming these agreements incompatible with the Treaty of Rome, filed a complaint with the Commission. Since the agreements isolated artificially a sector of the Belgian economy and impaired trade between the Member States, the Commission had no choice but to contemplate the adoption of a decision banning the agreements.

To avoid this, the three organizations terminated the agreements voluntarily.

(ii) *Export ban*: Two large European producers of office machines had concluded agreements with their respective agents in the other countries of the Common Market which, in their original form, prohibited the agents, either explicitly or implicitly, from selling the products concerned outside the territory for which the licence had been granted.

A French importer of the same products against whom an action for unfair competition had been brought by the French agent of each of the two producers filed two complaints with the Commission.

As the purpose of the agreements in question was to reserve each domestic market for the local agent, they affected trade between Member States and restricted competition without having the advantages referred to in Article 85(3) of the Rome Treaty. During the investigation of these cases the companies concerned either terminated, replaced or amended their agreements, in particular by abolishing the export prohibitions, so that all the agreements now in force are compatible with the rules of competition and satisfy the tests for exemption under Regulation No. 67/67/CEE.

(iii) *Agreements on uniform prices and conditions*: Several German, Belgian and French producers of standardized semi-finished metal products and a Dutch manufacturer who has since ceased production had undertaken, in an unwritten agreement, to apply in respect of their sales in the Netherlands the same prices and conditions. Competition between the parties was thus eliminated completely, there being no competition as to quality since the products were standardized. On intervention by the Commission, the parties involved decided to revoke their agreement and compete freely on the Dutch market in the future.

General measures

Legislation

Rules of competition applicable to transport

30. Council Regulation (EEC) No. 1017/68 of 19 July 1968⁽¹⁾ prohibits, in respect of transport by rail, road and inland waterways, all agreements between enterprises, decisions of associations of enterprises or concerted practices liable to affect trade between the Member States and having the object or effect of preventing, restricting or distorting competition within the common market. No prior decision implementing this prohibition is required.

The basic principles of Regulation No. 1017 are in general the same as those underlying Articles 85, 86 and 90 of the Treaty of Rome. Article 6, however, lays down special provisions to apply, on an interim basis, to agreements which may help to reduce the disturbances resulting from the structure of the transport market. Article 3 exempts certain technical agreements and Article 4 exempts associations where the total carrying capacity and the capacity of the individual members does not exceed certain limits.

The methods and procedures governing the application of these provisions differ in certain points from those set out in Regulation No. 17, in order to make allowance for the special features of transport and the common transport policy. Implementation takes the form of a procedure based on complaints, of an own-initiative procedure, or of a procedure opened to deal with discretionary applications filed by firms, with the Commission having the right to object where the need arises. By way of exception, firms are required to notify the agreements referred to in Article 6 (see paragraph above); in this case the Commission's decision does not become effective until its date of adoption, and its validity may not exceed three years.

Liaison with the appropriate authorities of the Member States is ensured through consultation of an advisory committee consisting of civil servants from the Member States who are competent for the fields of transport and restrictive agreements.

⁽¹⁾ *Official gazette* No. L 175, 23 July 1968.

The Council may consider matters of principle arising in connection with these special cases. The power of final decision lies, however, with the Commission.

Simplification of notification arrangements

31. The Commission adopted Regulation No. 1133/68⁽¹⁾ amending Commission Regulation No. 27 of 3 May 1962.⁽²⁾ Under the new regulation, form A (used for applications for negative clearance) and form B (used for notification of an agreement, decision or concerted practice) are replaced by a new composite form A/B, which may be used both for applications for negative clearance and for notifications.

Article 14(6) of Regulation No. 17/62; implementation

32. In 1968 the Netherlands, acting under Article 14(6) of Regulation No. 17,⁽³⁾ adopted measures by means of which the Commission's officials and other servants can be given the assistance necessary to enable them to carry out their investigations. In Belgium and France no such arrangements have yet been made. Further *démarches* have been made to ensure action in this field.

Measures relating to co-operation

33. The "Notice concerning agreements, decisions and concerted practices in the field of co-operation between enterprises"⁽⁴⁾ lists the forms of co-operation between enterprises which in the Commission's opinion do not restrict competition and consequently do not come under Article 85(1) of the EEC Treaty or Article 65 of the ECSC Treaty. The notice states the considerations by which the Commission is guided in this connection. It contains two important comments on matters of principle:

(i) The Commission welcomes co-operation among small and medium-sized enterprises where such co-operation enables them to

⁽¹⁾ *Official gazette* No. L 189, 1 August 1968.

⁽²⁾ *Ibid.* No. 35, 10 May 1962.

⁽³⁾ Law of 10 July 1968, published in *Staatsblad* No. 395, p. 1074.

⁽⁴⁾ *Official gazette* No. C 75, 29 July 1968.

operate more efficiently and increase their productivity and competitiveness on a larger market. The Commission considers that one of its tasks is to facilitate co-operation among small and medium-sized enterprises in particular. However, co-operation among large enterprises, too, can be economically justifiable without presenting difficulties from the angle of competition policy.

(ii) The Commission holds the view that co-operation among enterprises is not repugnant to Article 85 of the EEC Treaty or Article 65 of the ECSC Treaty in the cases where the market position of the enterprises co-operating with each other is in the aggregate too weak to lead, through the agreements between them, to an appreciable restraint of competition in the Common Market and—in respect of Article 85 of the EEC Treaty—impair trade between the Member States.

Article 60 of the ECSC Treaty

34. Application of Article 60 of the ECSC Treaty, which prohibits discrimination and sets out “market transparency” rules without which the ban could not be enforced, has become difficult because of changes in the conditions obtaining on the coal and steel market. This is in part attributable to the fact that the implementing provisions of these articles define discrimination, normally, as the charging of prices differing from those in the price-list. The quotation of prices that differ from the list constitutes a discriminatory practice where the seller cannot prove that the transaction concerned does not fall into the categories of transaction covered by his price-list or that these prices are charged for all transactions comparable among themselves.⁽¹⁾

The Commission is considering whether the identification of discrimination with price disparities is still necessary and whether new rules under Article 60 might not give producers greater flexibility in their efforts to adapt to competition.

35. Further spot checks were made in 1968 to ensure compliance with Article 60.⁽²⁾ In particular, the Commission observed the behaviour of

⁽¹⁾ Article 1 of Decision No. 1/54, *ECSC official gazette*, 13 January 1954.

⁽²⁾ At the same time, spot checks were made on coal and steel producers to ascertain whether the levy required under Article 49 of the ECSC Treaty had been paid.

steel fabricators in the face of the current trend of the market, in which structural changes of a new kind are taking place.⁽¹⁾

Spot checks on coal companies, made in compliance with Article 60, were carried out in Germany and Belgium. In Belgium, these checks were backed up by many laboratory tests which enabled a comparison to be made of the qualities delivered and invoiced. Price checks were also made in several coking plants in both Belgium and the Netherlands.

36. The Commission examined, from the point of view of the ECSC competition rules, the situation on the German market resulting from a sharp fall in the schedule prices for reinforced concrete rounds III decided upon by the West agency. In the course of this examination, the Commission consulted the parties concerned. The West agency eventually decided to raise the prices for this item. The Commission believes that this will make possible the re-establishment of normal conditions of competition in respect of reinforced rounds.

APPLICATION OF ARTICLE 37 OF THE EEC TREATY TO STATE TRADING MONOPOLIES

37. The Commission is observing carefully the work being carried out by the other Community institutions on its tobacco proposals.⁽²⁾ It has noted that the French Government has already taken measures in respect of the formation of prices for manufactured tobacco, thus reducing the number of discriminatory rules existing in this field.

In respect of spirits monopolies, as in the case of tobacco, the Commission is seeking an overall solution by working out proposals to establish a common organization on the markets of the various Member States. These markets are at present protected either by monopolies or by trade organizations or by tax legislation that gives particular encouragement to the production of ethyl alcohol of agricultural origin.

In February 1968 the French Government stated, with reference to its gun-powder and explosives monopoly, that it was studying the problem of imports of military explosives for which there are also non-military markets. The Commission had proposed that there should be some scope for imports of this type of explosive.

⁽¹⁾ Sec. 219.

⁽²⁾ *First General Report (1967)*, secs. 135 *et seq.* and sec. 185 below.

The Italian Government informed the Commission that it intended to abolish its cigarette paper monopoly. It is also examining the possibility of abolishing its salt monopoly.

The French arrangements governing imports of petroleum products are being studied in detail in the light of Article 37 of the EEC Treaty. A recommendation to the French Government will be prepared.

TREATY RULES ON AID

Aids to specific industries

Criteria guiding the Commission

38. Now that the customs union has been completed and the end of the transitional period is in sight, the Commission would very much like to see the scrutiny of specific aids made part of work on the general objectives pursued under medium-term economic policy, regional policy and policy on the adjustment of the structure of the industries for which the States feel they must provide financial support. The Commission must also remember that as a result of economic integration of the national markets the effects of aids are now making themselves felt more directly.

Accordingly, a solution for the longer term must be sought at Community rather than national level.

Film industry

39. The Commission is considering possible guide lines for a Community solution to the problem of aid to the film industry. Any such solution should help to improve the industry's competitiveness, particularly on the markets outside the Community.

The Commission stated its views on a draft law notified in May 1968 by the Government of the Federal Republic of Germany, introducing aid arrangements for the film industry. It took the view that the law would establish a better equilibrium, in matters of aid, among the chief film producing countries in the Community by creating fresh scope for co-operation within the Community. The Commission raised no objec-

tion to the measures contemplated, considering that they might qualify for the waiver in Article 92(3c).

Sulphur

40. In May 1968 the Italian Government notified an aid arrangement of the Region of Sicily for the reorganization of the sulphur mines, and a plan drawn up by Ente Minerario Siciliano, a public agency managing the island's mineral resources, under which it is proposed to create in this region new industrial activities providing alternative employment. These arrangements are still being discussed.

Shipbuilding

41. In the last quarter of 1968, discussion of the proposed Council directive to introduce Community aid for shipbuilding in an endeavour to offset the distortions of competition on the international shipbuilding market was actively continued by the Council's Working Party on Economic Affairs. Most Member States opposed the Commission proposal to introduce compulsory and uniform Community aid. They are, however, agreed on the principle that such aid should be made subject to a ceiling which applies throughout the Community and that certain common arrangements should be made concerning the methods by which this aid is granted to ensure that a satisfactory degree of "transparency" is achieved.

In 1968, several shipbuilding aid schemes were modified or extended in individual Member States. In France, for instance, the rate of aid was reduced on 1 July 1968 to 10% of the contract price. Aids granted in Italy were also cut. The Commission took favourable decisions in respect of three other schemes operated by Member States. These are, firstly, the extension of German aid—in the form of credit facilities for exports of ships to non-member countries—granted under the sixth *Werft Hilfsprogramm*, secondly, the introduction of a Belgian aid arrangement and, thirdly, the extension until 31 December 1969 of an interest rebate for shipbuilding in the Netherlands. All these measures are in fact steps towards the alignment of aid granted by the Member States on 10% of the contract price of the vessel, as provided for in the Commission's proposals. The aid measures are being continued with work on "restruc-

turing” and regrouping which will improve the competitiveness of EEC shipyards.

In July 1968, the German Government, for instance, notified the Commission of a specific aid scheme to encourage investment in shipbuilding, a scheme to which the Commission raised no objections. On this occasion the Commission started work, together with the Member States, on a study of measures by the public authorities to encourage investment in shipbuilding throughout the Community.

Iron and Steel

42. In the light of the Treaty of Paris, the Commission discussed the measures taken by the French Government to support the iron and steel industry under the *plan professionnel*.

The Commission took the view that the low-interest loans which the *Fonds de développement économique et social* granted to iron and steel firms are not caught by the ban on subsidies or aids laid down in Article 4(c) of the Treaty of Paris: this article must be interpreted with due regard to the fact that the ECSC Treaty is a partial integration treaty; the article refers only to those measures which are specifically designed to support the industries covered by the Treaty. In France, the FDES is the chief financial instrument available for promoting economic development under the *plan de modernisation et d'équipement*, both at regional level and for individual industries. On this basis, the FDES loans are granted to all industries given priority rating under the various plans.

The Commission felt, however, that in view of their scope and purpose the loans were liable to have an appreciable impact on the conditions of competition in the steel industry and must therefore be examined in the light of Article 67(2 and 3) of the Treaty.

The Commission came to the conclusion that the main conditions governing the application of Article 67(2 and 3) were not fulfilled, i.e. that such action was not liable to provoke a serious disequilibrium on the Community steel market (Article 67(2)) and did not grant a special advantage to iron and steel firms in comparison with the other French industries (Article 67(3)).

Since the facts on which the Commission based its assessment are liable to change, it decided that the French measures should be kept under review.

Domestic electric appliances and gas cookers

43. When examining a French application in respect of domestic electric appliances, made under Article 226 of the EEC Treaty, the Commission decided to continue its study of the conditions of competition in this industry. Subsequently, the Benelux Governments requested that the study should be extended to cover gas cookers. From the study it has emerged that the chief reasons for the competitiveness of Italian products on the Community's market are, firstly, the scale of operations achieved by the main Italian firms and, secondly, the family structure of Italian firms, combined with a degree of financial independence which reduces the number of decision-taking centres and enables firms to adapt themselves very quickly to market trends. A further contributing factor was that the industry concerned was from the outset serving a vigorously and rapidly expanding domestic market, so that it was able to organize production on a broad basis.

The competitiveness of Italy's exports has, however, also been due to factors which are not related to the way firms are managed. These include aid granted through export refunds by virtue of Law No. 639. The Commission is continuing to study the matter.

Computers

44. In February 1968 the Commission decided to raise no objection to the German measures envisaged for assisting research and development in the computer field. However, it informed the German authorities that it felt that aid to assist the development of this industry should, as soon as possible, be co-ordinated and reinforced in a Community framework, in the spirit of the Council resolution of 31 October 1967.

When examining this case the Commission obtained information on the measures being taken in the other Member States to support the data-processing industry. These measures are still being studied.

Paper

45. At the meeting it held in June 1966 on the multilateral trade negotiations in GATT, the Council of Ministers adopted a resolution favouring aid to the paper pulp industry to enable the Community's industry to cope with tariff reductions.

So far, two aid schemes have been notified to the Commission. In July 1968, the Commission decided to raise no objection to the German scheme which provides for aid in the form of government guarantees granted to assist the financing of investment projects, and for non-reimbursable subsidies in support of investments made in the field of marketed paper pulp. The French aid scheme, which was notified in April 1968 and provides for the payment of premiums on the production of paper pulp and for aid to assist research and reforestation, is financed from a "parafiscal" charge on paper and cardboard. In respect of this scheme, the Commission has instituted the procedure laid down in Article 93(2) of the EEC Treaty.

General aid schemes

46. The Commission issued findings on 15 general aid schemes referred to it under Article 93(3) of the EEC Treaty.

The main cases are discussed below:

- (i) German provisions concerning the implementation of the "regional development programme" of the Federal Republic: this scheme, which is subject to modification, is designed to remedy or attenuate deficiencies in regional economic structure. To this end, encouragement is given, in the form of loans on preferential terms and of subsidies (an innovation), to the establishment, conversion, rationalization or extension of industrial enterprises located in the *Bundesausbaugebiete* (structurally weak regions), *Zonenrandgebiete* (critical areas within 40 km of the border with the Soviet occupation zone) and *Bundesausbauorte* (secondary development centres).
- (ii) Italian provisions extending and amending National Law No. 623 of 30 July 1959, which provides for an interest rebate for the benefit of small and medium-sized industrial enterprises: in future, extension projects, too, may qualify for the maximum financing lines so far reserved solely for new firms.
- (iii) Luxembourg provisions extending and amending the Law of 2 June 1962 instituting and co-ordinating measures to improve the general structure and the regional equilibrium of the national economy and stimulating its expansion: in their nature and their scope, the advantages envisaged under the new provisions are basically the same as those granted under the Law of 2 June 1962, the one applying so far. The principal change lies in the increase to 15%, a rate already applied

to fixed property investment, of the subsidies paid for investment in plant and machinery (previously 10%).

47. The study of these schemes—and of certain Dutch and French measures discussed in the *First General Report (1967)*⁽¹⁾—has provided additional evidence that the Member States are vying with one another to attract new investment, particularly from non-member countries, and stepping up the aid granted under their general schemes. The Commission has great difficulty in deciding, at an overall level, on the lawfulness of any given aid ceiling as related to the scale of the regional difficulties which the aid is designed to overcome.

The Commission carries out an advance study covering only the outline provisions—which constitute the legal basis of the general schemes—and from these alone, given their overall nature, it is not easy to assess the scope and the working of the schemes both at regional level and from the point of view of their impact on individual industries.

The Commission is anxious to achieve some measure of harmony among the Member States with regard to regional aid, both because of the need for balanced growth in the various regions of the Community and in an endeavour to put an end to the efforts of member countries to outbid each other and to the distortions due to excessive competition at Community level. If the requirements of effective competition and orderly regional development are to be properly met, the main cases of practical application of the general aid schemes must be studied.⁽²⁾ A regular study of the practical application of the general aid schemes, made in co-operation with the government experts and perhaps carried out in advance, would offer the advantage of keeping the Commission better informed of the regional needs of the various member countries and of gradually making these countries aware of the impact their measures have at Community level.

The Commission has therefore decided to make its agreement to the entry into force of certain general aid schemes subject to an undertaking by the Member State involved to inform it in due course of certain major aid schemes whose compatibility with the common market cannot be assessed by merely examining the aid criteria listed in the outline law.

⁽¹⁾ Sec. 63.

⁽²⁾ In addition to the statistical checks made from time to time after the schemes have been implemented.

4. Taxation policy

ELIMINATION OF TAX DISCRIMINATION

Turnover taxes

48. The Commission pursued its examination, under Articles 95-97 of the EEC Treaty, of a large number of specific turnover taxes. Against Belgium it set in train the procedure under Article 169 of the EEC Treaty on the subject of the transmission tax levied on imported wood. It also initiated the procedure under Article 169 in respect of Belgium and the Netherlands for infringement of Article 95 in the matter of taxation on imports of fresh tropical fruit. Lastly, the Commission issued a reasoned opinion, as required by Article 169, concerning the two differential taxation arrangements for imports persisting after the extension of an Italian law (No. 1309/65) regarding tax on woollen yarns.⁽¹⁾

In pursuance of the decision of 21 June 1960 taken by the representatives of the Member States meeting in the Council, Belgium and Italy referred to the Commission proposed changes in their countervailing duties on imports and in drawback on exports.

Some of these changes, particularly those concerning woollen yarns in Belgium and refined vegetable oils in Italy, are still being examined to ensure that they conform with Articles 95 and 97 of the EEC Treaty.

On 30 April the Council adopted the directive instituting a common method for the calculation of the average rates referred to in Article 97 of the EEC Treaty.⁽¹⁾ The Member States were notified of this directive on 16 May.

Indirect taxes other than turnover taxes

49. Checks on Italian firms carried out by the Commission further to the Court of Justice's judgment of 1 December 1965 on Italian Law No. 639⁽²⁾ revealed that drawback on the charges which the Court had ruled were not refundable is in fact no longer being paid. Certain as-

⁽¹⁾ *First General Report* (1967), sec. 71

⁽²⁾ *Ibid.*, sec. 72.

pects of Law No. 639, however, connected with the second plea in Case 45/64 (improper utilization of flat-rate drawback based on average rates), called for a thoroughgoing examination, in the light of which the Commission will shortly reach a decision.

Excise duties

50. The Commission pursued its examination of differential arrangements concerning excise duties in the Member States. Since the Member States often take a very long time to abolish discrimination in the matter of excise duties, on 2 July the Commission called upon each of them to do everything within its power to complete the steps being taken.

Following the Commission's requests, Italy adjusted its system of taxation on denatured spirits and propyl and isopropyl alcohols contained in imported goods. It also abolished the flat-rate tax on imports of liqueurs and products containing alcohol. Likewise the Netherlands abolished flat-rate taxation of imported spirits with effect from 1 January 1968.

In conformity with a Commission recommendation, Germany and the Netherlands did away with discrimination against imports arising from excise duty on beer. Belgium informed the Commission that it would implement a similar system from 1 January 1969. Luxembourg will introduce the same measure on the same date. Italy has withdrawn or amended a number of measures (similar to Law No. 639 of 1964) which granted flat-rate drawback on certain exports. Changes made in some of these measures are being given a supplementary examination.

Italy informed the Commission that it was shortly going to abolish differential arrangements in the manufacturing tax on yarn (cotton, rayon staple, etc.).

In accordance with the procedure of Article 169 of the EEC Treaty, which it had initiated in respect of the Italian excise duty on sugar,⁽¹⁾ the Commission issued a reasoned opinion addressed to Italy.

The Commission also acted under Article 169 against Italy for infringement of Article 95 of the EEC Treaty in connection with excise duty on coffee.

⁽¹⁾ *First General Report* (1967), sec. 73.

In the field of taxes on spirits and wine, the Commission initiated the procedures provided for by the EEC Treaty in order to induce certain Member States to eliminate new forms of discrimination against imports.

APPROXIMATION OF PROVISIONS CONCERNING INDIRECT TAXES

Turnover taxes

51. Following the adoption by the Council on 11 April 1967 of the first two directives concerning harmonization of the Member States' legislation on turnover taxes,⁽¹⁾ France, which already had a TVA system, made it generally applicable from 1 January 1968 and aligned its arrangements to a large degree on the common system. On 1 January 1968 Germany started to operate the TVA system, and the Dutch law introducing TVA was put into effect on 1 January 1969. Although these three countries' systems conform broadly to the second directive, there are still certain divergences from the common system which must be removed by 1 January 1970. The Commission is also to ensure that the consultations provided for in Article 5 of the first directive and Article 16 of the second directive are carried out systematically.

As required by Article 15 of the second directive, the Commission submitted to the Council on 26 February 1968 a proposal for a third directive laying down common arrangements for applying TVA to transactions involving agricultural products.⁽²⁾ The arrangements proposed by the Commission to take effect in the Member States from 1 January 1970 include:

- (a) Flat rates of tax to apply to farmers who are not yet able to opt for the normal system;
- (b) A common reduced rate to apply to exports and imports of goods listed in a schedule of agricultural products or products to be used in agriculture annexed to the proposed directive, with provision for Member States to depart from this common rate at the final taxable stage of marketing;

⁽¹⁾ *Official gazette* No. 71, 14 April 1967.

⁽²⁾ *Ibid.* No. C 48, 16 May 1968.

- (c) A special system for intra-Community trade in scheduled goods providing for the abolition of the tax levied on imports at the frontier.

The proposed directive was examined by the European Parliament, which issued a favourable opinion on 30 September while proposing certain amendments. The Parliament considered that for the Council to fix, on the Commission's proposal, the common reduced rate and the domestic rates for the flat-rate system would involve a lessening of the powers of the national parliaments. This being so, the European Parliament considered that provision should be made for parliamentary control through a strengthening of its own powers; it therefore requested that the Council should take no decisions on the fixing of rates until after the Parliament had been consulted.

52. In June 1968, on the completion of customs union, the Commission put before the Council a proposed decision to widen the tax exemptions applied by the Member States to imported products carried in travellers' luggage: this would make the public more conscious that the Common Market was really achieving something. It would allow each traveller to take goods up to the value of 100 u.a. tax free from one Community country to another. At the Community's external frontiers, the exemption would be limited to 25 u.a., as for customs duties. For some heavily taxed goods, such as tobacco and alcoholic beverages, the proposal lays down certain quantitative exemptions. The Member States, moreover, would be called on to put an end to tax exemption on sales (for example, in tax-free shops) to travellers to whom the proposed exemption on imports may apply.

Excise duties

53. The programme of tax harmonization forwarded by the Commission to the Council on 8 February 1967 calls, at a first stage, for harmonization of the structure of excise duties on manufactured tobacco, spirits and wines, petroleum products, sugar and sweeteners, and beer.

At the end of 1968 work on harmonization was progressing as follows:

The proposed regulation concerning taxes on the consumption of manufactured tobacco other than turnover taxes, submitted by the Com-

mission to the Council on 4 July 1967,⁽¹⁾ is being examined by the specialized committees of the Council, European Parliament and Economic and Social Committee.

The Commission is preparing a proposal for the Council on excise duties on spirits. It should be noted that the Commission intends at the same time to refer to the Council proposals in the context of the common agricultural policy and the adjustment of government monopolies.

Work on harmonization of the structure of excise duties on wine is less advanced, since the government experts considered that thorough-going studies were indispensable before Community structures could be worked out.

The preparatory studies for the harmonization proper of excise duties on mineral oils have not yet been completed. This is a complex problem which is also intimately bound up with energy policy and transport policy.

Work is in progress on excise duties on beer and sugar. It has not been completed yet, as there is less urgency. Some harmonization, moreover, has already been effected through the adoption of common rules to eliminate discrimination against imported products.

Indirect taxes other than turnover taxes and excise duties

54. It is expected that the draft directive concerning indirect taxes on capital movements,⁽²⁾ submitted by the Commission on 16 December 1964, will shortly be adopted by the Council. The Commission had proposed the abolition of stamp duty on securities, irrespective of whether the securities represent companies' own capital or loan capital and whatever their origin, and the harmonization of capital duty.

The Commission has begun examining how the structure and rates of stock-exchange turnover tax can be harmonized. Harmonization will aim at eliminating double taxation, discrimination and distortion in connection with these taxes as a means of contributing to the liberalization of capital movements between the Member States.

⁽¹⁾ *First General Report* (1967), sec. 137.

⁽²⁾ *Eighth General Report*, (EEC), sec. 100.

APPROXIMATION OF PROVISIONS CONCERNING DIRECT TAXES

55. At its session of 4 and 5 March 1968 the Council examined the memorandum submitted by the Commission on 27 June 1967. In the memorandum the Commission had set out a general plan for harmonizing direct taxes while giving priority to the solution of taxation difficulties hampering capital movements and industrial combination.

56. As regards capital movements, the proposed harmonization measures concern the withholding tax applied by various Member States to interest from bonds and to dividends. The Council requested the Commission to pursue its examination on more general lines, taking into account in particular the relation between these problems and the working of the European capital market. This has been done; the points dealt with were:

- (a) Removal of obstacles to the free movement of capital and interpenetration of the capital markets;
- (b) Elimination of taxation provisions which may be the cause of abnormal movements of capital, i.e. not motivated by traditional economic or financial considerations.

57. Where the problems raised by industrial combination are concerned, it is mainly a question of removing the tax obstacles which at present prevent firms located in one member country from merging with or acquiring holdings in firms located in another.

In the first case the main obstacle is the cost of the merger, or more precisely the capital gains tax. The Commission is of the opinion that applying common tax arrangements to mergers is the only way to provide a satisfactory solution to the problem. It also considers that it is absolutely necessary to improve the unsatisfactory system now in operation of taxing a company in a Member State which has permanent establishments in other Member States that do not have legal personality of their own. The solution to the latter problem is closely bound up with the question of mergers, for mergers will normally have the effect of converting the acquired company into a permanent establishment of the acquiring company; the result will be an increase in the number of permanent establishments in the Community.

As regards the acquisition of holdings, the Commission considers that the system of taxing parent companies having subsidiaries in other

Member States should be improved by the adoption of uniform procedures so that there is no double taxation, whether "economic" or international, of the profits transferred by a subsidiary to the parent company.

The Commission has already prepared proposals along these general lines—proposals which will be sent very shortly to the Council in accordance with the request made at the meeting of 4 and 5 March already referred to.

5. Freedom of establishment and freedom to supply services

58. The Commission continued its efforts to implement the General Programmes on freedom of establishment and freedom to supply services adopted by the Council in 1961. Most of the forward planning contained in the Commission's report to the Council of 3 July 1967⁽¹⁾ was put into effect. The restrictions on foreign nationals have now been removed in nearly all industrial and commercial activities accorded priority in the matter of liberalization under Article 54(3a) of the EEC Treaty. By 31 December 1968 the Council had issued thirty directives in all.⁽²⁾

On the other hand, it looks as though the Council will have difficulty in liberalizing all the activities covered by the General Programmes before the end of the transitional period.

To keep as close as possible to the deadlines laid down in the General Programmes, however, the Commission is drafting a proposal for a general directive for the removal of restrictions in many occupations not yet liberalized.

59. In a large number of cases the effectiveness of the removal depends on whatever action is taken being accompanied by measures to co-ordinate regulations governing the occupations in question (Article 57 of the

⁽¹⁾ *First General Report* (1967), sec. 80.

⁽²⁾ The table given in sec. 81 of the *First General Report* (1967), showing the position reached in the removal of restrictions on establishment and the supply of services for nationals of other Member States, should be corrected or supplemented as indicated in Table 3 below.

TABLE 3

Removal of restrictions on establishment and the supply of services
for the nationals of other Member States
(supplementing the table in the First General Report (1967), sec. 81)

Object	Legal basis	Legal nature of the measure and reference
<i>2. Production activities</i>		
Agriculture		
f) Access to loans (farmers already in business)		dir. No. 68/192 ad. 5. 4. 68 OGEC L 93/68, p. 13
i) Agricultural services	Article 63	dir. prep. 1968
k) Complete freedom of establishment for agricultural activities	Articles 54, 63	dir. prep. 1968
<i>3. Processing activities</i> (Craft and other industries)		
Food-manufacturing industries	Articles 54, 63	dir. No. 68/365 ad. 15. 10. 68 OGEC L 260/68, p. 9
<i>5. Wholesale and retail trade</i>		
Retail trade	Articles 54, 63	dir. No. 68/363 ad. 15. 10. 68 OGEC L 260/68, p. 1
Trade in toxic products	Articles 54, 63	pro. dir. sub. 19. 12. 68
<i>6. Services</i>		
<i>Personal and business services</i>		
Restaurants and hotels	Articles 54, 63	dir. No. 68/363 ad. 15. 10. 68 OGEC L 260/68, p. 16
<i>Film industry</i>		
Film distribution	Article 54	dir. No. 68/369 ad. 15. 10. 68 OGEC L 260/68, p. 22

EEC Treaty); for the medical, paramedical and pharmaceutical professions, the Treaty makes explicit provision in Article 57(3) that co-ordination should be effected before the removal of restrictions.

This co-ordination of regulations affecting business, and especially the mutual recognition of degrees and diplomas, is a complex task. It is particularly important for the professions; here, several proposals for directives designed simultaneously to remove restrictions, introduce mutual recognition of degrees or (where appropriate) transitional measures and co-ordinate regulations are to be put before the Council during the coming months. The professions chiefly concerned are engineer, pharmacist, doctor, dentist and lawyer; other proposals are in process of drafting.

60. In insurance, work has been pushed ahead on the removal of restrictions on establishment and the supply of services and on the co-ordination of provisions governing the industry.

The Commission has had two directives drafted, one for the removal of restrictions on the supply of services in direct insurance other than life assurance, the other for the removal of restrictions on establishment for insurance companies. The relevant proposals will shortly be put before the Council. Another proposal being prepared is for a directive to remove restrictions on establishment in the life assurance industry.

Co-ordination texts on the following points are also being drafted:

- (a) Arrangements governing freedom to supply services in direct insurance other than life assurance;
- (b) Conditions under which persons can take up or exercise life assurance activities;
- (c) The rule of conflict determining what law applies to insurance contracts.

A directive to co-ordinate statutory and administrative provisions governing insurance contracts is also being drafted.

Alongside this work on co-ordination, other measures for the approximation of legislation on insurance are being prepared; the aim is to terminate checks on the international insurance card (green card) at the Community's internal frontiers and to simplify and harmonize arrangements governing the winding-up of insurance companies so as to provide better guarantees for the interests of insured persons.

61. The proposal for a directive introducing freedom of establishment and freedom to supply services in banking and other financial activi-

ties,⁽¹⁾ submitted on 26 July 1965, is still before the Council, which has almost finished its discussions on the technical problems involved; the only matters outstanding are certain basic problems relating to freedom to supply services. The preparatory work on the co-ordination of statutory and administrative provisions concerning banks and other financial institutions is not yet finished. The panel of experts that the Commission instructed to make a comparative law study is at present examining the various views put forward and considering whether proposals need to be submitted—and, if so, what should be their scope and purpose.

62. Transitional measures already applying to certain industrial and commercial activities will remain in force, even after the transitional period, until they are gradually replaced by specific co-ordination measures.

63. The Commission is devoting more and more attention to the enforcement of its directives by the Member States.⁽²⁾ A survey of the numerous laws and regulations introduced in these States to liberalize establishment is now being prepared in the form of a report to the Council. In certain cases where infringements have been found the Commission has discharged its duty under Articles 155 and 169 of the EEC Treaty to ensure the proper application by Member States of Treaty provisions and directives on freedom of establishment.

DIRECTIVES ADOPTED

During the period under review the Council adopted nine directives.

64. *Access to agricultural loans.* Directive No. 68/192/CEE, of 5 April 1968,⁽²⁾ requires each Member State to give nationals of other Member States who set up in farming on their territory facilities for obtaining loans on the same terms as their own nationals, particularly as regards the capital sum, rate of interest and duration of the loan and the guarantees required to obtain it.

The European Parliament⁽³⁾ and the Economic and Social Committee⁽⁴⁾ endorsed this directive. Two amendments to Article 3 suggested by the Parliament were not taken up by the Council.

⁽¹⁾ *Official gazette* No. 156, 23 September 1965.

⁽²⁾ *Ibid.* No. L 93, 17 April 1968.

⁽³⁾ *Ibid.* No. 201, 5 November 1966.

⁽⁴⁾ *Ibid.* No. 17, 28 January 1967.

65. *Food-manufacturing and beverage industries.* Directive No. 68/365/CEE, of 15 October 1968,⁽¹⁾ requires each Member State to remove restrictions on access by individuals and firms that are nationals of other Member States to self-employed activities in the food-manufacturing and beverage industries and on the exercise of these activities.

Directive No. 68/366/CEE, of 15 October 1968,⁽¹⁾ lays down transitional measures for access to these occupations by nationals of Member States wherever the pursuit of such activities is not subject to any legal condition.

The European Parliament⁽²⁾ and the Economic and Social Committee⁽³⁾ endorsed this directive. The Council took account of some of the amendments suggested and recommendations put forward by these bodies.

66. *Retail trade.* Directives Nos. 68/363/CEE and 68/364/CEE, both issued on 15 October 1968,⁽¹⁾ regulate the removal of restrictions on foreign nationals and transitional measures for the pursuit of self-employed activities in retail trade other than peddling.

The Council accepted the amendments proposed by the Parliament⁽⁴⁾ and the Economic and Social Committee.⁽⁵⁾

67. *Hotels and restaurants.* Directives Nos. 68/357/CEE and 68/368/CEE, also issued on 15 October 1968,⁽¹⁾ provide for the removal of restrictions on foreign nationals, and lay down transitional measures, in respect of certain activities classed as personal services in the hotel and restaurant industry.

The European Parliament⁽²⁾ and the Economic and Social Committee⁽⁶⁾ endorsed these directives; the Council incorporated some of their amendments and recommendations.

68. *Film distribution.* Directive No. 68/369/CEE, of 15 October 1968,⁽¹⁾ is concerned with freedom of establishment in self-employed activities in this industry. It does not regulate freedom to supply services.

⁽¹⁾ *Official gazette* No. L 260, 22 October 1968.

⁽²⁾ *Ibid.* No. 23, 5 February 1966.

⁽³⁾ *Ibid.* No. 14, 25 January 1966.

⁽⁴⁾ *Ibid.* No. 187, 9 November 1965.

⁽⁵⁾ *Ibid.* No. 199, 20 November 1965.

⁽⁶⁾ *Ibid.* No. 205, 7 December 1965.

Like the Commission, the Council felt that since freedom to supply film distribution services in the Member States is subject to a great many regulations concerning credit guarantees, these provisions would have to be co-ordinated before the supply of services could be liberalized.

The Commission's proposal was endorsed by the European Parliament⁽¹⁾ and the Economic and Social Committee.⁽²⁾

69. *Aid to agriculture.* Directive No. 68/415/CEE, of 20 December 1968,⁽³⁾ eliminates restrictions on access to the various forms of aid for farmers established in one member country who are nationals of another.

The directive had been endorsed by the European Parliament⁽⁴⁾ and the Economic and Social Committee.⁽⁵⁾

PROPOSED DIRECTIVES SUBMITTED TO THE COUNCIL

The Commission submitted three proposals for directives to the Council during the period under review.

70. *Wholesale and retail trade.* Two proposals on freedom of establishment for trade in toxic products and in plant-health products were put forward. As well as removing restrictions on foreign nationals, these proposals lay down transitional measures concerning access to these activities.

71. *Industry and crafts.* The Commission submitted to the Council a proposal to amend Directive No. 64/429/CEE, of 7 July 1964 (transitional measures for craft and other industries), the scope of which had to be adapted to the directives issued by the Council on 14 October 1968 introducing freedom of establishment in retail trade. This proposal was endorsed by the Economic and Social Committee.⁽⁶⁾

During the period under review the following developments occurred as regards directives already submitted to the Council.

⁽¹⁾ *Official gazette* No. 307, 18 December 1967.

⁽²⁾ *Ibid.* No. 302, 13 December 1967.

⁽³⁾ *Ibid.* L 308, 23 December 1968.

⁽⁴⁾ *Ibid.* No. C 55, 5 June 1968.

⁽⁵⁾ *Ibid.* No. 158, 18 July 1967.

⁽⁶⁾ *Ibid.* No. C 4, 14 January 1969.

72. *Architects.* On 24 January⁽¹⁾ the Economic and Social Committee endorsed the proposals for directives to introduce freedom of establishment for architects (removal of restrictions, mutual recognition of degrees, co-ordination).⁽²⁾

The European Parliament also rendered a favourable Opinion.⁽³⁾ However, it suggested that architects of a certain age who had not had university training as required by the directive on the mutual recognition of degrees and diplomas should be dispensed from the test based on paper qualifications required by the co-ordination directive until the definitive directives come into force.

73. *Press.* The proposal for a directive submitted by the Commission in 1964 for freedom of establishment for self-employed press activities was endorsed by the Economic and Social Committee in 1965,⁽⁴⁾ and on 2 July 1968 the European Parliament also rendered a favourable Opinion.⁽³⁾

74. *Direct insurance other than life assurance.* The European Parliament, following the Economic and Social Committee, also gave its endorsement to the proposal for a first co-ordination directive on direct insurance other than life assurance.⁽⁵⁾ The Commission's text was approved subject to certain changes, most of which were incorporated in an amended proposal submitted to the Council on 13 December 1968.

6. Approximation of legislation and the creation of European law by conventions

General

75. Table 4 gives a picture of the work carried out in this field for the period under review and brings up to date the tables published in the previous general reports⁽⁶⁾.

⁽¹⁾ *First General Report* (1967), sec. 83.

⁽²⁾ *Official gazette* No. C 24, 22 March 1968.

⁽³⁾ *Ibid.* No. C 72, 19 July 1968.

⁽⁴⁾ *Ibid.* No. 33, 1 March 1965.

⁽⁵⁾ *Ibid.* No. L 27, 28 March 1968.

⁽⁶⁾ *First General Report* (1967), sec. 85.

The table shows:

- (i) Progress made as a result of work referred to in the *Eighth, Ninth and Tenth (EEC) General Reports* and in the *First General Report* published by the unified Commission,
- (ii) Progress made with work begun in 1968.

The table also shows that during the period under review 3 regulations, 11 directives, 3 decisions and 1 resolution, were adopted. Two conventions were also signed in the Council.

In the same period, 37 proposals, namely for 6 regulations, 28 directives, 2 decisions and 1 resolution were submitted to the Council. In addition 13 new files on approximation of legislation were opened.

Between the entry into force of the EEC Treaty and 31 December 1968, 11 regulations, 44 directives (including 2 Commission directives), 7 decisions, 23 recommendations, 7 opinions and 1 resolution had been adopted in this field; 25 of the directives are based on Article 100 (including 1 also based on Article 99, 2 on Articles 99 and 155, 4 on Article 227(2) and 6 on Article 43), 1 on Articles 75 and 99, 5 on Articles 57 and 66, 7 on Article 36, second paragraph, 1 on Article 54(3g) and 6 on Article 43.

On 31 December 1968, proposals for 1 convention, 15 regulations, 70 directives, 4 decisions, 2 recommendations and 1 resolution were pending before the Council. The Commission is also preparing 110 directives, 1 recommendation, 20 approximation measures in as yet unspecified legal form, and 9 conventions.

In addition to this outline, the Commission has published in a *Supplement to the Bulletin of the European Communities*, No. 5-68, a general survey of the following matters, with all necessary information on the relevant legal acts:

- (i) Work on the removal of restrictions to freedom of establishment and freedom to supply services for nationals of other Member States;
- (ii) Work on approximation of legislation;
- (iii) Measures adopted in pursuance of directives on approximation of legislation issued by the Council.

TABLE 4

Approximation of legislation

This table brings up to date the table published in the First General Report of the Communities (sec. 85) and covers further work undertaken between 1 January and 31 December 1968.

Object	Legal basis	Legal nature of the measure and reference
I—CUSTOMS LEGISLATION, EXTERNAL TRADE		
Protection against dumping and bounties and subsidies granted by non-member countries	Art. 111	reg. 459/68 ad. 5. 4. 68 OGEC L 93/1, 68
"Economic" exemptions		
(i) Suspension or reduction of the common customs tariff duties on certain items for incorporation in aircraft or for use in maintenance or repair of aircraft or helicopters of a tare weight ranging from 2,001 kg to 15,000 kg	Art. 28	dec. 18. 6. 68 OGEC L 141/4,68
(ii) Suspension of the common customs tariff duties on products for incorporation in sea-going vessels or intended for the fitting-out of such vessels	Art. 28	dec. 18. 6. 68 OGEC L 141/10, 68
Origin of goods	Arts. 111, 235	reg. 802/68 ad 27. 6. 68 OGEC L 148/1, 68
Customs value: definition of the Community customs territory	Art. 235	reg. 1496/68 ad. 27. 9. 68 OGEC L 238/1, 68
Customs clearance: production to customs and warehousing	Art. 100	dir. 68/312 ad. 30. 7. 68 OGEC L 194/13, 68
Inward processing traffic	Art. 235	pro. dir. sub. 28. 3. 68 OGEC C 44/23, 68
Community transit arrangements	Art. 235	pro. reg. sub. 1. 4. 68 OGEC C 44/31, 68
Free zone arrangements	Art. 100	pro. dir. sub. 3. 4. 68 OGEC C 44/50, 68
Tariff treatment applicable to goods contained in travellers' luggage or to small consignments to private individuals	Art. 28	pro. reg. sub. 26. 6. 68
Diversion of customs revenues	Art. 235	pro. reg. sub. 6. 12. 68
III—ESTABLISHMENT AND SERVICES		
1. <i>Access to and pursuit of activities in trade and industry</i>		
Food and beverages industries (transitional measures)	Arts. 57, 66	dir. 68/366 ad. 15. 10. 68 OGEC L 260/12, 68

Object	Legal basis	Legal nature of the measure and reference
Personal services (restaurants, hotels) (transitional measures)	Arts. 57, 66	dir. 68/368 ad. 15. 10. 68 OGEC L 260/19, 68
Retail trade (transitional measures)	Arts. 57, 66	dir. 68/364 ad. 15. 10. 68 OGEC L 260/1, 68
Manufacturing activities: procedures for transitional measures	Arts. 57, 66	pro. dir. (amdt.) sub. 13. 6. 68 OGEC C 95/17, 68
<i>3. Banking and insurance</i>		
Access to and pursuit of activities:		
(i) banks and other financing establishments	Art. 57(2)	dir. prep. 1968
(ii) financing intermediaries	Art. 57(2)	dir. prep. 1968
<i>5. Guarantees required of companies</i>		
<i>Sociétés anonymes, sociétés à responsabilité limitée and sociétés en commandite par actions: publication of particulars, validity of commitments, nullity</i>	Art. 54(3g)	dir. 68/151 ad. 9. 3. 68 OGEC L 65/8, 68
V—COMPETITION AND FREE MOVEMENT OF GOODS		
<i>1. Technical obstacles to trade</i>		
General programme on the removal of technical obstacles to trade	Art. 100	pro. Council resolution sub. 7. 3. 68 OGEC C 48/24, 68
Measurement of natural weight of cereals per hectolitre	Art. 100	pro. dir. sub. 19. 6. 68 OGEC C 91/69, 68
Measuring ships' tanks	Art. 100	pro. dir. sub. 24. 6. 68 OGEC C 91/64, 68
Electrical equipment for use within certain voltage limits	Art. 100	pro. dir. sub. 12. 6. 68 OGEC C 91/19, 68
Crystal glass	Art. 100	pro. dir. sub. 19. 6. 68 OGEC C 91/22, 68
<i>8a. Elimination or prevention of distortions of competition in specific cases</i>		
Italian law of 27 January 1968 No. 3: provisions for checking publicity and trade in olive oil and oil from seed; former bill No. 792	Art. 101	ex. begun 1968
Belgian measures modifying countervailing charges on imports and refunds on exports	Art. 101	ex. begun 1968
Netherlands measures modifying countervailing charges on imports and refunds on exports	Arts. 101, 102	ex. begun 1968

Object	Legal basis	Legal nature of the measure and reference
Italian measures modifying countervailing charges on imports and refunds on exports	Art. 101	ex. begun 1968
<i>12. Company law</i>		
Recognition of companies and legal persons	Art. 220, third sub-section	signature of convention in Council, 29. 2. 68
<i>13. Law of enforcement</i>		
Jurisdiction and enforcement of judgments in civil and commercial cases	Art. 220, fourth sub-section	signature of convention in Council, 27. 9. 68
<i>14. Taxation law (for other taxation law measures, see: Transport)</i>		
Procedures for applying TVA to operations concerning agricultural products	Arts. 99, 100	pro. dir. sub. 26. 2. 68 OGEC C 48/2, 68
Exemption from turnover tax and excise duty on imports in international passenger traffic	Art. 99	pro. dec. sub. 26. 6. 68
Problems of the application of Treaty Articles 95—97 concerning turnover tax	Arts. 99, 100	dir. 68/221 ad. 30. 4. 68 OGEC L 115/14, 68
VI—SOCIAL LAW		
<i>2. Social security and social services</i>		
Migrant workers: social security of migrant workers	Art. 51	pro. reg. sub. 28. 6. 68 OGEC C 95/18, 68
<i>3. Industrial safety</i>		
Electrical equipment Classification, labelling and packaging (organic peroxides)	Art. 100 Art. 100	pro. dir. sub. 12. 6. 68 pro. dir. sub. 26. 7. 68
VII—AGRICULTURE		
<i>1. Food legislation</i>		
Colouring matters	Arts. 100, 227(2)	dir. (amdt.) 68/419 ad. 20. 12. 68 OGEC L 309/24, 68
Preservatives	Art. 100	dir. (amdt.) 68/420 ad. 20. 12. 68 OGEC L 309/25, 68
Food extracts, broths and soups Macaroni, spaghetti and similar products Butter	Art. 100 Art. 100 Art. 43	pro. dir. sub. 25. 10. 68 pro. dir. sub. 5. 11. 68 pro. dir. sub. 14. 6. 68

Object	Legal basis	Legal nature of the measure and reference
Margarine	Art. 43	pro. dir. sub. 26. 11. 68
Sugar (the directive does not cover all points)	Art. 43	pro. dir. sub. 10. 6. 68 OGEC C 62/8, 68
<i>2. Veterinary legislation</i>		OGEC C 45/7, 68
Community measures to be adopted in the veterinary field		Council resolution of 12. 3. 68
Institution of a Veterinary Committee		OGEC C 22/18, 68
Health requirements for intra-Community trade in cattle and pigs	Arts. 43, 100	dec. 15. 10. 68 OGEC L 255/23, 68
Health requirements for intra-Community trade in fresh meat	Arts. 43, 100	pro. dir. (amdt.) sub. 19. 2. 68
Health problems for intra-Community trade in certain fresh meat cuts	Art. 43	OGEC C 45/3, 68 pro. dir. sub. 2. 5. 68
Trichinosis	Art. 43	OGEC C 59/1, 68 dir. prep. 1968
<i>4. Forestry legislation</i>		
Classification of timbers in the rough	Art. 100	dir. 68/69 ad. 23. 1. 68
Marketing of forestry reproductive material	Art. 43	OGEC L 32/12, 68 pro. dir. (amdt.) sub. 7. 10. 68
<i>5. Legislation on seeds and seedlings</i>		OGEC C 123/138, 68
Marketing of beet seed	Art. 43	pro. dir. (amdt.) sub. 21. 6. 68
Marketing of herbage seed	Art. 43	OGEC C 91/57, 68 pro. dir. (amdt.) sub. 21. 6. 68
Marketing of cereal seed	Art. 43	OGEC C 91/61, 68 pro. dir. (amdt.) sub. 21. 6. 68
Marketing of seed potatoes	Art. 43	OGEC C 91/55, 68 pro. dir. (amdt.) sub. 21. 6. 68
Marketing of vegetable seed	Art. 43	OGEC C 91/60, 68 pro. dir. sub. 21. 6. 68
Marketing of vine propagation materials	Art. 43	OGEC C 91/42, 68 dir. 68/193 ad. 9. 4. 68
Marketing of vegetative vine propagation materials produced outside the Community	Art. 43	OGEC L 93/15, 68 pro. dir. sub. 20. 6. 68
Marketing of oleaginous and fibrous plant seed	Art. 43	pro. dir. sub. 21. 6. 68 OGEC C 91/26, 68
EEC catalogue of varietal species of agricultural plants	Art. 43	pro. dir. sub. 21. 6. 68 OGEC C 91/35, 68

Object	Legal basis	Legal nature of the measure and reference
<p>6. <i>Plant health legislation</i></p> <p>Institution of a Standing Committee on Plant Protection</p>		<p>pro. dec. sub. 28. 11. 68</p>
<p>VIII—TRANSPORT</p>		
<p>Abolition of double taxation on motor vehicles in international transport</p>	<p>Arts. 75, 99</p>	<p>pro. reg. (amdt.) sub. 30. 1. 68</p>
<p>Duty-free entry of fuel contained in the tanks of commercial motor vehicles</p>	<p>Arts. 75, 99</p>	<p>dir. 68/297 ad. 19. 7. 68 OGEC L 175/15, 68</p>
<p>Reform of commercial vehicle tax systems</p>	<p>Arts. 75, 99</p>	<p>pro. dir. sub. 17. 7. 68 OGEC C 95/41, 68</p>
<p>Standard permanent accounting system for infrastructure expenditure on rail, road and inland water transport</p>	<p>Art. 75</p>	<p>pro. reg. sub. 9. 7. 68 OGEC C 95/34, 68</p>

Abbreviations

ad. = adopted on . . .	prep. = in preparation since . . .
amdt. = amendment	pro. = proposal for a . . .
Art(s). = Article(s) of the Treaty of Rome	reg. = regulation
dec. = Council decision	sub. = submitted to the Council by the Commission on . . .
dir. = Council directive	
ex. = examination	
OGEC = Official gazette of the European Communities (Letter, No./page, year)	

Public law

Public works contracts

76. The Commission took part in an examination by the Working Party on Economic Affairs of the Council of Ministers of the proposed directive on co-ordinating procedures for awarding public works contracts.⁽¹⁾ During this examination, which lasted two years, an agreement as to principle was reached on certain amendments to the initial proposal.

These mainly concern raising the value of contracts covered by the directive to 1 million u.a. in accordance with a previous recommendation of the European Parliament. It was also decided that the Consultative Committee responsible for supervising the correct application of Community procedures for awarding contracts would not be set up by the directive itself but would be instituted by virtue of a decision of the Council of Ministers.

⁽¹⁾ *Ninth (EEC) General Report*, sec. 89.

Procurement

77. A proposal for a directive co-ordinating the procedures for awarding public supplies contracts was drafted. It pursues the same objectives as the directive on public works contracts on which the European Parliament and the Economic and Social Committee have rendered their Opinions and which is at present before the Council of Ministers. The new directive introduces an obligation to publish procurement contracts at European level, establishes Community criteria for selecting firms authorized to submit tenders and criteria for the award of contracts. The system as a whole has been made smoother and more flexible than that of the public works contracts, given the nature of procurement contracts, which are larger in number and usually involve smaller sums of money than public works contracts. The proposal will be submitted in due course to the Council.

Drugs

78. In the period under review, discussions have continued with a view to approving the proposals for the second and third directives⁽¹⁾ on branded pharmaceuticals. It was not possible, however, to achieve unanimity on the proposed resolution submitted to the Council on 8 December 1967, which specified the stages and procedures of decisions to be adopted in this field. The general lines of the Commission's work have been endorsed in Opinions from the European Parliament and the Economic and Social Committee on the proposed third directive on branded pharmaceuticals.⁽²⁾

The drafting of standards and protocols concerning the submission of applications for licences to offer pharmaceuticals for sale, the examination of such applications, and the physical, chemical, biological and microbiological control and the pharmacological and toxicological testing of branded pharmaceuticals has been completed.

In conclusion, on 5 November 1968 the Commission submitted a proposal for an amended directive based on Article 149, second paragraph, of the Treaty, after consultation of the European Par-

⁽¹⁾ *Seventh (EEC) General Report*, sec. 84, and *First General Report (1967)*, sec. 86 *et seq.*

⁽²⁾ *Official gazette* No. C 72, 19 July 1968, and No. C 73, 22 July 1968.

liament⁽¹⁾ and the Economic and Social Committee⁽²⁾ concerning the approximation of Member States' legislation on the advertising of branded pharmaceuticals and on package inserts.

Comparative administrative law

79. Since the entry into force of certain directives (for instance the first directive on branded pharmaceuticals of 26 January 1965), the problem of disparities in the methods by which and the periods during which aggrieved persons may appeal administrative acts in economic matters between national administrative legal systems has become more important. Commission studies have shown that such disparities may distort competition and affect the working of the common market. In the period under review, the Commission's staff has obtained expert advice concerning the disparities which should be removed, if necessary by approximation of legislation.

Postal services and telecommunications

80. Further to a meeting of senior officials of postal services and telecommunications of the Member States on 23 November 1967, the Commission submitted to the Council a memorandum on the procedures covering further work in the matter of postal services and telecommunications. In particular, it was proposed to the Council that a Committee for postal services and telecommunications consisting of competent senior officials of the Member States and Commission representatives should be set up in the Commission. The Committee is to assist the Commission in its work on the approximation of Member States' legislation in this sector.

Private law

Industrial property

81. *European patent; licence markets.* The importance of the preliminary draft convention establishing a European law of patents was underlined by the work undertaken by the Commission in the matter of scientific and technological research policy.

⁽¹⁾ *Official gazette* No. C 72, 19 July 1968.

⁽²⁾ *Ibid.* No. C 12, 21 February 1968.

It need hardly be said that the European patent, by extending uniform protection to the territories of the six member countries and in the centralized scrutiny proposed for the award of the patent, will constitute a stimulus to research and a guarantee of great value for patent-holders. Moreover, the publication arrangements planned will ensure extensive and rapid dissemination of information, which will help to promote and speed up research.

In the same context, the Commission decided to entrust to a specialized institute a study of the licence market and the problem of technological transfers. The Commission is hoping to elicit accurate information on how—and on what actual conditions—technological information is acquired or purchased: this should help to throw light on some of the reasons for, and the ways of closing, the “technological gap”.

82. *Trade marks.* Since no decision in the matter of the convention on the European patent was taken, it was not possible to continue work on the preliminary draft convention establishing a European trade mark. This preliminary draft depends partly on the content and structure of the draft on the European patent. It provides for the creation of a Community law of trade marks and for the granting of a European trade mark valid in the six Member States.

However, in response to many requests, the Commission recently took action with a view to the publication of the text. In this connection the Member States were consulted.

Unfair competition

83. Having completed the first phase of work on unfair competition,⁽¹⁾ the Commission addressed to the Governments of the Member States a report on legislation concerning unfair competition in the six countries. The report indicates the basic differences noted between the various laws and summarizes the implications of these differences for the common market. It concludes with suggestions as to the broad lines of approximation measures to improve and harmonize rules on unfair competition.

⁽¹⁾ *First General Report (1967)*, sec. 90.

In addition, the Commission sent a detailed questionnaire to the Community associations representing the industrial and commercial managements concerned. In this way it expects to collect practical information on the real effects of differences on the establishment and functioning of the common market. On the basis of the results of this survey, it will devise practical approximation programmes which will be discussed with the national experts.

Company law

Co-ordination of company law (Article 54(3g))

84. Work on co-ordination of company law made steady progress.

The first concrete achievement was the adoption by the Council on 9 March 1968 of the first directive on co-ordination of company law.⁽¹⁾ This directive co-ordinates the general guarantees required of certain companies, namely joint stock companies. These guarantees concern publication of particulars, validity of commitments undertaken on behalf of the company and causes of nullity of such companies. It was decided to begin by concentrating on the co-ordination of these factors, which are of special importance in ensuring that businessmen and others can be certain as to the requirements of the law in the Community: experience has shown that the co-ordination of the other guarantees specified for creditors and company members will take a long time.

For similar reasons, co-ordination work was concentrated on the law of the joint stock company, which is the most important form of company in the common market, particularly for international and internal trade.

The work concerns the guarantees required of the joint stock company for the formation and maintenance of its assets, the increase and reduction of its capital and the redemption of company capital, which is allowed in certain Member States. This work is almost completed.

⁽¹⁾ *Official gazette* No. L 65, 14 March 1968.

Other work on the joint stock company concerns the structure and functioning of the company, in particular the achievement of equivalence between the present two traditional systems of organizing the company in the Member States, namely the "conventional" board-of-directors system and the dualist system with responsibilities being shared between the board of management and the supervisory board.

It proved necessary to work at the same time on the co-ordination of two other matters concerning company law: guarantees required of companies incorporated in the same state in the event of a merger ("national" mergers), and the Member States' rules on the content and form of annual statements of accounts.

The priority given to the co-ordination of guarantees in favour of members and outsiders in the case of a non-international merger of companies was justified by the fact that it had to serve as a basis for mergers of companies governed by varying municipal laws. To this end, draft conventions based on Article 220 of the Treaty of Rome, which were begun in 1965, seek in particular to determine what rules of municipal law apply in the event of conflict of laws, assuming that the municipal law has previously been co-ordinated. The project for co-ordinating guarantees in respect of internal mergers is almost completed.

The priority given to co-ordinating rules on annual corporate statements of accounts was decided following a request from the Council when the first directive was adopted. On that occasion the Council deferred the obligation of limited liability companies and close joint stock companies under Netherlands law to publish the balance-sheet until the provisions on the form and content of annual statements of accounts (balance-sheets and profit and loss accounts) were co-ordinated. The Council decided that a draft directive should be adopted in the two years following approval of the first directive, i.e. by March 1970. In order to comply with this time limit, consultations of government experts have been begun on the basis of a proposal drafted by the independent experts of the six countries, and work is being pressed forward.

This is not all that can be done in the matter of co-ordination of the guarantees required of companies. Besides that part of the law of joint stock companies not yet discussed (transferable securities, winding up and dissolution of companies), co-ordination will also affect the other forms of companies specified in Article 58 of the EEC Treaty, in particular limited liability companies, co-operatives and partnerships.

Convention on the mutual recognition of companies

85. On 29 February 1968 the representatives of the Member Governments meeting in the Council signed the Convention on the mutual recognition of companies and bodies corporate.

This Convention is the outcome of negotiations undertaken by the Member States at the instance of the Commission in 1962 and carried out with the Commission's assistance in order to fulfil the obligation arising from Article 220, third subsection, of the EEC Treaty. The object of the Convention is to enable companies and other legal persons to avail themselves fully of the Community freedoms: free movement of goods, freedom to supply services, freedom of establishment and freedom of capital movements.

The Convention benefits only the companies and other legal persons specified in Article 58, second paragraph, with the proviso that the concept of "profit-making" has been replaced by that of "economic activity normally exercised for reward", to enable the benefit of recognition to be granted to enterprises not distributing or not making profits but which play a part in the economy.

A company may enjoy recognition only if it is legally connected with one of the Community Member States. While the test of "incorporation", as determined by the law of the country where the company is incorporated and where its statutory registered office is situated, was chosen as a point of departure, the test of the real head office had to be reintroduced to allow for the interests of the country where the company has established such real head office and the requirements of the common market, which must be protected against companies with offices within its boundaries but not in fact having any genuine link with the Community economy.

A significant innovation is the limitation of the scope and the content of the "public policy" exception. This is first of all restricted to matters connected with the object, purpose or activity actually pursued by a company; it cannot therefore be invoked in respect of any matter connected with the incorporation and running of a company. This means that single proprietorships, which have a legal status in certain states, must be recognized in the others. Secondly, the concept of public policy has been defined, at least negatively, in the sense that principles and rules contrary to the provisions of the Treaty establishing the EEC cannot be considered a matter of public policy.

The Convention provides a solution generally accepted by private international law as to the effects of recognition: companies or other legal persons recognized have the capacity which is granted to them by the law under which they are incorporated. However, the State in which recognition is invoked may refuse companies or other legal persons any specific rights and powers which it also denies companies or other legal persons of a corresponding type incorporated under its own law.

A joint declaration of the signatory States recommends that the possibility should be examined of attributing certain powers to the Court of Justice of the European Communities to prevent divergences of interpretation of the Convention in the Member States.

European company

86. Work on preparing the statute of a European company could not be started during the period under review. The *ad hoc* working party set up in autumn 1966 in the Council had begun by studying the case for the creation of the legal form of a European company and had reported in the spring of 1967.⁽¹⁾ Both the report and the subsequent discussions of the Committee of Permanent Representatives showed that the Commission's opinion on the desirability of creating the legal form of a European company was generally shared. The Committee of Permanent Representatives then instructed the working party to examine other specific matters (access, joint management, registered shares). The working party completed its work on 23 March 1968 and submitted its report. A number of delegations wondered on that occasion "whether, instead of examining various matters, a general examination of the problems arising would not speed up progress and possibly facilitate the compromise solutions for which a general view of the problems is necessary".

87. Convinced of the urgency and necessity of providing the economy with an instrument enabling companies to meet the exigencies of the common market, the Commission proposed to the Council on 29 May 1968 a procedure which it considered would speed up the work on the establishment of a European law on company shares. The proposal has the same objective as the French proposal for internal strengthening of the Community which was discussed in the Council.

⁽¹⁾ *First General Report* (1967), sec. 89.

88. The Commission continued its examination of the preliminary draft statute for European joint stock companies drafted by Professor Sanders.⁽¹⁾ The problem of representation of workers' interests in the European joint stock company received particular attention. The Commission made detailed studies on the subject. It also examined how the rules on annual statements of accounts in the European joint stock company might be framed, and prepared a provisional draft.

Civil procedure

Jurisdiction and enforcement of civil and commercial judgments

89. On 27 September 1968 the representatives of the Member States meeting in the Council signed the Convention on jurisdiction and the enforcement of civil and commercial judgments.

The Convention is the outcome of negotiations begun by the Member States in 1960 on the initiative and with the participation of the Commission to fulfil the obligation arising from Article 220 of the EEC Treaty, with the object of simplifying for their nationals the formalities to which the mutual recognition and enforcement of judgments and arbitral awards are subject. The object of the Convention is to strengthen the legal protection of persons established in the Community.⁽²⁾

When it comes into force after ratification by the signatory States, the Convention will have to be applied by the courts even if none of the parties invokes it. The judge of a contracting State hearing a suit for which another contracting State has exclusive jurisdiction must automatically declare that he has no jurisdiction. The same applies in cases when a defendant domiciled in a contracting State is sued in the court of another contracting State but fails to enter an appearance, provided that the jurisdiction of the court is not founded on the terms of the Convention.

The verification of their jurisdiction, as imposed on the courts, and the institution of a uniform and simplified exequatur procedure ensure in the Community the rationalization and speeding-up of the civil procedures specified by the Convention.

⁽¹⁾ *First General Report* (1967), sec. 89, third paragraph.

⁽²⁾ *Ibid.* sec. 87.

In conclusion, in a joint declaration the signatory states declared themselves ready if necessary to assign certain powers to the Court of Justice of the European Communities in order to ensure the effective application and the uniform interpretation of the Convention.

Assignment of certain powers to the Court of Justice of the European Communities

90. With a view to implementing the joint declarations already signed by the Member States or proposed in the draft conventions in preparation, the experts of the Member States and of the Commission studied the possibility of assigning certain powers to the Court of Justice of the European Communities.

The Commission considers that the interpretation of conventions linked with the EEC Treaty should be ensured under the same conditions and according to the same procedure as that specified by Article 177 of the Treaty. However, unanimity has not yet been reached on this matter and discussion has begun on the most effective means of speeding up the procedures to save time and expense and to make it more difficult to appeal decisions merely to gain time.

The possibility of assigning other powers to the Court of Justice for the application of Community conventions is still under consideration.

As for the conventions on exequatur and bankruptcy, currently in preparation, special difficulties have arisen in settling disputes between courts of different Member States claiming, and more particularly disclaiming, jurisdiction.

More generally, the results of the present work will give very useful information on the part which the Court of Justice may be called upon to play in ensuring uniform interpretation of subsequent Community conventions.

Economic law

Specific cases involving distortions of competition

91. The customs union having been completed, the approximation of legislation to eliminate and prevent distortions is becoming an increasingly important aid to the establishment of a full common market and the elaboration of a common economic policy.

This is reflected in the large number of cases which have to be examined on the basis of Articles 101 and 102 of the Treaty concerning the elimination of existing distortions and the prevention of future distortions caused by the adoption or amendment by the Member States of laws and regulations.

During 1968, a detailed examination of four more cases was undertaken with a view to applying Article 101. The work on four other cases continues.⁽¹⁾

The Member States have also been consulted, on the basis of Article 102, with regard to the German bill on wines, dessert wines, sparkling wines, wine-based beverages and wine alcohols.⁽²⁾

For a number of cases, there has been a first examination, without formal procedure, by the Commission's staff. For most of these, application of Articles 101 and 102 has not been necessary.

Price legislation

92. The Commission's work resulted in the establishment of a list of the rules and regulations in force in the Member States. The list will be periodically brought up to date with the assistance of the member countries.

The study of the experts' report on the economic effects of national price legislation on the common market has begun.

7. The Common Market and the consumer

93. The Commission carried out work in three fields on the impact of the common market on consumers.

The research work of previous years into the trend of imports of about 300 consumer products was continued in 1967. At the same time the Commission, through consultations held with the government experts

⁽¹⁾ Table 4.

⁽²⁾ Since published in the *BGBI* (German federal law gazette).

and trade and consumer representatives, analysed the figures it had collected for that year.

IFO, the economic research institute in Munich, which had been asked to make a study of the impact of the common market on domestic electric appliances, submitted its report. The institute made a similar study of the footwear market.

The Statistical Office of the European Communities continued work on the price survey. An analysis of the figures for April 1968 gives an idea of country-to-country disparities in absolute prices for about 250 articles of everyday consumption.

Trade in goods for private consumption

Effect of imports

94. From 1966 to 1967, imports of private consumer goods rose from 10,900 million u.a. to 11,200 million u.a., i.e. by 3%. Intra-Community trade accounted for 6,700 million u.a. or 60% of total imports in 1967. The remaining 40%, or 4,500 million u.a. only, were imports from non-member countries. At 3% the growth rate of total imports in 1967 was a great deal lower than the average annual growth over the years 1960-1966, which was about 15%. This is chiefly the result of the recession in 1967, which hit imports from non-member countries hardest. In the preceding years their growth rate was already constantly lagging behind that of intra-Community trade. In 1967 there was, for the first time, an actual decline, their total level being 2% lower than a year earlier. The share of the Yaoundé countries in this decline was considerable. Their exports to the Community were 18% lower than in the preceding year. Seen against this background, the 7% growth of intra-Community trade in 1967 can still be considered as being substantial. Since 1960, intra-Community trade has risen by 200%, while imports from non-member countries have gone up by 75%. This constitutes incontrovertible proof that firms have been procuring more and more of their supplies from Community sources and have constituted their product ranges on the basis of what is offered by the European market.

The trend of Community imports was marked by differences from one member country to another. Related to the population of the Member States, imports of consumer goods per head in 1967 were 137 u.a. in the Netherlands, 134 u.a. in Belgium and 68 u.a. in Germany, while the figure for France was 51 u.a. and that for Italy 30 u.a.

TABLE 5
Imports of products for private consumption in 1967

(in million u.a.)

Origin	Germany	France	Italy	Netherlands	BLEU	Community
Community	2,463	1,304	720	1,241	971	6,699
Non-member countries	1,613	1,234	831	481	357	4,516
<i>of which:</i> Associated overseas countries	21	303 ⁽¹⁾	29	11	2	366
Total	4,076	2,538	1,551	1,722	1,328	11,215

Source: SOEC, foreign trade statistics.

⁽¹⁾ Mainly foodstuffs.

From 1960 to 1967, total imports showed the sharpest rise in the Netherlands (increase of 188%); the second highest growth rate (158%) was registered by Italy. In 1967, Italy was the country where growth was most vigorous, while in the other countries it slackened and in Germany there was an actual decline.

Similar differences are discernible in the origin analysis of imports (whether from the Community or from non-member countries). From 1960 to 1967, France was the Community country which stepped up its imports from non-member countries most (325%).

TABLE 6
Growth rates of imports of consumer goods

(reference year = 100)

Origin	Germany		France		Italy		Netherlands		BLEU		Community	
	1960-1967	1966-1967	1960-1967	1966-1967	1960-1967	1966-1967	1960-1967	1966-1967	1960-1967	1966-1967	1960-1967	1966-1967
Community	+168	+ 1	+325	+ 15	+271	+ 20	+ 209	+ 5	+133	+ 5	+199	+ 7
Non-member countries	+ 74	- 7	+ 45	- 7	+102	+ 10	+ 144	+ 7	+ 85	+ 5	+ 75	- 2
<i>of which:</i> Associated countries	+132	+ 5	- 34	- 21	+ 70	- 22	+10,000	+120	- 55	+ 50	- 25	- 18
	+121	- 2	+120	+ 3	+158	+ 15	+ 188	+ 5	+118	+ 5	+133	+ 3

As the figures enabling a calculation to be made of the share of imports in retail trade purchases are not available, it is not possible to provide exact information on the import element in overall private consumption of everyday consumer goods. Private consumption of goods (with services excluded) may serve as a rough guide.

The data on imports for private consumption are difficult to compare, but if the working hypothesis is accepted that gross production of wholesalers and retailers represents 35% of retail sales, the share of imports in private consumption of goods is as set out in Table 7.

TABLE 7
Changes in the share of imports in private consumption of goods
from 1960-1967, with purchase prices as basis

Year	Germany	France	Italy	Netherlands	BLEU	Community
1960	10.7	7.3	6.5	24.8	20.9	10.1
1967	15.2	9.9	8.9	32.9	29.0	14.0
of which manufactured goods of Community origin						
1960	8.1	4.8	8.8	54.5	33.4	11.1
1967	17.0	13.5	13.3	57.0	44.7	20.2

95. Manufacturers and dealers believe that imports stimulate competition on a domestic market if their share in consumption moves above a threshold put at about 7-8%. As Table 7 shows, imports have exceeded this level in all member countries. The proportion is appreciably higher for some categories of manufactured products.

The growing importance of intra-Community trade has had the following results:

- (i) Imports from other Community countries have strengthened the position of dealers and more particularly wholesale dealers vis-à-vis native industries in the individual countries. This should constitute an incentive to manufacturers to streamline their operations and should hold down prices.
- (ii) The flow of imports seems to be leading to specialization beyond the frontiers, with markets being allocated among the various

countries on the basis of price or quality and producers showing a stronger tendency to work to the customer's specifications or transfer their own production units abroad.

- (iii) Dealers have developed co-operation beyond the frontiers.
- (iv) The effect on prices is appreciable for consumer goods but almost negligible for luxury goods.

Effect by commodity group

96. In 1967, 45% of total Community imports were foodstuffs and 55% manufactured goods. For manufactured goods, the share of intra-Community trade is 75%. The tariff reductions probably contributed to this high percentage.

Foodstuffs

97. The rise in incomes, the increase in travel between the Community countries and dealers' sales drives stimulated demand for imported foodstuffs. The constant increase in these imports meant a very wide range of choice for the consumer.

The criticisms of the common market organizations voiced in the past few years by representatives of the distribution trades weakened appreciably. The fact, however, that changes in the target prices are often not announced in good time was considered to place dealers at a disadvantage. Obstacles to trade still existing (for instance, veterinary or health regulations) continued to impede the free movement of goods.

In the meat sector, the rise in beef and veal prices in all the countries boosted demand for pigmeat and poultrymeat. The abundant supply of pigmeat in all countries and increasing imports of this type of meat, particularly in France, together with the rising production of poultry farms—in most cases operating along industrial lines—made it possible to offer the consumer these two types of meat at prices which were mostly stable if not actually declining. For eggs, too, heavy imports coupled with an expansion of production forced prices down in all Community countries. Particularly heavy trade in cheese enabled consumers in the six countries to choose from a wider range. In Germany, there was for the first time a genuine cheese market, as French and Italian cheeses,

previously sold in delicatessen shops only, were being offered in all food shops in a wide variety. Lively trade in chocolate and biscuits brought with it a very wide range of choice for the consumer which, together with overproduction in some countries, enabled prices to be kept stable or even brought well down, despite rising consumption.

Dealers again confirmed the particularly favourable influence exerted in the fruit and vegetable sector by the common market organizations and especially the quality standards they enforce. These standards enabled a better comparison to be made of supply from abroad and helped ensure constant quality. Consumers would like to see other quality standards (taste and consistency) added to the standards governing mere external form (size) that have been laid down so far. Imports of fruit and vegetables are as a general rule effected when there is no internal supply, the aim being to offer consumers a continuous supply of fruit and vegetables throughout the year. Seasonal variations apart, there was no significant change in prices.

Manufactured goods

98. The import "growth leaders" were clothing, knitwear, footwear, washing machines, domestic electric appliances and motor-cars.

The general comments made above⁽¹⁾ on the effect of imports on the internal European market hold good for all sectors. Imports affected prices in the following ways:

- (i) There were genuine price reductions (e.g. for washing machines).
- (ii) The range of products was widened, the result being that the price spread widened, particularly for low-priced fashion articles ("democratization" of fashion, e.g. clothing).
- (iii) The rise in internal prices was slowed down.

As has been pointed out before, distribution experts consider that the technical and administrative obstacles still maintained by the Member States in numerous fields (e.g. the differing safety regulations applying to domestic electric appliances) constitute an impediment to the free movement of goods among the six countries.

⁽¹⁾ Sec. 95.

99. The studies carried out on the Commission's behalf by the IFO economic research institute provided interesting details on the effects of the common market. The main conclusions are set out below.

Study of the footwear market

100. Production of footwear developed along differing lines in the various countries. In the Benelux countries and Germany, production of footwear rose slightly between 1958 and 1966. A growing proportion of domestic demand in these countries was met from imports. French and especially Italian producers stepped up appreciably their sales to the other Community countries. Italy's footwear industry in particular made spectacular progress. In 1966, Italy and France were the largest producers of footwear in the Common Market.

There was a tendency for the various member countries to specialize in specific types of footwear and in specific qualities and price categories. The improved division of labour will certainly be reflected in the next few years in production costs and manufacturers' sales prices. Differing production conditions (including know-how) moreover led firms to set up manufacturing subsidiaries in the other member countries. Amalgamation and co-operation agreements are less frequent in the footwear industry than in other industries of the Common Market, doubtless owing to the structure of this industry, which consists in the main of small firms and family workshops. Valuable outlets are, however, available to firms co-operating at both national and international level, as is the case for orders for work carried out to customer specification in an international framework. The development of distribution networks abroad is another important means of adapting to the new marketing conditions in the Common Market.

Since the entry into force of the common market, the growing pressure of competition among manufacturers has led to a distinct reduction in manufacturers' sales prices and has also contributed to an improvement in quality, to greater uniformity in fashion and an expansion of the range of products manufactured.

The very substantial tariff cuts (for leather footwear, for instance, in 1958 a cut ranging from 12 to 20% according to country, and on 1 July 1968 complete abolition of intra-Community duties) have appre-

ciably stimulated trade within the Community. From 1958 to 1966, total intra-Community trade in footwear went up by 650%. Apart from tariff cuts, the decisive factors here, particularly in respect of footwear of Italian and French origin, were quality, shape, colour and price.

Independent specialized wholesale trade, which previously played a very minor role in the marketing of footwear, has gained in importance in the Member States (Italy being the only exception to the rule) since the establishment of the common market. Its share in footwear trade has gone up mainly as a result of the considerable emphasis it places on imports, a policy which has enabled it to improve its competitive position in relation to the home footwear industries. It exerts heavy pressure on manufacturers' prices. The purchasing co-operatives of footwear retailers have also strengthened their position on the Community market and have in their turn exerted an influence on manufacturers' sales prices. Independent specialized wholesale trade and retailers' purchasing co-operatives consider co-operation as the best means of adapting to the new conditions of competition in the Common Market. There is, incidentally, already a very high degree of international co-operation among purchasing co-operatives. Today, footwear retailers offer their customers a much wider range of fashion articles, and the price spread has appreciably widened, especially at the cheaper end of the range, because of the success of Italian products. The expansion of imports has, however, not engendered a very sharp increase in competition in retail trade; there has, on the contrary, been a tendency for competition to weaken, with retailers benefiting in terms of prices and profit margins.

Study of the domestic electric appliances market

101. The First General Report gave a detailed account of the impact of the common market on the production of domestic electric appliances.⁽¹⁾ It had been found that, under the influence of a considerable increase in production on the one hand and vigorous rationalization efforts on the other, the advent of the common market had entailed an intensification of competition, with lower prices and production costs.

The IFO trade surveys during the year under review confirmed quite generally that the more the common market developed the keener was competition at both wholesale and retail level. During the past few years

⁽¹⁾ Sec. 95.

competition and, as a consequence, the downward pressure on prices have increased for refrigerators, washing machines, television sets, radio sets and record players. Wholesale and retail dealers adapted to keener competition through co-operation arrangements, particularly on the procurement side. Other adaptation measures were often taken, for instance in the form of exclusive selling for certain manufacturers or in the form of efforts by dealers to create brands of their own.

It must in this connection be emphasized that in Germany and the Netherlands wholesale trade played a much greater role in the marketing of domestic electric appliances than in other countries, e.g. France and Italy.

As a result of the pressure exerted by competition in the field of domestic electric appliances, radio sets and record players, the retail prices of these products have in the past few years not followed the general upward trend: most of them have either marked time or actually fallen. The prices of a few articles were increased slightly. All in all, purchasers of domestic electric appliances in the Community have over the past ten years benefited appreciably from the impact of the common market.

The level of prices for domestic electric appliances nevertheless continues to vary from one country to another. There are considerable differences in the prices charged in the various countries for one and the same product: for example, it pays to buy domestic electric appliances in Germany rather than elsewhere: in France these products often cost 50% more; in Belgium, too, they are much more expensive. The IFO research institute explains these price differences at retail level as follows: "Germany commands a highly rationalized trading system and modern methods and systems of distribution which help keep costs down. There is, moreover, very keen competition among trading firms, particularly among specialized dealers, mail order houses, large department stores, discount houses and self-service shops. The low prices offered by modern firms of these types often determine the general price level for a given product. With the exception of the Netherlands, the trading structure in the other countries is in comparison antiquated. Neither in France's nor in Belgium's retail trade in domestic electric appliances do modern distribution methods as yet play the same role as in Germany. Of late, however, rational selling methods have begun to gain ground. In Italy, the industry manufacturing electric household appliances is still forced to maintain a costly army of agents to prospect the market at retail level. The lack of a functional wholesale trade entails higher costs.

Dealers are reluctant to pass on to consumers the cost reductions which the industry achieves through large-scale production and rationalization and which find their practical expression in declining producer prices." Other factors may moreover be operative in this field (for instance, the difference in tax systems), but they are bound to disappear as economic union is completed.

Comparison of prices in the various member countries

102. Since 1966, the Statistical Office of the European Communities has, in April and October of each year, carried out a survey of the actual prices of about 250 items in the six Community countries. The survey is to provide a reply to the following question: "How much must a consumer pay if he wants to buy the same product in the six Community countries? Is this amount the same in all countries or do the prices of certain products differ from one country to another?"⁽¹⁾

The latest figures available (April 1968) show that particularly low prices were to be found in Luxembourg for meat; in France for foodstuffs and black-and-white film; in the Netherlands for textiles, household goods and petrol; in Germany for domestic electric appliances, radio sets, motor-cars and petrol; in Italy for washing machines and refrigerators; in Belgium for photographic apparatus and supplies. Prices were, by contrast, comparatively high in Germany for foodstuffs, cleaning products, beauty and toilet preparations and pharmaceuticals; in France for textiles, domestic electric appliances, radio and television sets and petrol; in the Netherlands for motor-cars and photographic apparatus and supplies; in Italy for foodstuffs and petrol.

The differences between the country with the lowest and that with the highest prices were sometimes wide. The maximum price difference⁽²⁾ for the average of the products considered fell from 59% in April 1967 to 54% in April 1968. A comparison of the mean price difference, by contrast, shows that from April 1967 to April 1968 there was no uniform tendency towards price alignment for the different product groups.

If the index 100 is assigned to the country with the lowest price level for the product group considered, the mean price differences in April 1968 for the different product groups are as set out in Table 8.

⁽¹⁾ *First General Report (1967)*, sec. 96.

⁽²⁾ *Ibid.*, sec. 96, footnote p. 106.

TABLE 8
 Mean price difference by product group
 (April 1968)

Product group	Germany	France	Italy	Netherlands	Belgium	Luxembourg
Foodstuffs	110	102	118	102	105	100
Textiles	104	129	112	100	117	117
Household goods	117	115	118	100	108	112
Domestic electric appliances	100	140	115	112	119	115
Radio and television sets	100	151	133	133	141	131
Cleaning products	122	116	115	100	115	108
Paper goods	100	113	107	111	112	110
Photographic apparatus and supplies	110	109	110	111	100	112
Motor-cars	100	118	113	123	111	105
Petrol	100	129	129	100	113	107

Source: Price survey carried out in April 1968 by the Statistical Office of the European Communities.

Price differences for foodstuffs have become smaller for two reasons. Meat prices went up in Luxembourg, where they had been lowest. In Italy, by contrast, where the level had been highest, prices of some products declined, while the increase in others was weaker than in the other countries. Prices in this field therefore moved towards the average. The same was true for textiles and clothing. In the Netherlands, where the price level had been lowest, prices for certain articles increased more than in France, which registered the highest prices. For other articles, the prices charged in France were lower in April 1968 than in April 1967. In domestic electric appliances, price differences widened from April 1967 to April 1968. This is due to the fact that in Germany, the country with the lowest price level, they declined more than in the other countries. For radio and television sets, there were signs of an alignment on the lowest level, since prices fell throughout the Community. As the decline was sharper in France than in Germany, the price difference between France and Germany was in April 1968 smaller than the 59% registered in April 1967. There was little if any change in the differences in motor-car prices between April 1967 and April 1968. In the Netherlands, motor-cars were still 23% more expensive than in Germany. With regard to petrol prices, price differences narrowed as part of a general levelling up: in the countries where petrol costs most,

prices remained unchanged, while there was an increase in the countries where they had been lowest (Germany, Netherlands).

103. The Commission's efforts to establish the reasons for price differences have so far been confined to the studies made by IFO. The surveys carried out by the consumer organizations, notably on seven consumer articles, have yielded virtually no results. The Commission is, however, determined to establish—using new methods—the reasons for price differences between the six countries of the Community.

CHAPTER II

GENERAL ECONOMIC POLICY

1. Interpenetration of markets

DEVELOPMENT OF INTRA-COMMUNITY TRADE IN 1968

104. Following an unmistakable slowdown in 1967, visible trade between the member countries expanded vigorously in 1968. Stimulated by the lively growth of demand within the Community, the rate of expansion was rapid throughout the year. Import returns show a growth rate for the full year of 17% by volume and 15% in value, compared with 6% and 5.5% respectively in 1967.

105. Just as the sluggish trend of trade between the member countries in 1967 had been largely due to the weak business situation in Germany, the vigorous growth of demand from Germany provided the stimulus for a new upswing of trade between the member countries in 1968. Imports by Germany, which had started to pick up at the end of 1967, gathered momentum in the course of the year as expansion spread to all industries and, more particularly, as the growth of private consumption speeded up from spring onwards. German purchases from the other member countries had fallen appreciably in 1967 but went up by more than 20% in 1968.

Alongside this strengthening of demand in the Community's main purchasing country, imports by most of the other member countries increased sharply as well. The growth rate of French imports in particular, already relatively high during the early months of 1968, quickened further in the second half of the year following the strikes in May and June. For 1968 as a whole, the rate of increase of French purchases from the other Community countries was probably 20% in

terms of value. In Belgium and Luxembourg the upturn in imports from the other member countries, which had been particularly pronounced during the closing months of 1967, continued into 1968 at a rapid pace. Although the trend showed some signs of levelling out later on, the value of purchases was still going up at the fairly high annual rate of 12%, while in 1967 it had been slightly lower than in 1966. In the Netherlands, the more lively expansion of activity, particularly in plant and machinery, was also reflected in a distinct increase in imports.

In Italy, by contrast, the relative sluggishness of domestic demand during the first half of 1968 caused imports to level out temporarily. Although they subsequently began to gather momentum again, the advance until the autumn was too slow to exert a real influence on the figures for the full year. In terms of value, the growth rate of Italian imports is hardly likely to exceed 5% in 1968, compared with 21% in 1967.

On the export side, the very lively growth of purchases by Germany and France was the major factor that helped to stimulate sales by Italy, which does more than 80% of its total export business in the Community with these two countries. The expansion of Italian deliveries was all the more rapid because more production capacity came free as a result of the slackness of domestic demand during the greater part of the year. All in all, Italian sales, which in 1967 had shown little if any increase on the previous year, were in terms of value probably almost 20% higher in 1968. But the other member countries too benefited from the buoyancy of trade within the Community and were able to step up deliveries to each other. Sales by the Netherlands, which in 1967 had suffered least from the fall in German imports, advanced rapidly in 1968 mainly as a result of the very vigorous growth of deliveries to France; for the full year, the value of Dutch exports to the other Community countries was probably 16% higher than in 1967. Sales by Belgium and Luxembourg were also distinctly more dynamic than the year before; the particularly marked upswing of exports to Germany, and to a smaller degree to France and the Netherlands, helped offset the weak trend of deliveries to Italy. The overall value of sales by Belgium and Luxembourg in 1968 was probably some 17% up on the year before, compared with a 3% rise in 1967. Despite production losses caused by the strikes in midyear, French exports too expanded at a much faster pace than in 1967. This was mainly due to the lively recovery of sales to Germany, which had fallen by more than 6% in the

previous year. The annual growth rate in 1968 was probably some 14% in value. German exports too showed a very dynamic trend despite the acceleration of domestic demand from spring onwards. For the year as a whole, the growth rate in terms of value will be about 14%.

106. The main feature in the trend of the Community countries' trade balances with each other in 1968 was a deterioration of France's trade account. Despite the substantial upswing of sales to other Community countries, France's deficit grew heavier; from \$672 million in 1967 it went up to almost \$1,000 million in 1968. Owing to the vigorous growth of Germany's imports, that country's trade balance was less favourable. Nevertheless, at close to \$1,000 million, its surplus was still running at a very high level. In Italy, the slow increase of imports and the rapid expansion of exports contributed to a distinct improvement in the trade account with the other member countries, and the slight deficit recorded in 1967 gave way in 1968 to a clear surplus which should reach almost \$400 million. In Belgium and Luxembourg, the expansion of sales, which was considerably faster than that of purchases, led to a fresh increase in what was already a substantial surplus, bringing it to almost \$700 million. In the Netherlands, by contrast, the situation remained much the same as in the previous year; it must be pointed out that since 1967 there has been little if any change in the Dutch trade deficit, which continues to run at about \$500 million. All in all, there were appreciable changes in the 1968 balances of trade between the member countries.

107. The data available for the first eight months of the year show a comparatively balanced trend of intra-Community trade by commodity group in 1968. Trade in manufactured products, which is still more sensitive to changes in economic activity than trade in other goods and which in 1967 was severely curbed by the slowdown of demand in Germany, was particularly influenced by the business upswing within the Community. But despite the vigorous growth of investment in 1968, trade in plant and machinery expanded at a rate that was much lower than the average growth of overall trade between the member countries. Trade in basic materials—particularly in semi-manufactures—which in 1967 showed little or no change, staged a lively recovery in 1968, mainly as a result of faster production and the need to replenish stocks. Similarly, trade in energy products, which a year earlier was already rising vigorously, continued to increase at a rapid pace in 1968, chiefly because of the exploitation of new sources of energy. The upswing

in trade in food products, which was stimulated by the progress made in introducing the common agricultural policy, also persisted despite good harvests in all member countries in 1967/68. Lastly, trade in chemical products expanded at a particularly high rate; in terms of value it was more than 20% up on 1967 — well above the average growth rate for intra-Community trade as a whole.

108. All in all, after marking time in 1967 owing to factors connected with the business situation, intra-Community trade in 1968 resumed the strong expansionary trend it has displayed since the entry into force of the Treaty of Rome. Between 1958, the Common Market's first year, and 1968, when customs duties within the Community were finally eliminated, the value of intra-Community trade more than quadrupled, rising from almost \$6,800 million to nearly \$27,500 million. Trade with non-member countries too expanded vigorously. Demand from the Community played a major part in supporting world business activity, as can be seen from the trend of member countries' imports from outside the Community, which, with a growth rate of 9.5% in value in 1968, was distinctly higher than that of total world imports. The same applies to the expansion of Community exports to non-member countries, which reached 10% in terms of value. This figure also shows that the competitive position of Community products on the markets of the major importing countries was still good in 1968, despite the incidence of the devaluation of certain currencies in November 1967.

2. The current situation and short-term economic policy

THE COMMUNITY'S ECONOMIC SITUATION IN 1968

109. In the second half of 1967, the period of slackening activity that had lasted for about 18 months came to an end and from the beginning of 1968 the Community entered a phase of lively expansion. In the circumstances, economic growth accelerated very substantially: while in 1967 the gross Community product rose by no more than 2.9% in real terms, the increase for 1968 was more than 5%.

The improvement in the overall figures for the Community is mainly a reflection of unusually rapid expansion in Germany, where the gross national product at constant prices must have risen by about 7% for 1968, following a year of near-stagnation. In the Netherlands, too, the growth rate was high (6% compared with 5.5% in 1967). Expansion also gathered momentum in Belgium and Luxembourg, where the rates of growth over the previous year were 4.5% and 4% respectively in 1968, as against 3.5% and 2% in 1967. France's gross national product increased by slightly less than 4% despite production losses in May and June. For Italy, growth may be put at about 5%, as against 5.9% in 1967.

The key to the more rapid pace of growth in the Community was the very dynamic trend of domestic demand. The process of expansion of domestic demand registered in Germany is typical of what happened in most Community countries. At the beginning of the year, German firms were already accumulating stocks in large quantities, and the rapid lengthening of order-books suggested that there would be a lively expansion of production of plant and machinery. When this happened, there was also a distinct increase in exports not only to non-member countries but also to the other Community countries; the combination of these factors had a very favourable influence on employment, incomes and, finally, on consumption by households, which steadily expanded. Such was the pattern in the Benelux countries, with some slight variation in the timing and the scale of the movements. In France and Italy, developments were more varied. Towards the end of the year, however, they tended to be more in line with the other Community countries. In France, the year began in an atmosphere of balanced expansion. The interruption of production due to the strikes was followed after the summer holidays by an expansion of domestic demand that was all the more rapid as the rise in wages and the increase in pensions and allowances led to a sharp expansion of disposable incomes of households. In Italy, by contrast, the growth of household consumption and investment by firms was slow until the summer. Subsequently, investment activity picked up distinctly, particularly in building and construction, and consumption, too, showed a firmer trend.

Lastly, it must be emphasized that the expansion of trade between the member countries again helped very substantially to spread growth within the Community.⁽¹⁾

⁽¹⁾ On this point, see secs. 105 *et seq.*

110. The lively pace of expansion led to a distinct improvement in the employment situation in most member countries. For the first time since 1965, employment in the Community as a whole showed an upward trend. The main feature of the first half of the year was in most member countries an increase in the number of hours worked, while during the second half of the year numbers employed tended to rise practically everywhere.

Unemployment therefore showed a general decline during the year despite the comparatively large number of school-leavers. True, in France the upward movement of unemployment continued at the beginning of 1968 and even gained in strength after the events of May and June, and in Italy unemployment rose once again in the summer months. But towards the end of 1968 the trend of unemployment pointed downwards, particularly in France, and levelled out in Italy. Still, the very pronounced upswing of economic activity has not yet engendered any marked strain on the labour market, not even in Germany, where the natural trend in the labour force led to a reduction in the manpower available. Employment of foreign manpower, however, went up appreciably in that country in the second half of 1968.

111. While the impact of economic expansion on the trend of employment was still rather limited in 1968, it led to an appreciable improvement in the standard of living. For the Community as a whole, private per capita consumption in real terms went up by nearly 3.5%, as against 2% a year earlier. This mean value is the reflection of faster growth in all member countries with the exception of the Netherlands, where there was a slight slowdown, and particularly of Italy, where the growth of per capita consumption stayed below 4% in 1968, while it had been 5% in 1967.

112. If the special case of France is left out of account, lively economic expansion in general entailed no deterioration in the price climate nor did it engender a faster rise in production costs. The trend through the year, on the contrary, shows that prices remained virtually unchanged in Italy and rose more slowly in Belgium and Luxembourg. In Germany the increase over 1967, which had been a year of price stability, was partly due to the introduction of the tax on value added. In the Netherlands, by contrast, the rise in consumer prices during the year remained appreciable, reaching about 4%, as in 1967. In France, prices rose at a

distinctly faster pace after the events of May and June, going up by nearly 3.5% from the middle of the year onwards.

The tendency for prices to remain stable was largely a function of the comparatively high elasticity of supply. Except for France, industrial wage costs per unit of output also exercised little upward pressure on prices, thanks to the reasonable attitudes of both partners in wage negotiations, and thanks to the substantial productivity gains achieved in most member countries. In addition, the downward trend which persisted on world raw material markets and the decline in the prices of farm products, particularly as a result of the good harvests of 1967, had a stabilizing influence on the level of prices.

In the services sector the rise in prices remained fairly appreciable; it was nevertheless less pronounced than a year earlier, partly because of the steadier wage trend. Public service charges in particular were put up less frequently and less substantially than in 1967.

113. As for external equilibrium, the Community's trade balance still showed a fairly high surplus (1,350 million u.a. in 1968 as against 860 million in 1967, on the basis of customs returns, cif-fob) despite a rapid increase in imports from non-member countries. Similarly, the surplus on external account,⁽¹⁾ which reached nearly 6,000 million u.a. in 1968, was several hundred million u.a. higher than in 1967.

As against this, the change in the net external assets of the banking system (including the net position with the IMF) suggests that the overall balance of payments closed with a deficit for the Community as a whole in 1968, while there had been a surplus in 1967. The gross gold and foreign exchange reserves held by the monetary authorities of the Community countries fell by about 1,700 u.a. Net outflows of short-term and long-term capital were particularly heavy in 1968. The social crisis in France gave rise to substantial capital movements of a speculative nature. Germany and Italy, in their turn, continued to encourage capital exports, particularly by pursuing a policy of keeping interest rates down in an effort to mitigate the effect of the expansion of internal liquidity resulting from the surplus on current account and to avoid disturbances in international payments.

⁽¹⁾ Goods, services and factors of production.

THE COMMUNITY'S ECONOMIC POLICY IN 1968

Council recommendation of 8 March 1968

114. The recovery which got under way in the Community during the autumn of 1967 had, by the beginning of 1968, not engendered any rapid improvement in the degree of technical capacity utilization and, particularly, in the supply of manpower. There were also still doubts at that time as to how long the growth phase would last and how strong it would prove to be. The international business outlook appeared to have deteriorated sharply as a result of the currency devaluations in November 1967 and of the measures the United States administration had just announced that it intended to take in an effort to re-establish the balance of payments on a sound basis. In addition, the business situation in Italy showed signs of weakening.

Given this situation, the Commission proposed to the EEC Council at the beginning of 1968 a "Recommendation on the guidelines for short-term economic policies in 1968". In doing so the Commission was adapting the guidelines, advocated in the recommendation which the Council had addressed to the Member States on 11 July 1967, to the latest economic developments and changes in outlook.

The new recommendation, adopted by the Council on 9 March 1968, stressed, among other things, the need to consolidate the forces of recovery and, in some member countries, strengthen them by additional measures. In accordance with the recommendation, this policy should, however, safeguard incipient tendencies towards stabilization and in this context consist in the main of selective short-term measures. The problem of the maintenance of stable interest rates, which is indispensable if expansion is to continue in the face of the foreseeable consequences of the shortage of capital engendered by the implementation of the United States programme to improve the balance of payments, was dealt with in a special clause. Here, the Council recommended concerted action to avoid divergent trends in these rates within the Community.

*The effects of the French crisis of May and June 1968
at Community level⁽¹⁾*

115. Until the beginning of the spring of 1968, the Member States' short-term economic policies were on the whole in conformity with the guide-

(¹) See also secs. 18 *et seq.*

lines recommended by the Council. Moreover, the expansionary forces were growing steadily stronger, especially under the influence of a particularly lively increase in exports to non-member countries. The events in France in May and June, the impact of which was of course not confined to the French economy, called for an adjustment of the policies being pursued and for measures at Community level. The purpose of these measures was, on the one hand, to support the efforts by the French authorities to restore equilibrium and, on the other, to limit as far as possible the harmful effects of the disturbances in the French economy for the Community as a whole.

These events had seriously upset economic and monetary equilibrium in France: the strikes cost the economy about 2.5% of the gross national product and a sudden and sharp increase in wage incomes. In addition, the appreciable increase in production costs weakened the competitiveness of the French economy and threatened at the same time to have a very adverse effect on the price climate. The scale of the crisis and the uncertainty about the economic trend in the following month moreover triggered off an outflow of capital which weighed heavily on the balance of payments trend.

116. Acting in the framework of the procedure provided by Article 108 of the Treaty, the Commission made a detailed study of the situation created in France in May and June 1968. Further to the study, started and carried out especially in co-operation with the Monetary Committee and the Short-term Economic Policy Committee, the Commission addressed to the French Government, on 5 July 1968, a recommendation based on Article 108 of the EEC Treaty.

In the recommendation the Commission pointed *inter alia* to the serious risk of inflation in France. As the main means of preventing the development of an inflationary situation, the Commission proposed that France should avail itself without restriction of the stabilizing influence of international competition, a policy which was also justified by structural considerations. The Commission also advocated action enabling the rise in prices to be kept within limits that were justifiable from an economic and social point of view; in the Commission's opinion, such action should help keep wage increases for 1969 within limits that did not jeopardize external equilibrium, while helping avoid any unduly sharp decline in the purchasing power of households and in general economic activity. The recommendation also advocated very active industrial measures to promote modernization and rationalization, better timing

of government spending, and a policy to encourage the formation and productive utilization of savings. It also pointed to the possibility of French expansion being supported, in 1969 as in 1968, by economic growth in the other member countries, a growth which could in particular be ensured by concerted short-term economic policies.

117. Finding that the difficulties facing the French economy proved to be particularly serious, the Commission proposed to the Council that France should be granted the mutual assistance provided for by Article 108 of the EEC Treaty.

On 20 July 1968 the Council adopted a directive to this effect; it provided in particular that the Member States other than France should ensure rapid expansion without jeopardizing the stability of their economies, and take measures of support should expansion threaten to flag. The directive also called for a continuation of the stable interest rate policy. The Member States were, in addition, invited to accept as far as possible the flotation on their capital markets of loans contracted by French borrowers.

From the beginning of June the Member States had, in addition, participated not only in the financing of a drawing made by France on the International Monetary Fund but also in the opening by the Central Banks of short-term lines of credit for the *Banque de France*.

118. In its decisions of 6 and 23 July 1968, the Commission also authorized France to adopt exceptional and temporary measures, i.e. to reintroduce exchange control for certain capital transactions, impose quota restrictions on imports of certain items (in the main, steel, motor cars, domestic appliances and certain textile products) and grant temporary aid to exports.

At the beginning of September, the French Government discontinued exchange control, but following the wave of speculation against the French franc in November the Commission decided to authorize, by decision of 4 December 1968, the introduction of fresh and more severe exchange control measures.

119. Most of the other measures provided for by the Commission decisions of 6 and 23 July 1968 were discontinued when and as projected, with the exception of certain measures relating to exports, such as the preferential discount rate for export credits.

The directive on mutual assistance yielded concrete results. It may suffice in this context to recall the reflationary measures (set out below) decided upon by the Italian Government in the second half of 1968, the floating on the German market of various DM loans contracted by French nationalized industries and the policy of holding interest rates comparatively low, a policy pursued at least until December 1968 in all member countries except France.

The monetary events of November 1968

120. Thanks to the various measures taken at both national and Community level, the capital outflows from France had slowed down towards the end of the summer; the conclusion in July 1968 of the Basle agreements on the sterling balances had contributed to a calmer situation on the international monetary markets. But the calm was of short duration. As early as in October 1968, speculation began on a possible revaluation of the German mark and a devaluation of other currencies, particularly the French franc. Following a conference of the Finance Ministers of the Group of Ten in November, France was granted credit lines up to \$2,000 million, and several member countries adopted measures which are outlined below and were designed to combat speculation and help restore payments equilibrium.

The Commission, which had participated in the consultations held by the representatives of the Community countries at this conference, drew the conclusions from this monetary crisis and on 5 December 1968 submitted to the Council a Memorandum on the policy which should be followed within the Community in order to deal with current economic and monetary problems. On this occasion it announced that it would, before 15 February 1969, propose to the Council the setting up of monetary co-operation machinery within the Community. Discussion of the Commission Memorandum in the Council on 12 November 1968 showed that there was a broad measure of agreement on the need for greater convergence of economic policies and for an investigation of the scope for intensifying monetary co-operation.

Economic policy in the Member States

121. In 1968 the Member States pursued, on the whole, an economic policy aimed at expansion, and, except in the case of Italy, there was

no need after the winter to adopt special measures to boost activity. The immediate and longer-term effects of the events of May and June in France, however, called for some policy adjustment in France. In addition, at the end of the year, the threat of too rapid a rise in prices in 1969 led the Dutch authorities to tighten up monetary and budget policy. Lastly, after the monetary events of November, the German and French authorities adopted a number of special measures.

122. In Germany, the implementation in 1967 of a second programme to boost economic activity and the 1968 upswing—which was more vigorous than had been expected—engendered an expansion of such proportions that it became clear fairly early in the year that there was no need for any additional stimuli. Economic expansion was, throughout the year, facilitated by a flexible monetary policy which, by helping to force down interest rates, encouraged capital exports. The Federal Government, however, showed an increasing measure of caution in budget policy so as to prevent domestic demand from expanding too rapidly. This attitude emerges clearly from the draft Federal budget for 1969, which provides in particular for a slowdown in overall expenditure and a reduction, by almost one half, of net borrowing, which had soared in 1967 and 1968. Despite the sharp increase in imports of goods and services, the external surplus did not fall in 1968. This and the resultant expectation that the German mark might be revalued played a special part in the monetary unrest after the summer. These events led the German Government to propose to the Parliament the adoption of a law providing for a general reduction of four percentage points in the tax on value added charged on imports, and a cut of the same amount in the tax refund on exports. The Government, moreover, made the holding of non-residents' balances with the credit institutions and residents' borrowing abroad subject to prior authorization. On 21 November 1968 the Central Bank introduced a minimum reserve ratio of 100% for deposits of non-residents with German banks.

123. In France, the main economic policy goal until the beginning of the summer of 1968 was to widen the base of the current expansion. Towards mid-January 1968, a co-ordinated set of measures to boost economic activity was adopted, which placed a total additional burden of FF3,400 million on the 1968 budget and led to a first increase, from FF2,000 to FF5,500 million, in the deficit. The measures meant further increases in old-age pensions, a special reduction in personal income tax for 1968, and certain concessions in indirect taxation. Apart from the measures to support private consumers' expenditure, the Govern-

ment made arrangements to stimulate investment, particularly through tax concessions on the purchase of capital goods and the allocation of an additional FF1,250 million to the *FDES* (Economic and Social Development Fund). Measures were also adopted to stimulate the construction of state-subsidized dwellings. After the events of May and June, the French authorities first adopted certain emergency measures⁽¹⁾ in June and July and then, in succession, made a number of longer-term arrangements aimed at restoring, before the end of 1969, the conditions for balanced growth. For example, it was thus decided to reduce the tax burden borne by industry: the flat-rate payroll tax was eliminated and a tax credit introduced for plant and machinery ordered and delivered within certain time-limits.

To limit the budget deficit for 1969, a number of measures were taken to effect a general increase in the taxes affecting households. Lastly, the public authorities showed great vigilance in the price sector, particularly through consultations held and agreements concluded with the trade organizations, through decisions concerning public service charges, and the close surveillance of the prices of services.

The speculative movements in November 1968 subsequently forced the French Government to adopt a more restrictive course of short-term economic policy. On 24 November 1968 it introduced a system of exchange control more severe than the one introduced on 29 May 1968 and lifted at the beginning of September. The deficit for 1969, originally put at FF11,500 million, was reduced to FF6,350 million. To this end, expenditure was pruned by FF2,900 million, particularly through a cut in subsidies to the nationalized industries and economies especially in civilian and military operating expenditure. The remodelling of the tax system yielded additional revenue: although the flat-rate payroll tax and the tax on meat were abolished on 1 December 1968, the increases

⁽¹⁾ Credit facilities benefiting small and medium-sized firms (special loans for a period of up to 18 months) to help them cope with cash difficulties; easing of the rediscounting rules of the *Banque de France* to restore bank liquidity, which had fallen as a result of the foreign exchange outflows; to reduce the balance-of-payments deficit—temporary quota restrictions and tighter administrative supervision for certain imported products; temporary aid and better credit guarantee arrangements for exports; increase in Bank rate (from 3.5% to 5%) and provisional reintroduction of exchange control. These measures, together with the wage and salary increases in public administration and in nationalized industries and the rise in certain welfare payments, led to the adoption of a second amended Finance Act for 1968 providing in particular for an increase in expenditure of FF7,500 million, an increase in tax revenue of FF2,500 million, and consequently an increase in the budget deficit from FF5,500 million to FF10,500 million.

in the TVA rates and more rapid collection of this tax will lead to a net increase in tax revenue of FF2,500 million. To offset the cut in subsidies to nationalized undertakings, certain public service charges were put up; this applies in particular to goods transported by rail and to electricity and gas for industrial use. Except for certain services, no price freeze was introduced but the policy of surveillance was strengthened. Lastly, a strict limit was placed on the expansion of bank lending, and monetary policy was tightened up appreciably (increase in Bank rate from 5% to 6%, higher minimum reserve requirements).

124. The slowdown of expansion in Italy in the first half of 1968 led the Italian authorities to make a major change in the lines of budget policy, since the easy credit arrangements encouraged by the monetary authorities had not lent sufficient strength to the spontaneous forces making for expansion. From the draft budget for 1969 submitted by the Government in July 1968 it emerged clearly that the aim was to boost activity: provision was made for a faster rise in overall expenditure than under the 1968 budget, a slower rise in revenue and above all an increase—by almost 100%—in expenditure to be financed outside the budget, mainly for investment purposes.

At the end of August the Government adopted (by decree-law) measures to spur on economic activity, most of which did not come too late to influence economic developments in 1968. In October, the Parliament incorporated all these provisions, with amendments, into an ordinary law. The principal points are: further loan funds and interest rebates for small and medium-sized dealers and manufacturers and the craft industries; extension of the tax reductions to include profits re-invested by enterprises in southern Italy; a new type of tax incentive (*credito d'imposta*) for investment made by firms in Italy; duty exemption, until August 1970, in respect of additions to company capital; the shifting to the State, from now on until the end of 1972, of part of the social charges borne in southern Italy by industrial and craft firms and their employees; reduction of the taxes imposed on the consumption of electricity; allocation of a further Lit.60,000 million from the public purse to enable the public authorities to assist depressed areas in north and central Italy during the period 1968 to 1970; authorization for the State Railways to borrow Lit.650,000 million on the capital market to make additional investments by 1974, for rationalization and expansion; creation of a fund of Lit.100,000 million, from the yield of government securities floated in 1968 and 1969, to finance applied industrial research.

At the beginning of November, a law entered into force providing, in case of crisis, for the application, in certain circumstances, of new measures benefiting the unemployed in industry and more particularly workers on short time, with a view to improving payments out of the Wages Equalization Fund and enabling family allowances to be provided.

125. In the Netherlands, the gradual gain in vigour of economic expansion in 1968 called increasingly for cautious and selective short-term economic policy. This was clearly the approach adopted in the draft budget for 1969, which provided for an appreciable slowdown in public spending compared with 1968, and a rather lower budget deficit. In January 1969 the Government made arrangements to make this policy a little firmer and ensure that the contribution from the budget operations will in any case not be greater than originally envisaged. The new arrangements include a decision in principle to offset any spending in excess of the budget limits by using additional funds, the staggering of the increase in defence expenditure decided upon in November 1968, and the cancellation ahead of schedule of the tax deduction for investments. Monetary policy, which had been comparatively easy until the summer of 1968, was later made more restrictive. In December, the Central Bank raised Bank rate and reintroduced measures to curb lending.

The public authorities also endeavoured to improve the institutional framework which enables them to influence the trend of incomes and to this end submitted to the Parliament a draft law which, though based on the principle of free wage formation, lays down details as to the authorities' right to intervene in the wages field. This draft gives the Government the power to revoke certain provisions of collective wage agreements and, on the other hand, to extend the agreements by up to six months.

126. In Belgium, the authorities responsible for economic policy had as recently as in early 1968 adopted a number of measures to stimulate economic growth and thus ensure better use of the manpower reserves. These measures concerned mainly, in the first place, an increase in expenditure on public investment and the construction of state-subsidized housing and on official intervention to encourage investment, and, secondly, the support of private consumption through easier consumer credit terms. Encouragement was at the same time given to exports through tax and credit policy measures. This programme to boost activity was accompanied by a decision to raise the ceiling on central government recourse to the *Banque nationale*.

The measures of economic policy adopted in Belgium in the second half of 1968 reveal no change in the short-term approach. The draft budget for 1969 nevertheless provides evidence of some measure of caution, due to the danger of overall demand expanding too rapidly; the ordinary budget is to be in equilibrium, while the rate of expansion of expenditure under the extraordinary budget (including the Road Fund and other expenditure financed outside the budget) shows a slow-down in the growth of government investment spending. A sum of Bfr. 7,500 million ("*Tranche conjoncturelle*") will, however, be available to support expansion if the need arises.

Monetary policy remained comparatively relaxed throughout the year; the increase in Bank rate in December 1968 was in the main conceived as an adjustment of short-term interest rates to the rise in international interest rates, an adjustment which was expected to curb the outflows of capital that reached substantial proportions during the second half of 1968.

127. In the Grand Duchy of Luxembourg, lastly, economic policy in 1968 was mainly aimed at structural improvement. Budget policy remained cautious; in this context, new provisions were made in respect of the implementation of the income tax reform. The draft of the ordinary budget for 1969 shows a surplus that is smaller than that of the amended budget for 1968.

Improving the instruments of policy

128. The growing interdependence of the Member States' economies calls for a sustained drive to improve the instruments of analysis and short-term economic forecasting that can be used at Community level.

During 1968, the Commission continued the studies aimed at improving the mutual consistency of the forward economic budgets drawn up by the various Member States. In the same context, it put in hand a study to supplement the information available from the economic budgets by adding the corresponding financial variables.

The Commission also extended its work on the use, for short-term forecasting, of the results of its business surveys compiled from managements' replies to questionnaires. Similar studies are being or will be made in respect of the other surveys started more recently on the initiative of the Commission, particularly in building and construction and

investment. The Commission studied further the plan for a consumer survey.⁽¹⁾ The results were submitted to the Council at the end of the year so that a decision can be taken on the implementation of this survey.

The Short-term Economic Policy Committee

129. In the period under review the Short-term Economic Policy Committee met five times. It continued its regular studies of the business situation in the Member States; the conclusions which it arrived at were submitted orally by its chairman to the Council in July and December. It examined the final economic budgets for 1968 and summed up its conclusions in an Opinion addressed to the Commission and the Council.

It also elaborated a work schedule which includes studies on ways and means of strengthening the co-ordination of the Member States' short-term economic policies.

3. Medium-term economic policy

130. The work of economic programming made remarkable strides in 1968. While the procedure for adoption of the second programme was being completed, the Medium-term Economic Policy Committee began to prepare the third programme, in which its chief concern was compatibility between developments in the individual member countries. It also began to study the way in which the first programme had been implemented.

The pace of work in this field has therefore speeded up considerably.

IMPLEMENTATION OF THE FIRST PROGRAMME

131. In conformity with the Council decision of 5 April 1964 the Committee began, at a meeting on 29 February 1968, an examination

⁽¹⁾ *First General Report* (1967), sec. 108.

of how the first medium-term economic policy programme had been implemented by the Member States and the Community institutions.

The first phase of this examination consisted in:

- (i) Compilation by each delegation of a memorandum devoted essentially to describing the measures of economic policy taken or planned in connection with the jointly agreed guidelines since the first programme was put into effect;
- (ii) Discussion of each memorandum in the Committee, to see how the guidelines have been followed in the member countries and thus to pinpoint the problems that appear to be the most important for the medium-term development of the European economy.

The Committee has already studied the German and Dutch memoranda. The French, Belgian, Italian and Luxembourg memoranda and that from the Commission are to be discussed in the next few months.

The Commission's memorandum deals with those fields covered in the first programme in which Community action has been taken or envisaged; it seeks to bring out, among other things, the economic objectives at which Community action is aimed, and the nature of the difficulties encountered.

The Commission would like this work to be continued in a second phase, which could include the examination, but in a more selective way, of certain major problems that have arisen in connection with implementation of the first programme. It is felt that this procedure would enable the Committee to improve medium-term economic policy by a more definite confrontation of the general lines of the programme with the trends and the actual decisions taken in the several countries; it would also make it easier to ensure that priorities in the operations undertaken should conform to the requirements of the Community's medium-term development.

ADOPTION OF THE SECOND MEDIUM-TERM ECONOMIC POLICY PROGRAMME

132. In accordance with the programme of work it adopted, the Medium-term Economic Policy Committee completed the preliminary draft of the second programme at the beginning of 1968. The general form and content of this preliminary draft remain as previously described.⁽¹⁾

⁽¹⁾ *First General Report* (1967), sec. 114.

The Commission endorsed this preliminary draft, which the Committee had adopted at its 27th meeting on 29 February 1968, and forwarded it to the Council on 20 March 1968, without amendments but under cover of a memorandum with introductory comments on the various chapters. Thereafter, on 28 April 1968, the senior members of the Committee exchanged views with the representatives of both sides of industry.

The Council immediately forwarded the draft second programme to the European Parliament and the Economic and Social Committee for their opinions. The Commission took part in the discussion of this matter by the two institutions.

At its 72nd meeting, on 25 and 26 September 1968, the Economic and Social Committee approved the draft second programme, noting with satisfaction that the Medium-term Economic Policy Committee and the Commission had chosen to propose coherent solutions to the problems of the Community's economic development, notably through structural reform. In its Opinion, the Economic and Social Committee also considered that the second programme, in which emphasis is placed on the economic aspects of structural development, was a kind of extension of the first programme, which had given special attention to employment; it did, however, express misgivings about the way in which the guidelines laid down in the two programmes will be implemented in practice, and suggested that the Council should re-examine the instruments and procedures which had so far been used.

During its session of November 1968 the European Parliament held a debate during which it expressed its satisfaction with the slant which the Commission wishes to give to the medium-term economic policy. At the end of this debate, on 28 November 1968, the Parliament adopted a resolution approving the proposals made by the Commission in the draft second programme. The formal Opinion stressed the importance of the structural improvements which will have to be carried out in all fields.

The Parliament emphasized that the profitability of investments could be increased, and that much will have to be done towards harmonizing the bodies of legislation which affect enterprises. It drew the attention of the Community authorities to the urgency of finding solutions to the various social problems which will arise from structural adaptation in many fields, and stressed the need for adapting the capital market in a framework wider than that of the national markets.

The Council approved the second medium-term economic policy programme on 12 December 1968.

PREPARATION OF THE THIRD PROGRAMME

133. After adopting the preliminary draft of the second programme, the Medium-term Economic Policy Committee began to prepare the third programme, which is to cover the period from 1971 to 1975. The Committee decided to devote especial attention to the projection work of the Study Group on medium-term economic forecasts; these projections will have a vital part to play as basis for the considerations and policy lines in the third programme, and both the Commission and the Committee attach great importance to having the work on them completed in good time.

Forward studies

134. The trend which has emerged in the member countries since the end of 1967 confirms the opinion expressed by the Medium-term Economic Policy Committee in its second programme, to the effect that the overall growth rates for the Community, as estimated for 1966-1970, will probably be achieved.

In 1968, the member countries either registered an improvement on the not very satisfactory trend of the previous year, or maintained their vigorous medium-term growth.

135. Quantitative work continued in the field of medium-term projections. The Study Group of experts on medium-term economic forecasts, with Professor P. de Wolff in the chair, worked under the aegis of the Commission and concentrated its efforts on two main subjects:

- (i) The establishment and analysis of value projections in all the member countries for the period from 1966 to 1970;
- (ii) Preparation for the periods to 1975 and to 1980 of projections to serve as basis for the third medium-term economic policy programme.

The pace of work has been stepped up appreciably.

136. The work for the period 1966–1970 showed that the preparation of volume projections involved taking into account the trend in relative prices and the general level of prices. Only the value projections bring out the major problems of medium-term growth—balance between saving and the financing of investments, income formation, tax burdens, ability to compete in the field of foreign trade, etc.; they throw light on these problems not merely from the angle of the country concerned but also from that of its relations with its partners. For certain countries, the results of these value projections have been taken over from official studies in which a series of aims had been fixed in advance by the Governments concerned, for the others, the results were obtained from technical studies carried through by the experts. Consequently, the first value projections of the member countries are fragmentary and not very coherent; they nevertheless represent an important experiment, and one which is essential for subsequent projection activities. The provisional conclusions from the value projections for 1966–1970 have been forwarded to the Medium-term Economic Policy Committee.

137. In spring 1968, the Group began preparatory work for the projection period up to 1975. It drew up a programme of activities for the next two years. Drawing on the experience acquired in making projections for the period 1966–1970, the Group plans to break its task down into three main phases, during each of which close contact will be maintained with the Medium-term Economic Policy Committee. The three phases are as follows:

- (i) The establishment of overall provisional projections comprising alternatives; on the basis of these, the Committee will define the central hypotheses and options to be applied in the main projections;
- (ii) The establishment of detailed projections; after the central hypotheses for each country have been selected and defined, these projections will have to be presented at constant prices and at current prices. As far as possible, the projections will have to be compatible with each other. They may serve as basis for subsequent projection work in more specific fields (agriculture, etc.);
- (iii) The charting of variants, which are necessary for studying the repercussions of certain decisions taken by the individual member countries and the Commission.

138. The first phase of this work, that is to say the formulation of provisional alternative projections, appeared to be necessary for two reasons:

- (a) It would enable views on possible medium-term economic development to be exchanged both between the national experts and between the experts and those responsible for economic policy. These discussions should take place as soon as possible, without waiting for the aims and options to be fixed in this phase.
- (b) Previous experience has proved the usefulness of examining at the outset the compatibility and coherence of the main objectives and hypotheses of the countries. Only after this had been done would the actual work on projections be started at national level. If the possibilities of choice and the order of priority among objectives in the member countries are not discussed at an early date, there is a risk that the medium-term projections will be made from too national a viewpoint.

Projections which did not take account of the interdependence between the countries and the options open to their partners would form an unreliable basis for the decisions to be taken by each country; in certain cases, they could even jeopardize achievement of the national aims.

If national economic policies within the Community are to be harmonized, conflicts of aims between the member countries will have to be reduced to a minimum, and a draft will have to be prepared for a Community strategy in the field of economic policy (i.e. a medium-term plan for guiding developments).

Proposed content of the third programme

139. The draft third medium-term economic policy programme may be submitted by the Commission to the Council during the first half of 1970. Its content has not yet been finally fixed. The Committee—within which the Commission is entitled to be represented in the same way as the Governments of the Member States, and for which it provides the secretariat—has reached an initial agreement in principle in which provision is at present made for:

- (i) Overall projections for 1971–1975 at constant prices and, for the first time, also at current prices, comprising forecasts for foreign trade and the public finances;
- (ii) A certain break-down of these projections by main economic sectors;
- (iii) An examination of compatibility between the national projections;
- (iv) A chapter on external economic policy;
- (v) A chapter on public finance policy;
- (vi) A chapter summarizing the general economic policy conclusions to be drawn from the projections.

The Committee was in any case unanimous that it would have to see how the work progressed before a formal and final decision was taken on the subjects to be covered.

Thus, the preliminary draft of the third programme betrays a slant towards subjects of rather general importance—and so is in line with the conception of medium-term policy followed so far. This standpoint obviously does not prevent certain industries from being dealt with in the context of the programme if they present problems of importance for economic policy as a whole, either because of their value as examples or through their relationship to growth generally.

140. The work of preparing these various chapters is being actively pursued by the Commission's staff and in the various working parties of the Committee. The Working Party on external trade policy, for instance, submitted an interim report to the Committee at the beginning of autumn 1968. This report contains a summary account of the aims pursued by the Member States in the field of commercial policy and in the other fields of their external economic policy, and it surveys in detail the problems of external economic policy. Certain problems touching on the common commercial policy are also raised. After a discussion of this interim report, the Committee laid down the main lines which the Working Party should follow in elaborating the projected chapter on external economic policy. Consequently, the activities of the Working Party will have a bearing not only on the external trade policy of the Member States and the Community but also, in a general way, on all the aspects of external economic relations and on the impact of the external economic policy upon the general economic policy of the Member States and the Community.

The Working Party on incomes policy likewise continued its work in 1968, with the discussion of certain of the problems which the second programme said should be examined in the context of gradual formulation of a policy on incomes and wealth.

On public finance, the Medium-term Economic Policy Committee has asked for help from the Budget Policy Committee. An *ad hoc* Working Party has been set up by these two Committees in order to establish detailed projections for public finances on the basis of overall projections worked out by the Study Group on medium-term economic forecasts. These public finance projections will serve as basis for subsequent elaboration, by agreement between the Committees, of the policy lines in the budget policy chapter of the third programme.

Finally, it should be mentioned that the meetings of the Committee's Working Group on scientific and technical research policy (known as the "Maréchal Group"), were interrupted in January 1968, but that work was resumed in December.⁽¹⁾

STUDY ON THE COMMUNITY'S COMPETITIVE ABILITY

141. In order to ascertain the state of the European economy after ten years of the Common Market and completion of the customs union, the Commission engaged M. Pierre Uri, who will be assisted by three other independent experts, to make a detailed study of the economy's ability to compete with its chief rivals on the world market. This study will cover a wide range of subjects suitable for typifying the strong and weak points of the European economy vis-à-vis international competition. Amongst the points covered will be:

- (a) The structure of production and levels of productivity;
- (b) The structure of enterprises and the disparities;
- (c) Prices and factor costs;
- (d) Trade and the internationalization of markets;
- (e) The mechanisms of progress (and the consequent lines of strategy).

These points will be covered from the angle of the Community and of certain non-member countries.

⁽¹⁾ Sec. 242.

The experts started work in June 1968; they have already submitted an interim report to the Commission, and expect to finish the study before the summer of 1969.

4. Monetary, financial and budget policy

MONETARY QUESTIONS

142. The previous General Reports on the Activities of the Community have discussed the economic-policy implications of the interpenetration of the national economies through more frequent movement of all kinds across the frontiers. The importance of two features has been more particularly emphasized: (1) the growing sensitivity of each of the economies concerned to stimuli from the partner countries and (2) the steady decline in the range and effectiveness of the instruments which can be brought to bear independently to preserve balance without jeopardizing the freedom of the frontiers and the framing of the common policies. From all this a conclusion had been drawn: the need, if the implementation of the common market was not to be endangered, of offsetting by stronger policies and Community arrangements the growing insecurity of the situation.

The urgency of this need was still concealed early in 1968 by the fact that none of the Member States had to face difficulties in its overall payments balance; the majority of them were still earning surpluses, though not of the same relative size or with equal regularity.

In this way, the problems posed by what is known as the "process of adjustment"—that is the process by which national economic areas subject to unequal or conflicting pressures are enabled to take the necessary measures to maintain freedom of transactions between themselves—were believed virtually to affect the wider international framework only. Within the Community the risk of a breakdown in the process seemed practically non-existent.

People were more concerned with the problem of re-establishing international balance at a time when renewed efforts to this end were being made in the United Kingdom after the devaluation of sterling

in November 1967 and in the United States as a result of the Presidential messages at the beginning of 1968. The European countries set about relaxing their monetary policy as far as possible and maintained interest rates on their national markets at a sufficiently low level not to attract capital from non-member countries in difficulty. This policy, which was suited on the whole to the short-term economic requirements of the time, was to have a noteworthy result in that there was a considerable flow of funds from various European countries to the international money market—known as “the Euro-dollar market”—the volume of which has constantly increased in recent years until it now stands at about \$25,000 million. From the Euro-dollar market the funds found their way to the United States, where a restrictive monetary policy was being applied.

Similarly, the discussions on the reform of the international monetary system had long monopolized so much of the energy of those mainly responsible for monetary policy that hardly any further thought was given to the advisability of even looking for ways of consolidating the Community’s internal monetary situation and endowing it with the means of resisting upheaval. These discussions were to take a decisive turn at the Conference of the Group of Ten in Stockholm at the end of March and to throw a particularly harsh light on the differences of view between the Member States with regard to the functioning of the international system.

All this means that the Community was very poorly prepared to cope with the difficulties which beset it in the course of the summer, and then again in November, when a grave crisis for the international monetary system broke out, a crisis due—and this was a new thing—to a disordered condition more especially affecting two Community currencies.

These developments, and also the policies followed in the monetary field in particular, have been analysed in detail above. What should be emphasized here is that in the very year during which the final stages towards the customs union were to be covered, progress towards the economic union was to be seriously jeopardized by recourse to restrictions and obstacles in two Community countries. If this development were to continue it could well have fatal consequences for the Community venture, for it would be liable to undermine the confidence of manufacturers, dealers and consumers in the irreversibility of the progress towards single markets for goods, services and production factors.

The Commission was so convinced of this that on several occasions its representatives insisted, in the appropriate meetings, such as those of the Council, the Parliament, the Monetary Committee and the Finance Ministers, on the need to avoid discordant lines of approach in national economic policies and to make better use of the existing Community procedures with a view to promoting greater compatibility between the Member States' economic objectives and to strengthening the Community's internal monetary organization.

The Commission's purpose in the memorandum it submitted to the Council on 15 December 1968 was to draw the initial lessons from the setbacks which the common market had experienced during that year. It also announced that it would propose to the Council, before 15 February 1969, certain measures aimed at arming the Community against the risk of disturbances as serious as those which affected it in 1968.

The Monetary Committee⁽¹⁾

143. The Monetary Committee held 15 meetings during the period covered by this Report. The Committee of Alternates and the working parties also met frequently. In conformity with Article 105 of the Treaty, the Monetary Committee has regularly examined, with the Commission, the monetary and financial situation of the member countries and has reported thereon to the Council and the Commission, particularly after the events of May and June in France. It continued its studies, in co-operation with the Commission's departments, on increasing co-ordination of both external and internal monetary policies. To this end it drew up an interim report for the EEC Ministers of Finance and Economics and Central Bank Governors on fresh progress in monetary relations within EEC and undertook to bring up to date and broaden the study published in 1962 on the instruments of monetary policy in the Member States.

CAPITAL MOVEMENTS

144. There was no progress in 1968 in the liberalization of capital movements. In particular, the proposal for a third directive submitted

⁽¹⁾ The general activities of the Monetary Committee will be described in its 11th Annual Report.

to the Council on 9 April 1964, and then amended by the Commission on 7 February 1967, was referred by the Council meeting of 4 and 5 March 1968 to the Committee of Permanent Representatives, which has not yet decided on action to be taken in this matter.

Thus, no new Community enactment has been added to the first two directives, adopted by the Council in 1960 and 1962 respectively, providing for the abolition of various obstacles to those capital movements in the EEC which are subject to exchange controls.

Faced with this situation the Commission has begun to examine fresh lines of approach. The purpose is to submit a memorandum to the Council setting out what proposals could be made before the end of the transitional period. A number of studies have already been put in hand to give precise form to these proposals.

145. In pursuing this task the Commission intends to avail itself of work now being done by various agencies. Thus, its departments have played an active part in the technical studies of the working party on markets in transferable securities, set up by the Monetary Committee. So far these studies have concentrated on comparing procedures and instruments to ensure balance in member countries' bond markets. They will be followed by a detailed examination of the use made of these procedures and instruments and by an analysis of developments on the financial markets.

The Commission has also set up a new working party to improve information for the public on transferable securities and transactions in them. This working party should help in framing Commission proposals to approximate and improve rules and practices regarding information made available in connection with the issue of stocks and shares and their listing. As a preparatory stage to these studies, the Commission thought it advisable to permit the working party and its own departments to obtain the opinions of personalities in the public service and of the experts concerned in the member countries and the leading extra-Community countries with experience in this matter. It organized a symposium on present problems of transferable securities markets with special reference to the means of improving the public's knowledge and confidence with regard to investment in these securities. The exchanges of views on this occasion provided a useful basis, supplementing the documentary material already available, for the studies to be made in this field.

Finally, the Commission took note of the study on "improving the contribution of pension funds to capital markets in the EEC countries", which it had commissioned from a private bureau for economic and financial analyses, and which will shortly be published.

Studies of a technical nature have also been carried out on capital movements to and from non-member countries. After a year's discussion in a working party of experts on capital movements statistics, a report has been drawn up. The working party was instructed to seek out solutions to the practical difficulties hampering the communication to the Commission of the data required in accordance with the proposed directive submitted to the Council in this field.

This proposal for a directive was accompanied by a Commission recommendation for the concerting of the Member States' policies on movements of capital from non-member countries: this is necessary, for in its absence not only have the measures adopted by certain Member States proved of little use, but they have even endangered the progress previously accomplished in EEC in the matters of capital movements and freedom of establishment. The Commission intends to continue in particular to study the impact of attitudes to investment from non-member countries on the EEC integration process.

While the Member States' security markets have remained narrow, with little intercommunication, there have been new and important developments in the issue of Euro-bonds, chiefly to the benefit of issuers in non-member countries, and there has been increased investment of European capital in American corporate stock.

BUDGET POLICY

146. Budget policy is assuming growing importance as an instrument of economic policy in both the short and medium term. This trend results both from the limits which international competition and its rules are increasingly imposing, particularly in the Community framework, on the autonomy of other important aspects of economic policy, such as monetary policy or incomes and price policy, and the growing share of expenditure on the satisfaction of collective needs in the structure of final demand. Accordingly, the best use of the public budget as an economic policy instrument must be studied and, in view of their impact on the general economic trend, the budget policies of the Member States must be co-ordinated more closely at Community level.

However, this is a field which poses many problems that are not merely technical, and in which for this reason rapid progress is out of the question.

In response to these needs the Commission decided, when reorganizing its departments, to set up within the Directorate-General for Economic and Financial Affairs a Directorate for budgetary and financial matters, with the special task of helping the Budget Policy Committee in its work.

147. In 1968, the Budget Policy Committee was thus able not only to go more thoroughly into its current examinations of budgets but also to take up certain fundamental problems of budget policy.

As part of its current work, it carried out in July 1968, i.e. before the final framing of the draft budgets, an examination of the main lines of budget policies envisaged by the Member States for 1969. It later studied the various draft budgets and submitted Opinions to the Commission and the Council on each of these.

The Committee has also studied several fundamental problems of public finance policy, in particular that of the flexibility of public spending, with a view to defining certain ways and means of influencing this demand component and of assessing what use can be made of it as an instrument of economic policy. On this point the Committee adopted an Opinion which stresses the need to use public expenditure more systematically to achieve certain economic policy objectives, for by influencing expenditure it is possible in the short term to adjust global demand in such a way as to curb deflation or inflation, and in the medium term to adapt the volume and the structure of public spending to the needs of economic and social development. This Opinion was submitted to the Council and the Commission and examined by the Finance Ministers at their meeting of May 1968.

The Committee also examined the budget problems of local authorities and considered how these authorities could cope with the tasks incumbent upon them in this field. It adopted an Opinion for the Council and the Commission setting out the measures which could enable local authorities to play their part in the growth and structural evolution of the economy without having to suffer the effects of unfavourable short-term economic developments or to risk helping to aggravate them. In particular, the Opinion favours the incorporation of the local authorities' budget operations into medium-term financial

programming and argues that structural work should be related to short-term economic policy. It also urges that the competent national authorities should take the necessary measures to strengthen the financial bases of the communes, so that the latter may be in a position to account for a much greater share of expenditure from their own receipts. At the same time, these receipts should be rendered less sensitive to short-term fluctuations of the economy, so as to ensure orderly financing of collective investments.

Finally, the Budget Policy Committee has taken up the question of the programming of public finance over a period of several years. In most Member States efforts have already been made in this direction, with the aim both of improving budget administration and reducing the strains arising from the strong upward trend of public expenditure. The Commission and the Committee are endeavouring to work out methods and procedures to ensure better co-ordination of Member States' efforts in this field.

In addition to the budgets of the Member States, the Budget Policy Committee has examined that of the European Communities for 1968 and its repercussions on the national budgets. This examination has brought out for the first time the structure of the Community budget and the effects of the operations of the various Community Funds on the budgets of the States. The Committee will hold periodical exchanges of views on this matter.

The Committee has also drawn up an interim report for the Ministers of Finance and Economics on the improvement of the Community's budget procedures.

5. The European Investment Bank

148. The activities of the European Investment Bank for the financial year 1968 will be described in detail in its annual report.

In accordance with the provisions of the Treaty of Rome, and under association agreements or conventions, the Bank's operations have concerned projects within the Community and in the Associated States.

During the first 10 months of the year the Bank signed 29 loan contracts for a total sum of 145.7 million units of account.

This amount comprises 117.7 million u.a. for 21 ordinary loans, and 28 million u.a. for eight loans granted under the Special Section, which enables the Bank to grant loans on favourable terms on the instructions of either the Community or the Member States, at their exclusive risk and with funds supplied by them.

From its inception until 1 November 1968 the Bank had signed 206 loan contracts for a total sum of 1,066.2 million u.a., of which ordinary operations represented 927.2 million u.a. spread over 174 loans, while the Special Section accounted for 139 million u.a. spread over 32 loans.

During the first 10 months of 1968, fifteen loans were concluded for an amount of 57.28 million u.a. for projects in Italy; three loans for 35.25 million u.a. for projects in Germany; one loan of 10.13 million u.a. for a project in France; one loan of 4 million u.a. for a project in Luxembourg; and one loan of 11 million u.a. for a project in Mauritania.

Under the Special Section, four loans were signed or notified in Turkey for a total of 17.5 million u.a.

Furthermore, four loans on special terms—drawn from EDF funds but to be administered by the Bank—were concluded for investments in Ivory Coast, Cameroon, Surinam and New Caledonia, totalling 10.5 million u.a. in all.

As regards the ordinary loan contracts signed by the Bank during the first 10 months of 1968, fourteen loans for 32.3 million u.a. concern industrial investment and seven loans for 85.4 million u.a. go to finance economic infrastructure.

The Bank continued its traditional work of helping less-developed regions in the Community countries, particularly in the South of Italy (thirteen loans for 31.3 million u.a.). Under Article 130(b) of the EEC Treaty, the Bank granted a loan for the re-equipment and modernization of a shipyard in Italy.

At the same time it stepped up its financing of projects of common European interest (five loans for 61.4 million u.a.) and of redevelopment projects (one loan for 10 million u.a.). In particular, it continued to help improve intra-European communications. Two loans concern motorway construction schemes—the stretch of the Italian „Autostrada dei Fiori“ from the French frontier to Savona, and motorway A.32 from Metz to Saarbrücken, which will connect Nancy-Metz-Thionville to the German network. One loan concerns the construction

of a section of waterway in the Rhine-Main-Danube system. The Bank has also signed a loan contract for building a pilot nuclear power station of Community interest in Germany, and one for a project in West Berlin.

149. To obtain resources, during the first 10 months of 1968 the Bank floated ten public loans for a total of 148.5 million u.a. Eight of the loans were denominated in German marks, one in US dollars, and one in Dutch guilders.

By 1 November 1968 the Bank had borrowed 687.2 million u.a. since its foundation.

CHAPTER III

ESTABLISHMENT OF THE ECONOMIC UNION

1. Common agricultural policy

AGRICULTURE 1980
REFORM OF AGRICULTURE IN THE COMMUNITY

150. On 18 December 1968 the Commission submitted to the Council a dossier of several closely linked documents dealing with the reform of agriculture in Europe between now and 1980.

The key document in the dossier is the "Memorandum on the Reform of Agriculture in the European Economic Community". This is accompanied by two others entitled "Medium-term measures for various agricultural markets" and "Commission proposals to the Council on the fixing of prices for certain agricultural products for 1969/70".

The dossier is completed by a "Report on the situation of agriculture and the agricultural markets" and a "Report concerning policies on the structure of agriculture followed by Community countries".

*Memorandum on the Reform of Agriculture in the
European Economic Community
(Agriculture 1980)*

151. This document deals with four topics:

- (a) A summary of the socio-economic situation in agriculture;
- (b) The aims of agricultural policy;
- (c) Measures to be taken;
- (d) Cost estimates.

The socio-economic situation in agriculture

152. A brief summary of developments in European agriculture shows that between 1957 and 1965 the annual growth rate of production was a steady 3.3%. The number of persons employed in agriculture dropped from 20 million in 1950 to 15 million in 1960 and will have fallen to 10 million by 1970. Because of this, labour productivity has been rising by 7% per year, i.e. more rapidly than in the economy as a whole and in particular more rapidly than in industry. As against this, the annual growth rate of expenditure on foodstuffs, which was 3.6% between 1960 and 1965, has slackened and will probably be no more than 2.7% for the years 1965-70. The proportion of agricultural products in total expenditure on foodstuffs was 40% in 1960, but is tending to decline; the annual rate at which expenditure on the agricultural items in this total rose in 1960-65 was 2.5%, but it is estimated that it will be no more than 1.9% for the years 1965-70. In conclusion, it can be seen that fewer people are producing more goods, and that the growth rate of production is higher than that of demand. The contribution made by domestic production to Community supplies varies enormously from product to product. The Community is already more than self-sufficient in some commodities, notably milk and milk products, sugar, and wheat other than durum; apples, peaches and tomatoes are now being added to the list. This situation is creating serious problems which must be dealt with as a matter of urgency, particularly since they entail a heavy financial burden:

- (a) In 1960, market support cost the Six a total of 500 million u.a.;
- (b) In 1967, if EAGGF expenditure is included, this amount increased to 1,500 million u.a. for the six countries and in 1968-69 expenditure for the guarantee section of the EAGGF alone will reach 2,000 million u.a. This situation has developed despite the steady growth of government expenditure to improve the structure of production and marketing. Here too the figures are impressive: in 1960 the Six spent 850 million u.a. on these improvements; by 1967 expenditure had soared to 1,900 million u.a.

Although there have been many improvements, notably in infrastructure, land improvement and drainage, the main problem—the fact that farms are too small—remains. This has become crucial in the last twenty years or so, largely because of rapid advances in mechanization. The vast sums which have been spent have done little or nothing to increase the size of farms in step with new techniques. In France, the average

size of farm has increased by only 1 ha in two and a half years; in Germany, the same increase has taken 10 years. Only 170,000 farms, a mere 3% of all farms in the Community, have an area of 50 ha or more.

The age pyramid is equally disturbing: 50% of all farmers are over 57 years of age.

Since production structures are often outdated, farmers are forced to use highly intensive production methods to ensure a minimum of income. But because of this they are unable to adapt to the market; they must go on producing to maintain the minimum with which to live. Economically, this means that the price and market machinery cannot function properly because of structural faults. A second, equally serious consequence is that farmers' incomes are lower than those of the rest of the community and that the income gap has continued to widen in the last few years. Because of this market situation and the imbalance between supply and demand, price measures alone will not be enough to improve incomes.

The aims of agricultural policy

153. The main aims set out in the Memorandum are:

- (a) To help agriculture to emerge from its underprivileged position and modernize its structure;
- (b) To enable farmers and their children to choose their place in society more freely in the interests of the community in general and of agriculture in particular. This will be possible only if enough new jobs are available in the various regions and if vocational training given to young people is adequate. Special efforts will have to be made on behalf of the oldest farmers, especially where they are also the owners of their farm, to make it easier for them to give up farming. These efforts should take the form of supplementary payments, as compensation for loss of income, to farmers aged 55 or more, provided they make their land available for the purposes pursued in the Programme;
- (c) To promote the establishment of such types of farm as would ensure profitable investment and full employment. This will enable farmers to enjoy living conditions comparable with those now

enjoyed by the rest of the community, as regards both standard of living and social advantages;

- (d) To ensure that, thanks to the price mechanism, the market shall work normally again in the agricultural sector; this means that output should again be guided by demand and come from rationalized farms;
- (e) To prevent price policy, which has considerable bearing on the farmer's standard of living, causing market distortion. It follows from this that price increases would appear to be ruled out in the short term for those products where structural surpluses exist, and will be possible only when (after due allowance has been made for foreign trade) demand again exceeds supply. Price increases for other products will be possible only in so far as the expansion of demand makes it possible to contemplate them;
- (f) To adjust production to demand, making possible a gradual reduction in expenditure by the Guarantee Section of the EAGGF so that, after 1980, net expenditure shall not exceed 750 million u.a., 250 million of this being absorbed by the milk sector.

Measures to be taken

154. Implementation of the programme on the structure of production will be guided by the following principles:

- (a) The programme advocated must have the support of the farmers, who must participate in its implementation on an entirely voluntary basis;
- (b) The programme should therefore be fully adaptable to regional and local conditions;
- (c) The structural reform programme should be based on a Community concept. It will be for the national authorities to implement it, the Community institutions providing the constant co-ordination which will be necessary.

Concrete measures dealing with the structure of production obviously concern the agricultural community first and foremost. Structural reform will lead to a reduction in the agricultural population. At this stage priority will be given to measures which will enable even farm owners to withdraw from agriculture.

For the 5 million people now working in agriculture who will leave the land over the next ten years three types of measures have been proposed:

- (a) Measures to help those leaving agriculture irrespective of their age (structural reform grants and scholarships);
- (b) Measures to help persons who are 55 and over and who wish to give up farming (annual income equalization payments);
- (c) Measures to help those who want to take up another occupation (readaptation, training, job creation).

To help those who remain in agriculture, provision has been made for a series of measures aimed at such points as modernizing the structure of agriculture and influencing the size of farms, which should allow the optimum combination of the factors of production to employ enough workers for normal working hours and normal social conditions (in the matter of holidays for example) to be possible. To achieve this, it is proposed that "production units" (PUs) should be created; these should be of the minimum size required to achieve optimum economic results.

The Memorandum gives examples of the size of farm necessary for the main types of production; for grain and root crops a minimum of 80 to 120 ha; for milk, 40 to 60 cows; for beef, 150 to 200 cattle; for chickens, 100,000 a year for eggs, 10,000 laying hens; for pigs, 450 to 600 animals. After 1975, too, support may in certain circumstances be given to the production of specialized and quality products.

In these production units, however, with their great specialization on the production of one item, something will have to be done to offset market risks and to secure a normal distribution of the work involved (holidays, weekends, breaks).

It has therefore been proposed that "modern agricultural enterprises", or MAEs, should be set up. These will make it possible to balance the various factors of production and will at the same time allow those who work in them to enjoy satisfactory living conditions. These modern agricultural enterprises may, like the production units, be created either by enlarging a single farm or by amalgamating several farms.

If these ends are to be achieved, measures will have to be adopted to steer developments along the lines desired; these will cover:

- (a) Take-off grants for the MAEs;

- (b) Investment aid at an average rate of 30% (not applicable to vehicles or livestock) (for PUs);
- (c) Credits guaranteed under a special scheme (for MAEs and PUs alike).

Subsidies from the public purse are to be increasingly concentrated on the modern agricultural enterprises and production units between now and 1975, and thereafter be confined to them entirely, for only on these forms of farm will it be possible to achieve income levels and a standard of living comparable with those enjoyed in other sectors—and this is one of the aims of the common agricultural policy.

In all this, the whole problem of the land and its ownership will play an important role, and so too will the mobility that will be needed when the relevant measures have to be put through. It will therefore be necessary to ensure that anything which limits the mobility of real estate shall be eliminated.

Thanks to measures to help those wishing to give up farming, a considerable area of land will be made available for the purposes of the programme. It will be used to enlarge the average size of farms and will also help to establish market equilibrium by allowing land which could be used for other purposes to be withdrawn from agriculture. It is estimated that some 5 million ha will be assigned to other uses over a ten-year period; some 3 to 4 million ha of this will be used for afforestation, the remainder being used for recreational areas, as parks and the like.

155. Among the other problems which arise is that of adapting the supply of farm products to market requirements.

Farmers should be encouraged to bulk supplies, adjust quality to demand and quantity to outlets; in this way they will be able to influence prices.

The European product councils which will be established with this end in view ought consequently to be given a wide range of tasks to perform: market intelligence, information on sales prospects, conditions for marketing produce, publicity campaigns, liaison between producers' groupings and dealers' and processors' purchasing organizations.

With the aid of these councils, then, farmers will be able to assume more responsibility within their groupings for production, marketing and price formation.

Cost estimates

156. The Commission points out that, at this stage, any attempt to assess the cost of such measures is unavoidably shrouded in uncertainty.

Assuming, however, that all the measures advocated are introduced on the conditions set out in the Memorandum, the Commission estimates average annual expenditure over the years 1970-80 as follows:

- (a) Structural measures: 2,500 million u.a.;
- (b) Job creation: 2,000 million u.a.;
- (c) Social Fund (vocational retraining): 480 million u.a.

The Community and the Member States will share responsibility for the cost of structural measures and expenditure by the Social Fund. The Community itself will be responsible for:

- (a) 50% of the cost of social measures and expenditure associated with reducing the area farmed;
- (b) 50% of the cost of measures to improve production structures;
- (c) 30% of the cost of measures to improve marketing structures.

Medium-term measures for various agricultural markets

The milk market

157. To remedy the alarming situation on the milk market, the Commission has proposed the following measures:

- (a) Special campaigns to increase sales of butter;

- (b) A general and appreciable reduction in the price of butter, coupled with a revision of the values of the non-fat components of milk;
- (c) An increase of 250,000 in the number of dairy cows to be slaughtered in 1969 and again in 1970, so as to speed up the current structural adjustment in milk production;
- (d) A production subsidy for specified grades of beef and veal during 1969 and 1970.

However, the problem of surpluses cannot be solved otherwise than by a set of measures that must be adopted as a whole and fitted into a reform programme which lays down when and where they shall apply.

The measures referred to above will not be enough to reduce the Community's stock of dairy cows sufficiently to the level at which a lasting balance can be established between supply and demand. Special measures have therefore been proposed as part of the plan to reform the structure of agricultural production; they would reduce the number of dairy cows by about 3 million in five years.

The sugar market

158. Apart from the price measures and the 5% reduction in basic quotas put forward as part of the price proposals, the Commission has suggested that, in order to adjust the guaranteed quantum gradually to the quantity required for human consumption, the quantum should remain unchanged at 6,352,500 tons so long as consumption does not exceed that amount, after which it would be fixed at a level matching consumption.

The fruit and vegetables market

159. To deal with the difficulties caused by the fact that production is expanding faster than consumption, especially in the case of apples, pears and peaches, and that there are seasonal surpluses of certain types of fruit

and vegetables, the Commission intends to propose to the Council certain measures which would have the following effects:

- (a) Supply should be influenced by a ceiling on the quantities produced or marketed;
- (b) The conditions of intervention should be unified;
- (c) Products of a satisfactory quality would be withdrawn from the market less frequently;
- (d) There would be a number of possible uses for products withdrawn from the market, so that they need not be destroyed.

The oils and fats market

160. To deal with the difficulties which have arisen in the oils and fats sector, the Commission has proposed that an international agreement on oils and fats should be concluded with a view to stabilizing the world market; this agreement would be based on the ideas put forward by the Community during the Kennedy Round of trade negotiations. As, however, experience shows that negotiations of this sort take time, the following measures would meanwhile have to be adopted:

- (a) The introduction of a charge on certain products, notably those processed from oilseeds and oleaginous fruit. The charge would be levied on both imported and Community products and should apply not only to vegetable and marine oils and fats but also to oil-cakes and competing products such as fish meal;
- (b) The payment of financial compensation to the AASM and the OCT to ensure that their earnings from these exports are adequate.

The fixing of prices for agricultural products for the 1969/70 marketing year

161. In accordance with the cautious price policy called for by the supply situation in farm products and put forward in the Memorandum, the Commission has proposed to the Council that agricultural prices for the 1969/70 marketing year be fixed as follows:

TABLE 9
Proposed prices for the 1969/70 marketing year

<i>u. a./ton⁽¹⁾</i>			
Product	Type of price	Price fixed for preceding year	Proposed price
<i>Durum wheat</i>	Target price	125.00	125.00
	Basic intervention price	117.50	117.50
	Minimum price (wholesale) guaranteed to producer	145.00	145.00
<i>Wheat other than durum</i>	Target price	106.25	106.25
	Basic intervention price	98.75	97.75
<i>Barley</i>	Target price	94.44	94.44
	Basic intervention price	87.97	86.98
<i>Maize</i>	Target price	94.94	94.94
<i>Rye</i>	Target price	97.50	97.50
	Basic intervention price	91.00	90.00
<i>Rice</i>	Target price	189.70	189.70
<i>Sugar</i>	Minimum beet price	17.00	16.00
	Price for "half-lean" beet	10.00	9.00
	Target price for white sugar	223.50	221.70
	Intervention price for white sugar	212.30	211.70
<i>Milk</i>	Target price for milk	103.00	103.00
	Intervention price for:		
	butter	1,735.00	1,110.00
	skim milk powder	412.50	712.50
	cheese: Grana padano	1,248.00	1,428.00
	Parmesan	1,488.00	1,668.00
	Direct aid for skim milk:		
powder	82.50	382.50	
liquid	15.00	42.50	
<i>Beef and veal</i>	Guide price for mature cattle (live weight)	680.00	680.00
	Guide price for calves (live weight)	915.00	915.00
<i>Oilseeds</i>	Target price	202.50	197.50
	Basic intervention price	196.50	191.50

⁽¹⁾ The 1968/69 prices for olive oil and pigmeat were fixed by the Council on 30 October 1968 (Part E).

The following price changes can be seen from this table:

- (a) All target prices for cereals remain unchanged, while the intervention prices for barley, rye and wheat other than durum have been reduced because of the difficulties encountered in marketing grain harvested in the Community;
- (b) Both sugar beet prices have been reduced by 1 u.a./ton because of structural surpluses on the market;
- (c) The price changes for milk products—only the target price remains the same—take into account the new measures proposed to balance the milk market;
- (d) It is not proposed to increase beef and veal prices, but arrangements have been made for a fattening subsidy of 10 u.a./100 kg live weight for specified grades;
- (e) Lower oilseed prices are proposed to allow for the competition from other oils and the sharp increase in production.

In the 1969/70 marketing year, these price proposals can be expected to add 612 million u.a. to the sum spent on intervention by the Guarantee Section of the EAGGF, but to reduce export refunds by some 60 million u.a.

Report concerning the policies on the structure of agriculture followed by Community countries

162. The Commission submitted its first report on structures at the same time as the Memorandum. It contains:

- (a) A table showing the situation with regard to structures and the policies on the structure of agriculture followed by the Member States, together with an inventory of measures adopted under these policies;
- (b) A study on the nature, geographical breakdown and scale of these measures, on the means used to finance them, and on their effectiveness in the light of the aims of the common agricultural policy and the long-term marketing possibilities which can be forecast for farm products;
- (c) Information on the co-ordination of policies on the structure of agriculture at Community level.

*Report on the state of agriculture and of the
agricultural markets*

163. This report outlines the economic situation of agriculture and developments on the markets for various agricultural products. The 1968 version is not in the definitive form which the Commission intends this report to take, because the information to be provided by the farm accounts network is not yet to hand. Although, too, the weaknesses of the statistics available sometimes make it much more difficult to compare results between Member States, the present report does provide an adequate amount of information on the state of agriculture and notably on the elements serving as a basis for fixing prices. In addition to a section on general economic items of importance for agriculture (production, consumption, price, labour productivity, foreign trade, incomes in farming), there are sections on the way various agricultural markets have been developing and a note on the general problems of market policy and prices (level of protection in trade with non-member countries, assistance from EAGGF for various agricultural products, and the tax treatment of agricultural products).⁽¹⁾

MEASURES AFFECTING THE STRUCTURE OF THE AGRICULTURAL
POPULATION

164. With a view to supplementing action taken by the European Social Fund and thus helping toward the qualitative and quantitative adjustment of the agricultural labour force, the Commission put forward in 1965 two proposals which have since been under examination by an *ad hoc* committee of the Council. The first of these proposals concerns Community grants toward the vocational retraining of farmers wishing to change their occupation within agriculture. The *ad hoc* committee has now completed its examination of this draft regulation. It has also examined the second of the Commission's proposals, a draft Council regulation concerning Community grants to promote the training of advisers who would staff information services for farmers wishing to change their job and help them in the choice of their future occupation.

⁽¹⁾ The commentaries on economic trends in agriculture, which used to be included in the General Reports, will henceforward be published in full in the above report.

As regards the possibilities of setting up as a farmer, a detailed comparative study has been made of conditions in the various countries, including an analysis of the measures taken by each Member State and a comparison of these measures with the requirements of structural policy in agriculture.

Independent experts have made a study of land tenure, including comparison of the relevant law and of court practice in this field. This is to serve as a basis for the introduction of such adjustments as may be found necessary for structural improvement.

Given that the faster pace of structural change in agriculture and the rapid change in both the techniques and the economics of farming demand steadily increasing knowledge and skills on the part of farmers holding posts of responsibility, a study has been put in hand at Community level to work out projections of the relevant requirements in agriculture and related activities. This study will help toward a better re-orientation of agricultural teaching as part of a policy of structural improvement. To the same end, a questionnaire on vocational training in agriculture has been sent to Member States; the purpose was, first, to obtain a description of the situation as it is at present, and secondly, to arrive at an estimate of requirements, with a view to assessing, analysing and comparing the present situation as well as national medium-term and long-term plans and programmes, so as to see, in the context of future developments, what practical measures might be taken, at national or Community level, to help meet the needs brought to light by the questionnaire.

In the field of agricultural extension advisory services, studies have been proceeding along two lines: first, the problems involved in implementing policies of structural change in agriculture and the role of advisory services in this context, and secondly, the problems involved in marketing. Common objectives have been defined in discussions with government experts, and the Commission is soon to submit proposals to the Council.

165. The Commission, working on the basis of Article 41 of the EEC Treaty, is pursuing its endeavours to co-ordinate agricultural research throughout the Community.⁽¹⁾

⁽¹⁾ *First General Report* (1967), sec. 369.

It has submitted to the Council a proposal for a regulation that would establish a common policy in the fisheries sector; the proposal covers the measures that will be needed in order to co-ordinate research policy in this industry.

The research laboratories and institutes involved in the joint research programme on African swine fever have continued their research work in this field; the results should lead to the definition of a differential diagnosis of this disease, in line with the purposes of this common research programme.

In 1969, thanks to a one-year extension of the joint research programme approved by the Council, research will be concentrated on perfecting methods of vaccination.

In application of the decision contained in Council Regulation No. 349/68 of 27 March 1968, the Italian Government transmitted to the Commission a research programme which will fit into the common research programme and be undertaken in 1968/69.

COMMUNITY PROGRAMMES

166. During the period covered by this Report, the Council gave careful consideration to the proposals, submitted to it by the Commission in June 1967, concerning Community programmes in connection with the Guidance Section of the European Agricultural Guidance and Guarantee Fund. At its meeting of 22 and 23 January 1968, the Council accepted the principle that the Community programmes should be applied for an initial three-year period (1968-70). At the same time, the Council instructed the Special Committee on Agriculture to investigate these questions further. The Special Committee on Agriculture accordingly set up a working party, which held meetings on these questions between the end of February and the end of September 1968. The meetings revealed that the representatives of Member States held divergent views on a great many problems. So that those Community programmes which required finance from the Fund could none the less be initiated in 1969, the Commission on 12 July 1968 submitted to the Council a working paper providing for a simplification of the programmes. The chief point of the proposed simplification was to give up the attempt to achieve a precise definition of certain criteria of scale and of the areas in which the main effort was to be concentrated. The working party studied the proposals at

meetings held late in July and early in September and reached agreement on them, apart from a few general points held over to be decided by the Special Committee or the Council itself.

In March and April 1968 the European Parliament and the Economic and Social Committee gave their Opinion on the programmes. Both are in principle in favour of them, and consider that they could lead to progress in the Communities' structural policy.

The Council returned to the question of the Community programmes at its meeting of 23 and 24 September 1968. Pending receipt of the Commission's memorandum concerning policy on the structure of agriculture, and because both the Commission and Member Governments had received such a large number of requests for grants to be made in 1969 by the Guidance Section of the European Agricultural Guidance and Guarantee Fund, the Council was unable to reach the decision that implementation of the programmes should begin in 1969.

THE FUNCTIONING OF THE COMMON ORGANIZATIONS OF AGRICULTURAL MARKETS

Common organization of the grain market

167. Experience during the marketing year 1967/68, which was the first during which the single grain price was applied, led to certain changes being made in the rules for 1968/69. Additional regulations had to be adopted in the light of requirements which became apparent at the beginning of this second year.

The measures adopted to cope with the heavy increase in intervention expenditure made necessary by the exceptionally abundant harvests both of common wheat and of barley included decisions authorizing France to take special intervention measures and instituting compensation payments, applicable throughout the Community, for stocks of common wheat and of bread rye left over at the end of the 1967/68 marketing year. So as not to cause a rise in sales to intervention agencies in 1968/69, the bonuses and deductions applicable on intervention were readjusted in the light of market conditions. In fixing the derived intervention prices for 1968/69, due allowance was made

for the intervening rise in the price of feed grains as well as for changes in transport costs. For certain regions of the Community, furthermore, the derived intervention prices for both durum and common wheat were recalculated on a different basis, so as to make it easier to sell these types of grain.

No change was made in the number of marketing centres fixed for the previous marketing year nor in the monthly schedules, since experience during the first few months of the common organization did not warrant any modification.

168. Management of the Community market in grains was associated, in 1968, with good sales to non-member countries of surplus crops which, for quantitative or qualitative reasons, found no outlet on the Community's internal market.

During the first half of 1968 a new regulation on denaturing was prepared, the purpose of which is to facilitate denaturing operations by the incorporation of common wheat into animal feed and to harmonize methods of denaturing by the addition of colouring matter.

In the early months of the 1968/69 marketing year, certain waivers were made of existing regulations on intervention and denaturing, with a view to mitigating the difficulties due to exceptionally unfavourable weather conditions in certain regions of the Community.

Thanks to the policy followed on refunds before 31 July 1968, when the 1967/68 year closed, it was possible without too much trouble, except for some difficulties with barley, to dispose of such exportable surpluses from the 1967 harvest as were on the market. The measures taken to facilitate exports included:

- (a) Prolongation of the validity of certificates issued for export to state-trading countries;
- (b) Arrangements for cancellation of export certificates issued in connection with a call for tender made by a non-member country and followed by rejection of the exporter's tender;
- (c) Greater diversification of refunds according to destination.

The International Grains Arrangement, which came into force on 1 July 1968, may make it more difficult to export common wheat, because of the undertaking and the will to keep the amount of

refunds down to a level compatible with the minimum price envisaged in this agreement. This has encouraged the practice of denaturing as well as exports of denatured wheat and wheat for feed, especially as there are particularly heavy surpluses of common wheat from the 1968 harvest, and its quality was inferior to the exceptionally good harvest of a year earlier.

Finally, in order to facilitate trade in denatured common wheat within the Community, the subsidies on feed grains of Community origin sold to Italy were extended to cover also denatured common wheat of Community origin sold to that member country.

In the course of the first half of 1968, many regulations concerning the industrial processing of grains were revised and improved, the aim being to align them more closely on actual conditions and to simplify them as far as possible. New developments to be mentioned in this context include the introduction of a standard levy based on the levy applicable to the original product, the revision of the criteria governing export refunds for certain milled products as well as of compound food products, and advances on refunds to producers for certain starchy products. These changes evoked a favourable response from the sector concerned, and generally speaking exports expanded in the steady and orderly fashion intended by those who advocated a policy of promoting the export of grains in processed form.

Common organization of the rice market

169. The period 1 January to 31 August 1968 was part of the marketing year which started on 1 September 1967—the first since the introduction of common prices for rice.

Business was rather slack at the beginning of 1967/68, no doubt as a reaction of traders to the new system. It was not until the early months of 1968 that the market began to feel the combined effect of exceptionally good harvests in France and Italy and of the stocks built up before the end of the transitional period. It was, therefore, only at the beginning of the year that the mechanism of the Community's market management was really put to the test and that it became clear what measures had to be taken at once and what others would have to be introduced for the year which began on 1 September 1968.

In view of the large supplies both from the new crop and from stocks carried forward, of a sluggish market and of low world prices, the Commission had to facilitate the expansion of exports that proved to be necessary; this it did by pursuing a policy of export refunds adjusted to price levels on domestic and world markets; before making these adjustments the Commission consulted the Management Committee for Cereals, which met every week.

These refunds applied to husked and milled rice, but not to paddy, which to all intents and purposes is not internationally traded, nor to broken rice, which commands a higher price on world markets than in Europe and of which the Community does not produce enough for its own needs.

To make the market for Community-grown rice more flexible, it was felt that for the marketing year beginning 1 September 1968 the span between the target price of the northern regions and the intervention price of the rice-producing ones should be widened. While, therefore, the intervention prices for rice were raised with a view to maintaining balance between rice and other cereals, they were raised only a little and in any case less than the target price. Furthermore, the intervention prices applicable in the various producer regions were unified; this meant that the rice grown in these regions was in a better competitive position on the whole Community market.

The Commission adopted measures raising the quality standards of rice eligible for purchase by intervention agencies, so as to bring intervention standards closer to trade standards and to avoid useless intervention purchases.

In implementation of the Yaoundé Convention, the Council issued a regulation by which the import levy on rice and brokens from the Associated African States and Madagascar as well as from the Overseas Countries and Territories was reduced until 31 May 1969.

Common organization of the market in pigmeat

170. No major difficulties were encountered in working the common market organization for pigmeat. Trade within the Community and with non-member countries took a normal course.

A temporary easing of prices developed at the end of 1967 and early in 1968, when supply was rather abundant in relation to demand. This led the Commission to take steps to promote exports of pigmeat products; the measures taken included special refunds for exports of carcasses to certain destinations (Poland, Greece, Portugal and Vietnam), as well as an increase in the refunds for exports of lard, of which very large stocks had accumulated and were threatening to depress the market for pigmeat.

Since prices not only remained weak but, in the spring, even fell below the basic price, the Commission decided in April 1968 that intervention purchases should be made by the intervention agencies. These purchases went on until 10 August 1968. A single purchase price was fixed for the whole of the Community.

Special and temporary measures were taken to deal with certain difficulties on the market in France after the events of May 1968 (an import levy on French imports of pork from any other country). Because of some renewed outbreaks of swine fever in Italy, the Commission decided, by virtue of Article 20 of Regulation No. 121/67/CEE, to make special arrangements for Italy to be allowed to include in its intervention purchases pigmeat of category C in the Community classification. These measures made an appreciable contribution to price support.

When coarse grain prices were raised on 1 August 1968, the basic price of pigmeat was also adjusted upward. Imports from non-member countries, or rather their free-to-EEC-frontier prices, are kept under constant observation, to make sure that they are not below the sluicagate price and that additional amounts are levied where appropriate. By virtue of Article 13(2), of Regulation No. 121/67/CEE, the Commission decided not to levy the additional amount on certain products imported from Hungary, Poland and Austria, as these countries had committed themselves not to underbid the sluicagate price.

Export refunds were continuously adjusted to the market situation, so as to safeguard the Community's share in world trade in pigmeat.

Under a decision taken by the Commission after consultation of the Management Committee for Pigmeat, Class B pig carcasses bought by the intervention agencies in the spring were put on sale from October 1968 at a fixed price of DM310 per 100 kg or its equivalent in the other currencies. Towards the end of November, the Class B carcasses still in stock in Germany and Italy were offered for sale by tender.

As in Italy these carcasses were not disposed of in this way either, they and others of Class C still in stock were sold at reduced prices.

Common organization of the market in beef and veal

171. The outstanding event during the period under consideration was that the regulation establishing a common organization of the market in beef and veal came into force on 29 July 1968.⁽¹⁾ The basic regulation was followed by a whole series of implementing regulations issued by the Council and the Commission to get the common organization under way. The date for the introduction of single prices for beef and veal had originally been fixed for 1 April 1968, but the necessary provisions to this end were not ready in time, so that it became necessary to make transitional arrangements prolonging until 28 July 1968 the price and trading system that was to apply until 31 March 1968—except for the guide price, which was raised on 1 April.

As the level of guide prices laid down for 1967/68 had encouraged the production and consumption of beef and veal, and as it was important, in the light of the situation of the market for dairy products, that the production and consumption of meat should continue to expand, the Council raised the guide prices for 1968/69 to 68.00 u.a. per 100 kg live weight for beef and 91.50 u.a. for veal.

The Community's deficit in frozen meat for processing into products other than corned beef was fixed at 37,000 tons in the Council's projections for the period 29 July to 31 December 1968.

In September 1968 the Commission adopted a decision concerning the application of the intervention measures in Germany, and this was followed in October by a similar decision for France. The latter was extended to the whole of the Community, following a considerable decline of prices on representative markets in the Community. According to Council Regulation (EEC) No. 805/68, intervention measures may be taken when the market price in the Community is below 98% of the guide price and in at least one region of the Community less than 93% of the guide price; such intervention measures become

⁽¹⁾ Regulation (EEC) No. 805/68, *Official gazette* No. L 148, 28 June 1968.

obligatory when the market price in the Community as a whole is less than 93% of the guide price.

A number of other measures were taken in 1968, including the following:

- (a) A supplementary tariff quota of 22,000 tons of frozen meat for processing was opened for the period 5-30 April 1968, and entirely distributed among member countries;
- (b) Special facilities were arranged for imports of beef for processing from Denmark under the bilateral agreement between the Community and that country, which renounced its negotiating rights under GATT for certain products.

Common organization of the market in eggs and poultry

172. The establishment of a single market without barriers to internal trade in eggs, egg products and poultry, on the basis of Regulations Nos. 122/67 and 123/67, certainly helped the growth of intra-Community trade in these products. At the same time, there has been a tendency for prices to come into line, both at producer level and at the retail stage. These developments will doubtless bring into sharper focus the structural contrasts between member nations in both production and trade. Consequently, the more rapid progress already made in the process of structural change and reorientation in earlier years gathered further speed.

Unlike intra-Community trade, trade with non-member countries flagged. With the degree of self-sufficiency in the Community rising in the course of the year, the need to import from non-member countries declined. An exception was provided by the egg sector, where supplies of Community origin were slightly down at the end of the year; this dip should however be seen against the background of cyclical swings in production. Certain non-member countries attributed the decline in imports of poultrymeat to the application of sluiceway prices, import levies and export refunds under the ruling system. During the period under review this situation was examined at GATT by a group of experts seeking a solution to the problems raised by the shrinkage of international trade. The Community was represented by the Commission, and its contribution to the solution

of these problems was a reduction in the level of both sluicagate prices and import levies for several items in this sector.

Another development worth noting is the agreement with Poland, by which that country undertook to conform to the sluicagate prices for its exports of chicken, goose and duck, while the Community agreed not to apply any surcharge to imports of these items.

In October 1968 the Council, on a proposal of the Commission, adopted a regulation concerning standards of quality and weight for shell eggs. These standards will be applied in 1969, and will unify the trade grades of quality and size throughout the Community; at the same time, producers and consumers alike will be better informed on the formation and movement of the prices at which they sell or buy.

Common organization of the market in milk and milk products

173. In the milk sector, the common organization of the market came into force in 1968. It was found that a number of special provisions, dealing in particular with the system of prices and intervention, were needed if the problems of market imbalance and of the steadily growing surpluses of butter and skim milk powder were to be solved. Given the importance and complexity of the matter, it proved impossible to adopt the Commission's proposed regulations, as had originally been intended, before 1 April 1968, in time for the new marketing year. They were adopted on 27 June, to take effect on 29 July.

Prior to that date, a certain number of transitional provisions had, therefore, to be introduced in order to prolong the existing system, with due allowance for current developments in the situation. These measures concerned either the domestic market in member countries, the trade agreements concluded with certain countries, or the disposal of butter surpluses, and also changes made necessary by the reform of turnover tax introduced in France and in Germany on 1 January 1968.

Council Regulation (EEC) No. 804/68 on the common organization of the market in milk and milk products⁽¹⁾ established a common system of prices, intervention and trade. In July and August this regulation was followed by a whole series of implementing regulations

⁽¹⁾ *Official gazette* No. L 148, 28 June 1968.

issued by the Council and the Commission. The Council fixed the following prices for the 1968/69 marketing year:

- (a) Milk delivered free dairy: a target price of 10.30 u.a. per 100 kg;
- (b) Skim milk powder: an intervention price of 41.25 u.a. per 100 kg;
- (c) Butter: an intervention price of 173.50 u.a. per 100 kg.

It should be made clear that, even though a common intervention price has been fixed by the Council, the prices actually paid for butter by intervention agencies in different member countries will none the less differ because of the different tax systems and rates and of the price adjustments provided for in the regulations. These adjustments concern the intervention price for butter in four Member States and the intervention price for powdered skim milk in three Member States. Allowance is made for them in intra-Community trade and in trade with non-member countries.

The intervention system was extended to cover Grana padano and Parmigiano-Reggiano cheese, and subsidies were introduced for milk powder to be used for animal feed as well as for milk to be used in the manufacture of casein.

The present market organization is to be rounded off by a common system for fresh milk, which is to come into force not later than 1 January 1970. In the meantime, transitional arrangements for trade in fresh milk within the Community are to be introduced with effect from 1 January 1969.

In accordance with resolutions adopted by the Council, general rules will also be issued indicating the measures to be taken for the disposal of surplus butter stocks by special sales, and for the disposal of skim milk surpluses. These provisions should widen the scope of the transitional operations already in hand and should help the market to recover.

174. Generally speaking, the entry into force of the common market organization did not give rise to any major difficulties, in spite of the great adjustment effort it requires from the industries concerned. There were some temporary troubles in two countries on the market for certain cheeses, and in one case on that for whole milk powder, and these were dealt with by decisions of the Council and the Commission.

The situation on the world market for dairy products deteriorated further in comparison with the preceding year. The prices at which butter is marketed fell to 30 u.a. per 100 kg and sometimes even below. The prices for skim milk powder were under such pressure that in mid-year they barely reached 10 u.a. per 100 kg; here too they sometimes even fell short of that price. Since then prices have been rising as a result of the Community's lowering its export refunds for milk when the common market organization came into force on 29 July 1968.

Common organization of the market in fruit and vegetables

175. On 1 July 1968 the customs union became effective for all products in the fruit and vegetable sector that were not already within the system. For the rest, action was taken along three lines to make sure that the common organization of the market functioned properly; it was concerned with standardization, with the application of Regulation No. 159/66/CEE and with the application of those rules of Regulation No. 23 which deal with imports from non-member countries.

On standardization, the Council fixed 1 January 1969 as the date when common quality standards were to be applied in intra-Community trade to such fruits and vegetables as were not already subject to such standards,⁽¹⁾ and issued a regulation defining an additional quality class (category III) for lettuces, endives, onions, apricots, chicory (bleached), carrots, cherries, strawberries and asparagus.

As regards application of Regulation No. 159/66/CEE, the Commission continued its examination of the measures taken by Member States to set up machinery for intervention and for the establishment and working of producer organizations. The Commission furthermore submitted to the Council a proposed regulation on the repayment of any aid accorded to producer organizations by the Member States.

The system applicable to imports from non-member countries has worked without major difficulties. Reference prices were fixed for tomatoes, plums, peaches, cherries, grapes, lemons, pears, apples, tangerines, clementines, satsumas, wilkings and sweet oranges.

⁽¹⁾ *First General Report* (1967), sec. 127

176. In implementation of Regulation No. 159/66/CEE the Council fixed the basic prices and the buying-in prices applicable for the 1968/69 marketing season to cauliflowers, tomatoes, sweet oranges, tangerines, lemons, dessert grapes, peaches, apples and dessert pears. Belgium and the Netherlands fixed their national buying-in prices at the level laid down by the Council; France and Italy, on the other hand, fixed theirs in many cases at a higher level.

Intervention on the market actually occurred in Belgium, France, Italy and the Netherlands, but not in Germany or Luxembourg.

Common organization of the market in fats and oils

Oilseeds

177. At the end of the marketing year 1967/68 it was found that the Community's record crop of rapeseed had been entirely sold, even though there were large surpluses of other European countries for which the Community was virtually the only possible market. This was achieved by a large increase in the level of support for rapeseed during the year, to keep in line with developments on the world market.

In the same year Italian oil mills experienced some difficulties, largely because rape oil produced in France from home-grown seed reached the Italian market at a price lower than the cost to Italian mills of producing similar oil from seed purchased in the Community, especially in France, or imported from non-member countries. To mitigate these difficulties, the Council decided that for 1968/69 it would increase the supplementary support it had introduced at the end of 1967 for rape and colza seeds processed in Italy.

178. The whole oilseed crushing industry of the Community continued in 1968 to experience the same difficulties which had already occurred in 1967. Especially during the first half of the year, oil prices again gave way without, however, taking the prices of seed with them. This situation and, more especially, the large imports of sunflower-seed oil which had already led the Commission to apply a compensatory levy on imports from Rumania, Bulgaria and the USSR, in 1968 forced the Commission not only to increase this levy but to extend it to imports from Hungary and Yugoslavia. For the same

reasons a compensatory amount was levied on castor oils from Brazil from the end of 1968.

For the second marketing year under the common organization of the market, a number of regulations were altered in the light of the experience gained in the first year. The method of advance determination of subsidies was altered and lengthened from two to three months; the new method takes account of supplies for forward delivery. The reference centre for the basic intervention price was altered to Genoa; this change, together with changes in transport costs, has led to an adjustment in the derived intervention prices. Finally, the coefficients of equivalence for colza and rapeseed were altered, with the intent of adjusting them to the grades traded on the world market.

Olive oil

179. With production soaring to about 600,000 tons during the 1967/68 marketing year, prices for all qualities of olive oil fell below the previous year's level. Since April, the Italian producer price for the standard grade has been just below the intervention price. In spite of these low prices consumption does not seem to be picking up, largely because of a shift in the ratio of olive oil/seed oil prices in favour of the latter oils.

Given these market developments, large stocks are likely to be carried over at the end of the second year under the common organization, and 15,000 tons have already been bought by the intervention agencies. In these circumstances the Council, acting on a proposal from the Commission, decided to lower the target market prices for 1968/69, as well as the intervention and the threshold prices, mainly in order to redress the balance between the price of olive oil and that of seed oil.

The surpluses weighing on the internal market led the Commission to institute export refunds from the end of the first quarter of 1968; in the light of preliminary experience, the Commission from July onward changed the method of fixing the refunds, so as to adapt the system more closely to the actual situation.

As regards subsidies to producers, the system established in the previous year entered into force on 1 January 1968. Member States have the choice of two methods of subsidizing producers: either by means

of a cash payment or by means of exemption from the levy on future imports of olive oil.

At the start of the third year under the common organization, some changes were introduced in the light of experience during the two preceding years. The changes concerned determination of the cif price and the free-at-frontier price of unrefined oil, as well as the coefficients of equivalence.

Late in December 1968 the Council, acting on a proposal from the Commission, made certain amendments to Regulation No. 136/66/CEE; one of these called for the advance fixing of the import levy and of the export refund on olive oil.

Common organization of the market in sugar

180. On 1 July 1968 a common market organization came into force in the sugar sector, with single prices for sugar, sugarbeet and molasses.⁽¹⁾ The provisions cover prices and foreign trade, and include transitional arrangements by which price guarantees are limited to specified quantities of sugar for the years 1968/69 to 1974/75. The provisions are applicable to sugar cane, cane sugar and certain other sugars and syrups.

In addition to a target price and an intervention price for refined sugar and a minimum price for sugarbeet, derived intervention prices have been fixed for Italy and for the French overseas departments at levels which will make it possible for sugar from the Community regions with a surplus to be sold to Italy, and raw cane sugar from the French overseas departments in the metropolitan areas of the Community.

The Community's external trade in the products concerned has been liberalized, the only measures applied being a levy on imports and a refund on exports. Export refunds may be made by a tendering procedure. In the light of the surpluses in the Community, subsidies may be paid to producers for sugar used in the manufacture of certain chemicals, as well as denaturing premiums for sugar used as animal feed.

⁽¹⁾ Council Regulation No. 1003/67/CEE, *Official gazette* No. 308, 18 December 1967.

Under the transitional arrangements, the intervention price for sugar and the minimum price for sugarbeet are guaranteed only for a certain quantum determined for the whole Community. This quantum was fixed at 6,594,000 tons. A basic quota has been fixed for each Member State, and this is distributed by the allocation of basic quotas to each factory or sugar-producing enterprise. The basic quotas add up to 6,480,000 tons.

Marketing costs for sugar quantities in the range between 100% and 135% of the basic quota and in excess of the total quantum have to be borne by factories and the growers of sugarbeet and cane. To this end, a levy has to be paid by factories for any quantities in excess of their basic quotas. However, the factories are entitled to require the sellers of beet or cane to reimburse them within certain limits; the levy itself must not exceed a specified maximum. Within the 135% ceiling, this limitation of the levy payable by producers guarantees beet growers a price of at least 10 u.a. per ton of beet used for the production of sugar in excess of the basic quota.

181. Before 1 July 1968, the Community had a common market organization involving different price levels and certain limitations on production. In accordance with certain Community rules, three Member States had, at the end of the 1967/68 sugar year, decided either to carry forward a specified quantity to the next season by adjusting the basic quota for 1968/69, or to export a certain amount on their own financial responsibility. Italy decided to export its surplus, while Germany and the Netherlands treated the amounts to be carried forward as part of the quota.

The information at present available suggests that the amount of sugar available for the sugar year will exceed the quantity that can be disposed of for human consumption by some 1.2 million tons. The quantities it will be possible to export as sugar or in processed form will amount to about 750,000 tons, and some 450,000 tons will be sold on the Community market (with denaturing bonus) for use in animal feed or (with refund to producers) for the production of certain chemicals.

Common organization of the market in vine products

182. A viticultural land register, such as already exists in Germany and Luxembourg, should be ready for Italy in 1968, and information

bringing the French register up to date is to be communicated to the Commission by the end of 1968. Some time in 1969, therefore, the Commission should have at its disposal a complete viticultural land register for the whole Community.

The modifications envisaged in Article 3 of Regulation No. 26/64⁽¹⁾ were made by Regulation (EEC) No. 39/68.⁽²⁾ Regulation (EEC) No. 1894/68⁽³⁾ on notification of areas used for asexual propagation of vines contains provisions dealing both with keeping the register up to date and with control of production. A regulation is being drafted on the rules for establishing classes for varieties that may be cultivated in the Community, and at the moment provisions are being prepared concerning nurseries and vine stocks, from the point of view both of keeping the register up to date and of controlling production.

In pursuance of the Council decision of 4 April 1962,⁽⁴⁾ which fixed the quotas to be opened by Germany, France and Italy, the Commission sent the Council a proposal for these quotas to be raised in 1968. The proposal, which provided for a considerable increase in the volume of imports into these three Member States,⁽⁵⁾ was not accepted.

NEW BASIC REGULATIONS

Live plants and cut flowers

183. On 27 February 1968 the Council adopted the Regulation setting up a common market organization for live trees and other plants, bulbs, roots and the like, cut flowers and ornamental foliage.⁽⁶⁾ This regulation involves a whole set of measures intended to promote the rational disposal of items such as flower bulbs, cut flowers and pot plants; it was necessary because the products concerned are of particular importance for the agricultural economy of certain regions in the Community.

⁽¹⁾ *Official gazette* No. 48, 19 March 1964.

⁽²⁾ *Ibid.* No. L 9, 12 January 1968.

⁽³⁾ *Ibid.* No. L 288, 28 November 1968.

⁽⁴⁾ *Ibid.* No. 30, 20 April 1962.

⁽⁵⁾ For the proposed regulations on quality wines and ordinary wines, see sec. 186.

⁽⁶⁾ Regulation (EEC) No. 234/68, *Official gazette* No. L 55, 2 March 1968.

The Regulation took effect on 1 July 1968. It begins by providing for the possible establishment of common quality standards applicable to the various products.⁽¹⁾ These standards are intended to keep products of unsatisfactory quality off the market, and to improve the flow of information on the market needed by producers and the trade in all Member States, and so to show the different qualities available.

Customs duties, other charges with equivalent effect and quantitative restrictions in intra-Community trade have been abolished for virtually all products in this sector. For exports to non-member countries of dormant bulbs, corms and tubers, the regulation provides for minimum prices to be fixed annually. The Community being one of the world's main exporters of these products, the system of minimum prices should have a stabilizing effect on world market prices.

In the interests of the smooth functioning of the common market organization, the Regulation also lays down procedures for Member States and the Commission to co-operate closely in a Management Committee.

Processed fruit and vegetables

184. The Council Regulation establishing a common organization for the market in processed fruit and vegetables took effect on 1 July 1968.⁽²⁾

The Regulation liberalizes intra-Community trade in these products, with or without addition of sugar, in so far as they are of Community origin (imports from non-member countries being subject to the common customs tariff). Products containing added sugar are subject to a levy covering the difference between the world market and the Community price for sugar. When products containing added sugar or glucose are exported to non-member countries, export refunds cover the difference between the world market and the Community price for sugar or glucose. Trade policy proposals going beyond customs duties and the sugar levy were not accepted for inclusion in Council Regulation (EEC) No. 865/68, which leaves the definition of trade policy for the end of 1968.

⁽¹⁾ Quality standards have so far been defined for flower bulbs, cut flowers and foliage.

⁽²⁾ Regulation (EEC) No. 865/68, *Official gazette* No. L 153, 1 July 1968.

The abolition of tariffs in intra-Community trade and the absence of any common policy for imports from non-member countries led to the application of national safeguard clauses for a number of products imported from non-member countries and in free circulation within the Community.

As in the other market organizations, there is provision for a Management Committee as a means of close co-operation between the Member States and the Commission.

Tobacco

185. On 4 July 1967 the Commission had submitted to the Council a number of proposed regulations concerning a series of measures to be taken in the tobacco sector, with respect to a common organization of the market in unmanufactured tobacco, taxation and state monopolies for tobacco manufactures.⁽¹⁾

These proposals were examined by the Council in 1968 and are still under examination.

The proposals have also been examined by various Committees in the European Parliament. The Economic and Social Committee handed down its Opinion on them on 28 November 1968.

On unmanufactured tobacco, the Opinion approves the main lines of the Commission's proposal to give growers marketing and price guarantees by introducing intervention arrangements and premiums for buyers. These measures would be part of the common organization of the market, and responsibility for financing them will rest with the Community.

A number of amendments were however suggested, including some intended to increase the possibilities of encouraging producers to plant the varieties and qualities of tobacco most in demand. One suggestion is that, to allay fears with regard to over-production and the mounting financial burden, steps should be taken automatically to limit the quantities of a given variety enjoying guarantee arrangements if buying by the intervention agencies exceeds a certain percentage of the average output of the said variety over a reference period. To allow for objections concerning the technical difficulties which

⁽¹⁾ *First General Report (1967)*, secs. 135—138.

might arise in calculating the premium by reference to the price of imported tobaccos, the Opinion urges that the premium be fixed on a flat-rate basis. In addition, provisions dealing with the grant of export refunds and possible limitations on inward processing traffic have been deleted.

As against this, certain of the amendments proposed tend in practice to increase the guarantees that would be given to growers under Community rules. It is suggested in particular that intervention be extended to baled tobaccos on the basis of the prices guaranteed for raw tobacco plus an amount corresponding to processing costs in a normally run enterprise.

As for excise duties on manufactured tobacco, the Economic and Social Committee's Opinion approves the economic reasoning which led the Commission to propose that these be harmonized. It also noted its agreement on the main lines of the proposed excise structures. The main technical amendments suggested in the Opinion are that the range of cigarettes subject to proportional taxation be widened and that the minimum tax be increased.

To ensure that manufactured tobaccos can actually move freely within the Community, the Economic and Social Committee considers that the reform of national tobacco monopolies should extend to the distribution channels that exist in those Member States which operate national monopolies.

The Committee considers that the reform of distribution channels in this sector should be based on abolition of monopolies for importation and wholesale distribution and that certain changes should be made in the position of retailers. It feels, however, that the guarantees which national trading monopolies give for the attainment of certain economic and social policy objectives should be offered by the new system too.

Ordinary and quality wines

186. The two draft regulations submitted by the Commission to the Council are still under study by the Special Committee on Agriculture. When the time comes, the two proposals will probably be adopted simultaneously. They will, where necessary, be expanded to include sections on definitions and provisions on both wine-making practices and the vineyards.

Alcohol, brandies and other spirits

187. The Commission is working on a draft Council regulation concerning ethyl alcohol of agricultural origin. It also has in preparation draft regulations concerning spirits and ethyl alcohol of non-agricultural origin and on taxation.

Fisheries

188. On 6 June 1968 the Commission submitted to the Council a proposed regulation on the establishment of a common structure policy for fisheries, another setting up a common organization of the market in fishery products, and a third on the suspension of the common customs tariff charges applicable to certain fish. These proposals are the follow-up of a "Report on the situation in the fisheries sector and the basic principles for a common policy", submitted by the Commission to the Council on 25 November 1966.⁽¹⁾

As regards the common structure policy, the proposal envisages a common system covering sea fisheries, and the proposed measures deal with problems of access to fishing grounds, their exploitation and protection, in so far as such problems arise either in relations between member countries or in the Community's international relations. With a view to the co-ordination of structure policies, a report on the structural situation of fisheries would be submitted to the European Parliament and to the Council, together with proposals on the measures needed to render co-ordination effective. The proposals furthermore provide for structural improvements in production and marketing, from both the economic and the social point of view, with the help of the European Agricultural Guidance and Guarantee Fund.

The proposed common organization of the market involves the definition of quality standards, the promotion and strengthening of the catchers' organizations, a price system designed to stabilize Community markets and arrangements for trade with non-member countries. Member States will have to take such measures as may be necessary to give all fishing vessels sailing under the flag of any other Member State non-discriminatory access to fishing ports and their facilities. The

⁽¹⁾ *Tenth (EEC) General Report*, sec. 185.

price system will apply to certain fresh and frozen products which are economically vulnerable, as well as to tunny for processing. For fresh fish, there is to be a guide price and an intervention price. Catchers' organizations may fix a reserve price below which no fish landed by members may be sold. Special arrangements are envisaged for certain frozen products. In situations of crisis or serious crisis, subsidies may be paid to catchers for private storage of the items affected. In the case of tunny for processing, catchers may, in certain instances, receive financial compensation to guarantee them a fair price.

For trade with non-member countries it is proposed that the common customs tariff be applied and all quantitative restrictions abolished. In addition, a reference or floor price system is to be introduced for certain items. A separate proposal envisages exemption from the common tariff for imports of herrings, tunny and salt cod, which would not only enable the processing industries to obtain their supplies on better conditions, but would also provide a satisfactory solution to the problem of tariff quotas at reduced or zero rates either bound under GATT or accorded autonomously to certain Member States.

FINANCING THE COMMON AGRICULTURAL POLICY

Guarantee Section

189. The introduction in 1968 of arrangements for Community financing of expenditures on agricultural markets is based primarily on Regulation No. 741/67/CEE, which introduced a system of payments on account and fixed a timetable for decisions, so as to reduce delays in reimbursements from the Fund.

The Commission took the following decisions:

- (a) Final grants in aid for 1964/65 by 15 December 1968;
- (b) Payments on account for 1966/67 by 17 December 1968;
- (c) First half-yearly payment on account for 1967/68 by 25 July 1968;⁽¹⁾

⁽¹⁾ Official gazette No. L 204, 14 August 1968.

The amounts of reimbursements were to be as follows:

- (a) 159.9 million u.a. for 1964/65, of which 97,755,000 u.a. under decisions taken in December 1967;
- (b) 277.8 million u.a. for payments on account for 1966/67, corresponding to 75% of expenditure estimates in the budget;
- (c) 267,503,730 u.a. for the first half-yearly payments on account for 1967/68, corresponding to 75% of the declared and eligible outlays by Member States.

190. Decisions on aid for 1964/65 were taken during the second half of 1967 following verification of applications for refunds addressed to the Commission by the Member States. The totals, which include payments on account amounting to 60% of the budget estimates, are as follows:

Country	Contributions		Refunds		Balances	
	u. a.	% (1)	u. a.	% (1)	Debit	Credit
					u. a.	u. a.
Belgium	13,451,851.16	8.415	1,810,597.52	1.13	11,641,253.64	
Germany (FR)	46,821,669.01	29.288	6,892,616.91	4.31	39,929,052.10	
France	38,659,014.88	24.182	124,049,838.14	77.60		85,390,823.26
Italy	44,761,910.63	28.000	2,116,031.10	1.33	42,645,879.53	
Luxembourg	358,077.55	0.224	37,512.86	0.02	320,564.69	
Netherlands	15,811,443.29	9.891	24,957,369.99	15.61		9,145,926.70
Community	159,863,966.52	100	159,863,966.52	100	94,536,749.96	94,536,749.96

(1) Added for information.

191. The Commission found it impossible for administrative reasons to observe two other December 1968 deadlines, one for decisions on aid for 1965/66 and one for decisions on payments on account for the second half of 1967/68. Considerable delays are to be expected in 1969 in connection with these deadlines, and the lodgment of applications for refunds from the Member States for the 1966/67 and 1967/68 accounting periods will also be delayed. This will make it difficult to meet certain deadlines in the closing months of 1969.

A proposal for a regulation on assistance from the Guarantee Section of the EAGGF is in preparation.

192. The Commission made a determined effort to consolidate Community financing by adopting, or proposing to the Council, regulations implementing certain principles already agreed or supplementing measures previously adopted. The Council adopted regulations on financing the cost of intervention in the sugar sector in the 1967/68 marketing year, in the milk products sector in the period prior to the single market, and in the fruit and vegetables sector. In addition it adopted regulations dealing with the financing of temporary aid for grape pips and temporary subsidies arising from special measures taken by Italy in connection with imports of feed grain. The Council also adopted two regulations introducing supplementary provisions for the cereals and sugar sectors, the main purpose of which was to increase the variable component in the scale of contributions by which expenditure eligible for refund from the EAGGF is financed.

Several proposals for regulations on the financing of intervention expenditure (on cereals, oils and fats, pigmeat) at the single market stage are at present before the Council and others are being prepared (milk products, beef and veal, sugar). Lastly, the Commission submitted to the Council in December 1968 a proposal for a regulation on the financing by EAGGF of expenditure resulting from the implementation of the Food Aid Convention. Essentially, the proposal is to charge expenditure on fob refunds to the Guarantee Section of the Fund, while the cost of the commodities themselves would be borne by a special section, so long as they are gifts made under Community programmes.

The Commission also adopted several regulations on the submission of applications for payments on account or refunds.

Guidance Section

193. In March 1968 the Commission took a fourth group of decisions on the grants of assistance by the Guidance Section of the European Agricultural Guidance and Guarantee Fund. Part of the 80,040,000 u.a. originally earmarked for such grants having been used up by special appropriations decided by the Council, the Commission distributed 26,040,000 u.a. among 152 applications selected from a total of 303 projects put forward for 1967, requiring altogether 80 million u.a.

in grants from the Guidance Section as part of some 320 million u.a. of overall investment expenditure. The Commission maintained some balance between projects concerned with the conditions of production in agriculture (56%), among which those relating to land tenure, irrigation and drainage were the most numerous, and projects concerned with structural reform in marketing (41%), mainly for milk and milk products, fruit, vegetables and wine; mixed projects accounted for the remaining 3%.

The budget for 1968 allows the Fund's Guidance Section 123,460,000 u.a. from which to make grants to finance projects. But again, special appropriations by the Council reduced the amount available for such projects to 94 million u.a., which the Commission proposed to allocate in two instalments, with decisions on the first of them, involving 34.1 million u.a. for 161 projects, to be taken before the end of 1968. Of the total of just over 700 applications in 1968, 134 relate to projects brought forward from 1966 and 1967. In March 1968 the Council authorized all those projects to be carried forward to the following year which, although meeting all the conditions of Regulation No. 17/64/CEE, were unable to secure financial grants from the Fund because its money had run out.

The Council also adopted a regulation waiving or amending the provisions of Regulation No. 17/64/CEE. The projects for 1969 do not form part of the Community programmes. The latest date on which application for aid in 1969 can be submitted is put back to 28 February 1969 for half the projects and to 20 March 1969 for the rest; in certain cases, the contribution made by the Fund would be raised to a maximum of 45%. The same regulation divides the resources at the disposal of the Guidance Section between measures already decided by the Council, grants for projects eligible under Article 13 of Regulation No. 17/64/CEE (120 million u.a.) and grants for the special measures in the field of structural reform in agriculture decided on after examination of the Commission's memorandum to the Council concerning agricultural reform in the European Economic Community.

The Guidance Section paid out to Italy 8 million u.a. in special appropriations for olive oil, and another 20 million u.a. for fruit and vegetables. At the turn of the year, 1.8 million u.a. is to be paid in connection with the inquiry into structures to those Member States which have applied for refunds. In October 1968 the Commission submitted to the Council a draft regulation to fix the detailed arrangements for the reimbursement of grants made to producer organizations.

Special Sections

194. Under Council Regulation No. 742/67/CEE of 24 October 1967,⁽¹⁾ the Commission established clearing arrangements for the compensation payments deriving from the fall in grain prices since 1 July 1967 and payable, under the 1968 budget, to Germany, Italy and Luxembourg in two instalments, one due in January and the other in June 1968.

Resolutions of the European Parliament

195. The European Parliament adopted several resolutions stating its views on proposals concerning the European Agricultural Guidance and Guarantee Fund. The most noteworthy is the resolution of 18 June 1968 concerning the supplementary provisions on Community financing of the common agricultural policy in the sugar sector. In it the European Parliament expressed the view that the levies made in this sector constituted "own resources" and suggested that the Commission redraft its proposal accordingly.

ESTABLISHMENT OF CONDITIONS PERMITTING FREE COMPETITION

Aids

196. In accordance with Article 93(1) of the Treaty of Rome, the Commission examined, together with the Member States, the aids they give to the following products: olive oil, grains, eggs and poultry, pigmeat, fats and oils, fruit and vegetables.

The Commission examined those aids which exert a marked influence on intra-Community trade, drew its conclusions and forwarded them to the Member States. Certain aids, especially those paid out at the production or marketing stage and linked either to the quantities produced or marketed, to prices or to the unit of production (acreage), were considered incompatible with the common agricultural policy, and the governments concerned were invited to cancel them by a specified date.

⁽¹⁾ Official gazette No. 258, 25 October 1967.

In the case of other aids, especially those which are, for example, paid for the purchase of pedigree boars and sows, the Commission considered that these aids could contribute to improvements in quality and, subject to certain provisos, was not against their being paid.

The Commission also examined with the Member States certain aids for several of the products listed in Annex II to the Treaty of Rome; the same procedure will be followed with them as in other sectors.

197. In the course of the year, the Commission decided its attitude towards various aid measures of which it was informed by Member States in accordance with Article 93(3) of the Treaty.

The Commission had no special comments to make on the following measures: compensatory aid to grain producers in Luxembourg, aid for withdrawal of new potatoes in France, aid for reforestation in France, aid to encourage the planting of "Pavia" peach trees in France, the bill concerning mountain areas in Italy, the Dutch Poultry and Egg Board's regulation which contains a temporary ban on incubating the eggs of fattening breeds of poultry during 1967, and the decree of the Agricultural Development and Rehabilitation Fund in the Netherlands which sets up a new system of compensation in case of discontinuation of a farm enterprise.

The Commission examined the aid granted by Germany for the transport of grain and called for its suppression. It also examined compensatory aids to grain producers in Germany and, once the German Government had agreed to conform to the Commission's views, had no further special comments to make on them. Nor did the Commission offer any comments on a bill under consideration by the autonomous region of Friuli-Venezia Giulia in Italy, concerning "measures to encourage the development of quality crops", except on certain aids to be granted for the purchase of seeds, bulbs and corms. The Commission was unable to approve the aid which the Italian Government is to grant to certain wine co-operatives in Sicily under Article 8 of Law No. 910 of 27 October 1966, and advised that the aid should not exceed a certain amount. The Commission had no objection to adoption of the Sicilian bill laying down standards for supplementing and co-ordinating agricultural legislation, though it did comment on the high level of some of the aids to be made available under this law. After a preliminary examination, the Commission found that the bonuses to be

paid to small cattle-farmers in France are incompatible with the common market.

Proposed regulation on producers' groupings and unions thereof⁽¹⁾

198. On 25 January 1968 the European Parliament adopted a resolution giving its views on this proposed regulation; while it suggests important amendments, it is on the whole in favour of the Commission's proposal.⁽²⁾

Taxation in agriculture

199. It became increasingly clear during the period under review how important tax questions are for the implementation of the common agricultural policy.

Italy introduced a "special State impost" on rapeseed and colza oil of Italian and foreign origin; this applied for the period 22 November 1967 to 30 June 1968. The Commission found this special impost incompatible with Article 95 of the Treaty, but as it was only effective till 30 June 1968, the Commission drew the Italian Government's attention to this breach of the Treaty and pointed out that action under Article 169 might have to be initiated if the validity of the impost were extended.

Italy also made certain other changes in the field of turnover taxes affecting oilseeds, oil-bearing fruit and their oils. These changes involve higher countervailing charges on imports and higher refunds on exports, particularly on refined seed oils.

The discrimination involved in these compensatory measures is being dealt with in a draft directive under Article 97.

At the May discussions on single prices for milk and milk products, the Council made the point that the application of different tax systems and tax rates could hamper the implementation of a common agricultural policy, inasmuch as the introduction of common prices could not benefit the economic situation of firms and intra-Com-

⁽¹⁾ *First General Report* (1967), sec. 146.

⁽²⁾ *Official gazette* No. C 10, 14 February 1968.

munity trade unless tax provisions were fully harmonized in the various countries.

The Commission holds the view that its proposed third directive on the harmonization of turnover taxes, concerning common methods of application to agricultural products of the tax on value added (TVA), will help to level out conditions. This proposal was given a favourable Opinion by the European Parliament on 30 September 1968.⁽¹⁾

It should in conclusion be mentioned that the examination of special charges and para-fiscal imposts on those agricultural products which come under the common market organizations was completed in 1968.

HARMONIZATION OF LEGISLATION

Veterinary legislation

200. During the period under review the Commission submitted to the Council proposals for directives:

- (a) Amending the Directive of 26 June 1964 on health problems associated with intra-Community trade in fresh meat;
- (b) Amending the Directive of 26 June 1964 on health controls in intra-Community trade in animals of the bovine and porcine species;
- (c) On health problems associated with intra-Community trade in fresh meat;

and a further proposal amending the proposal referred to at (c).

These proposals have not yet been adopted by the Council.

On 12 March 1968, however, the Council adopted a resolution on Community measures to be taken in the veterinary field,⁽²⁾ and on 15 October 1968 it adopted a decision setting up a Standing Veterinary Committee,⁽³⁾ to be composed of experts from Member States under

⁽¹⁾ *Official gazette* No. C 108, 19 October 1968.

⁽²⁾ *Ibid.* No. C 22, 18 March 1968.

⁽³⁾ *Ibid.* No. L 255, 18 October 1968.

the chairmanship of a representative of the Commission. This Committee will exercise the functions assigned to it in the provisions laid down by the Council for dealing with veterinary matters, in such cases and conditions as are specified in the provisions themselves. The Committee may also examine any other question arising from these provisions, if put forward by the chairman acting on his own initiative or at the request of a Member State.

The Council likewise agreed on draft rules of procedure for the Committee. These define working methods for a trial period of 18 months, and will subsequently be added to each of the Council's decisions in this field. For normal cases procedure provides for close co-operation between Member States and the Commission wherever the Council has made the Commission responsible for the implementation of rules in the veterinary field. Provision is also made for an emergency procedure along the same lines, with extremely short time limits; it will be used mainly in cases where one or more Member States close their frontiers.

Like the procedures laid down in the regulations on customs values and on origin, the normal procedure for veterinary matters differs from the procedure of the agricultural management committees in that:

- (a) The Commission itself is entitled to take an immediate decision only if this has the support of the Committee, and
- (b) Failing such support, it is for the Council, acting on a proposal from the Commission, to prescribe what measures should be taken.

But there is also a difference between the procedure applicable to valuation for customs purposes or to origin and the procedure applicable to veterinary matters:

- (a) In the first case, the Commission is empowered to take a decision if at the end of three months the Council has not decided on the measures to be taken;
- (b) In the second case, this rule does not apply if the Council has pronounced by simple majority against the measures proposed by the Commission.

When the report of M. Jozeau-Marigné on common procedures of enforcement for derived Community law was under discussion in the

European Parliament, President Rey set out in detail the Commission's views on these procedural points:

- (a) The Commission considered the differences in the procedures of the agricultural management committees and in those of the customs value and the origin committees to be justified by the differences in their activities, since in the one case they involved participation in the current administration of the common agricultural policy, and in the other they were more regulatory in character.
- (b) In the second case, however, the Commission considered it necessary to have some safeguards in hand against the danger of the Council's failing to take action. This was the point of the rule that the power of decision should automatically devolve upon the Commission if after three months the Council had not decided on the measures to be taken. The rule by which, in the case of veterinary matters, the Council retained the power of decision indefinitely constituted, in the Commission's view, a serious danger, and this was the reason why the Commission had not been able to accept this clause.

Food legislation

201. At its meeting on 20 December 1968 the Council adopted the following proposals:

- (a) A third amendment to the Council Directive of 23 October 1962 on the harmonization of the Member States' regulations concerning colouring matters approved for use in foodstuffs intended for human consumption;
- (b) A fourth amendment to the Council Directive of 5 November 1963 on the harmonization of the Member States' legislation on preserving agents approved for use in foodstuffs intended for human consumption.

Several proposals for regulations and directives on the approximation of Member States' legislation were submitted by the Commission to the Council during 1968. They dealt with:

- (i) Macaroni, spaghetti and similar products;
- (ii) Meat extracts, yeast extracts, protein extracts, flavourings for soups and other dishes, broths, soups and sauces with a meat base;

- (iii) Manufacture and marketing of butter;
- (iv) Manufacture and marketing of margarine;
- (v) Treatment of saccharose intended for human consumption.

*Regulations concerning agricultural, horticultural
and forestry seeds and seedlings*

202. The Commission submitted to the Council a series of draft directives concerning:

- (a) The marketing of material for the asexual propagation of vines of non-Community origin, of seeds of oil and fibre plant seeds, and of vegetable seed;
- (b) The establishment of a common catalogue of agricultural varieties;
- (c) Amendment of five Council directives of 14 June 1966 concerning the marketing of sugarbeet, forage and cereal seed, seed potatoes and reproductive material.

On 9 April 1968 the Council adopted a directive on the marketing of materials for the asexual propagation of vines grown in the Community. The purpose of this directive is to restrict, with effect from 1 July 1969, the marketing of canes, spurs and young plants of vines to material which has been certified or checked for variety.

203. The Council adopted on 23 January 1968 a directive on the approximation of Member States' legislation concerning the classification of wood in the rough. The directive lays down the relevant definitions and optional standards.

OTHER MATTERS

Forestry problems

204. On a contribution to the task of co-ordinating forestry policies, a study was made, in collaboration with national forestry administra-

tions, of the important problem of timber prices and the falling returns on silviculture, including possible remedial action to be taken in a situation which threatens to undermine the afforestation drive in the Community (an annual average of 113,700 hectares for the last ten years). The afforestation drive ought, in fact, to be stepped up further, as silviculture will have to replace agriculture on large areas of low-productivity land. In this connection, the Memorandum on the Reform of Agriculture in the Community suggests the afforestation of three to four million hectares of land in ten years.

It may be worth recalling that the Council directive of 23 January 1968, which established a classification of raw timber,⁽¹⁾ aroused much interest in several non-member countries in Europe, where the need for a uniform European classification had long been felt. Another point of interest is that the Council Regulation of 27 February 1968, which set up the common organization of the markets in live plants, cut flowers, etc.,⁽²⁾ covers forest tree nurseries, which are in full expansion in the Community and at present produce more than 1,200 million seedlings a year.

INFORMATION FOR THE COMMON AGRICULTURAL POLICY

Information network on farm accounts

205. While in 1966 rules had been worked out for the operation of the basic regulation on the establishment of an information network on farm accounts and the requisite agencies set up at Community and at national level, and in 1967 the corresponding technical and administrative infrastructure had been organized at regional level (regional committees, accountancy bureaux), the efforts of the Commission and the Member States in 1968 were concentrated mainly on the selection of sample farms and on making a start with the actual accounts.

This was one further step bringing the Community closer to the moment when it will have a functional and permanent mechanism of micro-economic observation in agriculture. The year 1968 is the first when the complete reporting network has functioned in practice. The

⁽¹⁾ Sec. 203.

⁽²⁾ Sec. 183.

first accountancy data, those pertaining to the agricultural year 1968/69, will reach the Commission in the course of the second half of 1969.

SURVEY ON THE STRUCTURE OF AGRICULTURE

206. Field work for this basic survey has just been completed, ⁽¹⁾ and Commission staff will begin screening and analysing the data in 1969.

The results of this survey and their analysis should shed new light on the structural problems of European agriculture and thus fill a gap in a sphere where information is seriously lacking at the present moment.

As part of the FAO 1970 World Census of Agriculture, a minimum schedule of tables to be prepared on a Community basis for this census has been drawn up, mainly for purposes of co-ordination with the programme of investigations into the structure of farms.

2. Industrial structure policy

POLICY FOR INDUSTRY AS A WHOLE AND FOR INDIVIDUAL INDUSTRIES

207. As already stated in Chapter II, the economic situation in 1968 was satisfactory for industry as a whole and industrial output rose by 75% over the 1967 figure, as against 2% in the previous year. This vigorous growth enabled Community industry to step up modernization and productivity, though to varying degrees. In 1968, the growth of industrial output, as compared with the previous year, was 10% in Germany and the Netherlands and 6% in Belgium and Italy, as against 4% in France and only 3% in Luxembourg. Exceptionally high growth rates were recorded for motor vehicle production (15%), textiles (10%) and steel (8%). Without achieving these rates, even the extractive industries and shipbuilding did well, in spite of the recession in coal. These higher output figures were not invariably accompanied by proportionately better profits.

⁽¹⁾ *First General Report (1967)*, sec. 157.

The relatively low growth rate of industrial output in France is partly to be explained by the events of May and June. Thanks to the solidarity displayed within the Community, the wider repercussions of this crisis on French industry were successfully damped by the adoption of measures limited to certain particularly sensitive industries and to a period of a few months.

The structural difficulties that persist in a number of industries continued to occupy the Commission's attention. These include the steel industry, shipbuilding, textiles and the paper and paperboard industry.

In the growth sectors, the various branches of Community industry are still fragmented and have not benefited from the stimulus afforded by the creation of a single large market. In the face of mounting international competition, the Community cannot ignore the imperative need to strengthen its industry in those sectors. The Commission has just put forward certain proposals concerning the nuclear industry in the form of a general report on nuclear problems in the Community.⁽¹⁾

This action in individual industries must form part of more general measures that will help to strengthen Community industry as a whole. There is, in particular, a series of measures aimed at setting up a legal and fiscal system tailored to the requirements of a big market and increasing firms' financial resources. It was with this in view that the Convention on the mutual recognition of companies was signed on 29 February 1968 and the Commission submitted to the Council (who adopted it on 9 March 1968) an initial directive on the co-ordination of company law.⁽²⁾ The same purpose is reflected in the draft second medium-term economic policy programme, one chapter of which deals with measures to encourage the structural adaptation of enterprises.⁽³⁾

The Commission intends to step up its action in every field that is likely to facilitate rational restructuring of the Community's industry, to make it more competitive with that of non-member countries, and thus to contribute to its expansion.

This expansion will come very largely from the enterprises' own dynamism. Though well aware how important it is for the Community to have a sufficient number of large enterprises capable of competing

⁽¹⁾ Ch. III, 3.

⁽²⁾ Sec. 84.

⁽³⁾ *Bulletin* 4-68, Ch. II.

with the major international firms in certain industries, the Commission is still desirous of furthering the efficiency and dynamism of the small and medium-sized firms which, even in the most advanced countries, account for the bulk of industrial activity. It is often in the small industrial units that innovation and creativity are to be found. Like the largest enterprises, they must be provided with an appropriate legal system and means of finance.⁽⁴⁾

The Commission received this year's accounts from all the member countries concerning the specific measures applied in each of them to the small and medium-sized enterprises. From this information it prepared a conspectus enabling a comparison to be made of all the assistance given to smaller firms in the member countries. In addition, the Commission is preparing a survey, to be carried out in 1969 by a specialized institute and aimed at determining the actual fraction of the economy represented by the small and medium-sized enterprises in a number of the more typical industries. The information so obtained will form the basis for concrete proposals to be incorporated in the second medium-term economic policy programme.

208. The implementation of the customs union and the consequent international negotiations naturally affected individual industries, especially the more sensitive ones. The Commission gave its full attention to the problems that arose in those industries. The second medium-term economic policy programme, which has been submitted to the Council, clearly indicated the principles underlying a policy for individual industries. It must above all aim at rendering the industrial structures more flexible, so that the requisite adjustments may, as far as possible, occur spontaneously. There are cases, however, in which the public authorities will have to take direct measures on behalf of certain industries. Where these measures prove necessary, it will be advisable to harmonize them, in broad outline, at Community level.

For two industries—shipbuilding and electronics—where the situation calls for such support, the draft programme mapped out common guidelines. These, while elaborated by government experts from the Member States meeting in the Medium-term Economic Policy Committee, call for the industries concerned to take an active share in solving the difficulties.

⁽⁴⁾ See in particular Ch. I, 6.

209. It was in this light that the Commission set up contacts with the shipbuilding industry concerning the work they would be asked to do. Since then the trade associations of the shipyards of the various member countries have formed, at Community level, a liaison committee and three working parties which are studying respectively the industry's development prospects, the scope for inter-shipyard co-operation and specialization, and financing problems in the industry.

The Metal Committee (representing the metalworkers' unions of the Six) has undertaken to study the social problems attendant on the reorganization of the shipbuilding industry, so that, not later than mid-1969, the Commission and the Member States will be in possession of the preliminary studies carried out by the employers and the trades unions.

210. The studies on the main branches of the textile industry were discussed with the employers' organizations and the trade unions and also in the Medium-term Economic Policy Committee. The situation and problems of the textile industry and of its main branches were subsequently dealt with in a complementary study concerning the firms' competitive capacity, competition from non-member countries, and the marketing prospects for the coming years. On the strength of these studies, the Commission proposes to prepare Community industrial policy recommendations in consultation with the Medium-term Economic Policy Committee.

The problems of the carded wool industry received special attention following the applications for permission to implement safeguard clauses or quota measures submitted or contemplated by a number of Member States. This industry's position was examined in the different states and will be submitted to the Commission at the beginning of 1969.

Continuing its efforts to develop a common policy for the pulp, paper and board industry, in consultation with the national authorities and the employers' and employees' organizations, the Commission completed two major studies on the industry and the Community markets for newsprint and woodpulp. As is known, these two classes of product were made subject to special provisions at the time of the Kennedy Round, both at the intra-Community level and in relations with non-member countries, because of the very keen competition to

which the Community industry is exposed in a world context of surplus capacity and pressure on prices.⁽¹⁾

With regard to the "miscellaneous" industries, a comprehensive analysis has been made, together with the employers' organizations representing the ceramics, leather and hides, wood-base building panels and footwear industries, of the problems experienced by these industries in the light of the recently granted tariff reductions.

211. The Commission received the final report on the studies concerning the cutlery and machine-tools industries. In the cutlery industry, the difficulties of adapting its structures are exacerbated by the keener international competition. The machine-tools industry has favourable growth prospects but appears to have run into difficulties owing to structural rigidities and the technological progress made by its chief rivals on the world market.

The Commission sought advice on the cutlery study from the quarters concerned; it proposes to follow the same course regarding the machine-tools study, and the first consultations with representatives of the industry are scheduled for next January.

212. With regard to the lead and zinc industry, the Commission continued the consultations, referred to in the First General Report, with the Member States and representatives of the industry. The main subject was the setting-up of a common industrial and commercial policy. This policy would be based on the free movement of lead and zinc within the Community and also on the introduction of emergency measures and a policy for the supplying of ores on terms consonant with the competitiveness of the Community industry.

In the Commission's opinion, well-defined supply and/or crisis policies, and the free movement of these goods inside the Community, are the essential elements for a Community policy in this industry.

213. As regards the chemical and rubber industries, the Commission, working closely with the employers' organizations and trades unions, has embarked on studies to ascertain the expansion potentialities or, alternatively, the excess capacity of certain branches of the chemical industry in the European Community, and their position in world competition.

(1) See also sec. 45.

214. For the food industries, the studies that are an essential preliminary to a Community structures policy are being conducted in co-operation with the representatives of the trades concerned.

INDUSTRIAL POLICY FOR STEEL

State of the Community iron and steel market in 1968

215. The upward trend that had already begun at the end of 1967 on the Community steel market gathered strength during 1968. The Community's crude steel production leapt up by 9.6%, from 89.9 million tons in 1967 to 98.6 million in 1968. The rate of utilization of the crude steel production potential rose, for the Community as a whole, from 79.8 to 86%.

The increase in steel output was most pronounced in Belgium and Germany. In France, there was only a relatively small expansion, owing to the events of May and June. In Italy, the upswing had already started in 1966.

216. The growth in steel production is due essentially to the rising consumption of steel in the Community manufacturing industries, which in 1968 used nearly four million ingot tons more than in 1967. Exports to non-member countries, which had already made good progress in 1967, showed a further slight increase in the year under review. The favourable trend in steel consumption in large parts of the world led to appreciably higher output in many countries. The most outstanding progress was in Japan, where crude steel production rose from 62.2 million tons in 1967 to roughly 68 million in 1968. In the Community, the stocks held by the plants, dealers and users increased by some 3.5-4 million ingot tons. There is reason to fear that this phenomenon may once more jeopardize the equilibrium on the steel market.

The growth of intra-Community trade, which increased by 10% from 18 million ingot tons in 1967 to 20 million in 1968, distinctly outstripped the rise in actual steel consumption, which amounted to about 7%.

Imports from non-member countries (3.6 million ingot tons) were only slightly higher (about 400,000 tons) than in 1967.

On account of the favourable market conditions, steel prices in the Community were on the whole slightly firmer, whilst export prices stabilized.

The monetary policy measures taken by certain Community countries did not have any perceptible effect on conditions in the iron and steel industry in 1968. In 1969, they may exercise an influence on intra-Community trade in steel rather than on the trend of steel consumption. Investigations are being conducted into the influence of these measures.

Measures to stabilize the common market for steel and steelmaking raw materials

Steel

217. As already stated, stocks increased considerably on the common market for steel in 1968, a fact which is likely to impair this market's stability in the future. This trend is all the more worrying because production potential in the Community will increase in 1969 by nearly five million ingot tons. Steps should be taken to avoid a repetition of the 1966 and 1967 difficulties, which have only recently been overcome.

For that reason the Commission, in its quarterly forward programmes and at the meetings where these were drawn up with the co-operation of representatives of the industry, stressed the need to align steel production more closely with actual consumption and drew attention to the consequences that would inevitably stem from a fresh disturbance of the market's equilibrium. Moreover, in virtue of the agreement reached in the *ad hoc* Committee on Steel Problems, the Commission has made the representatives of the Governments aware of these developments and suggested that they support the appeals for better production discipline.

Nevertheless, in 1968, the Commission could not confine its action to indirect measures only. By taking a number of decisions, it intervened directly on the market.

218. The events of May and June in France faced the French steel industry with exceptional difficulties. These difficulties led to the

Commission's Decision 914/68 of 6 July 1968 to authorize the French Government, in accordance with Article 67 of the ECSC Treaty, to grant the French iron and steel enterprises, temporarily and in respect of exports up to 31 January 1969, limited compensation to offset wage increases. In addition, Decision 915/68 of 6 July 1968 set up a temporary restriction, for the period 8 July-31 December 1968, on imports into France of iron and steel products from the other Community countries. The monthly quotas were set at 362,900 tons for ordinary grades and 14,100 tons for fine and special steels. These quotas have to be shared out among the various Community sources in a non-discriminatory manner and in keeping with the traditional trade flows. The same Decision authorized the French Government to limit imports from non-member countries to 10,750 tons as to ordinary grades and 2,250 tons as to fine and special steels.

On 15 October 1968 the Commission examined the situation afresh in the light of the measures taken after the events of May and June. It decided that the measures must be maintained because the situation—although it had improved appreciably—was still liable to relapse if they were discontinued too early.

With regard to the peripheral measures enacted, the Commission, in view of the need to prevent prices from deteriorating within the common market, extended by Decision 2178/67 to 31 December 1969 the decision of the High Authority concerning the prohibition of alignment on offers from state-trading countries after the Council had unanimously accepted the principle of quotas for imports of steel and pig-iron from such countries. By Decisions 2025/68 and 2026/68, the Commission made a further departure from the High Authority's Recommendation 1/64 concerning the raising of the Member States' external duties to the level of Italy's import duties.

With steel production capacities exceeding demand in the Community countries, as in non-member countries, it has become increasingly difficult for steel firms to comply strictly with Article 60 of the ECSC Treaty and the decisions arising therefrom. The Commission is examining the possibilities of relaxing the application of Article 60 and the decisions in question.

219. With regard to the long-term structural problems, the Commission put in hand a number of studies to serve as a basis for the elaboration of its future iron and steel policy, in so far as this is concerned

with long-term objectives. The studies cover the following broad subjects:

- (a) The role of the Community's steel industry on the world market and the pattern of the main aspects of competition;
- (b) The trend in representative consumer industries;
- (c) The introduction of the new production techniques and their influence on siting problems;
- (d) Iron-ore and scrap supplies.

These studies form part of a long-term study relating to the years 1975 and 1985 and designed to ascertain the real problems and opportunities lying ahead of the Community's iron and steel industry. The object of this work is to harmonize the iron and steel policy for the Community as a whole, with the basic aim of making the Community industry more competitive. The pursuit of this objective naturally entails solving the regional and social problems involved.

Raw materials

Pig-iron

220. In 1968, pig-iron production increased in step with steel production, totalling 72.1 million tons.

For the first time in several years, production of foundry pig also rose slightly. Imports from non-member countries made up a smaller proportion of the foundries' supplies.

As the position of foundry pig-iron on the world market has not undergone any marked change and the removal of temporary protection in the present circumstances might be highly prejudicial to the current improvement in foundry pig production conditions in the Common Market, Recommendation 2/64, which had already been extended in 1965 and 1966, was extended yet again by the Commission's Recommendation 2060/68/ECSC, thus maintaining the reduction of the specific protection rate from 7 to 5 u.a./ton and removing the quotas for pig other than special qualities.⁽¹⁾

⁽¹⁾ *Official gazette* No. L 6, 10 January 1969.

Iron ore

221. Because of the increased activity of the iron and steel works situated in the traditional steel-producing regions, ore deliveries from Community sources reversed their downward trend, rising to 71.2 million tons as against 64.8 million for the previous year. Even so, the share of Community ores in total iron ore consumption has again decreased, and this tendency must be expected to continue. By means of technical and organizational improvements, the competitive power of certain Community orefields has been stepped up; others, less favoured as regards site conditions, still see their viability endangered by ores from outside the Community.

Foreign ore prices dipped by about 4%, whilst the Lorraine mines cut their prices by 7%.

Scrap

222. Under the decision taken by the representatives of the Member Governments concerning exports of scrap to non-member countries, and in order to mitigate the effects of surpluses of certain scrap grades which it would be difficult to market in the Community, 28,500 tons of scrap were exported in the first half of 1968.

By the decision of 30 July 1968, a further authorization for exports to non-member countries was granted with effect to 31 December 1968, in respect of 10,000 tons of all classes of scrap and 1,000 tons of pig-iron turnings; this authorization was used to the full. On the other hand, the export authorization of 1 January 1968, extended to 31 December, relating to 15,500 tons of blast-furnace faggots, could not be utilized in its entirety, this grade not being very much in demand.

Co-ordination of investments

223. The coal and steel industries account for nearly 10% of the total industrial production of the six countries. Their markets are highly sensitive to cyclical fluctuations and pressure of world competition. Their production processes are such as to allow little scope for adapting to changing circumstances, and at the same time

oblige them to be constantly installing more and more powerful plant. Consequently, their capital outlay is very heavy, and is devoted to projects which often take several years to complete. To lessen the risk of either over- or under-investment on the strength of short-term market movements, the Paris Treaty established arrangements for co-ordinating capital spending and encouraging enterprises to adjust their plans as necessary. As part of the system of issuing "General Objectives" (Article 46 of the ECSC Treaty) laying down the broad outlines of investment policy, the Treaty equips the Community institutions with three sets of powers:

- (a) *Surveys of investment* and the financing of investments (Article 47 of the Paris Treaty). These surveys are conducted as from 1 January of each year; their findings give a detailed view of the investments effected and planned, the method of financing them, and the correlative development of future production potential.
- (b) *Prior declaration of investment projects* involving sums over a given amount, namely, 500,000 u.a. in the case of new plant and 1,000,000 u.a. in the case of replacements and conversions (Article 54, third paragraph).
- (c) *The issuing of reasoned opinions* on the merits of such projects from the point of view of the General Objectives (Article 54, fourth paragraph). The opinions are purely advisory, and their contents are not disclosed, but they are notified to the Governments and lists of opinions issued are published periodically in the official gazette of the Communities. The Commission receives, under similar conditions, declarations concerning closures in prospect and detailed reports on the progress of investment or closure projects declared earlier (Decision No. 22/66 of 16 November 1966).⁽¹⁾

The Community's appraisals can and do on occasion cause enterprises to revise or even to scrap projects which appear unduly ambitious or fraught with considerable risks in view of parallel schemes elsewhere. They do not, on the other hand, encourage them to go ahead with certain projects which would be of value from the Community's point of view but for which it is difficult to find the

⁽¹⁾ Decision 22/66: *Official gazette* No. 219, 29 November 1966 (corrigendum to the French text, *Official gazette* No. 227, 7 December 1966).

capital. In cases of this kind, the first and second paragraphs of Article 54 empower the Commission to furnish financial assistance to the enterprises, either by lending to them direct or by guaranteeing loans raised by them from other sources.⁽¹⁾

Annual surveys

224. According to the last annual survey,⁽²⁾ iron-ore production will continue to dwindle, though the producers hope that this process will slow down and that their annual extraction potential will not be reduced by more than 1.7 million tons in all from 1968 to 1971, as against one million tons in 1967 alone.

The iron and steel industry, on the other hand, hopes to keep up a fairly rapid rate of expansion over the next few years, which might lead to a production potential of 124 million ingot tons in 1971, with pure oxygen-blown steel accounting for 44%, as against 28% in 1967.

Declarations of investment projects

225. The expenditure and tonnage figures emerging from the declarations received in the course of a given year do not tally with the particulars assembled in the annual survey. The survey covers all capital expenditure planned, whether embarked on, approved, or merely contemplated. The declarations, on the other hand, are required only in respect of projects representing complete schemes definitely scheduled to be carried out by the enterprises; the operations concerned frequently extend over a period going beyond that covered by the annual survey, and, moreover, projects involving an estimated expenditure below the levels mentioned are not declarable.

The aggregate value of projects declared in 1968 (including changes notified in earlier ones) was approximately 669 million u.a., with the Benelux countries accounting for 341, Germany for 212, France for 73 and Italy for 43 million.

⁽¹⁾ Ch. III, 8.

⁽²⁾ See *Les investissements dans les industries du charbon et de l'acier de la Communauté — Situation au 1er janvier 1968*, Luxembourg, July 1968.

The projects relating to rolling mills have a value of 454 million u.a., i.e. about 70% of the declared total outlay. The very high level of investment in the flat products sector is attributable to four major projects.

TABLE 10
Aggregate value of projects declared

(millions of u.a.)

Year	Iron-ore mines	Steelworks-owned coking plants, charge preparation and blast-furnaces	Steelworks proper, including L-D and similar	Rolling-mills, including mills for flat products	Generating plant and miscellaneous (steel industry)	Total
1956	9	240	135 (2)	189 (77)	74	647
1957	25	110	26 (22)	85 (46)	31	277
1958	16	173	48 (18)	125 (66)	64	426
1959	8	115	17 (6)	302 (204)	61	503
1960	6	322	357 (287)	930 (520)	193	1,808
1961	10	214	166 (124)	799 (559)	182	1,371
1962	—	140	58 (43)	268 (149)	87	553
1963	—	24	26 (15)	87 (73)	6	131
1964	—	43	120 (102)	256 (48)	82	501
1965	—	116	86 (77)	293 (189)	94	589
1966	1	56	18 (18)	261 (116)	2	338
1967	—	216	131 (128)	252 (166)	98	697
1968	—	106	49 (43)	454 (355)	60	669

By the terms of Decision No. 22/66, enterprises have since 1 January 1967 been required also to declare disinvestment projects whereby capacity is to be taken out of service. Under this head the Commission received three declarations concerning iron-ore mines and 23 concerning the iron and steel industry; the latter relate essentially to the scrapping of a great deal of obsolete or obsolescent capacity, such as basic Bessemer converters (production potential 2.2 million tons/year), open-hearth furnaces (0.5 million) and section or sheet mills (1.7 million).

Reasoned opinions

226. Under Article 54, first paragraph, of the ECSC Treaty, the Commission may, and if specifically requested by the enterprise in

question must, issue reasoned opinions concerning investment projects of particular relevance for the purposes of the Community's General Objectives. The Commission views the projects in the context of any rival schemes on hand and indicates whether there has been a tendency to be too much or too little influenced by the movement of the market. In this way it is able to caution enterprises against the risk of overcapacity or of installing equipment which will clash with other equipment elsewhere. In addition, if need be, financial aid can be provided for the most worthwhile projects.⁽¹⁾

During 1968 the Commission received 54 prior declarations of investment projects and decided to issue separate opinions on 27 of them, namely:

- (a) Five small electric steelworks projects, intended to produce ordinary grades of steel; the Commission felt obliged to draw the promoters' attention to the vulnerability of these products;
- (b) Twelve projects, deemed worthwhile because they implied:
 - (i) The installation of modern equipment without any material increase in capacities—oxygen steelworks, charge preparation, continuous casting (stationary or rotary), vacuum casting (ten projects);
 - (ii) Greater competitiveness of enterprises that are essential to maintain regional balance, admittedly at the cost of a certain increase in production capacity (two projects);
- (c) As for the last ten projects which in the Commission's view required comment, they were all warranted from the standpoint of the internal balance of the enterprises submitting the relevant declarations, but entailed substantial net additions to the potential production of pig-iron, steel or flat-rolled products. It seemed possible that if such plants were brought into operation, they would heighten the overcapacity of the Community's iron and steel industry. The Commission expressed the view that certain consultations between enterprises might be necessary in order to obviate such sharp increases in capacities in the face of demand expanding at a fairly stable rate.

⁽¹⁾ Ch. III, 8.

INDUSTRIAL POLICY ON NUCLEAR QUESTIONS

227. The elaboration of a coherent industrial policy on nuclear questions would at the moment appear to be essential for the Community. In its survey of Community nuclear policy, or "White Paper", which came out on 9 October 1968, the Commission analysed the present industrial situation and suggested guidelines for the promotion of reactors and their associated industries.⁽¹⁾

The state of the nuclear electricity market

228. The outstanding feature of the Community nuclear electricity market is the development of two types of proven reactor (gas-graphite and light water) on a purely national basis. This parallel effort had its origins in special situations which existed in the past and persists today mainly for reasons connected with the supply of enriched uranium. Hitherto, it has tended to impede cross-frontier co-operation between industries within the Community. In addition, the Community market is small—6,300 MWe spread over a score of plants built or under construction, as compared with 60,000 MWe over a hundred power plants of the same reactor type (light water) built or under construction in the United States. As regards the unproven reactors at present being designed or developed with a view to their industrial-scale production, an even greater dispersion and compartmentation of effort is to be noted. They comprise the following:

- (a) Four variants of heavy-water reactor;
- (b) Two variants of high-temperature gas reactor;
- (c) Two variants of fast breeder.

Bearing in mind that the development cost of a reactor type, from the outset to the first of the line, generally runs to 500 million u.a. or more, the funds required for the industrial-scale development of the different types of reactors and the limited size of the market are such that a choice must be made in order to ensure an economic return on the money invested.

⁽¹⁾ Supplement to *Bulletin* 9/10-68.

Moreover, the Community market is not big enough to warrant competition between a large number of firms and allow them to face up to international competition. There are some twelve reactor manufacturers in the Community, only eight of which have as yet built a nuclear plant of at least 150 MWe, chasing a volume of orders which, in terms of the total value of nuclear plants under construction or the subject of other firm orders, represents only about 11% of the corresponding value in the United States. It should be noted that four firms, or perhaps five in the future, will divide up the American market between them. Finally, it should be pointed out that six of the Community firms are tied to US companies by licences or technical agreements. While certain licensees have gradually achieved greater independence with respect to their American partners, nonetheless the licensee generally lags behind his partner and has no opportunity, at least in the first few years, to profit by the particularly good openings in the market. Moreover, the licensor usually endeavours to limit the selling area for the products built under licence and thus prevent the creation of a large market for them.

Although the Member States abolished all internal customs tariffs on nuclear products back in 1959, they have made hardly any progress towards transnational integration between manufacturers of the same type of reactor and the same fuel elements, largely because, with one exception, calls for bids have always been restricted to a particular nation.

Guidelines for a nuclear industry policy

229. The present situation is therefore gravely prejudicial, both to those states which have already spent considerable amounts, and to the electricity producers, who have no guarantee of the satisfactory operation of their nuclear plants, as well as for the firms which, competing as they are in a small market, cannot for lack of sufficient orders spread investment and design expenditure over many years, and are consequently reluctant about taking risks and fight among themselves for subsidies.

That is why the need for a common industrial policy is greater in the field of reactor construction and allied industries than anywhere else. This policy could develop along the following lines, certain of which can only be laid down in detail after wide-ranging consultations with experts from the Member States and with the sectors concerned.

230. For the industries to be able to develop a structure and a commercial strategy, they need to have an assured minimum of large orders. This implies that the responsible public authorities and the utilities must jointly define their medium-term objectives in the matter of power; this would be done as part of the preparation of the Commission's target programmes, to cover several years and be subject to periodic revision.⁽¹⁾ At the start of each year, the nuclear power plant construction projects would be examined by the Community authorities in consultation with the principal parties. This annual scrutiny of orders for power plants should make it easier to standardize their types and sizes and the equipment used in them. For the projects co-ordinated technically in this way, tenders should be invited and wherever feasible be open to the whole Community, thus making it possible to have group orders of two to four units, as already happens in the United States. By such measures the legal situation created by the common nuclear market would become a *de facto* situation.

As nuclear activities in the various Member States lead on progressively to industrial developments, whether it be in the erection of power plants in or outside the Community, it becomes all the more imperative to put into effect the general principles underlying the European Community. It would in any case be essential to co-ordinate the various countries' aid systems within the Community. It may reasonably be asked, however, whether it would not be advisable to go further and set up a Community aid system which would partly replace the national measures and might take the form of a European Nuclear Industry Development Fund. The object of this Fund would be to promote the conditions under which European nuclear power could come into its own. It would aim at improving the efficiency of known or promising techniques and facilitating the transition from public to private financing. It would be a means of boosting and guiding industrial activity, and in particular it could:

- (a) Provide the financial security needed to cover certain exceptional technological risks still inherent in the nuclear field, which European constructors, owing to the limited scale of their finances, are scarcely in a position to bear;
- (b) Assist in the connection of power prototypes to the grid, by helping to relieve the financial burdens involved;

⁽¹⁾ Ch. III, 3.

- (c) Contribute to any major industrial project in the nuclear sector (e.g. uranium enrichment plant, heavy-water production plant).

Another form of aid to enterprises which has already been employed is the granting of joint enterprise status. To what extent better use could be made of the advantages conferred by that status is a question which ought to be examined. Joint enterprise status and enjoyment of the Fund should be reserved for projects in respect of which an invitation for Community tenders is issued, or which at least form part of a common policy for development of the nuclear industry.

The effort asked of the public authorities and utilities as regards forecasting and concerting their orders, and the financial support that would come from the state or Community authorities, should be matched by an effort to reorganize the Community's industry. For, fragmented as it is, it mostly has to rely on government subsidies, which accounts in no small degree for the fencing-off by each country of its own market. This is why the series of measures described above should be accompanied by a movement towards integration in the industry on the part of both designers and manufacturers of reactors or components. By combining, firms would be able to strengthen their technical and financial basis and so to take certain risks, at the same time offering better price conditions, and this would certainly serve to widen the outlets for nuclear power plants both inside the Community and on export markets.

In order to stimulate the formation of such groups, the Community for its part, ought wherever possible to give priority to the multinational groups thus established as regards grants from the Development Fund.

Safety of nuclear installations

231. The activities of the Commission as regards nuclear industrial safety are as follows:

- (a) The study of technical safety aspects of particular nuclear installations within the Community;
- (b) The comparative study of working methods both within the Community and in non-member countries, and also the co-ordination of programmes of supplementary experimental and theoretical research on nuclear safety.

These studies entail the standardization, either pragmatically or in a more systematic manner, of the methods used in the various countries.

*Study of the technical safety aspects of nuclear installations
in the Community*

232. The studies carried out under basic contracts concluded with companies operating nuclear power plants under the Euratom/US Agreement for Co-operation have been continued, as have those carried out at government request or under agreements between Member States and the Commission.

As in the past, all these studies have been conducted in close co-operation with the responsible national authorities and bodies, while at the same time permitting the maximum possible collaboration of experts from the corresponding bodies in the other Member States, and where appropriate of experts from non-member countries, thus bringing about a large measure of co-operation between the available specialists.

During the period concerned, these studies related mainly to safety aspects of the nuclear power plants at Chooz (France) and Dodewaard (Netherlands), and also to the Otto Hahn marine reactor and the Eurochemic chemical reprocessing plant (Belgium).

*Studies on working methods and the co-ordination of supplementary
experimental and theoretical research programmes*

233. Like the above studies, these are carried out in conjunction with the appropriate specialist bodies.

Views and information have also been exchanged with the technical bodies specializing in the inspection and supervision of nuclear installations and with operators and constructors, either through multilateral contacts with experts in the Member States and non-member countries, or through active participation by the Commission in projects launched by the International Atomic Energy Agency (IAEA) or the European Nuclear Energy Agency (ENEA).

Many experts from the Community and also from the UKAEA and USAEC have participated in these activities, e.g. the specialized colloquia held at Ispra in June 1968 and at Delft in December 1968. The former, organized by the Committee on Reactor Safety Techniques (CREST), dealt with the reliability of electrical equipment and systems in nuclear installations, and the latter with the safety of pressurized steel vessels.

The CREST specialist subcommittee, composed of representatives of the CNEN (Italy), the Institut für Mess- und Regelungstechnik (West Germany), the CEA (France) and the USAEC (USA), and chaired by the representative of the Commission, has continued its work; it is to make a critical study of the technical aspects of light-water reactors in liaison with various programmes of experimental research and analytical calculations conducted in the various countries. A progress report was presented at the fourth meeting of CREST in October 1968.

THE INDUSTRIAL APPLICATIONS OF RESEARCH

Growth industries

234. In accordance with the wishes expressed in the First Medium-term Economic Policy Programme, the Commission has organized, firstly, a study on the electronics industry in the Community countries and the problem of American investments, and secondly, a study on electronics research and development in the Community countries and the main non-member countries. These two studies are in the course of publication. Apart from collaboration in the preparation of the second programme, efforts have been especially directed towards two fields which, according to the terms of the Council resolution of 31 October 1967, are to form the subject of consultations among the Member States with a view to co-operative action in industrial technology. The fields in question are information science and telecommunications, where two series of projects for possible co-operation were proposed in reports, which it has not been possible to submit to the Working Group on Scientific and Technical Research Policy owing to the interruption of its work.

235. The Commission has asked an economic research institute to carry out a study on the aerospace industries of the Community. The

work is well in hand, and the final study is due to be finished before the end of 1968.

Radiations and radioisotopes

236. The importance of the industrial and economic implications of the use of radiations and radioisotopes has induced the Commission to foster the development of isotope techniques and to promote their use in all sectors of industry and technology which are seeking to improve their productivity and competitiveness. The Commission's intervention on behalf of the radioisotopes and related industries is aimed at consolidating the isotope sector, facilitating the creation of new related industrial branches and providing other industries with advanced ways and means of rationalization and automation.

The limited funds available in each country and the comparative smallness of the national markets make it necessary to ensure, through concerted action, a satisfactory meshing of the successive stages of both technical and industrial "promotion" so as to create conditions favourable to the birth of technical innovations, on which industry's competitive capacity depends. The Commission's efforts in this direction, through the work of its "Eurisotop Office", can be grouped under three headings: the promotion and publicizing of the industrial application of isotope techniques, the creation of conditions of a non-technical nature such as to facilitate the adoption of these techniques by industry, and the fostering of technical innovations.

To promote industrial uses of isotopes and radiations by a more direct transmission of knowledge has been one of the Commission's principal aims. An information and demonstration project known as "IRAD",⁽¹⁾ aimed at publicizing irradiation techniques in a very wide range of industries, was conducted in Rome, Milan, Lyons and Munich in 1968. Specific promotion drives—including the application of activation analysis in the steel industry, the adoption of gammagraphy in civil engineering,⁽¹⁾ and the use of electrical radioisotope batteries—together with the consultant services and the distribution of "Eurisotop" publications, helped to spread specific or more general information on the technical or economic aspects of the industrial applications of isotopes and radiation.

⁽¹⁾ *First General Report* (1967), sec. 401.

These techniques, which are new and in many ways revolutionary, also have to be fitted into the present economic, social and legal context. The Commission is therefore having studies carried out on the various aspects of the use of isotopes and radiations, with a view to providing the circles concerned with greater information and to drawing up recommendations by which industry can more easily adopt isotope techniques. As the creation of concrete and practical administrative conditions is of prior importance for those fields which have already attained technical maturity, studies have been undertaken on the marketing aspect of radioisotopes and non-technical conditions governing the use of radiometric devices.

In this sector, where structures are not yet consolidated and where the partitioned state of the Community market and the narrow scope offered by each national market stunt the growth of technical innovations, the Commission has taken pains to stimulate and back up industrial initiative by appropriate steps in an effort to prevent impairment of firms' competitive capacity in the coming years. Among its activities of this type, special mention should be made of the following: a target programme for the concerted development of nuclear techniques to meet the textile industry's requirements; measures to encourage the development of irradiated wood-plastic composites and of salmonella destruction by irradiation of fodder; and the development of radiometric techniques for monitoring air pollution, measuring beer densities and regulating the transport of solids by compressed air or compressed liquid.

Technical research and promotion of steel consumption

237. The Commission has continued its research effort while bearing in mind the present and future needs of the Community's iron and steel industry.

In the iron ore sector, the Commission in 1968 encouraged research on the structure of agglomerates and the fabrication of crude pellets, with the aim of ensuring that Community ores account for an economically justifiable proportion of supplies to Community blast furnaces.

Research now in progress is directed to improving the quality of foundry pig with a view to encouraging foundries to use a greater quantity of pig in proportion to the quantity of scrap used.

During 1968, the Commission also encouraged the pilot-scale development of a new steel production process ("Rotover") designed to improve the present oxygen conversion techniques. Community research on the continuous conversion of iron to steel by use of oxygen has yielded sufficiently encouraging results to decide the Commission to step up its aid to this sector.

Measurements are an essential prerequisite for automation, and here the Commission is financing a collective programme for the development of continuous measurement methods and equipment using processes based on various physical phenomena—radioisotopes, lasers, ultrasonics, etc. Considerable attention has been paid to non-destructive quality controls, the Commission encouraging special research on the gammagraphic probing of semi-products, which is one of the physical techniques used here.

238. The activities of the ECSC as regards technical research on iron and steel have extended since 1966 to the promotion of the use of steel. In this connection, it has organized steel congresses, the most recent of which was held in Luxembourg in July 1968. Its subject was "Steel in the Chemical Industries", and its success was proof of the interest which producers and users take in this kind of meeting.

In the field of metal physics, the Commission has encouraged basic research aimed at providing the iron industry with the means of obtaining steels with improved mechanical properties, in particular high tensile strength, without a marked increase in the prime cost. The Commission gave assistance in 1968 to a new research project in this field which is a practical application of previous work and concerns the fabrication of certain products by thermomechanical processes.

One large field of research concerns the intensified study of the utilization properties of steels. In view of the results of an initial Joint Community programme,⁽¹⁾ the Commission has decided to encourage a supplementary programme designed to increase the potential applications and to facilitate the conversion and utilization of steels. In addition, special research projects have been undertaken which relate to the metallurgical qualities of certain parts fabricated by means of high-energy cold-shaping processes.

⁽¹⁾ *First General Report* (1967), sec. 367.

3. Scientific, technical and nuclear research policy

GENERAL ASPECTS OF SCIENTIFIC AND TECHNICAL POLICY

239. Today there is no longer any disputing the fact that research and innovation are vital to economic growth. The searching public discussion on this subject in recent years, and particularly in the European Parliament, has given rise to a general awareness of the need to step up the research effort in order to assure the Community's industry of its rightful place in the economy of the future.

The Member States paid due heed to this necessity when drawing up their budgets for the financial year 1968. Their expenditure on research and development showed marked increases on the previous year.

Table 11 shows the sums devoted to research by the public authorities in the Community countries, the US and the UK.

TABLE 11

Public expenditure on research

Country	1967	1968	Difference 1968/67
	million u. a.	million u. a.	%
Belgium	189	204	+ 8
France	1 783	(¹)	+ 12(²)
Italy	291	322	+ 11
Netherlands	221	256	+ 16
West Germany(³)	850	925	+ 9
Community	3,334		+ 11.1
UK	1,450	(¹)	
USA	16,150	(¹)	

(¹) Figures not available at time of going to press.

(²) Provisional estimates.

(³) These figures do not include the expenditure of the Länder.

In the promotion of research in the Community by the public authorities, priority has been accorded to nuclear research, space research and information science. Several of the Member States have recently shown an increased interest in oceanology. Today the Community's initial leeway in nuclear technology compared with other industrialized countries has to a large extent been made up, although the absence of a unified policy among the member countries in the field of reactor development and the excessively large number of enterprises engaged in this sector continue to make for a lack of co-ordination which detracts from overall efficiency. In certain of the other fields of research the gap is still pronounced.

240. A mere comparison of the efforts of the various industrialized countries suffices to show that in order to safeguard Community industry's competitive power on the world market more rational use must be made of the funds invested in research. For the countries concerned simply to increase their own spending on research and development would only—on account of the limitations inherent in the economic capacity of the individual Member States—be a partial solution to the problem, since it would not remedy the existing fragmentation of efforts on the Community level.

This fact having been established, the Council, the Member States' representatives in the Council, and the Commission adopted a resolution on 31 December 1967 in which they expressed the wish to undertake energetic action to reinvigorate and promote scientific and technical research and industrial innovation. The following decisions were taken on this occasion:

- (a) to undertake, as a step towards economic integration, action designed to improve the general conditions of research and innovation (in particular, consideration must be given to creating a system of European company law and a European patent and to the harmonization of tax systems);
- (b) to entrust a certain number of very important tasks to the Medium-term Economic Policy Committee's Working Group on Scientific and Technical Research Policy.

The details of this important resolution were reported on last year. Here it will merely be recalled that very tight schedules were laid down for some of the tasks, in view of their urgency. The Working Group on Scientific and Technical Research Policy was to

have submitted a report before 1 March 1968 on the possibility of co-operation in certain specified fields and the possible inclusion of other fields. The Committee of Permanent Representatives was to be enabled to put its conclusions before the Council by 1 July 1968.

In view of the short time available the work was put in hand immediately with all dispatch. Expert groups were set up for each sector mentioned in the resolution (information science, telecommunications, new means of transport, oceanography, metallurgy, abatement of nuisances, and meteorology). Thanks to the activity of the rapporteurs (both national representatives and Commission officials), the expert groups' discussions very soon led to the preparation of interim reports. Contrary to expectations, however, the schedule laid down by the Council could not be adhered to because the Working Group and its expert groups were unable to hold meetings after 1 February 1968.

This suspension of work was due to the fact that the Council had been unable to reach an agreement on the problem of collaboration with other European countries, which also had to be discussed, in compliance with the Resolution of 31 October 1967. This stemmed directly from the political crisis as a result of which the Council's meeting on 18 and 19 December 1967 to discuss the application for membership came to an unproductive close.

241. This calling of a halt to work which had been undertaken with so much drive did not fail to stir the Commission to action, and it received valuable support in this from the European Parliament, which has repeatedly issued pressing calls manifesting its concern at the stagnation of the Community's effort in the scientific and technical fields. Special mention may be made of the following: the debate during the March 1968 session on the Commission's reply to spoken question No. 18/67 put down by Mr. Pedini, the debate during the October session on the report by Mr. Bersani and three written questions put to the Commission by Mr. Oele and Mr. Vredeling.

As regards the steps taken by the Commission, mention must first of all be made of the following two initiatives: on 2 April 1968 the Commission submitted an Opinion to the Council on certain problems relating to the applications for membership, in which it recommended that the Council take simultaneous decisions on concrete action regarding research policy and on methods of collaborating with the United Kingdom and the other states wishing to join. In its memorandum

to the Council dated 15 May 1968, the Commission outlined its ideas on the basic problems underlying technological co-operation in Europe and endeavoured to show, by means of actual examples, how urgent it was to continue the work already begun. Furthermore, the Commission tried to map out, even more clearly than in its Opinion of 2 April 1968, the general pattern of the collaboration arrangements to be implemented with a view to enabling any states which are interested to become members subsequently.

242. The Commission's satisfaction was all the greater when the Council finally decided on 10 December 1968 to resume the Community's scientific and technical research activities. It was resolved that the Council should put into effect by 1 July 1969 the decisions taken on 31 October 1967. It is for this reason that the Working Group on Scientific and Technical Research Policy has to submit, not later than 1 March 1969, the report whose preparation was interrupted by events.

Considering the reasons for this interruption, it comes as no surprise that the resolution of 10 December 1968 should have dealt at very great length with relations with other European countries, particularly those wishing to join the Community. Emphasis is laid expressly on the fact that the Working Group on Scientific and Technical Research Policy will be required to give consideration to possibilities for collaboration with European non-member countries. The Council will then examine the report and draw initial conclusions on the concrete steps to be undertaken. In the light of these conclusions the Council will forward proposals for co-operation to the interested European countries, notably those which have applied for membership. It will then receive, through the appropriate channels, the opinions of the interested states on the proposals in question and will discuss any replies and suggestions they submit. Finally, in order to prepare the ground for the discussions between the competent ministers of the Six and the other European countries and the Commission's representatives, the Council and the interested non-member countries will call meetings of government experts and the Commission's staff for a review of the various problems—technical, financial, etc.—raised by the implementation of these schemes.

243. The resolution of 10 December 1968, therefore, settled a very serious difference of opinion between the Member States, but one which was basically only a matter of procedure, namely, concerning

the best approach to follow in implementing a joint policy in new fields of scientific and technical research, or even in any new field. It may be asked, after the event, whether the increasing difficulties experienced in almost all fields of scientific and technical co-operation at a European level did not of themselves help to close the ranks. The fact is that during the year under review, as already mentioned in the Commission's memorandum to the Council dated 15 May 1968, several far-reaching decisions had to be made, notably in sectors on which much of the Member States' efforts are concentrated. By the end of 1968, however, only a few of these decisions had been taken or had reached a preparatory stage which gave grounds to assume that processing would be completed within a relatively short time.

The position was as follows:

In the field of nuclear research, which directly involves the Community, a decision on a new multiannual programme for Euratom should have been taken before the end of the year, but had to be put off for the second time. The following chapter deals in detail with the course of the discussions regarding this programme. Let it be said forthwith, however, that Euratom's activities are still on a temporary footing, as has been the case for a year already.

In the field of space research, the Third European Space Conference was intended to reach a decision on the proposed European space programme and dispel the uncertainty due to the attitude of some member states towards the future activities of ELDO and ESRO. However, the Conference, though scheduled for July, finally took place in Bonn on 12-15 November and was unable to come to any agreement on the proposed research programme. A major step towards a more rational organization of European space research has nonetheless been made, and a decision to merge ELDO and ESRO, the two existing organizations, could be taken at the Fourth European Space Conference due to be held in Brussels in March 1970. It was also confirmed that both organizations' programmes would be continued, and the ELDO Council of Ministers, meeting in Bonn the day before the Third European Space Conference, did no more than carry out some technical simplifications to the Europa I and Europa II programmes. However, this result seems to have been partially called in question in December 1968 at the last meeting of the ELDO Council, when some delegations again expressed reservations about continuing with the ELDO programmes; consequently, ELDO's 1969 budget could not be adopted.

It is as yet impossible to foresee the effect which this new uncertainty will have on the elaboration of a European space research policy.

In the field of aeronautics, the European airbus project was a subject for concern in 1968, the Member States being reluctant to commit themselves irrevocably. This hesitancy arose from the fact that the Member States would have had to undertake to buy enough aircraft to guarantee the economic viability of the project, which has to meet strong competition from three American firms. A final decision on this matter has not yet been taken.

In conclusion, mention should be made of the proposed large European particle accelerator. Doubt had arisen as to whether it would be built owing to the attitude of a leading member of CERN. A solution now appears possible following the meeting of the CERN Council at Meyrin, near Geneva, on 2 and 3 October 1968. A 200 GeV accelerator would first be built and its power subsequently raised to the 300 GeV rating specified in the original design. Although a final decision is not due to be taken until May 1969 there are grounds for assuming that most of the CERN member states will agree to participate in the new project.

244. A quick rundown of the main events of 1968 in the field of scientific and technical collaboration clearly reveals the situation in which a good many of the most important organizations find themselves. This situation led the Commission to set out its thoughts on the underlying causes of the present difficulties in its memorandum to the Council dated 15 May 1968. Similarly to Mr. Bersani in his report on European policy with regard to research and technology, the Commission advocated revamping the methods used up to now. It is impossible here to detail the various ideas expressed; suffice it to mention that the Commission spoke out in favour of:

- (a) the reorganization and rationalization of the efforts made in the research and development field;
- (b) the creation of economic and legal conditions conducive to the promotion of research and innovation;
- (c) the co-ordination of public contracts;
- (d) the setting-up of machinery for stable joint financing;

- (e) the comparison of national programmes with a view to deciding priorities in line with the long-term aims of Europe's economic development.

One thing, however, is essential for any fundamental progress in co-operation in the field of research, namely, the elaboration of a procedure for giving Member States a complete and clear idea of the objectives which they are jointly pursuing in the various sectors. If the Member States are the sole participants in a definite co-operative project, they will be able to ensure that these objectives are attained in a rational manner. But even if other countries participate in the joint venture, prior agreement between the Member States could help to throw light on the objectives to be pursued in common with other participants. This would lead to a strengthening of the underlying political will, which is an essential condition for the continuity of the work.

PREPARATION OF THE NEW MULTIANNUAL EURATOM PROGRAMME

245. At the end of the previous section, the definition of common aims was stated to be an essential condition for satisfactory co-operation; this is particularly true of the nuclear sector. The Council decision dated 2 December 1967, which was the starting point for the discussions of the 1968 programme, could clearly be regarded by the Member States as confirming this principle.

As is known, the Commission put before the Council an interim programme for the year 1968, since after it resumed its activities in July 1967 it was no longer possible to work out a new multiannual programme for Euratom before the end of the year, i.e. before the completion of the second five-year programme. The essential aim of this interim programme was to ensure that work continued, thus gaining time for an overall discussion of joint objectives. At its meeting on 8 December 1967 the Council accepted this proposal (though limiting itself to direct Euratom activities) and adopted a corresponding research budget for 1968. In the case of indirect activities carried out under contracts of association, the Council had worked out a special procedure which would emphasize the value to the Community as a whole of pursuing this work under a new multiannual programme and would thus provide the necessary means for

including these projects in a supplementary budget for the year 1968. At the same time the Council decided to take a decision before 30 June 1968 on the broad lines of Euratom's future activity, so as to enable the Commission to submit programme proposals to the Council.

246. The Council did not succeed in carrying out the work-plan outlined in its decision of 8 December 1967.

The examination of existing associations, which because of its relevance to the possible increasing of the 1968 budget was to be completed by 1 March 1968, did not meet with unanimous approval except as regards work in the field of controlled nuclear fusion and part of the work in the field of biology and radiological protection. In the field of reactor development no progress was achieved. This last point was not dealt with separately by the Council, because the latter's discussions on the broad lines of future Euratom activity continued to centre on an attempt to reach agreement on activities which are still blocked. In the hope of putting at least the partial result of these deliberations to good use, the Commission submitted to the Council on 24 July 1968 a preliminary draft supplementary budget to the 1968 research budget, which included some additional appropriations for the Joint Research Centre together with funds for approved activities in the fields of controlled nuclear fusion and radiological protection, as well as for Community participation in the Dragon project. However, at its 30 July 1968 meeting the Council decided to include only the last-mentioned of the Commission's proposals in its draft supplementary budget, while approving the extension of the Dragon agreement from 1 January 1968 to 31 March 1970.⁽¹⁾

Failing agreement on Euratom's future activities, the Council postponed to a later date its decision on the Commission's proposals concerning nuclear fusion and radiological protection.

247. At the beginning of 1968 the Commission had already prepared a discussion paper on this point, which it submitted to the Council in its communication of 6 March 1968. In the course of the ensuing discussions unanimity was reached on only a few points, the major issues—reactor development and large areas of the Joint Research Centre's activity—still being the subject of controversy. Owing to this diver-

⁽¹⁾ The supplement to the draft research budget for 1968 was adopted by the Council in its final form on 29 October 1968, as soon as the European Parliament had made known its position at its meeting on 1 October.

gence of views the decisive meeting of the Council had to be postponed several times. As a result the Council finally abandoned the schedule agreed to on 8 December 1967 and deferred until after the summer vacation the meeting planned for 28 June.

The Commission was thus faced with a new situation. In view of the state of the discussions it could not hope, by following the procedure laid down on 8 December 1967, to put forward programme proposals within the necessary time-limit, for the essential requirement for the drawing up of a research budget for 1968 was that the decision on the programme should be taken before the end of the year. The Commission therefore made use of its right of initiative and, acting in accordance with Articles 7 and 177 of the Euratom Treaty, submitted to the Council a proposal for a new multiannual Euratom programme, together with a preliminary draft of a research and investment budget for 1969.

At the same time the Commission presented a survey of the problems relating to the Community's nuclear policy, in which it stated the lessons which it had learned from more than ten years' experience of implementing the Euratom Treaty. In addition, it set the research activities in the wider context of the Community's general (i.e. industrial and energy) policy, and made proposals for integrating all nuclear activities into a coherent Community framework.

248. The draft programme itself was based on an analysis of the Community's nuclear situation as outlined in the survey, and on the principles of action set out therein. In addition, it took into account as far as possible the guidelines which could be deduced from the Council's decisions of 8 December 1967.

As a result the Commission:

- (a) oriented the programme towards direct and indirect activity, the direct activity ensuring the optimum utilization of the potential of the Joint Research Centre establishments and the indirect activity relating to the funds sunk by the Community in contracts of association;
- (b) availed itself of the possibility of making individual projects in the multiannual programme of variable duration;
- (c) seized the opportunity of backing other forms of activity for which a modified key can be used in calculating financial participation;

- (d) took into account the need to ensure the execution of tasks laid down by the Treaty, such as training and the dissemination of information.

On the other hand, the Commission did not include in its proposal the solution of the following problems, which require further study:

- (a) supply of enriched uranium, concerning which no proposal was made, as work is in progress on the subject;
- (b) modification of the Statute of Service, which involves preliminary legal issues;
- (c) use of the Joint Nuclear Research Centre for non-nuclear research.

The main features of the programme presented by the Commission were the continuation of reactor development, medium-term research projects of a more basic nature and of general interest, and public service activities.

In view of the industrial implications of reactor development work, the Commission emphasized the need for negotiations with Member States as soon as possible in order to define new modes of action in this field. The Commission proposed that the work in progress at the Joint Research Centre be continued during the transitional period, i.e. for one year in the case of fast reactors and high-temperature reactors, for three years in the case of heavy-water reactors, and for five years in the case of the plutonium programme and technological work on the development of reactor types. Furthermore, scientific personnel seconded by the Commission to the various associations should remain where they are for the time being.

The medium-term research projects of general interest proposed by the Commission are in the following fields: reactor physics, condensed state physics, direct conversion, study of materials, nuclear fusion, biological research, radiological protection and technical and economic studies.

The public service activities proposed in the Commission's programme covered the work of the European Scientific Data Processing Centre (CETIS), the Central Bureau for Nuclear Measurements (CBNM), and the BR-2 and HFR reactors. Mention should also be made of the proposals put forward by the Commission in a variety of fields including the use of isotopes and radiations in industry and technology, the dissemination of information, training and also measures of co-ordination.

With regard to CETIS, the Commission proposed that its automatic computation programme should be backed up by a data processing programme.

The staff of the CBNM were to be increased and its activities widened to include the standardization of radiological protection apparatus. As regards the dissemination of information, training and co-ordination, the Commission proposed that the appropriations be increased in order to offset the reduction in work performed under contract.

The total funds requested by the Commission for conducting its research and investment programme were 336 million u.a.

249. The Commission's programme proposals were examined by the Council at its meeting on 28 November 1968. Unanimous agreement was reached on only a limited number of the proposals. Since agreement could not be achieved on a transitional solution which would have permitted a thorough discussion of the problems underlying Community nuclear policy, the Council authorized a committee of high-ranking officials to examine in conjunction with the Commission the possibility of drawing up an alternative programme. They were asked to look into the prospects of exploiting the potentialities of the Joint Nuclear Research Centre by using it to carry out joint programmes, complementary programmes and non-nuclear work. The group was able to study only the first two of these three points; furthermore, it was tackling the question of the prospects of complementary programmes for the first time. Previously most of the delegations had not been in a position to take these programmes into consideration, because by the decision of 8 December 1967 the joint programme was to be as wide as possible, and the conclusion that it was impossible to extend this programme could only be reached after discussion at the highest level. As had been expected, the committee was unable to draw up an alternative programme. It confined itself to formulating conclusions, based on the Commission's proposals, concerning the prospects of agreement on either a joint programme or complementary programmes.

250. The Council met again on 20 December 1968 to consider the results of the group's work. It finally adopted a 48.43 million u.a. one-year research and training programme, giving equal importance to a joint programme and to complementary programmes in which only five Member States participated — or even, in two specific instances, a smaller

number. At the same time the Council decided to adopt a new multi-annual programme before 1 July 1969, and before this date to examine the criteria and principles governing a co-ordinated nuclear industrial policy. Finally, on the basis of its resolutions on general research policy, it decided to define new non-nuclear activities which could be carried out by Euratom's Joint Research Centre.

More exactly, the programme approved by the Council for the year 1969 is made up as follows:

Joint programme (24.03 million u.a.): fast reactors (indirect action), heavy-water reactors (Essor), high-temperature gas reactors (indirect action), plutonium and transplutonium elements (in part), fusion and plasma physics, biology and health physics, nuclear measurements and standards, industrial applications of radioisotopes, dissemination of information, training, and co-ordinating activities.

Complementary programmes (24.4 million u.a.): fast reactors (Ispra, direct action), heavy-water reactors (non-specific research, specific research on light-water and heavy-water variants), high-temperature gas reactors (direct action), technological problems (plant safety, determination of fissile content), plutonium and transplutonium elements, reactor physics, condensed state physics, nuclear materials, direct energy conversion, biology and health physics (application to medicine, biology and agriculture), information processing (CETIS), BR-2, HFR.

The Council decided to block the funds for the second half of 1969 in order to lend greater weight to the proposed timescale of discussions on a new multiannual programme.

All in all, it has to be said that this decision of the Council produced no solution whatever to the Community's long-term nuclear problems.

The Council has therefore drawn up another timescale while at the same time stating that it wishes to resume examination of the existing difficulties in both technological and industrial policy. On the positive side, the Council's decision has again enabled the Joint Research Centre to continue its activities, even if a large proportion of these activities is not financed by all six of the Member States. But while the total amount of the new programme is seen to exceed that of the provisional programme for the financial year 1968, mainly because a wide range of indirect activities in the fields of biology and plasma physics have been recommenced under joint financing, it must be clearly recognized that

Euratom's position is still precarious. At the Council meeting on 20 December 1968 this fact was emphasized not only by the Commission but also by the representatives of several Member States, who expressed their fears as to the possible effects of this state of affairs on the Community's scientific policy.

THE COMMISSION'S NUCLEAR POLICY

251. After having for ten years been the focus of large-scale joint activity under Euratom sponsorship, the nuclear sector has now been subjected to a minute analysis by the Commission with the aim of deducing from past experience and achievements the objectives to be pursued and the means to be employed for the purpose. The results of this analysis were stated in a survey of the problems relating to nuclear developments within the Community, which the Commission forwarded to the Council together with its proposal for a new multiannual programme and its preliminary draft budget for the financial year 1968.⁽¹⁾

In this report, the Commission pointed out that, after ten years of implementation of the Euratom Treaty, the Community had made very little progress towards achieving its aim of creating the conditions necessary for the development of a powerful nuclear industry. The reason is that, generally speaking, the Community has not succeeded in co-ordinating the efforts of its Member States and still less in welding them into a coherent whole, even if Euratom's own activities have frequently yielded good results within the limits imposed on this organization. The fragmentation of research and development programmes in the Community has had the effect not only of reducing the efficacy of the projects undertaken, but also of hampering the creation of a genuine nuclear common market, as the Member States have reserved appropriations and public contracts for their own domestic industries. As the orders placed by the electricity utilities have in practically every case been awarded to domestic constructors, the growth of the nuclear industry within the Community has not been furthered by the abolition of tariff barriers and quota restrictions as soon as the Euratom Treaty came into force.

It cannot be argued that the Community has not made adequate sums available to research in the nuclear sector, and it is accordingly

⁽¹⁾ Supplement to *Bulletin* 9/10-68, and secs. 227 *et seq. supra*.

all the more regrettable to observe that the industrial and commercial return on the financial outlay in Europe has been so low.

In spite of the higher cost of conventional energy in Europe, the number of nuclear power plants under construction, on order or planned in the Community is only 16, representing some 6,500 MWe, in comparison with 87 units in the United States, representing some 70,000 MWe. From the industrial standpoint, it is also noteworthy that the 87 power plants in the USA are being or are to be built by four or five contracting firms, whereas the 16 units in Europe are being or are to be built by about 12 firms. The total value of the orders placed in the Community is less than that of the orders placed with each of the American firms.

These figures afford an idea of the extent of the gap existing in this field. They illustrate a situation which is due in large measure to the fragmentation of efforts, which has been made mostly at the national level and with national objectives in view. The weakness of industrial structures within the Community is in fact the result as much as the cause of this lack of co-ordination of officially sponsored projects.

Admittedly, in the present state of Community development, member countries are inevitably concerned to pursue certain objectives of their own in the nuclear sector. Even so, between this present state of affairs and the ideal situation, where there would be only one nuclear policy in the Community, the Commission feels that several stages are possible.

252. Having regard to the foregoing, the Commission has advocated in its survey report four types of action calculated to enable the Community economy to reap a more substantial reward from the research undertaken and the scientific and technical successes obtained.

The steps taken with a view to the industrial promotion of reactors have already been dealt with in detail in the "Industrial Structure Policy" section of this chapter.⁽¹⁾

The Commission recommends co-ordination in order to rationalize the national and Community efforts in reactor research and development. For this purpose, an immediate start must be made on ensuring a concentration of effort by taking a number of decisions in common

⁽¹⁾ Secs. 228 *et seq.*

concerning the choice of unproven reactor types. While such decisions are difficult to take in view of the unreliability of the technological data, it is nonetheless necessary to arrive at agreement on the following principles:

- (a) it is advisable simply to pursue the development of the most promising variants and to build prototypes only within the context of development programmes based on the potential and requirements of the Community as a whole;
- (b) programmes concerned with basic research on and development of components should be integrated and harmonized at Community level;
- (c) the collaboration of the Member States' industries in the construction of prototypes and components which would be afforded by the concerted use of official appropriations should be so designed that it will also warrant collaboration in the series manufacture of the reactor type evolved from these prototypes.

By making use of the joint enterprise status, it is possible to pursue common aims through the concerted action of national and Community public bodies and, perhaps, of the industries concerned. By reason of the flexibility which it offers from an organizational and financing standpoint, this status should enable certain projects to be carried out by the six countries jointly, and could even be applied when it is not possible for all the Member States to participate.

As far as industrial measures relating to supply are concerned, the Commission reserves the right to submit proposals regarding long-term enriched uranium supply arrangements for the Community, on the basis of the report to be drawn up by the CCNR and in compliance with the Council's resolution of 8 December 1967. Without wishing to anticipate these proposals, the Commission has emphasized, in its survey of the problems relating to nuclear policy, that the most logical solution would be to build a Community isotope separation plant that enjoys all the advantages afforded by the provisions of the Euratom Treaty for "joint enterprises".⁽¹⁾

Finally, the Commission has also advocated rationalizing nuclear research efforts in order to alleviate the difficulties experienced in the various fields of the Community's activity (co-ordination of programmes,

⁽¹⁾ Secs. 288 *et seq.*

execution of the Community's own research and development programmes and public service activities), and in particular where relatively rapid industrial results could be expected. It would be advisable to consider in each case whether it is preferable to develop entirely new techniques or to rely on results already obtained elsewhere with a view to exploiting them independently. This means that the Commission would have to be notified, under Article 5 of the Euratom Treaty, of all research programmes drawn up in the Member States and to subject them to a searching examination in order that all nuclear research projects in the Community can be carried out under one and the same system.

In order to achieve a balanced weighting of efforts within the overall programme, the latter must also include more general research and the tasks of public interest which involve the industrial utilization of nuclear techniques. However, basic research should not be neglected, nor must we rule out a tendency towards certain types of non-nuclear research, and particularly research on telecommunications, materials and biology, together with applications.

The lines of action resulting from the proposed harmonization will guarantee optimum employment of the services of the experts who are carrying out research programmes in the Community and who constitute a potential the fragmentation of which would be regrettable. A general approach of this kind to resolve problems which are not specific to the nuclear field would strengthen the overall efficiency. In particular, the "fair return" problem will be the more easily solved as the range of activities widens.

IMPLEMENTATION OF THE RESEARCH AND INVESTMENT PROGRAMME

Activities of the Joint Research Centre

253. The programme for the activities of the Joint Research Centre in 1968 had to fulfil the following requirements:

- (a) to ensure sufficient continuity of current projects to avoid any interruption leading to a loss of earning capacity on the investments already made or to the resignation of scientific personnel;
- (b) to avoid prejudicing the choice of subject matter for the future multiannual programme.

It was in fact a question of planning for a year of transition, and consequently indirect action in the form of research contracts was reduced by about 45% compared with 1967, thus representing no more than 2.5% of the budget. As regards the contracts of association, the Commission asked its partners to continue the work carried out under their contracts, the financing now being the responsibility of the respective governments. When putting forward its proposals for a multi-annual programme, therefore, the Commission suggested that grants be made to cover the cost of funds advanced by its partners. In its preliminary draft supplementary research and investment budget for the financial year 1968, the Commission had proposed the continuance of biology and fusion activities, retention of the CETIS computer facilities and extension of the Dragon Agreement. On this last point, agreement was reached in July 1968 as regards the maintenance of the CETIS computer (IBM 360/65); it was agreed to extend the lease until the end of November 1968, but by means of transfers within the 1968 budget rather than the granting of additional funds. As regards fusion and biology, the contractors had from the outset of 1968 been faced with a number of problems affecting mainly the financial aspect and thereby the position of the personnel assigned to research activities. In some cases, this state of affairs entailed the dismissal of highly skilled scientists and their departure for the United States.

Apart from these activities of its own at the Joint Research Centre, the Commission has directed its attention to matters of safety and protection, bringing under study the revision of the various emergency plans and the regulations governing radiological protection. In addition, the regulations applicable to non-Community personnel working at the various establishments are nearing completion.

In the reactor field, the project involving the operation of BR-2 by Euratom and the CEN within the framework of a joint enterprise is already far advanced.

Activities of the Joint Research Centre Establishments

Ispra Establishment

254. In the absence of a decision concerning the new multiannual programme, activity was continued on the basis of the previous five-year plan (1963-67). Very soon, however, these studies will have been completed. In this context, the broad lines of the Ispra Establishment's activity may be outlined as follows:

Work is in progress on the power run-up, scheduled for the near future, of the Essor test reactor, which constitutes the Establishment's major investment. The in-pile organic liquid loop programme has been defined and preparations are in hand. In addition to the organic loops, a fog loop for testing the Cirene element is being installed.

The other reactors at the Centre, namely, Ispra-1 and ECO, have been used for the Orgel Programme and for research in the reactor field. They are operating normally, although ECO has not been utilized on a full-time basis owing to the lack of operating personnel.

The new computer for CETIS operated highly satisfactorily throughout the year, and the total calculation activities have exceeded the maximum practical capacity of the former computer by a factor of 2.3. Owing to the lack of appropriations for the leasing of this machine, temporary drawings have been made on other Research Centre funds.

Maintenance of the installations and replenishment of equipment have been virtually impossible in the absence of appropriations for this purpose, which means that in the near future provision will have to be made for the replacement of a great deal of laboratory equipment which has been in use for over five years.

Pending a decision on the construction of the Sora reactor, activity in the field of condensed state physics, which is centred on the Ispra-1 reactor, has continued to yield results through the continued development and normal operation of the devices set up around the reactor, in co-operation with other groups at the Centre, with the aid of conventional techniques. A considerable number of heavy-water lattices have been studied in detail using the ECO and EXPO installations and also the CNEN's RB-1 critical assembly at Bologna. These studies cover plutonium elements also. The fast neutron converter Euracos was used to study a number of shieldings and, in particular, mock-ups simulating certain structural details of reactor shieldings. Increasingly accurate interpretation of these experiments has resulted in interesting developments in the field of reactor theory.

Activities in the field of materials and their applications, most of which are directed to the Orgel project, have been continued and expanded, still in the context of reactor families. The results obtained have not been confined simply to the heavy-water types but can also be used for other types and even for high-temperature gas families or breeder reactors. These studies are concerned mainly with structural materials, such as composite materials reinforced by dispersion (SAP),

by fibres or by impregnation of an inert matrix with metals (impregnated graphite). In addition, the development of advanced UC-base fuels and studies on thorium and protactinium progressed normally. Research into fast reactors consisted mainly in studies on the high-temperature behaviour of mixed oxides and boiling sodium.

The technological studies were geared to the preparatory work on the Essor irradiation channels, and at the same time these experiments were turned to account for research of a more general character in the field of structural safety.

In the field of direct thermionic conversion, the work was carried on by a small but active group, backed up by contracts placed in the Community. It is planned to extend these studies in co-operation with Community or national projects.

Institute for Transuranium Elements, Karlsruhe

255. The Institute for Transuranium Elements continued its research and development activities in the field of plutonium fuel; work was started on transplutonium elements and substantial progress was accomplished in irradiated fuel analysis.

With regard to plutonium fuels, the basic studies on plutonium compounds were directed mainly to determining the thermodynamic and physical properties offering technological interest. The measurements carried out were chiefly in the composition and temperature ranges which are of concern to fast reactor projects.

Basic studies backed by irradiation experiments and detailed hot cell examinations yielded information of value in fast reactor development; the influence of the stoichiometry of mixed uranium/plutonium oxides and of the radial fuel distribution in the cans was studied in pins irradiated in the Dounreay fast reactor. Other irradiations are now being carried out in this reactor and will open up the way for studies of, for instance, the evolution of the fuel properties as a function of the burn-up.

The mixed uranium/plutonium oxides irradiated in a capsule in the BR-2 reactor up to a burn-up of 100,000 MWd/t were examined in a hot cell. Other irradiations of this type are in progress or in preparation.

An examination of the uranium/plutonium nitride pellets irradiated in an instrumented capsule in the HFR reactor at Petten produced useful results which can be used as guidelines for the Commission's future programme.

Chemical and isotopic analysis of irradiated fuels and accurate determination of burn-ups have become routine techniques.

A study of fuel elements from the Kahl reactor has been carried out and a study of fuel from the Garigliano reactor is under way, as is also an analysis of fuel samples from the Rapsodie fast reactor. Improvement and diversification of the analysis techniques is going ahead.

A feature of the work carried out in the field of transplutonium elements was the extraction of 400 mg curium-242 from americium-241 targets irradiated in the BR-2 reactor. This operation provided worthwhile experience in the handling of high-activity emitters. In addition, some thermodynamic properties of americium oxide were determined.

Central Bureau for Nuclear Measurements (CBNM), Geel

256. At the Central Bureau for Nuclear Measurements, the linear accelerator (Linac) and the van de Graaf accelerator have functioned satisfactorily and at a high utilization rate. Particular mention should be made of the fact that the improvement of the Linac's performance at the beginning of the year has had the effect of increasing the number of neutrons produced by the target by a factor of 2-2.5, which has reduced proportionately the time required for the neutron measurements.

This year, as before, a large number of neutron parameters were determined, again in accordance with the list of recommendations made by the EANDC and the Community's committee of experts. Among these parameters, those offering particular interest as neutron standards were accorded increased attention.

As regards the other activities of the CBNM, the radioisotope and stable and fissile isotope laboratories continued their programme with the study and preparation of special standards for a large number of laboratories. In particular, the CBNM was concerned in the establishment of the international standard for Mn⁵⁶.

The sample preparation service, for its part, has adjusted to the new requirements of experimenters, whose specifications are becoming

more and more detailed. This has resulted in a drop in the total number of samples delivered and an increase in the quality of the services rendered.

The ancillary services—calculation, chemistry, electronics and metrology—have had to improve their analysis techniques and methods in order to make their full contribution to the measurements carried out by the other laboratories. As in previous years, they have performed a great many operations for outside laboratories.

The radiation protection service proceeded with its systematic measurements of radiations around large machines and developed a number of detectors essential for evaluation of the doses to the personnel.

Petten Establishment

257. During 1968, the HFR reactor operated at 30 MW, carrying out programmes for the Joint Research Centre, the Member States and private industry. On account of a decrease in demand by the national research centres for irradiations, less use was made of the reactor in the first half of the year than anticipated.

Even so, the JRC's internal programmes, especially those concerned with research on structural materials and fuels, are entailing increasingly ambitious irradiation projects. Full-scale use is expected to be attained in the course of 1969. Meanwhile, a programme has been embarked upon for improving the reactor so as to step up the neutron flux and facilitate access; one of the fuel elements in the central region of the reactor has been replaced by a device enabling this position to be used for the high neutron dose irradiation of graphite for the Establishment's nuclear materials laboratory and the Dragon and THTR associations.

Modification of the core geometry will make five more similar positions available, as soon as new fuel elements containing more uranium than the present ones have been delivered.

The bulk of the research effort was focussed on graphite materials. In the field of commercial graphites, the Establishment continued with the work initiated under the Dragon-THTR Association on Community-made graphites, with the aim of selecting the most suitable materials for high-temperature gas-cooled reactors. The Centre has in particular

made an important contribution to the study of the mechanisms involved in graphite and pyrocarbon formation.

Further progress was also made with the work on structural damage caused by irradiations, as well as with the studies on oxidation and on diffusion in body-centred cubic systems of refractory metals, such as vanadium. The Establishment thus contributed to the studies on the technology of high-temperature fast reactors and at the same time assisted the basic research referred to above.

Major activities

Orgel and heavy-water reactors

258. GAAA (France), Interatom (Germany) and Montecatini-Edison (Italy), who have been jointly engaged since 1 June 1967 on a tender aimed at elaborating a detailed draft design, together with a firm bid for the construction of a 250 MWe Orgel nuclear power plant prototype, submitted their file at the end of 1968.

The reference reactor adopted uses a cluster of 18 pins in SAP-clad uranium carbide fuel, slightly enriched in uranium-235, the channels being of zirconium alloy. The coolant is a mixture of hydrogenated terphenyls, already used in the Canadian reactor WR-1 (HB 40). The power plant is designed to permit extrapolation to high-power generating stations of this type which can run on natural uranium.

In accordance with the tender conditions, the companies involved have received scientific and technical assistance from the Commission in numerous fields, and in particular as regards the core and safety. As a follow-through to the previous work, contracts have been awarded for the industrial-scale production of the fuel element and the safety of organic-cooled installations.

The last provisional acceptance tests on the Essor reactor equipment have been performed, as well as the modifications required by the safety authorities, who have approved the safety report. The operating team took over the reactor in June 1968 and started the blank tests in September 1968 in order to obtain the operating licence necessary for running the reactor up to power. This was issued by the Italian authorities on 14 November 1968. The reactor went critical on 16 November 1968.

As part of the preparations for the multiannual programme, a procedure has been drawn up for determining the advantages which the installations and the skills acquired by the Commission in connection with Orgel offer to those Member States which are designing and/or building heavy-water reactors. During a meeting held at Ispra on 8 and 9 April 1968, with representatives of the bodies concerned present, it was found possible to group numerous activities into a sort of "package" of general interest.

The activities relating to the Cirene Programme for the development of a light-water-cooled heavy-water-moderated power reactor were continued with appropriations carried forward from 1967. The association in question—Comitato nazionale per l'energia nucleare (CNEN) and Euratom—was terminated at the end of the year.

Light-water reactor development

259. As the interim research programme did not include any appropriations for activity of this kind, the Commission's efforts were confined to the management of current design contracts. Hence, despite the universally acknowledged need for mergers of industrial enterprises on an international basis, the co-ordinating role assumed by the Commission in the management of the various contracts placed with European industry has again diminished considerably over the past year.

As is known, a large part of the Community's light-water reactor development programme has been carried out under the Euratom/United States Agreement for Co-operation. With this agreement expiring in the course of the coming year, the financial commitments of the two contracting parties have reached the maximum level compatible with their respective budgets, while conforming to the principle of an equivalent contribution. The Commission and the USAEC have therefore each devoted about 28 million u.a. to the financing of the Euratom/United States joint research and development programme over the ten years from 1959 to 1968. It should be pointed out that this amount is far below that originally provided for (100 million u.a. on each side). Among the various reasons underlying such a substantial reduction of the resources employed may be said to be the fact that the number of nuclear power plants built in the Community under the Euratom/United States Agreement for Co-operation has been appreciably lower than that planned at the outset, and that the appropriations for

such activity in the Community's second five-year research programme, as well as the USAEC's budget, have been gradually whittled down.

In spite of these restrictions, the Euratom/United States joint programme represents a model of international co-operation, the working of which has been accorded general appreciation of a high order. On the technical level, many important results have been achieved which have laid the foundations for the development of European light-water reactor variants. Among these, the high-power-density boiling-water concept based on Vortex-type twisted-tape fuel has been proceeded with, and examination of the prototype assembly irradiated in the Kahl reactor has revealed the excellent behaviour of the Vortex fuel after 24 months' exposure. Moreover, comparison of the electricity generating cost in a boiling-water nuclear power plant optimized for the Vortex system with that of a similar reactor of conventional design has borne out the economic advantage offered by the European variant developed jointly by Snecma and AEG.

The plutonium recycling studies have likewise been financed with appropriations outstanding from the second five-year research programme. Noteworthy among the results achieved this year is the series of reactor physics experiments carried out by ENEL in its Garigliano power plant with a dozen fuel assemblies having a mixed uranium/plutonium oxide base. This work has yielded data of some significance as regards the design and calculation of plutonium recycling schemes in light-water reactors. Similarly, the studies performed jointly by Belgonucléaire and the CEN on the Vénus critical facility have enabled considerable experimental data to be acquired on UO_2 - PuO_2 lattices in pressurized-water reactors. In addition, the fuel assembly with a base of vipacked UO_2 - PuO_2 powder which has been incorporated in the BR-3/Vulcain reactor has attained a mean burn-up of 25,000 MWd/t.

Among the other European light-water reactor variants, mention should be made of the renewed interest shown by constructors in prestressed concrete pressure vessels. For the reasons outlined above, the Commission's efforts have necessarily been on a very modest scale, being confined to a preliminary conceptual study of a boiling-water reactor equipped with a prestressed concrete pressure vessel. This study is being carried out jointly by a French company (SEEE) and a German company (AEG).

Lastly, the prolonged shutdown of the Trino Vercellese pressurized-water plant has considerably slowed down the research programme

being carried out by ENEL and Fiat for the purpose of determining the reactor's performance. As a result, certain of the programme aims have had to be revised.

Proven-type gas/graphite reactors

260. The few research contracts outstanding in this field have related mainly to reactor vessels and thermal insulation problems. Thus concretes have been developed which show satisfactory resistance to thermal cycling; their irradiation behaviour has still to be verified. The relevant measurements are now being analysed. Other in-pile tests, however, have shown that integrated fast neutron fluxes of more than 10^{20} n/cm² caused appreciable damage to the usual types of cement.

The experimental programme on a 1/5 scale mock-up of a pressure vessel designed by Krupp was carried out satisfactorily and demonstrated the technical feasibility of this type of vessel. The economic calculations revealed the interest of this new system.

Research in the field of thermal shielding, where the last remaining contracts expired in 1968, provided a good knowledge of the phenomena inside heat insulation used for nuclear purposes and led to the development of several efficient shielding systems.

A three-dimensional analytical computer code was developed by GAAA on the basis of a method which is more sophisticated and more complete as regards representation of the flux, temperatures and power density than the conventional two-dimensional methods using finite differences; the results, which have been verified experimentally in the Latina and EDF-2 reactors, are more accurate and obtained far more rapidly.

A first series of six irradiations of graphite samples in the presence of CO₂ and corrosion inhibitors in the BR-2 reactor has been completed. The second series is now in progress. The initial results indicate that the water content in the CO₂ has a more favourable effect than that anticipated.

Fast reactors

261. The various projects in which the Community has been associated during 1968 in implementation of the Council's decision of 8 December

1967 have been carried out in widely differing settings in the various Member States.

It will be recalled that up to 31 December 1967, the Commission was bound by contracts of association—extended where appropriate by specific supplements—with the French Atomic Energy Commission (CEA), the Gesellschaft für Kernforschung (GfK), the Belgian Government and Nederlandse Organisatie voor Toegepast Natuurwetenschappelijk Onderzoek attached to the Reactor Centrum Nederland (TNO/RCN). The Commission had also concluded with the Comitato nazionale per l'energia nucleare (CNEN) for the period up to 31 December 1967 a shared-expenses study contract constituting a follow-up to a contract of association which expired on 31 June 1966; in addition, it had signed a study contract expiring at the same date with the Luxembourg group Arbed-Gradel-Paul Wurth. At the end of 1967, the Commission forwarded to each of its contractors a proposal the gist of which was that they should continue all the 1967 work on a temporary basis and at their own expense (after exhausting the contractual appropriations); the Euratom personnel seconded for the various activities and the managing committees would remain at their posts until at least 30 June 1968, the date put forward by the Council for the possible resumption on a shared-expenses basis of the associations expiring on 31 December 1967 and the setting-up of appropriate structures to embrace the activities not resumed under the associations.

As was stated above, the procedures for implementing the activities in question differed widely from one Member State to another, a position resulting from a *de facto* situation characterized in particular by the Council's inability to find a solution acceptable to all the parties concerned. Needless to say, this forced the Commission to act with even more flexibility than it had to employ in 1966 and 1967 when confronted with the serious organizational and financing problems recapitulated in the First General Report on the Activities of the Communities.⁽¹⁾

Fortunately, these problems did not prevent all the technical activities from proceeding more or less according to plan and thus bearing out once more the place occupied by the Community among the major nuclear powers engaged in the development of fast reactors (USSR, USA, UK and Japan). This was demonstrated yet again by the

⁽¹⁾ Sec. 385.

international congress on fast reactors held at Argonne (USA) on 7-10 November 1968. Even if the desired concertation of efforts has not been achieved, the Community possesses all the specialized teams, fully trained for their task; it is also equipped with all the major hardware, which has been successfully operated for nearly two years and some items of which, in particular the Rapsodie experimental reactor, have more than justified the hopes that had been placed in them.

The fast reactor field (which embraces the reprocessing of irradiated fuel from such reactors) is clearly a priority for Community action, which should be aimed at obtaining maximum efficiency in research and at encouraging industrial firms to merge on a multinational basis. Commercial exploitation, free of all intervention on the part of the public authorities, is not to be expected before about 1985. Between now and then, therefore, it is possible to co-ordinate the activities of the Community governments in a determined effort on the part of all those concerned to work out and then to apply a truly Community solution in this field.

These activities, which must, moreover, take account of present knowledge, should be aimed at building one single 600-1000 MWe precommercial reactor as head of the line for operation before 1980. Assistance by the public authorities will be all important up to this stage at least (notably as regards the financing of the operating guarantee), and the amounts involved will be such that a parallel project will be out of the question. It is at the development of this single precommercial reactor, which should be as soon as possible, that all efforts should be directed during the next few years, when the conditions ought to be created for the establishment of a truly Community nuclear industry.

It was with this in mind that the Commission drew up its programme proposals outlined in document COM(68)801; these must begin with negotiations lasting probably one year, during which time all the present activities must be continued.

High-temperature gas reactors

Dragon Project

262. Irradiation of the second fuel charge was completed half-way through March 1968. Between then and the end of June the reactor

was shut down for a major maintenance programme, consisting mainly in the insertion of the third fuel charge and the replacement of the primary heat exchangers. The third charge contains fuel tubes similar to those which have been proposed for power reactors running on low-enriched uranium.

The reactor was started up again on 1 July, but operation has since been severely affected by further leaks in the primary heat exchangers. Corrective action has been taken to reduce to a minimum the delay in the programme for irradiation of the third charge.

In June, work was completed on a technical and economic evaluation of a quasi-homogeneous core power reactor fuelled with low-enriched uranium.

At its meeting of 30 July 1968, the Council approved the extension of the Dragon Agreement up to 31 March 1970, on the following conditions:

- (a) Community's participation to amount to 40% as of 1 January 1968;
- (b) guarantees given by the UKAEA, provided that it decides to continue operation of the reactor after 31 March 1970, concerning:
 - (i) its willingness to negotiate a further extension under conditions substantially the same as those in force since 1 January 1968;
 - (ii) access to the reactor, failing such an extension of the project;
- (c) postponement up to the beginning of 1969 of payment of the amounts due in accordance with the extension of the agreement.

As a result of the international collaboration under the Dragon project, industrialists in the Community and in Britain have been able to have access on equal terms to high-temperature gas reactor technology; this facilitated the creation of the Inter Nuclear SA by the three Community companies and a British nuclear consortium for co-operation in the development, sale and construction of this type of reactor.

THTR Association

263. The development of a pebble-bed reactor using thorium has been continued under the Contract of Association signed in 1964, but without any additional Community contribution.

The results of irradiations of graphite, coated particles and complete fuel spheres were discussed with the technical experts from Oak Ridge, who agreed to permit the use of these European fuel elements in the AVR reactor in order to ensure continued operation.

Design of 300 MWe prototype

264. On completion of the prototype evaluation and design work, specialized technical documents were drawn up and a tender submitted by the firm of BBK to the West German Ministry for Science and to the firm of HKG (a utilities grouping) for the construction of a 300 MWe reactor. The main results arrived at were made public at Jülich on 3-4 July 1968.

Operation of the AVR reactor

265. From February to April 1968, and from June to August 1968, the reactor operated at two thirds of its rated power, i.e. at 10 MWe. A brief full-power test was performed in order to check the operating characteristics.

Materials irradiation

266. The BR-2 reactor and its ancillary installations were operated throughout the year under an agreement of association with the Centre d'études de l'énergie nucléaire (CEN) at Mol. Following the Council decision of 8 December 1967, the financing arrangements for this association had to be basically changed. In order to avoid halting the irradiation programmes of its clients, the CEN undertook to bear that part of the cost of running the reactor and its ancillary installations which was not covered by revenue. As co-owner of the installations, Euratom left its personnel at the Centre and assumed responsibility for their expenses.

The revenue of the BR-2 increased by about 50% compared with previous years. The reactor operated for about 200 days at a rated power of 64 MW. As a result of the optimization of the fuel charges in the light of experience, the fuel consumption has been kept extremely low. In order to meet requirements for high neutron

flux sites, the core of the reactor has again been widened. The number of channels occupied on average has risen from 39 to 45.

No major incident occurred during operation. The heat exchangers functioned satisfactorily. The reactor is mainly used for irradiating structural materials and fuels for the fast reactor project being developed by a German/Belgian/Dutch grouping. Work was also continued on the production of radioisotopes. As in previous years, a large number of the irradiation devices were designed and built in the technology laboratory for clients in Community countries. Several items of measuring apparatus were developed for post-irradiation examinations.

Thermonuclear fusion and plasma physics

267. As regards organization and administration, the year was marked by the Council's decision of 8 December 1967 and the various problems stemming from it. The Commission's financial contribution to the associations was therefore blocked after 1 January 1968, various arrangements being made with certain of the associated national institutions.

Following the general agreement on the desirability of including fusion and plasma physics in the future Euratom programme, an *ad hoc* group made up of representatives of the Commission and experts delegated by the member countries was set up to study a programme of future activities. A joint programme was thus mapped out for all the existing associations and for a new one, to be concluded with the Belgian CEA as soon as possible. The conclusions arrived at by this group, reaffirming the viability and value of this type of Community co-operation, were published in the form of a document (S/415 f/68 CRN 6) forwarded to the Council.

Despite what has been said above and the Council's undertaking on 8 December 1967 to take a decision with the effect backdated to 1 January 1968 concerning activities which had received the unanimous support of the member countries, a proposal along these lines drawn up by the Commission and submitted to the Council has not yet been approved. At the same time, the physicists and technicians seconded by the Commission to the different laboratories have continued to collaborate effectively in the research projects and

to carry out their duties in conditions which for the most part were approximately normal.

From the technical standpoint, the most striking event was the Third International Conference on Fusion, held at Novosibirsk in August 1968. The results discussed there showed that plasma physics has progressed steadily without any notable change in direction. The importance of confinement in a closed configuration has been confirmed. However, certain results obtained with open configurations have revived interest in them to some extent. Mention should also be made of the increasing interest shown by various laboratories in the technical problems involved in building a thermonuclear fusion reactor. These studies, although of a preliminary nature and based on the assumption that the confinement problem is solved (the experimental results in this field are quite encouraging), suggest the feasibility of constructing such a reactor, which would produce electrical energy at prices competitive with other sources of energy. Out of a total of 125 papers read at the conference, 29 originated in laboratories in the Community and, of these, 13 were co-authored by members of the Commission's staff.

To conclude, it may be noted that the progress and results achieved over the last few years will facilitate the elaboration of the long-term scientific programmes; in particular, closed configurations still appear to be the most promising and are forming the subject of an increasing number of studies. Because of the large resources required, in terms of funds, time and manpower, it would be desirable to avoid duplication of effort by carrying out these studies under a joint Community arrangement, and it is regrettable that the Commission is at the moment unable to fulfil its function as co-ordinator properly.

Biology

268. At its meeting of 8 December 1967, the Council decided to suspend Community financing of the programme of contracts. Whenever possible, the Commission endeavoured to persuade the national authorities to take over the burden it had borne previously. In this way it was possible to tackle the most pressing problems facing the contractors. However, it was inevitable that an atmosphere of insecurity and a feeling of profound disillusionment should creep in.

At the same meeting of 8 December, the Council decided that a position would be adopted before 30 June 1968 concerning the future activities. It was for this purpose, in particular, that an *ad hoc* group of the CCNR met on 14 May and 5 June 1968. There was a broad exchange of views between the national experts, who were accompanied by their governments' permanent representatives, and the Commission's staff. This was an extremely fruitful meeting and resulted in unanimous agreement being reached on a document reflecting the group's views on the general aspect of the contents of a multiannual programme for the Community. For the time being the Commission is restricting itself to the programme being carried out at Ispra by the biology group, pending a decision as regards indirect action.

The research was mainly directed at radioecology, in particular the transport of radioactivity in the aquatic and terrestrial ecosystems and at the radiocontamination mechanisms in plants and soils. A number of results concerning the environment of the Ispra Centre were obtained.

Other research was conducted on harmful substances. Long-term chronic inhalation tests were performed on various organic coolants (Thermip, OMD, Esso solvent, etc.). Their toxicity was found to range from low to moderate. Generally speaking, they increase susceptibility to respiratory infections. The detoxication of these substances is carried out by combination with the glucuronides, glutathion or sulphates. X-rays have an indirect effect on these processes as a result of their physiological action (anorexia, polydipsia, polyurea). Finally, certain results were obtained concerning the work performed in the fields of cellular technology, microdosimetry and chemical and radiochemical measurements.

Irradiated fuel reprocessing

269. No new appropriations were available for this sector in the 1968 tide-over programme, so that only the programme on the development of the fluorination process for reprocessing irradiated fuels could be continued, this being carried out by the CEN under a shared-expenses contract. As was proposed by the Council in its resolution of 8 December 1967, the financing of the transition period, which ultimately extended over the whole of 1968, was assumed by the Belgian Government.

The work related mainly to the start-up of various plants, as a result of which it was possible to carry out pilot-scale experiments on the volatilization of uranium hexafluoride, to volatilize plutonium fluoride in macroscopic quantities (a few tens of grams) and, finally, to conduct complete experiments with irradiated fuels. Despite the inherent difficulties of this advanced technology the work progressed satisfactorily and the data collected during the last few years have enabled a start to be made on preliminary design studies for various chemical volatilization schemes.

Treatment and disposal of radioactive waste

270. As in the preceding case, activities in this sector were limited, owing to the lack of new approximations, to the administration of projects which were commenced under the Community's second five-year research programme and were still uncompleted at the end of 1967.

Development work was continued on various processes for the treatment of medium- and high-activity waste, notably via fixation of the radioactive elements on inorganic carriers by lyophilization or via the selective separation of certain isotopes. Encouraging results were obtained. Most of these studies will, however, be interrupted at the end of this year, at a time when insufficient progress has been made to enable any conclusions to be drawn as to the prospects for the operation of these processes on an industrial scale.

Furthermore, the experimental study on methods for the ultimate disposal of radioactive waste either in a surface "graveyard" or in an underground cavity (cavern or abandoned salt mine), which is being carried out by the CNEN and the Gesellschaft für Strahlenforschung, Munich, was systematically continued. The work related chiefly to the investigation of various sites. These studies are protracted and difficult; consequently, several years will be needed for the construction of the prototype active-waste disposal stations at which this research is aimed.

Training and instruction

271. The training and instruction activities carried out under Euratom's research and training programme were comparable in scope and nature

with those of recent years. That is to say that although beneficial results were achieved, particularly as regards training schemes and grants, the work suffered from the restriction of appropriations. The intake capacity under the Joint Research Centre arrangements is not being fully utilized. Co-operation with the educational establishments is not as extensive or as systematic as it should be.

The activity as regards scientific and technical training schemes and grants at the Community's research centres and at the nuclear power plants can be summarized as follows:

- (a) 63 university students and 46 technical college pupils were accepted, either at the Joint Research Centre establishments or under contracts of association;
- (b) 32 new grants were awarded, either to candidates working on a doctoral thesis or for specialization purposes.

Eight thesis grants and three specialization grants were renewed. Thirteen grants, including six thesis grants, expired in the course of 1968.

The molecular biology and radiobiology courses which have been held since 1964 by arrangement with a group of universities and research institutes were continued during the period under review. The institutes associated under this arrangement are responsible for giving the courses in turn. This year the course was held in Munich from 14 October to 13 November, the subject being molecular genetics. It was attended by a total of 18 research workers from the Member States of the Community and from two non-Community countries.

Under the same programme six grants were awarded for interdisciplinary training courses. These courses, which are meeting with consistent success, are a good example of European collaboration in the field of post-graduate training.

The activities relating to the harmonization of nuclear science instruction, which were started as long ago as 1961, made no further progress during the past year. They should be recommenced with a view to the mobility of highly qualified staffs, notably by implementation of the Council's resolution of 31 October 1967.

The Commission continued its effort as regards the training of its own scientific and technical personnel, both by the organization of courses and by the participation of research staff in scientific events.

Nuclear power plants and applications not connected with electricity production

Nuclear power plants

272. The Commission's activity as regards the programme of participation in power reactors and the joint enterprises has consisted in promoting the construction of power reactors by giving assistance with the building of prototypes at a time when nuclear energy was not yet competitive; it has also organized the dissemination of the experience acquired and the results obtained during the design, construction and operation of those plants. This activity was continued during the period under review within the framework of three different forms of assistance, namely:

- (a) the power reactor participation programme;
- (b) the granting of joint enterprise status within the meaning of Chapter V of the Euratom Treaty;
- (c) the Euratom/United States joint nuclear power programme.

The advantages attaching to each of these forms of assistance have been set out on various occasions, notably in the First General Report.⁽¹⁾

Table 12 shows the status of the work and, in some cases, of the operating experience at the seven nuclear power plants which receive all or some of the above-mentioned forms of assistance. Table 13 gives the number of personnel seconded to each plant, the number of reports compiled by such personnel and the number of documents sent in by the contract holders.

In November, the relevant departments of the Commission organized an information meeting on the Lingen, Obrigheim and

⁽¹⁾ Ch. V.

TABLE 12

Status of work and operating experience in 1968

Contractor power plant	Type	Power (MWe)	Start-up	Status of work	Operating experience
ENEL/ Garigliano	BWR	150	January 1964	—	August: loading of 2nd core
ENEL/ Latina	GCR	200	May 1963	—	Operation according to grid requirements
SENA/ Chooz	PWR	266	April 1967	—	January: incidents involving internals
KRB/ Gundremmingen	BWR	237	November 1966	—	January/August/September: incidents involving low-pressure section of turbine
GKN/ Dodewaard	BWR	50		1st criticality on 24 June. Connected to grid in October	
KWL/Lingen	BWR	240	July 1968	—	Operation according to grid requirements
KWO/ Obrigheim	PWR	283		1st criticality on 22 September	

Dodewaard power plants, which recently went critical for the first time. This meeting, at which 30 papers were presented, drew an attendance of approximately 300.

Exchange of experience with nuclear power plant operators

273. As part of the exchange of experience on nuclear power plant components, four meetings of various working groups were held. At the beginning of April, a meeting took place at Gundremmingen

TABLE 13

Number of personnel seconded to each power plant
Number of reports compiled
Number of documents submitted by contractors

Powerplant	Number of employees of the Commission permanently seconded in 1968	Number of external personnel seconded		Number of reports compiled by seconded personnel		Number of documents submitted by contractors	
		up to 1967	in 1968	up to 1967	in 1968	up to 1967	in 1968
Garigliano	1	75	2	84	7	445	8
Latina	2	77	1	89	10	164	2
Chooz	2	19	4	87	17	419	94
Gundremmingen	1	40	—	42	13	664	23
Dodewaard	2	2	7	50	16	398	101
Lingen	1	1	12	17	11	182	126
Obrigheim	1	6	13	7	9	36	6

between experts from various working groups, in particular those on reactor buildings, pressure vessels and internals, fuel element handling and transport, and heat exchangers. Another two meetings were held in Brussels during April. One of these dealt with damage to the turbines at nuclear power plants; at the other meeting the operators of nuclear power plants discussed the possibility of setting up a joint system of data collection with a view to carrying out equipment reliability studies. Finally, in May, the problems of instrumentation and control were discussed at a meeting held in Jülich. Condensed surveys by these various working groups are in the course of preparation and will be presented at the annual symposium to be held early in 1969.

As an extension of the above-mentioned effort and with the aim of improving operating conditions in nuclear power plants, the Commission has included in Euratom's programme of future activities a number of items relating to experimental projects which are common to the plant operators and to the relevant departments of the Commission.

Advice and technical assistance

274. The Commission's experts lent their assistance to certain utilities in order to solve problems that had arisen in connection with nuclear power plant projects.

Eurex Convention

275. As far as the Eurex project is concerned, the year 1968 was marked by the completion of the construction phase and the handing over of the plant to the CNEN operating team. Cold testing was carried out during the year.

Start-up of the plant has been postponed until 1969 owing to some delay in the construction work and the prolongation of the cold tests. A research programme on extraction using tertiary amines is being conducted at the CNEN laboratory. In addition, numerous documents (research reports, technical development reports) were transmitted to the Commission both by CNEN and by two Commission employees seconded to the project.

*Applications not connected with electricity production**Marine propulsion*

276. In January 1968, the nuclear research ship Otto Hahn was handed over to the Gesellschaft für Kernenergieverwertung in Schiffbau und Schifffahrt mbH (GKSS) by the builders, Howaldtswerke, Deutsche Werft AG, at Kiel. During the first six months of the year an extensive programme of tests on the ship's nuclear plant was carried out on board and a critical experiment was conducted in the GKSS establishment at Geesthacht. The reactor went critical for the first time on 26 August. The ship's first trial run under nuclear power took place on 11 October, after which the final acceptance tests on the reactor, constructed by the Babcock & Wilcox/Interatom association, were carried out in November. One of the most remarkable efforts among the various activities for the promotion of nuclear ship propulsion in the Community was thus crowned with success.

Furthermore, the research and development work provided for under the contract of association with Fiat and Ansaldo was continued throughout 1968.

Since the other contracts of association in this field had expired at the end of 1967, new forms of co-operation between the Commission and its former partners were studied during the second half of 1968, in order that concerted action on the development of marine nuclear propulsion may continue.

Studies on the applications of nuclear energy in high-temperature chemical processes

277. During 1968, a study and an expert assessment were completed, the aim being to evaluate the potential of certain nuclear energy applications in the metallurgical industry and in the gasification of fossil fuels.

The Commission also continued its activities pursuant to Article 55 of the ECSC Treaty and Article 41 of the EEC Treaty aimed at the co-ordination and promotion of research in coal, steel and agriculture.⁽¹⁾

DISSEMINATION OF INFORMATION

Transfer of information and industrial property

278. During 1968, there was an increase in the volume of information disseminated. The slowing down of certain activities in the course of the provisional programme did not make its effects felt, since, for the most part, the information disseminated in 1968 resulted from the execution of the second programme.

Despite the suspension of the associations, the communication of progress reports and of the patents filed was continued, particularly in the field of fast reactors and thermonuclear fusion. Although the communication of the reports proceeded unhindered, some legal doubt concerning the patent exploitation rights will remain as long as no decision has been taken on the renewal of the associations.

⁽¹⁾ Secs. 300, 33 and 7.

The rate of dissemination of "communications", i.e. information which is not protected by patents but is of benefit to industry, was maintained. The number of persons and enterprises in the Community authorized to receive such communications rose from 335 on 31 December 1967 to 387 on 31 December 1968. This is only a small increase, but that is not surprising, for it seems that the majority of persons and enterprises in the Community who could claim a legitimate interest in access to nuclear information are already being catered for by this service.

New licences were granted on patents arising from the Community research programme. The number of such licences increased from 30 on 31 December 1967 to 37 on 31 December 1968. Six technical assistance contracts relating to ways and means of supplying non-patented information were concluded; the number of such contracts is at present nine. For the first time certain applicants showed an interest in the entire portfolio of patents protecting a particular type of reactor. Several of the firms which have formed groups for the construction of high-temperature gas reactors are currently negotiating with the Commission for the granting of licences on most of the patents issued in respect of the Dragon project.

279. Since 1967 the Commission has been circulating *Technical Notes* containing a brief description of patented inventions or of non-patentable products, equipment and processes developed in the establishments of the Joint Nuclear Research Centre. The purpose of these *Technical Notes* is to promote the development and commercial application of the technical fruit of Community research. In 1968, owing to the encouraging results obtained, their number was increased. In order to allow for the very rapid development of certain techniques, the Commission has endeavoured to reduce the delay in publication so that the Community firms concerned may have the opportunity of being the first to appear on the market with attractive technical innovations.

With the same purpose of promoting the utilization of information at the industrial level, the Commission displayed certain new equipment at industrial fairs and exhibitions. This method of dissemination has proved the most effective from the licensing viewpoint. On several occasions, firms outside the Community have offered to develop the results of the research programme and exploit them on a commercial basis. A study is being made of the conditions under which licences could be granted in such cases without prejudicing the interests of Community enterprises.

The number of inventions in respect of which first applications for patents were filed in 1968 was 107, a total of 36 of these inventions being the direct result of Euratom activity.

There was no change in the number of applications for patents of nuclear interest which were notified to the Commission by the Member States pursuant to Article 16 of the Euratom Treaty. In 1968 the Commission collected data on about a thousand inventions in respect of which one or more patent applications have been filed in Community countries. The amendment of the laws in the Netherlands and Germany—countries which have hitherto applied the procedure of prior examination and in which the publication of patents was subject to particularly long delays—will henceforth make it possible for patent specifications to be published at the most eighteen months after the filing of the first application. In view of this development, the Commission is at present ascertaining whether there is any point in continuing to adhere strictly to Article 16 of the Euratom Treaty, which was originally designed to mitigate the disadvantages of a prolonged secrecy period for certain inventions as a result of delays in prior examination in the two Community countries where this is required.

Scientific information and documentation

280. The semi-automatic nuclear documentation system developed by the Centre for Information and Documentation (CID) functioned satisfactorily. The sole reason for the delay in taking it into regular use—probably until the beginning of 1969—is the transfer of the CID to Luxembourg. The thesaurus of key-words on which the system is based was recast and re-issued in 1967. Volume II, which was published at the end of 1967, was widely circulated to interested parties throughout the world in February 1968. Wherever time and circumstances permitted, training seminars were organized for the purpose of acquainting documentation specialists from various parts of the world (European Community, United States, United Kingdom, Canada, Israel, etc.) with the technical aspects of the system.

On 31 December 1968, all the scientific and technical information stored on the magnetic tapes of the IBM 360/40 digital computer used by the CID represented some 850,000 scientific and technical documents in the nuclear field. This data store constitutes the source for the replies to questions submitted by the users of the system. At

the end of 1968, more than 2000 questions sent in both by the Commission's own departments and by researchers and industrial circles inside and outside the Community had been dealt with. In addition, a programme of selective dissemination of information (SDI) was set up early in the year. Under this programme, subscribers are supplied each month and on a systematic basis with newly published scientific and technical data in their particular fields of activity. More than 250 "interest profiles" corresponding to various fields were consequently programmed for the 380 users who subscribe to this service.

281. The CID has been at pains to maintain close relations with bodies in the Community and throughout the world which perform tasks similar to its own, not only in order to benefit from their experience but also with a view to instituting mutually profitable co-operation. The large Western organizations which produce the bulk of the scientific and technical documentation in the nuclear field, outside the six Community countries (notably the USAEC and the UKAEA), are continuing to support the CID's documentation system by using its thesaurus and methods, while at the same time feeding it by sending in analyses of their own national documentation. Other documentation services, in Scandinavia, Israel and even in certain East European countries, have shown a sustained and encouraging interest in the CID system.

During 1968 the CID, in collaboration with the Kernforschungsanlage Jülich, continued to publish the *Transatom Bulletin*, a monthly journal in each issue of which are listed the documents of Slavonic or Oriental origin which have been acquired by the Eastatom Centre, together with the translations that are available in Western languages of documents published in Eastern countries. For budgetary reasons the CID was unable to continue its association with the French firm Brevatome in the publication of the review *La propriété industrielle nucléaire* (which nevertheless continues to list patents of nuclear interest); under the terms of a contract, however, Brevatome supplies the CID with the texts of nuclear patents and with index cards which allow their retrieval according to subject matter. On 19 July 1968 the CID terminated its collaboration with the Netherlands foundation Exerpta Medica, since the publication of the Nuclear Medicine section of its journal is now firmly established.

The monthly bibliographical journal *Euratom Information* continued to set out, in the form of abstracts, the main lines of the research programme, the subject matter of the contracts concluded and the

publications and patents arising out of them. The quarterly *Euratom Bulletin* has now become the *Euratom Review*, a title which is more in keeping today with its true function; this periodical deals, in a form suitable for a wide public, with matters relating to nuclear energy and its peaceful uses in Europe.

The number of scientific and technical reports on the research carried out in the establishments of the Joint Research Centre (JRC) and under contracts and associations totalled about 7000 by the end of 1968. Only those reports which are of sufficiently general interest are printed, the remainder being microfilmed.

4. Energy policy

282. In 1968 the Commission drew up a programme for a Community policy embracing all sources of energy. For this purpose it sought to take an overall view of the problems without, however, overlooking the diversity of the energy sector and the fact that this sector is still governed by three different Treaties. At the same time, the Commission continued to carry out the tasks entrusted to it by the Treaties, in respect of the different energy sectors, and to complete the programmes launched by the former Executives.

SITUATION OF THE ENERGY MARKET IN 1968⁽¹⁾

283. Energy demand in 1968 was marked as hitherto by rapid growth and by major structural changes. Generally speaking, operating conditions in the Community's energy economy were as forecast.

Internal consumption in 1968 rose by about 6.4% over the 1967 figure, exceeding the average annual rate of 4.6% observed from 1960 to 1967 and reaching 672 million tons hce.⁽²⁾ Total requirements,

⁽¹⁾ The annual report on the energy situation will be published by the Commission under the title: *La conjoncture énergétique dans la Communauté — Situation 1968 — Perspectives 1969*.

⁽²⁾ Tons hard coal equivalent. The figures for 1968 are estimates.

which also include exports, bunkers and consumption of non-energy products, amounted to 820 million tons. The rise in requirements was relatively moderate in France, owing to the social upheaval of May-June, and in Italy, because of the slowdown of industrial activity at the start of the year; particularly marked increases were recorded in Germany and the Netherlands.

The Community's dependence on external supply sources rose to a new level (61% in 1968),⁽¹⁾ chiefly for petroleum (95.5%). The rapid development of natural gas slowed down this trend, without fundamentally altering it. The Community's coal output dwindled yet further. Lastly, nuclear energy is being developed, but the conditions have yet to be created which would enable the Community to benefit fully from its potential economic advantages.

The prices of the various forms of energy underwent few significant changes in 1968.

284. During recent years the Community's consumption of coal has been falling by about 6.7 million tons hce a year.⁽²⁾ In 1968, owing to the very favourable economic climate, for steel particularly, and the measures taken in certain countries to assist disposal, the pace of this movement slackened. Internal consumption of hard coal dropped by only 1.5 million tons hce. Coal's share in meeting internal energy requirements was no more than 29.9% against 32%. The major outlets improved; in the electric power plant and coking sectors consumption rose by 4.3 and 1% respectively. Against this, the household consumption of hard coal dropped (by 7.2%) in favour of liquid fuels and, especially in the Netherlands, natural gas.

The Community's output of hard coal (173.4 million tons hce) was 3% lower than in 1967. In Germany production was more or less stable, whilst in Belgium and the Netherlands it fell by 6.5 and 17.2% respectively. Imports from non-member countries stayed at their 1967 level. The high proportion of imports from the United States continued to shrink in 1968 as a result of increased buying from Poland.

Supply and demand were balanced quantitatively by the unloading of eight million tons hce of coal and coke. In the course of the year, price movements occurred, particularly at the start of the 1968-69

⁽¹⁾ Including bunkers, exports and non-energy products.

⁽²⁾ Period 1960-67.

TABLE 14

Energy balance sheet for 1967-68

	Million tons hce		Breakdown (%)	
	1967	1968 (estimates)	1967	1968 (estimates)
A. Total requirements	767	820.4	100	100
1. Internal consumption	632.2	672.7	82.4	82.0
Hard coal	202.2	200.3	32.0	29.8
Brown coal	31.2	31.8	4.9	4.7
Oil	318.8	347.1	50.4	51.6
Natural gas	33.7	46.1	5.3	6.9
Primary electricity	46.4	47.5	7.4	7.0
2. Bunkers, exports and non-energy products	124.3	138.6	16.9	16.9
B. Coverage of requirements			100	100
Indigenous resources (including variations of stock levels and closure gaps)	307.4	320.8	40.1	39.1
Imports	459.6	499.6	59.9	60.9

coal year. Although lower prices were the main feature, there were selective price increases for certain types of house coal. In this sector and on the coke market, difficulties arose during the year.

Altogether, however, neither the general level of prices nor the correlation between the prices published by the various producers in the Community altered substantially.

Sales by alignment in the sectors other than steel accounted for about nine million tons, or roughly 11% of the corresponding sales. Sales by alignment in the steel sector amounted in 1967 to nearly 55 million tons, of which 48 million tons for blast-furnaces was sold by virtue of Decision No. 1/67. In this sector the alignment discounts are calculated by reference to the delivered prices of coking fines imported into the Common Market. Alignment is not carried out completely in all the steel-producing areas, however, and notably not

in the Ruhr. A number of factors, including miners' wages and rail freight costs in the US, pushed up the cost of American coal imports into Europe in 1968.

285. Oil consumption in the Community rose to 347.1 million tons hce (51.6% of the total consumption); the increase of 28 million tons hce is slightly higher than the average for the previous years (1960-67: 27 million). The share of oil in meeting the total demand (including bunkers, exports and non-energy products) rose from 58.4% in 1967 to 59.6% in 1968. The various categories of products displayed different trends. For instance, the demand for heavy fuel oil is not increasing as quickly now as a few years ago. There are various reasons for this: the supplies of natural gas in the north of the Community, the slowdown in the penetration of the industrial sector, where the switch-over from coal to oil is nearing completion, and, in certain countries, the effect of the measures aimed at protecting the coal industry. The petrochemical industry's requirements showed an increase.

The regulations under which the oil companies operate were amended in 1968. In Italy the rule requiring the refiner to maintain a 30% reserve capacity was abolished. In France, new import licences for refinery products, which determine the companies' shares of the market, came into force on 1 September 1968. Two Community companies which had no foothold on the French market received licences.

The higher transport costs due to the closing of the Suez Canal were still affecting the prices of petroleum products in 1968. Heavy-fuel-oil prices, however, have gradually dropped back to pre-crisis levels, at any rate in the north of the Community, where competition from natural gas is beginning to make itself felt. Petrol and domestic-fuel-oil prices, on the other hand, have remained higher than the pre-June 1967 levels.

286. Natural gas consumption in the Community in 1968 amounted to 46.1 million tons hce, an increase of 37% and accounted for 6.9% of the Community's internal consumption. Most of this gas came from indigenous sources. These remained at much the same level in 1968, though there were some discoveries in the Adriatic and promising signs were observed on the Dutch part of the North Sea continental shelf.

The networks carrying the Groningen gas were further expanded, notably in Germany, where arrangements were made to lay a feeder along the Rhine valley. By October the Mannheim area was using Dutch

gas. From an output of 16.7 million tons hce, practically twice the 1967 output, the Netherlands exported 5.1 million to Germany, Belgium and France. On the basis of the contracts signed at present, it is estimated that in 1975 Dutch exports will reach an annual rate of some 20,000 million cubic metres (about 23 million tons hce); negotiations are in progress to increase deliveries to certain customers.

Natural gas is generally marketed to industry at prices in the neighbourhood of fuel-oil prices. The household gas prices reflect the distributors' desire to use the opportunity of mains conversion to expand sales and to compete efficiently with the other energy sources.

287. The demand for electric power, after a lower than average growth rate in 1967, reverted to the general trend of previous years with a rate of 8.6% in 1968. The increase in demand was high in Belgium and the Netherlands, owing to the introduction of new heavy consumer industries. In all the countries but France, household demand increased by over 10%.

Thermal power plants' fuel consumption rose to 127.8 million tons hce (8.6% increase), comprising 46.6% hard coal, 26.3% petroleum products, 16.9% brown coal, 5.3% natural gas and 4.9% gas derivatives. In Germany, the hard coal percentage was stabilized largely as a result of action taken in accordance with the official energy policy, in order to encourage its use in power plants. In Belgium and Italy the consumption of fuel oil rose, whilst in the Netherlands natural gas is playing an increasing part in electricity generation.

288. Nuclear energy's contribution to the Community's energy consumption was still modest in 1968, since it covered only 2% of electricity consumption.

The installed capacity of the power plants already in service (2,588 MWe), under construction (3,596 MWe) or at the design stage (5,690 MWe) represents a total of nearly 12,000 MWe, scheduled to be in service by 1975. It is quite possible that certain projects will be added to this total.

The impressive expansion since 1966 in the United States, where the total capacity of the nuclear power plants now on order amounts to some 70,000 MWe, confirms that this source is also competitive in regions possessing relatively cheap fuels. This is bound to sharpen interest in Europe, the first signs of which are now emerging. As well

as the utilities, other industrialists, especially in the chemical sector, are contemplating using nuclear power to produce electricity together with heat or steam for industrial purposes.

289. The natural uranium reserves controlled by the Member States of the Community can be estimated at about 70,000 tons, of which half is on Community territory (almost entirely in France) and the other half—completely controlled by the French Government—in Africa. Known reserves in the free world as a whole total 630,000 tons, and present estimates indicate that they might satisfy about one quarter of its total requirements up to the year 2000.

The member countries' prospecting effort amounts to one tenth of that of the free world. The Community's programme in this field will have to be stepped up and even doubled if any worthwhile results are to be obtained. It is becoming increasingly imperative that the prospecting activities should be conducted and developed with due regard for the collective interests of all Member States, i.e. of the Community as such. A common programme of action concerning natural uranium supply arrangements must be considered fundamental to the implementation of a common energy policy.

290. Past experience and the studies carried out during the last year have confirmed that, even if the supplies of enriched uranium from the United States are sufficient to meet the Community's present requirements, new enrichment facilities, over and above those existing today, will be needed in the second half of the next decade to keep pace with the appreciable increase in demand.

It was in this light that the special working party set up by the Council's order of 8 December 1967, comprising representatives of the Member States and the Commission, examined the subject of long-term supplies of enriched uranium. A central question in their inquiry is the advisability of meeting at least part of the Community's enriched uranium requirements, at reasonable prices, from an isotope separation plant sited within the Community.

291. As in previous years, plutonium—mostly imported—was in 1968 again employed exclusively for research purposes. It should be remarked that the Community's power reactors will be producing quite appreciable amounts of plutonium from 1970 onwards. It is planned to use plutonium on a commercial scale when the fast reactors come into service (1980-85) or even earlier (thermal recycling).

FIRST GUIDELINES FOR A COMMON ENERGY POLICY

292. It has been pointed out time and again that the Community must adopt a policy on energy. Although this necessity is not written into the Treaties, it stems directly therefrom. If the present situation and national action, which directly or indirectly still hamper the exchange of most forms of energy, were allowed to continue, it would be impossible to create a large-scale common market. Furthermore, the special problems affecting the energy sector cannot in the long term be solved in the national context.

Starting from these premisses and taking as its basis the work of the three former Executives, mainly carried out within the Inter-Executive Working Party on Energy, the Commission first of all analysed the situation of the Community's energy market⁽¹⁾ and the fundamental problems of a common energy policy.⁽²⁾

293. The document entitled "First Guidelines for a Community Energy Policy", which the Commission submitted to the Council on 18 December 1968, is in the form of an outline of policy action fixing the general aims and the means of action by which a Community policy can be established. Energy policy has to be based first and foremost on the interests of consumers because of the importance of energy prices to the competitiveness of the user industries and their influence on the cost of living. What is required, therefore, is security of supply at prices which are relatively stable and as low as possible. These aims are complementary rather than contradictory. It would not be satisfactory to have cheap energy today if the maintenance of good supply conditions could not be guaranteed in the long term.

The Commission considers that in the energy sector competition should continue to be the basic guiding factor. Only in this way can enterprises develop their profitability to the full. Competition also forces them to adopt a progressive outlook and encourages the natural processes of substitution. Admittedly, the interplay of supply and demand does not alone satisfy the dual requirement of cheaper and more reliable energy supplies. In the energy sector supply conditions, the structure of enterprises and the characteristics of the market often distort the conditions of competition and involve risks as regards

⁽¹⁾ *La situation actuelle du marché énergétique dans la Communauté.*

⁽²⁾ *Problèmes fondamentaux d'une politique énergétique communautaire.*

availabilities. Correctives have therefore to be applied where necessary.

Intervention of this kind must, however, be such that market forces are not prevented from operating but are enabled to play their part effectively. Consequently, the Commission gives priority to the function of supervision. Recourse to intervention must be only a last resort; when market trends make it necessary, it should take the form of recommendations. Similarly, further action by the Community institutions must be envisaged only if the object cannot be achieved by national measures.

294. The Commission's practical proposals fall into three categories: the fixing of a general outline of the action to be taken, measures for the establishment of a common market, measures aimed at ensuring a cheap and reliable supply policy.

The outline of action comprises the fixing of medium-term policy lines, the working-out of forecasts, and annual examinations of the economic situation. Its purpose is to ensure, with due regard to the situation prevailing on the market, the necessary coherence of energy policy measures. It should also ensure that the energy sector develops in harmony with the aims of medium-term economic policy.

A similar outline of action already exists in the form of the General Objectives specified by the ECSC Treaty for coal and in the Target Programmes for nuclear energy in the Euratom Treaty. It is proposed that the broad lines of a medium-term policy for the other forms of energy—oil, gas and electricity—be determined.

The annual reports on the energy sector should contain an account of the situation and forecasts for the following year.

In conclusion, the outline provides for preventive measures to meet any supply difficulties and, in particular, regular examination of supply conditions and application of a stockpiling policy.

The Commission's proposals for establishing the common market aim at measures with respect to the free movement of goods, freedom of establishment, and application of the rules governing competition and indirect taxation.

Free movement of goods involves the removal of direct and indirect obstacles to trade within the Community. To facilitate adjustments to national policies, the Commission proposes practical Community

measures on commercial and structural policy. Technical obstacles also will have to go, both those that affect energy itself and those that concern equipment for its production, transport and use.

Freedom of establishment calls for the abolition of discrimination between nationals of Member States engaging in activities in the energy sector. This is the case, for instance, with regard to the issue of prospecting licences and concessions, the permits necessary for operating refineries or service stations, the rules governing permits for the transport of oil and gas or the transmission of electricity, and the rules governing the award of contracts for the supply of equipment for the use of public enterprises in the energy sector.

As regards competition, the fact that three different Treaties are applicable to energy means that harmonized rules of conduct, in keeping with the present legal structure, have to be drawn up for all the enterprises engaged in this sector. More specifically, it can be seen that, by its nature, the energy business tends in certain sectors to resolve itself into a limited number of companies holding a dominant position on the market, but that at the same time concentration may be desirable to enable the Community economy to reap the advantages offered by amalgamation and sheer size. The Commission's proposals are designed to encourage discrimination-free access to supply sources and to facilitate the preventive supervision of mergers. In addition, they aim to establish a procedure for procuring information on the prices actually applied on the market, and to harmonize the national price-controlling arrangements.

Another impediment to the common market is indirect taxation; the fact that tax levels applied to a given energy source vary from one Member State to another can distort intra-Community market conditions. Differences in the fiscal charges borne by the various energy sources within individual countries impair competition and influence the consumer's choice. The Commission accordingly proposes harmonized application of the tax on value added system and harmonization coupled with gradual reduction of the specific duties on energy products where these duties are intended to protect other forms of energy. Harmonization of the duties on hydrocarbon fuels is also proposed.

In order to bring into effect a policy for cheap and reliable supply, the Commission recommends action on commercial policy, on guidance of investments, on the structure of the industry, and also steps to facilitate the financing of investment.

In view of the importance of the various energy sources in economic activity, the Community ought, for the purposes of commercial policy, to have the means to regulate supplies in accordance with circumstances. To this end, the Commission proposes a co-ordinated import policy for coal. For oil and gas and nuclear fuels, the Commission considers it necessary to establish at Community level a supply programme based on the supply programmes of enterprises. The aim of this programme is to make it possible to ascertain whether achievement of the objectives set is sufficiently secure; if not, the Commission would issue the necessary recommendations to the Member States. Should these not be followed up, it would propose suitable Community procedures.

Investment policy in the energy sector strongly influences the trend of the market and competition between the different sources of energy. There is a risk of over-investment in oil refining; in the field of nuclear energy, time-lags must be made good and unprofitable investments avoided; in the electricity sector optimum siting and optimum utilization of high-power generators are not always, under the present conditions, to be relied upon. Hence the orientation and co-ordination of investment are particularly important in the energy sector, because capital investment here is exceptionally heavy and calls for particularly long-term planning.

In this field too, the Commission has made proposals for step-wise action. The first stage would consist in an annual confrontation of investment policies and projects. Notification and comparison of the various projects enables the Commission to express opinions on them, if called for. Where the danger of over-investment cannot be eliminated by any other means, the Commission will address recommendations to the Member States. It proposes Community procedures for arriving at decisions should these recommendations not be followed up.

The establishment of a system of dependable low-cost supplies also presupposes that the structures of the energy industries comply with this objective, so as to be able to satisfy demand under conditions of healthy competition.

The steps proposed in this field vary from one sector to another. In the case of coal, the quantity mined would be adapted to marketing opportunities and subsequent production would be concentrated on the most productive mines, in order to improve the cost situation; the introduction of Community aid arrangements to permit the continued

mining of the quantities necessary for supplying the Community, and improved co-ordination of Community aid systems and of the various national measures are also envisaged.

In the case of oil and natural gas the EEC Commission had already pointed out, in its first memorandum to the Council on the Community's policy concerning oil and natural gas, that there are inequalities in the conditions of competition between the enterprises established in the Community, by reason of the direct and indirect advantages enjoyed, as regards direct taxation, by certain subsidiaries of foreign firms.

There is also the more general problem, for Community enterprises, of acquiring sources from which to supply the Community. This applies to oil, gas and uranium. In order to further schemes of acknowledged importance to Europe in the fields of prospecting and production, the Commission suggests using as a pattern the "joint enterprise" concept within the meaning of the Euratom Treaty. With regard to nuclear fuels, the Commission proposes amending the provisions of Chapter VI of the Euratom Treaty on supplies, to make it possible for the supply process to accord with the rules of the market. Lastly, the Commission stresses the importance of installing an isotope separation plant for Community needs.

For the financing of investments, in addition to the facilities currently available under the Treaties, it is proposed that guarantees or Community financing facilities be provided in cases in which the way has to be smoothed for the fulfilment of certain concrete investment projects of acknowledged importance to the Community.

295. Research is particularly important in the energy sector from the standpoints of stepping up productivity, improving conditions of use and developing new energy sources and new energy production techniques. In line with the terms of the ECSC and Euratom Treaties, the Commission submitted to the Council in 1968 proposals concerning a "medium-term research programme for coal"⁽¹⁾ and the draft of a "multiannual research and training programme for nuclear energy".⁽²⁾ In the Commission's opinion, there must also be co-ordination and stimulation of the research projects in the mineral oils sector, in order to strengthen this sector's position in the Community.

⁽¹⁾ Sec. 459.

⁽²⁾ Ch. III, 3.

ACTION TAKEN BY THE COMMUNITY IN 1968

296. During 1968 the Community took the following action to implement the Treaties with regard to energy and to solve some of the problems discussed above.

Coal

297. The ECSC High Authority's action to improve the situation of the coal industry, under Decisions Nos. 3/65 and 1/67, was continued in 1968. In particular, the Commission forwarded to the Council on 16 September 1968 an initial report on the application of Decision No. 1/67 concerning coking coal and coke for use in Community steelworks.

The 1967 tonnages of hard coal sold under the discount and subsidy system amounted to about 49 million tons, the subsidies totalling 83 million u.a. The share of intra-Community trade in these figures is 13.4 million tons and 22.7 million u.a.

Under the system introduced by Decision No. 1/67 the granting of discounts, hitherto governed by the rules of the ECSC Treaty, Article 60, came into general use in dealings between collieries and steelworks. The Commission considered that this system appeared of itself to have assisted disposal of Community-produced coal, added to which there was a revival of interest in the nearest supply sources during a period of vigorous activity on the part of Community steelworks. In this sense it assisted the Community's adjustment efforts. Furthermore, the system of subsidies and price alignment had a stabilizing and levelling effect on the steel industry's costs.

Seeing, therefore, that the economic facts and circumstances that justified the adoption of Decision No. 1/67 had not altered appreciably, the Commission considered it desirable to extend the period of validity, originally due to expire on 31 December 1968. On 20 December 1968 the Council delivered the confirmatory opinion requested of it, thus permitting this Decision to be extended for one year.

Whilst pointing out that the content of Decision No. 1/67 and its renewal could not constitute a precedent and were without prejudice to any solutions adopted to implement a common energy policy, the Council asked the Commission to submit to it, before the end of March 1969, a detailed report on the question of coking coal and coke

for steelmaking. In addition, it took measures to investigate, jointly with the Commission, the ways in which the German exports tax affected coking coal and coke.

298. Under Decision No. 3/65, Articles 3-5, expenditure totalling 427.7 million u.a. was planned by the governments of the Member States for 1968. The Commission reviewed these financial measures, from the standpoint of their compatibility with the rules of this Decision and also as regards their effects on competition between the Community collieries. It found that the measures were not such as to detract from the efficient functioning of the common market.

After consulting the Council on 4 and 5 November 1968, the Commission, as required by Decision No. 3/65, approved on 6 December 1968 the measures of aid planned for 1968.⁽¹⁾

As regards coal prices, the existence of Decision No. 19/67 of 21 September 1967 concerning the publication of prices and terms for house coal made it easier for the Commission to examine the measures taken in this field, and particularly the changes introduced at the beginning of the 1968-69 coal year. The Commission did not consider it necessary, however, to resort to the optional extension of the time-limit laid down by the Decision.

299. The annual survey of coal industry investments⁽²⁾ showed that, according to the collieries' figures, the annual coal production potential will by 1971 have been reduced to 186 million tons; this is still some way above the foreseeable demand, the bulk of which is likely to come from the steel industry and the power stations.

The aggregate value of projects declared in 1968 was 112 million u.a., with Germany accounting for 70 and France for 25 million. Most of the expenditure concerned is to be on pithead power stations, several projects being for the joint construction of large-capacity units; the rest, earmarked for the pits themselves, mine-owned coking plants, etc., is principally for the rationalization of coal winning and coal preparation.

⁽¹⁾ Decisions Nos. 1991/68/CECA to 1994/68/CECA, *Official gazette* No. L 298, 12 December 1968.

⁽²⁾ See *Les investissements dans les industries du charbon et de l'acier de la Communauté—Enquête annuelle—Situation au 1er janvier 1968*. See also, in the case of steel, secs. 223 et seq.

Lastly, as regards the issuing of reasoned opinions in connection with the General Objectives (ECSC Treaty, Art. 54, paragraphs 3 and 4), the Commission has received seven prior declarations since 1 January 1968, on three of which it considered it advisable to issue opinions.

300. The Commission continued to encourage research in the coal sector in keeping with Article 55 of the Treaty. As before, Community-aided coal research was centred on rendering coal more competitive and improving safety standards in mines.

In the mining techniques sector, work was focussed, as to roadway drirage, on a new way of using tunneller drills; as to coal-winning techniques, the Commission approved new underground experimental work on hydromechanical coal-winning; in the field of automation, development work continued on the remote control of coal-getting machinery and hydraulic face support systems; new work began on underground telecommunications. Long-term basic research on strata pressure was continued. Newly developed control systems for mechanical face support were incorporated in the underground experimental installation.

Under the extensive Community firedamp research programme, experiments on degassing coal deposits prior to working by means of deep boreholes drilled from the surface produced the first positive results.

In the coal processing sector, the basic programme on coking techniques was brought to completion. The technical and economic results proved very welcome to the Community's cokeries. A new programme on high-temperature coking was launched. The separate "Bunkering" and "Coal Transport" project led to constructive proposals on plant building and layout. The major Community programme on basic research into the physiochemical structure of coal and coke went ahead on schedule. The brown coal mining industry undertook briquetting and raw materials studies with the object of safeguarding the brown coal briquette market.

Lastly, in the coal utilization sector, research was mainly devoted to combustion techniques. A new programme was approved, dealing with improvements and new developments in combustion methods for large-scale coal users. Work continued on the economic utilization of combustion residues. One clean-air project—the desulphurization of stack gases in coal-fired power plants—reached completion.

Oil and natural gas

301. On 30 July 1968 the Commission forwarded to the Council a draft directive concerning the alignment, on the basis of Article 100 of the EEC Treaty, of the Member States' legislative provisions on technical safety measures for the construction and operation of oil pipelines. This draft was prepared in response to the request made by the Committee of Permanent Representatives on 13 April 1962.

The Commission has also scheduled, in the second stage of the general programme for the removal of technical obstacles to trade resulting from differences in domestic legislation between one country and another,⁽¹⁾ the preparation of a directive on technical safety measures relating to gas pipelines.

The Council, on examining a draft regulation on the definition of the customs territory, invited the Commission on 30 July 1968 to carry out a general review of problems relating to the continental shelf and to submit proposals as early as possible concerning the customs regulations applicable to that area.

On 9 December 1968 the Council adopted a directive requiring the Member States to maintain a minimum stock of crude oil and petroleum products.⁽²⁾ By the terms of this measure, the Member States are required to maintain oil stocks on their territory, either in crude form or in the form of refinery products, or else both together, in quantities equivalent at least to their average domestic consumption over 65 days of the previous calendar year. These stocks may in certain circumstances be built up on the territory of one Member State on behalf of enterprises established in another Member State, under individual inter-governmental agreements. The procedures for concluding and carrying out such agreements have been the subject of a Decision by the Council.

Nuclear energy

302. In the "Survey of the Nuclear Policy of the European Communities", which it forwarded to the Council,⁽³⁾ the Commission

⁽¹⁾ See sec. 9.

⁽²⁾ *Official gazette* No. L 308, 23 December 1968.

⁽³⁾ See Ch. III, 3.

analysed the industrial, technological and research problems involved in that field. The relevant energy aspects have been summarized in the paper "First Guidelines for a Community Energy Policy", analysed above,⁽¹⁾ and in the annexes thereto.

The special working party of the Consultative Committee on Nuclear Research, instructed by the Council, in December 1967, to examine the question of long-term enriched uranium supplies, first of all prepared a report on the conditions governing Community supplies of nuclear fuels from external sources. It also undertook an economic survey dealing successively with the Community's enriched uranium requirements, the available sources of supply, and the possible advantage of building an isotope enrichment plant. The special working party forwarded a draft report on these three questions to the Consultative Committee on Nuclear Research in December 1968.

The Commission requested the Council, in its letter of 21 December 1968, to resume at the earliest possible date its examination of Chapter VI of the Euratom Treaty, which concerns nuclear fuel supply arrangements. This examination had been broken off at the end of 1967. The Commission considered that, in the context of the proposals it set out in "First Guidelines for a Community Energy Policy", it was imperative to draw up a new supply system.

Supply Agency

303. The Supply Agency continued its activities with regard to enriched uranium supplies under the Agreement for Co-operation with the United States. As a result of negotiations initiated by the Community, the US Congress approved at the end of December 1967 the raising from 70 to 215 metric tons of the ceiling for USAEC deliveries of uranium-235 to the Community. The enriched uranium requirements of the power plants to be taken into service in the Community between now and 1975 are thus covered for these units' entire lifetime.

The Supply Agency imported, for research purposes, 3.7 million dollars' worth of enriched uranium under the multilease contract and 2.3 million dollars' worth under purchase contract. For the Community's power reactors (KNK, KRB, Selni, SENA), the Agency imported enriched uranium to the value of 6.5 million dollars under contracts entered into previously.

⁽¹⁾ Sec. 293.

The Agency pursued negotiations with the USAEC, in liaison with the Community users, on the terms of the toll enrichment contracts which will be used from 1969 onwards as the normal method of purchasing enriched uranium. These require the consumer himself to acquire the substance to be enriched (natural, depleted or low-enriched uranium) and to deliver it to a USAEC enrichment plant. These new contracts are a considerable step forward as regards putting the supply conditions on a more commercial footing. They also allow users to purchase their natural uranium themselves on the world market at a lower price than that applied by the USAEC (\$8/lb U₃O₈).

Five such contracts were signed at the end of December; they concern the nuclear power plants at Obrigheim, Gundremmingen, Kahl and Niederaichbach in Germany and the Dutch plant at Dodewaard. These contracts represent about a hundred million dollars. Others of the same type will be signed during the early months of 1969. The new forms of contract have spurred consumers to obtain direct supplies of natural uranium. Thus the Agency took part in the concluding of contracts for natural uranium purchases for the power plants at Obrigheim (end of 1967), Lingen and Dodewaard.

304. The Agency endeavoured to broaden the plutonium market in 1968. The new American regulations, established when the delivery ceilings were raised from 500 to 1500 kg by the US Congress in December 1967, authorize purchases from private producers. The Agency consequently contacted such producers to obtain quotations for Community users. The conditions, however, attaching to these American deliveries have not yet enabled contracts to be signed with the American private producers. On the other hand, the Agency was able to offer 1500 kg of British plutonium, deliverable as from the end of 1970. A contract covering 180 kg of plutonium was signed with the UKAEA during the year, on behalf of the Belgian Government, for deliveries to begin in 1972 for the fast reactor prototype scheduled to be built by a German-Belgian-Dutch consortium.

Safeguards and controls

305. The year 1968, more especially its second half, confirmed the trend towards markedly larger requirements of nuclear materials, particularly of plutonium and high-enriched uranium; this trend was

referred to in the last General Report,⁽¹⁾ as were the repercussions it entailed in the operation and application of the safeguards and controls system.

Substantial quantities of special fissile materials are now held in the Community's installations. Moreover, whereas in previous years the reactor fuel elements were imported in the finished state and ready for use, the fissile materials are now delivered in the "raw materials" state and have to go through a whole series of processing operations at the nuclear facilities, involving waste and inexplicable losses. The customary routine checks, which for a number of years ensured the effective attainment of the aims laid down by Article 77 of the Treaty, had to be tightened up, although the basic system was left unaltered, for a certain number of plants, all of the fuel-element fabrication type, at the specific point where any misappropriation of materials would be most likely to pass unnoticed. Thus, for the plants manufacturing fuel elements containing plutonium and high-enriched uranium, the Commission took care to pare industrial margins to the bone by adjusting its procedures for supervision of the manufacturing programmes. The checking of records, as laid down in the Treaty, was, like the inspections, appropriately adapted. Lastly, the Commission brought the spot-check system into general practice, though taking pains to ensure that the Member State concerned is able to make use of its rights under the Treaty to have the team of inspectors accompanied.

306. The Community continued to make sure that the guarantees of peaceful uses given to the governments with which Agreements for Co-operation have been signed, namely, the United States, the United Kingdom and Canada, were duly observed. These guarantees now cover, or will shortly cover, very large quantities of materials, more especially of American origin, since the supply ceilings have risen from 500 to 1500 kg for plutonium and from 70 to 215 metric tons for enriched uranium. The control provisions of the Agreement for Co-operation with Canada have begun to produce the desired effect with the arrival of supplies of materials from that country to the Community. The arrangements for consultation and discussion laid down by the Agreements for Co-operation have taken their normal course.

⁽¹⁾ *First General Report (1967)*, sec. 196.

The Commission has aimed at developing scientific methods of inspection, rather than expanding its body of inspectors; it is aware of the efforts it must exert to maintain the efficacy of the system. The number of periodic inspections carried out under the Commission's orders in 1968 totalled 107. These do not include the inspection work at the Eurochemic plant at Mol, during runs of some ten months, nor an experimental high-frequency inspection on a seven months' fuel element fabrication run.

5. Transport policy

TRANSPORT POLICY UNDER THE EEC TREATY

Development of the common policy

307. The Commission attaches great importance to the results achieved at the Council session of 18 and 19 July 1968. The Parliament has often deplored the lack of progress in the transport sector, and has pointed out that this delay was liable to have serious consequences for establishment of the customs union.

By taking steps to meet the commitments it assumed at the session of 13 and 14 December 1967,⁽¹⁾ the Council manifested its will to assure the implementation of the common transport policy and to make it an integral part of economic union.

At the session of 18 and 19 July 1968, the Council adopted the following measures:

- (i) Council Regulation (EEC) No. 1017/68 of 19 July 1968 applying the rules of competition to rail, road and inland waterway transport;⁽²⁾
- (ii) Council Regulation (EEC) No. 1018/68 of 19 July 1968 on the establishment of a Community quota for road haulage between the Member States;⁽²⁾

⁽¹⁾ *First General Report* (1967), sec. 229.

⁽²⁾ *Official gazette* No. L 175, 23 July 1968.

- (iii) Council Directive of 19 July 1968 on the standardization of the rules for duty-free admission of fuel contained in the tanks of commercial motor vehicles;⁽¹⁾
- (iv) Council Regulation (EEC) No. 1174/68 of 30 July 1968 on the introduction of a system of bracket rates applicable to road haulage between the Member States.⁽²⁾

In addition, the Council

- (i) Agreed on the final text of a regulation on the harmonization of certain social provisions in the field of road transport. But before formally adopting this Regulation, the Council will allow itself sufficient time for negotiating with the non-member countries concerned in order to bring the provisions of the "European Agreement concerning the Work of Crews of Vehicles engaged in International Road Transport" more into line with the Community Regulation. However, the Regulation is to enter into force on 1 October 1969,⁽³⁾ whatever the outcome of these negotiations;
- (ii) Agreed to adopt by 15 October 1968 the regulation on the abolition of double taxation on motor vehicles in international transport;⁽³⁾
- (iii) Asked the Commission to make a study of the problems to be solved in formulating general rules on the application of Articles 77 and 92 of the Treaty to transport (i.e. the Articles referring to aids) and to submit proposals on the matter by the end of October 1968.⁽³⁾

308. Important though they are, these first measures remain limited in scope. Basically, they relate to only one of the three modes of transport, i. e. road transport, and are meant to be expanded. Harmonization of terms of competition, which affects such widely differing fields as social conditions, State intervention and taxation, must be continued and carried further. The provisions for a common market in road transport must be developed and must be extended to the other modes of transport.

The proposals submitted by the Commission during 1968 relate to all these objectives, whether already attained or still to be attained.

⁽¹⁾ *Official gazette* No. L 175, 23 July 1968.

⁽²⁾ *Ibid.*, No. L 194, 6 August 1968.

⁽³⁾ *Bulletin* 9/10-68, sec. 65 (end).

309. The start thus made with implementation of the common transport policy has not failed to affect the tendency shown by certain Member States to begin taking measures of transport policy on their own.⁽¹⁾ In particular, the Commission addressed a recommendation to Germany on 31 January 1968 regarding the Government's transport policy programme for 1968-72. While approving the objectives of this programme, the Commission expressed doubts about some of the measures envisaged to attain them.⁽²⁾

In accordance with the Decision of 14 December 1967,⁽³⁾ confirmed on this point at its July 1968 session, the Council still had to adopt a number of measures before the end of 1968, for which purpose a meeting was to be held. A session was actually planned for 17 and 18 December. The agenda included the following points:

- (i) Proposal for a Council regulation on common rules for normalizing railway accounts;
- (ii) Proposal for a Council regulation on action by the Member States regarding obligations inherent in the concept of public service in rail, road and inland waterway transport;
- (iii) Amended proposal for a Council Regulation on the abolition of double taxation on motor vehicles in international transport.

Unfortunately, this session could not be held on the dates given. The Commission hopes it will take place as early as possible in 1969.

Harmonization of terms of competition

310. Harmonization of the terms of competition is vital to the success of the common transport policy. The first important decision taken by the Council⁽⁴⁾ under the policy related to this field.

The measures laid down on 18 and 19 July 1968 make it essential to continue and expand such harmonization.

⁽¹⁾ *First General Report (1967)*, sec. 230.

⁽²⁾ *Official gazette* No. L 35, 8 February 1968.

⁽³⁾ *Ibid.* No. 322, 30 December 1967.

⁽⁴⁾ Decision of 13 May 1965 on the harmonization of certain provisions affecting competition in rail, road and inland waterway transport. *Official gazette* No. 88, 24 May 1965.

Social harmonization

311. When the terms of competition are being harmonized, special stress must be laid on the harmonization of social provisions. A first step was taken in the field of road transport⁽¹⁾ at the session of 18 and 19 July 1968, when the Council agreed on the text of a regulation settling such matters as driving time and daily rest periods.

With a view to application of this regulation, the Commission is endeavouring to define the main specifications of a mechanical monitoring device to be installed in road vehicles and the way in which the device is to be officially certified and used. The Commission will submit a directive concerning this device to the Council at the beginning of 1969.

In pursuance of the same regulation the Commission is drawing up proposals concerning minimum training standards for drivers of road vehicles carrying goods and passengers.

The Commission is preparing to complete the action undertaken in this sphere by a second proposal for a regulation concerning, in particular, the other periods of working time and rest. It is helped in its task by the Joint Advisory Committee on Social Matters in Road Transport.⁽²⁾

Work on similar measures for transport by inland waterway and rail has also largely been put in hand. To this end the Commission organized preparatory talks for the first meeting of the Joint Advisory Committee on Social Matters in Transport by Inland Waterway which it set up by its decision of 28 November 1967.⁽³⁾

State intervention

312. On 31 October 1968 the Commission submitted to the Council the study it had been asked to make of the problems to be solved in formulating general rules on the application of Articles 77, 92, 93 and 94 of the Treaty to aids in the transport field. The study has not produced any information which could help in defining the objectives and terms of such general rules. In the circumstances, the Commission concluded that the problem is confined to the application

⁽¹⁾ Sec. 307.

⁽²⁾ *Official gazette* No. 130, 16 July 1965.

⁽³⁾ *Ibid.* No. 297, 7 December 1967.

of Article 77 of the Treaty (as, incidentally, provided for by the Council in Article 9(1) of its Decision No. 65/271/CEE of 13 May 1965). However, a regulation to implement Article 77 will gradually lose much of its usefulness, since the regulations to implement Articles 5, 6 and 7 of the Decision will be adopted very soon and adoption of the other projected arrangements is due to follow. So the Commission doubts whether there is still a case for introducing the rules provided for in Article 9(1) of the decision referred to.⁽²⁾

The Council has not yet defined its attitude towards the conclusions from this study.

313. The Commission's proposal of 26 May 1967 for a regulation on action by the Member States with regard to obligations inherent in the concept of public service in the field of transport by rail, road and inland waterway⁽³⁾ was dealt with in Opinions by the European Parliament on 14 March 1968⁽⁴⁾ and the Economic and Social Committee on 27 March 1968.⁽⁵⁾

Acting under Article 7 of Council Decision No. 65/271/CEE of 13 May 1965, the Commission submitted to the Council on 28 February 1968 a proposal for a regulation on common rules for the normalization of railway accounts.⁽⁶⁾ The Economic and Social Committee rendered an Opinion on this proposal on 25 September 1968⁽⁷⁾ and the European Parliament on 29 November 1968.⁽⁸⁾

The Council has started to examine the two proposals and may be expected to adopt them in the near future.

314. The Commission is now studying ways of implementing Article 8 of Council Decision No. 65/271/CEE, which provides that the rules governing the financial relations between railway enterprises and the States must be fully harmonized by 31 December 1972. This harmonization will have considerable implications for the future of this mode of transport and for the role it will have to play in the overall transport system, particularly in so far as the harmonization measures ensure the independence of the railway enterprises.

⁽¹⁾ *Official gazette* No. 130, 16 July 1965.

⁽²⁾ *Bulletin* 12-68, Ch. V, sec. 70.

⁽³⁾ *Official gazette* No. 248, 13 October 1967.

⁽⁴⁾ *Ibid.* No. C 27, 28 March 1968.

⁽⁵⁾ *Ibid.* No. C 49, 17 May 1968.

⁽⁶⁾ *Ibid.* No. C 48, 16 May 1968.

⁽⁷⁾ *Ibid.* No. C 118, 11 November 1968.

⁽⁸⁾ *Ibid.* No. C 135, 14 December 1968.

Taxation and rates for the use of infrastructure

315. As regards general taxation, transport is to come under the same system as the other sectors of trade and industry, subject to the special rules of application which the Commission is dealing with at present. Accordingly, the Council's second Directive on tax on value added, dated 11 April 1967, prescribes that freight transport is to become liable to TVA not later than 1 January 1970.

The taxes peculiar to transport enterprises differ widely from one member country to the other and therefore cause serious distortions of competition; they should be harmonized so as to eliminate such distortions. Without prejudice to purely fiscal ends, these taxes should also result in equitably sharing out among the enterprises the charges corresponding to the services they receive from the State; this, in particular, is the object to be aimed at by the system of rates for the use of infrastructure.

The question of the duty-free admission of fuel contained in the tanks of commercial motor vehicles was settled by Directive (EEC) No. 297/68 of 19 July.⁽¹⁾

The regulation concerning the abolition of double taxation on motor vehicles engaged in international transport could not be adopted by the date agreed upon,⁽¹⁾ but the Commission hopes that it will be adopted shortly.

On 8 July 1968 the Commission submitted to the Council a proposal for a regulation to establish a standard permanent accounting system for infrastructure costs in rail, road and inland waterway transport, and on 18 July 1968 a proposal for a first directive on the adjustment of national tax systems concerning commercial vehicles.⁽²⁾ The European Parliament rendered an opinion on the proposed regulation on 29 November 1968.⁽³⁾

In 1968, as part of the work to implement Council Decisions Nos. 64/389/CEE and 65/270/CEE on organization of a survey of infrastructure costs, the Member States submitted their reports on infrastructure expenditure in 1966. A pilot study had been undertaken by the Commission with the assistance of the committee of experts

⁽¹⁾ Sec. 307, and *Official gazette* No. L 175, 23 July 1968.

⁽²⁾ *Official gazette* No. C 95, 21 September 1968.

⁽³⁾ *Ibid.* No. C 135, 14 December 1968.

set up to help it in transport studies, and with the assistance of the French Government as regards the figures on communications between Paris and Le Havre. This study has now been completed; the conclusions reached by the Commission will be set out in a synoptic report shortly to be submitted to the Council.⁽¹⁾

Article 4 of Council Decision No. 65/270/CEE of 22 June 1964 on the organization of a survey of infrastructure costs in rail, road and inland waterway transport stipulates that, on completion of the above-mentioned pilot study, the Member States are to examine a number of particular cases for the purpose of elucidating the problems involved in applying the various proposed tariff systems for infrastructure use.⁽²⁾ With a view to revising this article, the Commission submitted to the Council on 27 July 1968 a proposal for a decision to amend certain provisions of Decision No. 65/270/CEE,⁽³⁾ on the grounds that the pilot study has provided enough information to justify abandoning part of the original programme of studies.

Technical harmonization

316. Work on standardizing equipment and spare parts for inland waterway vessels continued in the working party of experts presided over by the Commission.⁽⁴⁾ During 1968, fifteen draft standards were drawn up, which will be submitted to the national standards institutes in order to obtain acceptance for them at international level. Eighteen draft standards laid down by this working party have already been adopted by the "Comité européen de coordination des normes" (CEN).

Organization of the common market in transport

317. Important though harmonization of the terms of competition is, it does not suffice as a means of establishing a common market in transport directed towards free movement of transport services and freedom of establishment of transport enterprises. Action also has to be taken to standardize the rules concerning access to the market and

⁽¹⁾ *First General Report* (1967), sec. 240.

⁽²⁾ *Tenth (EEC) General Report*, sec. 230.

⁽³⁾ *Official gazette* No. C 123, 26 November 1968.

⁽⁴⁾ *Tenth (EEC) General Report*, sec. 228.

capacity control as well as the rules governing transport rates and conditions.

Access to the market and capacity control

Road haulage

318. The Council's decision to establish a Community quota for road haulage between Member States⁽¹⁾ constitutes a first major step towards integration of the transport market.

On 9 August 1968 the Commission adopted Regulation (EEC) No. 1224/68 establishing pro formas for Community licences and the questionnaire for obtaining the statistics on their use mentioned in Articles 2(2) and 5(1), second paragraph, of the Regulation.⁽²⁾

On 23 July 1968 the Commission, acting under Article 75 of the EEC Treaty, submitted to the Council a proposal for a decision on adaptation of the bilateral quotas and of the number of transit licences for road haulage between Member States.⁽³⁾

The start that has been made with integration through the establishment of a Community quota for road haulage between Member States must be completed by the institution of common rules on access to the market and on capacity for this mode of transport. Accordingly, on 15 June 1967 the Commission proposed a regulation on the introduction of common rules for access to the occupation of road haulier in domestic and international transport and for control of capacity in domestic road haulage,⁽⁴⁾ which was dealt with in Opinions by the Economic and Social Committee on 28 March 1968⁽⁵⁾ and the European Parliament on 4 July 1968.⁽⁶⁾

It is the Commission's wish that the Council should decide rapidly on this proposal so that capacity control is introduced for this mode of transport—a control whose importance the European Parliament has rightly stressed on several occasions.

⁽¹⁾ Sec. 307.

⁽²⁾ *Official gazette* No. L 204, 14 August 1968.

⁽³⁾ *Ibid.* No. C 123, 26 November 1968.

⁽⁴⁾ *First General Report* (1967), sec. 231.

⁽⁵⁾ *Official gazette* No. C 49, 17 May 1968.

⁽⁶⁾ *Ibid.* No. C 72, 19 July 1968.

Passenger transport by road

319. On 9 July 1968 the Commission adopted Regulation (EEC) No. 1016/68 introducing the control document mentioned in Articles 6 and 9 of Council Regulation No. 117/66/CEE.⁽¹⁾

On 16 July 1968 the Commission submitted to the Council a proposal for a regulation, based on Article 75 of the EEC Treaty, concerning conditions of access to the occupation of passenger carrier by road in domestic and international transport.⁽²⁾

Transport by inland waterway

320. Here too, there is an acute need for rules on access to the market and for capacity control. This is why the Commission, on 23 November 1967, submitted a proposal for a regulation concerning access to the inland waterway transport market; the proposal was dealt with in Opinions by the Economic and Social Committee on 26 June 1968⁽³⁾ and by the European Parliament on 30 September 1968.⁽⁴⁾

Pending adoption of this regulation by the Council, the Commission has thought it necessary to encourage the Member States to take, where the need arises, initial measures of reorganization in conformity with the rules to be introduced. On 31 July 1968 it therefore addressed to the Member States a recommendation on the structural reorganization of the inland waterway transport market.⁽⁵⁾

*Transport rates and conditions**Rules on rates*

321. On 30 July 1968 the Council adopted Regulation (EEC) No. 1174/68 on the introduction of a system of bracket rates applicable to road haulage between the Member States.⁽⁶⁾

⁽¹⁾ *Official gazette* No. L 173, 22 July 1968.

⁽²⁾ *Ibid.* No. C 95, 21 September 1968.

⁽³⁾ *Ibid.* No. C 100, 5 October 1968.

⁽⁴⁾ *Ibid.* No. C 108, 19 October 1968.

⁽⁵⁾ *Ibid.* No. L 218, 4 September 1968.

⁽⁶⁾ *First General Report* (1967), sec. 229.

The Council adopted this regulation on the basis of the Commission's proposal of 27 October 1965, which provides for the establishment of a common rate system for the whole of transport by rail, road and inland waterway.⁽¹⁾ The regulation therefore represents a first step towards the introduction of this system.

Since these rates must be put into force by 1 September 1969 at the latest, the Commission is working out common provisions for them, and particularly a common nomenclature and classification of goods.

In accordance with Article 9 of Regulation (EEC) No. 1174/68 it will, before 1 March 1969, adopt the rules to fix procedure for the publication of individual contracts based on transport rates other than the published ones.

Discrimination and support tariffs

322. The few headings of the system of tolls applied in German inland waterway traffic which still involve an unwarranted import or export clause have not yet been amended because of technical difficulties.⁽²⁾

A settlement has been reached in the matter of communication to the Commission of transport rates and conditions in Belgian inland waterway traffic, in conformity with Council Regulation No. 11 on the abolition of discrimination in transport rates and conditions.⁽²⁾ Further time has been granted to Belgium in which to take the measures concerning the application of Regulation No. 11 to international transport by inland waterway.⁽²⁾

In accordance with Article 80(2) of the EEC Treaty and by its decision of 16 October 1968, the Commission has authorized the amendment of special support tariff No. 201-C of the Italian State Railways, which applies to the transport of fresh fruit and vegetables from the south of Italy.⁽³⁾ This decision is to lead to the abolition of special tariff No. 251—Section A for the transport of agricultural products from the South which are to be exported from Italy, a tariff which was authorized by the EEC Commission until 31 March 1967.⁽⁴⁾

⁽¹⁾ *Official gazette* No. L 194, 6 August 1968.

⁽²⁾ *First General Report* (1967), sec. 232.

⁽³⁾ *Official gazette* No. L 281, 20 November 1968.

⁽⁴⁾ *Ibid.* No. 11, 20 January 1967.

With regard to the special rates which the German Federal Railways (DB) apply for certain traffic to and from the Saar or Rhineland-Palatinate, the EEC Commission had initiated against Germany the procedure under Article 169 of the EEC Treaty for failing to meet obligations under Article 80. However, the Commission is now examining the situation created by the Court of Justice judgment of 8 February 1968 quashing Decision No. 14/66 of the High Authority of the ECSC.⁽¹⁾

323. The Commission has also continued its study of transport rates and conditions, whether published or unpublished, to verify whether they are compatible with the EEC Treaty.

Application of the rules of competition to transport

324. In order to take account of the special aspects of transport, the Council had, by its Regulation No. 141 of 26 November 1962, exempted the transport sector from the provisions of Regulation No. 17 of 6 February 1962, which was the first regulation to implement Articles 85 and 86 of the EEC Treaty. This period of exemption had been extended until 30 June 1968 by Regulation No. 1002/67/CEE.⁽¹⁾

At its session of 18 and 19 July 1968, the Council adopted Regulation (EEC) No. 1017/68 applying the rules of competition to rail, road and inland waterway transport.⁽²⁾ In accordance with Article 29 of this regulation the Commission will shortly be enacting provisions concerning the required form, content and other features of complaints, applications for exemption from the ban on restrictive agreements, notification of certain agreements, and hearings of firms involved and of other natural or legal persons.

Consultation and Opinions

Prior examination and consultation

325. In accordance with Article 1 of the Council decision of 21 March 1962 introducing prior examination and consultation for certain laws

⁽¹⁾ *First General Report* (1967), sec. 232.

⁽²⁾ Sec. 307.

and regulations contemplated by the Member States in the transport sector,⁽¹⁾ the Governments regularly inform the Commission of those measures they intend to put into effect which are likely to impede substantially the implementation of the common transport policy.

326. Reference has already been made to the recommendation of 31 January 1968 regarding the Federal German Government's transport policy programme for 1968 to 1972.⁽²⁾ In addition, the Commission issued opinions or recommendations in the following cases:

- (i) Dutch measures to reorganize inland waterway transport;⁽³⁾
- (ii) Belgian bill making the classification certificate compulsory for all transport which is subject to the provisions of the decree law of 12 December 1944 creating an inland navigation control office;⁽⁴⁾
- (iii) Dutch draft regulation on the transport of dangerous substances;⁽⁵⁾
- (iv) German draft regulation to amend the rules governing access to road traffic;⁽⁶⁾
- (v) Dutch draft regulation on the scrapping of inland waterway vessels;⁽⁷⁾
- (vi) Luxembourg bill to approve amendments to Article 29 of the Conditions of Operation of the Luxembourg State Railways and a draft Grand-Ducal regulation on the conclusion of special rate agreements by the Luxembourg State Railways;⁽⁸⁾
- (vii) German bill to amend the provisions of the Federal railway law concerning the Minister of Transport's right of supervision and the compensation granted to the German Federal Railways (DB).⁽⁹⁾

⁽¹⁾ *Official gazette* No. 23, 3 April 1962.

⁽²⁾ Sec. 309.

⁽³⁾ *Official gazette* No. L 34, 7 February 1968.

⁽⁴⁾ *Ibid.* No. L 75, 27 March 1968.

⁽⁵⁾ *Ibid.* No. L 83, 5 April 1968.

⁽⁶⁾ *Ibid.* No. L 167, 17 July 1968.

⁽⁷⁾ *Ibid.* No. L 9, 15 January 1969.

⁽⁸⁾ *Ibid.* No. L 218, 4 September 1968.

⁽⁹⁾ *Ibid.* No. L 12, 17 January 1969.

Consultation procedure concerning infrastructure investments

327. In accordance with the Council Decision of 28 February 1966 establishing a consultation procedure for investments in transport infrastructure,⁽¹⁾ the Commission held discussions with the Member States in two cases:

- (i) on 18 March 1968 in respect of various road-building projects communicated by the Governments of Germany, France and Luxembourg; more than half of these projects relate to trunk roads;
- (ii) on 26 April 1968 in respect of waterway development schemes, particularly for links between northern France and Belgium and between the North Sea and the Mediterranean.

Application of the standstill clause

328. Procedure under Article 169 was initiated by the Commission against the German Government for infringement of Article 76 by the regulation on the allocation of cargoes in inland waterway transport,⁽²⁾ and this procedure has not yet terminated. The Government has declared that it will do all it can to enable foreign barge-owners to share in the transport reserve constituted by the disputed regulation, on the same conditions as German barge-owners. This declaration of intent must, however, still be implemented through measures which actually put the foreign barge-owners on the same footing as German barge-owners.

The Consultative Committee on Transport

329. As part of the programme of work for 1967-68 submitted to it by the Commission,⁽³⁾ the Consultative Committee on Transport (Article 83 of the EEC Treaty) has rendered Opinions on the following matters:

- (a) Practical criteria for detecting conditions of uneconomic competition in transport;
- (b) Problems raised by the development of container traffic.

⁽¹⁾ *Official gazette* No. 42, 8 March 1966.

⁽²⁾ *First General Report* (1967), sec. 238.

⁽³⁾ *Ibid.*, sec. 241.

Concerning (b), the Committee has been requested to issue additional Opinions on:

- (i) Rules governing capacity in road haulage;
- (ii) Rules on restrictive agreements;
- (iii) The establishment of a single transport document.

The Committee has continued its studies of the need to harmonize the conditions governing access to and pursuit of the occupation of transport auxiliary, and possible ways of doing this, in connection both with the common transport policy and with freedom of establishment and freedom to supply services.⁽¹⁾

Moreover, following an emergency and priority consultation, it has rendered an Opinion on the problems arising from the conditions and procedures to be laid down by the Commission under Article 9 of Regulation (EEC) No. 1174/68 for publication of individual contracts containing rates outside the standard rate brackets.⁽²⁾

TRANSPORT POLICY UNDER THE ECSC TREATY

Price formation and transport conditions in the coal and steel sector

General measures

330. Together with the Member States, the Commission continues to seek a common solution to the problem of the minimum charges or minimum chargeable distances applied by certain railways in the Community.⁽³⁾

Special tariff measures

331. By its judgment of 8 February 1968,⁽⁴⁾ the Court of Justice of the European Communities quashed Decision No. 14/66 of the High

⁽¹⁾ *First General Report* (1967), sec. 241.

⁽²⁾ Sec. 321.

⁽³⁾ *First General Report* (1967), sec. 243.

⁽⁴⁾ *Recueil de la Jurisprudence de la Cour*, XIV, p. 1.

Authority dated 20 July 1966 authorizing the German Federal Railways to charge special freight rates for certain consignments of coal and steel from and to the Saar.⁽¹⁾

It follows from this judgment that the special rates, which the Court found to be support rates, can be applied as a temporary measure only.

The judgment has referred the matter back to the Commission, which has resumed its study of these tariff measures on the basis of the provisions of the Treaties of Rome and Paris.

332. Under Article 70, fourth paragraph, of the ECSC Treaty, the Commission has authorized a special tariff measure by the French Railways relating to the transport of Lorraine iron ore to Belgium.⁽²⁾

The Commission has extended until 14 February 1969⁽²⁾ its authorization of a rate agreement concluded between the French Railways and the firm of USINOR on the transport by rail of crude steel ingots and semi-finished steel products from the USINOR factories in Lorraine to Dunkirk.

333. The Commission is, moreover, constantly examining all transport rates and conditions affected by the ECSC Treaty, and more particularly measures reported to have been taken because of competition from other modes of transport, with a view to determining whether they are compatible with the provisions of the Treaty. In this connection it has examined the rebates the German Federal Railways grant for the transport of Ruhr coke to Italy. The Commission has found that during the latest reference period these transport rates bore a correct relationship to the rates for sea transport.

*Publication of rates and conditions of carriage
for coal and steel*

334. Acting under Article 70, third paragraph, of the ECSC Treaty, the Commission has examined the changes the Luxembourg Govern-

⁽¹⁾ *Official gazette* No. 114, 2 August 1966.

⁽²⁾ *Ibid.* No. L 230, 19 September 1968.

ment proposes to make in its railway legislation with a view to authorizing the Luxembourg Railways to conclude special agreements.⁽¹⁾

Luxembourg intends to introduce a system of *post facto* publication concerning the rates and conditions of carriage for ECSC products transported in consignments of at least 5 tons over distances of at least 50 km as the crow flies. The Commission noted that this system of publication did not meet the requirements which, in the opinion of the ECSC High Authority, had to be fulfilled if the objectives of the Treaty of Paris are to be attained. It drew the Luxembourg Government's attention to these requirements and asked it to reconsider its plan accordingly.

335. In this connection, the Commission felt that it had to follow the line of conduct of the ECSC High Authority, at any rate so long as the measures adopted to implement the common transport policy in the tariff field have not led to harmonized arrangements for the publication of transport rates and conditions. The Commission is continuing its efforts on this basis with a view to ensuring adequate publication of the rates and conditions of carriage for ECSC products, particularly as regards road haulage between certain Member States, international transport by inland waterway, medium-distance road haulage in Germany and France, and rail transport between the Member States in transit via Austria or Switzerland.

6. Regional policy

336. The Commission of the European Communities saw to it that the work of the former High Authority and EEC Commission on regional policy continued without a break after conclusion of the merger treaty. At the same time, however, it undertook a general study, the need for which was becoming increasingly urgent, of the Community's aims in the field of regional policy and the methods envisaged for implementing them. Technical progress, and its rapid diffusion under the spur of competition, have brought about changes in types of activity and ways of life; and these confront the regions with enormous, difficult problems of development, adaption and reorientation for

⁽¹⁾ Sec. 326.

which practical solutions are required. The changes are the more strongly and suddenly felt in the Community as customs barriers between the six countries go down, and they become more open to competition from other countries, after long delays in adjustment owing to the two world wars and former protection policies. At the same time, if there is no regional policy adequate to meet the problem, the creation of one large economic unit will mean that the changes will largely benefit regions which are already developed and depress still further regions which are already retarded.

337. Combination and co-ordination of the means of action and research available to the institutions of the Community and the Member States are particularly suitable for confronting this problem, on which the social and political balance of the Community depends. Accordingly, the representatives of the Commission have been in touch from the outset with the national administrations responsible for regional policy in the member countries. The main object of these contacts was to find ways of collaborating at Community level. They resulted in wide-ranging discussions of matters arising in connection with regional policy at Community level, in particular the planning, co-ordination and implementation of action.

In 1968, action took three forms: harmonization of national regional policies, and harmonization of common policies with regional policy; the creation of new regional activities and means of development; and specific studies on the potential of certain regions and general studies on matters concerning a whole category of regions or even all the regions.

HARMONIZATION OF NATIONAL AND COMMON POLICIES

338. Harmonization is particularly necessary in the matter of regional aid, since the growing amount of such aid and the increasing interpenetration of the national economies in the common market have caused the effects of aid to become felt far beyond the national frontiers.

Harmonization in the various fields should keep pace with the development of common policies—as in agriculture, and to a lesser degree in transport—or of co-ordinated policies, as in economic policy, more particularly medium-term policy. Of course, as these policies take shape, they entail options and lines of action which

profoundly affect the present activity of the regions and determine their future for a long time ahead.

The Community's main work on harmonization during 1968 is described below.

Regional aid

339. The regional financial aid given by the Member States is most effective when accompanied by the necessary infrastructures, concentrated on industrial growth points, granted to sound enterprises which will have a strong impact on demand in the area, applied temporarily, proportional to the seriousness of regional problems, and allocated under regional programmes.

It was on these principles that the Commission based its opinions on the Member States' arrangements for aid.

In order to facilitate co-ordination of aid at Community level, the Commission has taken a stand on the general arrangements for regional aid made by certain member countries.

Links with the common transport policy

340. In pursuance of EEC Treaty Article 80, the Commission authorized the application by the Italian State Railways of reduced tariffs for certain agricultural products from southern Italy. The reductions will have to be cut by 50% on 1 January 1970 and will cease altogether on 1 January 1971.⁽¹⁾

The matter of special tariffs for the Saar and the Palatinate, in accordance with both the EEC and ECSC Treaties, has not yet been finally resolved. The Commission is aware of the fact that the economic situation of the Länder does not depend only on transport rates.⁽¹⁾

341. In connection with investments for creating the Community transport arteries which are very important for the development of a number of regions, the Commission held consultations with the

⁽¹⁾ Sec. 322.

Member States, under the procedure laid down in the Council Decision of 28 February 1966, on investment projects in road and inland waterway infrastructure. It is not yet possible to assess how far this consultation procedure will lead to a more thorough and co-ordinated consideration of regional requirements.

342. The Commission also paid attention to the objectives assigned to Community action on regional policy in the proposals which it submitted for implementation of the common transport policy, notably those on the obligations inherent in the concept of public service⁽¹⁾ and access to the markets in road haulage and transport of goods by inland waterway.⁽²⁾

Regional effects of work on agricultural structures

343. As regards Community financial aid to agriculture, in 1967 the Commission passed to the Council eleven proposed regulations on Community programmes for the Guidance Section of the European Agricultural Guidance and Guarantee Fund. So far, negotiations on these programmes in the Council have had no result. Implementation of the programmes would have made it possible to assess regional requirements more efficiently when the resources of the EAGGF Guidance Section were allocated.⁽³⁾

In a wider context, that of preparatory work on the policy for reform of agricultural structures, it has been found that the efforts made by the public authorities to carry out this reform should differ according to the types of Community regions (industrial, semi-industrial and semi-agricultural, mainly agricultural regions). Moreover, an important factor in implementing the reform policy is the creation of new jobs in regions where the reabsorption of agricultural manpower into competitive economic activities is especially difficult in the nature of the case. Generally speaking, these creative efforts should be greater where the infrastructures in the wide sense are deficient, or where it is necessary to adapt them fundamentally to the proposed new structures. In this way, measures of structural reform would tie up with Community work for the direct creation of jobs and development resources.

⁽¹⁾ Sec. 313.

⁽²⁾ Secs. 318 and 320.

⁽³⁾ See Ch. III, 1.

THE CREATION OF NEW REGIONAL ACTIVITIES
AND MEANS OF DEVELOPMENT

344. The Community has helped to create new activities and jobs by industrial redevelopment, in pursuance of ECSC Treaty Article 56, and by loans from the European Investment Bank, in pursuance of EEC Treaty Article 130.

The trend, often encouraged by the Community, towards integrating industrial projects in general programmes has been accentuated in the redevelopment projects recently submitted and given fresh impetus in the policy lines laid down by the European Investment Bank.

Redevelopment

345. Following the confirmatory opinion of the Council, the Commission decided to grant loans totalling 47.5 million u.a. to help in the fulfilment of 14 projects. At the same time, 20 further applications for assistance were made by the Governments. The schemes approved will make it possible to re-employ some 8,000 workers. The technological standard of the substitute activities is high, ensuring that jobs are high-grade and the working conditions among the best.

The redevelopment schemes in large mining areas, such as the Ruhr and Dutch Limburg, involve various factors of regional scope, such as land utilization policy, air pollution, etc. These schemes, all carried out in pursuance of the ECSC Treaty, have helped to provide a satisfactory solution to the problems of re-employing workers from the coal and steel industries.

Very similar redevelopment problems are already arising or are foreseeable in other economic sectors, but on a particularly large scale in agriculture. Two cases brought to the notice of the Commission are mentioned below.⁽¹⁾

The schemes in question are as follows, according to region:

North Rhine/Westphalia

346. The German Federal Government and the North Rhine-Westphalia Land Government have increased their efforts to achieve a better

⁽¹⁾ Sec. 353.

balance of the industrial structure in zones with too high a concentration of ECSC industries. In support of this project, the Community decided to grant eight loans at a low interest rate for a total of 18.5 million u.a.

The establishment of enterprises on the southern border of the Ruhr coalfield received particular encouragement. In this zone firms can be allocated industrial sites free from mining damage, well placed for transport and enjoying the benefit of the whole infrastructure of the Ruhr coalfield. Preference is given to raw-material industries in order to make the products of advanced technology, besides steel, easily accessible to manufacturing industry in the Ruhr.

Community loans have helped to encourage industrial investments totalling 156 million u.a. and to create more than 2,600 new jobs. About two thirds of these jobs were given to former miners and steelworkers.

Dutch Limburg

347. The mine closure programme in Limburg has continued and more than 24,000 jobs should cease to exist in the period 1966-70. Over 13,000 workers have already left the mines for other employment.

In conjunction with the efforts of the various Netherlands authorities, the Commission decided to help finance a new industrial project which would result not only in finding work for ex-miners but also in diversifying the activities of the region. The Commission particularly favours an outline project suggested by the Kerkrade local authority, concerning a score of small and medium-sized enterprises, which would re-employ some 900 former miners by about 1972.

Belgian Limburg

348. It was decided to allocate a first instalment of credit, totalling around 4 million u.a., for installing industrial plant in the Genk South and Lanklaar-Eisden areas included in the Limburg reorganization programme, to which the Commission had previously decided to contribute aid.⁽¹⁾

⁽¹⁾ *First General Report (1967)*, sec. 293.

Hainaut

349. The reorganization of the Charleroi region has enjoyed a distinct benefit from the establishment of a substantial industrial unit producing heavy earth-moving equipment. For this purpose the Commission decided to grant a loan of 7 million u.a., and expects that more than 3,000 workers, of whom at least 300 are from mining and steelworks, will be satisfactorily re-employed as a result.

In continuation of the scheme for installing plant in a number of industrial areas in the Centre and the Borinage, the Commission decided this year to allocate a second instalment of credit of 5 million u.a. to the Ghlin-Baudour area in the Borinage and the Seneffe-Manage area in the Centre.⁽¹⁾

Nord/Pas-de-Calais

350. The large industrial area of Douvrin-la-Bassée is being developed; the Commission has decided to allocate a first loan of 3 million u.a. for the work.⁽¹⁾

Lorraine

351. A first instalment of a loan, for an amount of 1,831,000 u.a., has been allocated to the industrial estate development programme which receives financial aid from the Commission. This money will be spent on work in the Creutzwald and Saint-Avold areas, in the coalmining district, and the Briey and Villers-la-Montagne areas, in the iron-ore mining district.⁽²⁾

In the same region the Commission has agreed to aid the installation of a tyre factory at Toul, near the Neuves-Maisons mining and steel centre, with a loan of 5 million u.a., and a transport enterprise at Saint-Avold with a loan of 860,000 u.a.

The establishment of these two enterprises will create some 1,150 jobs by 1971.

⁽¹⁾ *Fifteenth (ECSC) General Report*, sec. 425.

⁽²⁾ *Ibid.* sec. 427.

Lombardy

352. Some 50 of the steelworkers and iron-ore miners affected by shutdowns, particularly in Val Trompia (Brescia), will be re-employed in a factory making sporting guns. The Commission has assisted the project with a loan of 480,000 u.a.

353. Besides the ECSC redevelopment schemes, the following two matters were also examined.

The Commission is investigating the situation and prospects of the carded wool industry in the Mazamet-Castres areas and the Olmes district (Midi-Pyrenees), Tilburg (North Brabant), Eeklo (East Flanders), Euskirchen, Aachen (west North Rhine-Westfalia), Neumünster (Schleswig-Holstein) and Prato (Tuscany). The investigation has only just begun, but it has revealed the local effects of structural changes in this industry. The effects are very differently viewed, all according to the regional development plans guiding the authorities concerned. This applies to the whole of the textile industry, the situation of which can be fairly assessed only in the light of the process of geographical redistribution of industrial enterprises in the Community territory and the regional effects of this redistribution.

In Sardinia, more particularly in Sulcis-Iglesiente, the effects of the decline of coalmining are aggravated by the present difficulties in the lead and zinc industries. The Commission, in close collaboration with the Italian authorities, is trying to soften the impact of these successive regressions on the island's extractive industries and to integrate the area into the development of Sardinia as a whole.

Regional activity of the European Investment Bank

354. The European Investment Bank continued its work for the development areas during 1968 in accordance with EEC Treaty Article 130(a).⁽¹⁾

In Italy, the Bank's activity was largely devoted to helping the less developed regions in the South. During 1968 the Commission was asked to render its opinion on some 25 projects, of which about

⁽¹⁾ See also Ch. II,5.

TABLE 15

Redevelopment schemes scheduled for Community financial aid in 1968⁽¹⁾

Location	Amount of loan		Estimated number of new jobs
	national currency	u. a. (rounded figures)	
<i>North Rhine-Westphalia</i>	DM		
Gladbeck	556,000	139,000	120
Datteln	12,000,000	3,000,000	250
Datteln	5,000,000	1,250,000	200
Dorsten	500,000	125,000	45
Lünen	6,000,000	1,500,000	180
MK Recklinghausen	20,000,000	5,000,000	537
MK Recklinghausen	9,000,000	2,250,000	300
Lünen	20,000,000	5,000,000	980
<i>Dutch Limburg</i>	Fl.		
Roermond	199,000	55,000	80
Kerkrade	10,000,000 ⁽²⁾	2,762,000	900
<i>Belgian Limburg</i>	Bfrs.		
Lanklaar-Eisden	200,000,000 ⁽²⁾	4,000,000	industrial areas
Genk South			
<i>Hainaut</i>			
Gosselies	350,000,000 ⁽³⁾	7,000,000	3,000 industrial areas
Seneffe-Manager (Centre)			
Ghlin Baudour (Borinage)			
	153,160,000 ⁽³⁾	3,863,200	
<i>Nord/Pas-de-Calais</i>	FF		
Douvrin-la-Bassée	15,000,000 ⁽⁴⁾	3,038,400	industrial areas
<i>Lorraine</i>			
Saint-Avold	1,506,000 ⁽⁵⁾	305,000	industrial areas
Briey			
Villers-la-Montagne			
Creutzwald			
Toul			
Saint-Avold			
	983,000 ⁽³⁾	199,999	
	582,000 ⁽⁵⁾	118,000	
	1,722,000 ⁽⁵⁾	349,000	
	24,685,000	5,000,000	1,000
	4,246,000	860,000	1,150
<i>Lombardy</i>	Lit.		
Gardone Val Trompia	300,000,000	480,000	70

This table includes only those amounts contributed as a result of an official decision by the Commission.

⁽¹⁾ First instalment.

⁽²⁾ First instalment of a loan totalling Bfrs. 350 million approved by the Commission in 1967 (Table 15 of *First General Report* (1967)).

⁽³⁾ Second instalment of a loan totalling Bfrs. 750 million approved by the High Authority in 1966 (Table 73 of the *Fifteenth (ECSC) General Report*).

⁽⁴⁾ First of two loans totalling FF 30.9 million granted by the High Authority in 1966 (Table 73 of the *Fifteenth (ECSC) General Report*).

⁽⁵⁾ Last instalment of a loan totalling FF 44.4 million approved by the High Authority in 1966 (Table 73 of the *Fifteenth (ECSC) General Report*).

15 were in southern Italy and the remainder in central Italy, Sardinia and Sicily. In France, the projects approved by the Commission concerned the modernization and rationalization of potash factories in the Haut-Rhin department, the building of a thermal power station in Loire-Atlantique, and the extension of the natural gas pipeline system in the south-west.

As regards other member countries, the Commission gave a decision on a project concerning improvement of the water supply for agricultural, industrial and domestic use in north Lower Saxony, in Germany. It also approved participation by the European Investment Bank in financing the construction in Belgium of a section of the E 10 motorway from Antwerp to the Netherlands frontier, and a project to increase the supply of drinking water for industrial and domestic use in Luxembourg.

355. A particularly significant case which the Bank submitted for the Commission's opinion was the granting to regional financing institutions of aggregate loans to finance the development of small and medium-sized enterprises situated in areas undergoing industrialization. The Commission approved this system of aggregate loans. It considered the development of small and medium-sized enterprises, whose influence on the labour market is relatively strong, to be an essential complement to the creation of infrastructures and the establishment of relatively large and technically advanced factories. The establishment of a number of such smaller firms might fundamentally change the economic pattern of a region; some of them might subsequently attain a considerable size.

The Commission rendered a favourable opinion, without prejudice to reservations expressed elsewhere regarding general aid systems, but insisted that it should be informed in advance concerning the policy, as regards choice of location and of type of industry, which the financing institutions receiving the loans intended to follow when allocating the loans to enterprises.

356. In 1968 many regions benefited considerably from Community financing, in the form of both Commission redevelopment loans and Bank development loans.

In one particular case, concerning the earthquake damage in Sicily in January and February 1968, the Commission offered the Italian Government aid from the EAGGF and in vocational training. It also offered technical and financial assistance for the preparation

and implementation of a development plan for the part of the island affected by the earthquake.

However, the Community cannot restrict its action to financial aid, important though this is. It can already help to solve problems of redevelopment outside the ECSC's scope by means of the studies which it is able to carry out and the suggestions which it is able to make.

REGIONAL DEVELOPMENT STUDIES

357. In the present state of flux of activities and ways of life, the regions have to have as much current and advance information as possible to enable them to determine their future. Since the Commission's function in this connection is to analyse changes in the scale of the common market and its place in the world, it is in a position to make a considerable contribution to the analyses which will help the regions to decide what their policy lines are to be and how they are to follow them. In 1968 the Commission began or continued a number of special studies on certain regions and general studies on problems of regional development as a whole. To carry out these studies properly, the Commission must have at its disposal information resources which are as extensive and complete as they can be made.

Special studies

Schleswig-Holstein

358. The authorities affected by the regional study on Schleswig-Holstein have examined the progress made and provided some additional guidance. The study will provide all the data for selecting secondary centres, which was its principal object. Considerable attention will also be paid in it to evaluating certain major infrastructure projects, particularly in transport (ports, motorways, bridges), and thorough use will be made of the input-output tables available in Schleswig-Holstein. The study was scheduled for submission by the end of 1968, but this has been postponed to the beginning of 1969 to enable certain statistics which appeared at the end of 1968 to be taken into account.

Bavaria

359. At the request of the German Government, the Commission decided to finance a redevelopment study on the Amberg region under ECSC Treaty Article 46, subparagraph 4.

Developments in the iron ore mines of the region are raising problems of the reform of industrial structures. The object of the study is to determine a range of new processes or products to assist the economic recovery of one of the region's principal industries and thus maintain the level of employment and income in a jeopardized area.

Liège/Belgian Limburg/Maastricht/Aachen frontier region

360. As stated in the last General Report, the study on this region began in 1968. The study contract was signed on 18 December 1967; the Commission is one of the principals on the same footing as the three Member States concerned.

The object is to describe the problems of the region and its prospects and to suggest Community solutions. The working party for the study met twice in 1968. It examined an interim report and decided the lines along which later work should proceed.

South Belgium

361. On 3 July 1968 the Belgian Government applied to the Commission, in pursuance of the ECSC and EEC Treaties, for financial and technical assistance in a general study on the economic development of the southern region of Belgium. The Commission agreed and on 19 December 1968 signed a contract, jointly with the Belgian Government, authorizing the study to be carried out by an *ad hoc* association of two research institutes.

With the help of the Belgian Government, the institutes will make a critical analysis and a summary of all the important studies already conducted on different parts of the region. This should make it possible to establish a development programme for the region in line with the Belgian and Community economic programmes. The study is to take two years, but there may be interim reports on parts of the subject.

The Loire

362. At the request of the French Government, the Commission agreed to participate in a study on the development prospects of the Nantes-St. Nazaire conurbation. The study will be in two parts: the first is to chart the innovations which might be made in the context of an economically profitable programme in the region; and the other will deal with application of a development programme with Community, national and regional technical assistance. The results of the first part are expected to be available in autumn 1969.

On 15 October 1968 the Commission approved two contracts, signed jointly with the French Government, assigning the first part of the study to two specialized institutes.

Val d'Aosta

363. The Committee for the Industrialization of the Val d'Aosta, which was set up this year and on which the Commission is represented, met in Aosta to examine two studies⁽¹⁾ carried out in accordance with its instructions and to determine the programme of activity in the coming months.

The object of the studies was to ascertain the new activities and industrial projects which would be best for this Alpine valley and to propose measures for implementing them.

Calabria

364. The study decided on in 1967 by the Italian Government and the Commission to promote development of the tourist industry in Calabria was continued during 1968.

The working party which is supervising this study, and which consists of Commission and Italian Government representatives, examined the potential of the various parts of the region and provided the institutes responsible for a portion of the study with the terms of reference and data they needed.

⁽¹⁾ "Industrial development in the Val d'Aosta, an analysis of industrial location factors and aid required" and "Education and career ambitions of young people in the Val d'Aosta".

Work so far has confirmed that, when theory is put into practice, the results will depend on what the competent authorities can do to prevent land speculation.

General study

365. In order to obtain better information on the structural changes in the economy which have repercussions at regional level, the Commission launched a long-term research programme designed to determine the lines to be followed in certain specially important fields of regional policy. On 30 July 1968 it approved three survey projects. These are to be completed within a short period. They will essentially contain analytical accounts of research carried out or in progress and a general view of the conceptions and ideas developed in the various countries. They should spotlight the major problems to be solved with a view to guiding future action.

The first survey is on urban concentration, with special reference to costs and the definition of the type and optimum size of the urban centres from the economic, social and human points of view. The second study concerns the conditions of establishment and development of centres of quaternary activity, notably research, and their snowball effects on the geographical distribution of activities. The third study concerns the main points of entry and exit by sea in the Community (conventional ports and possibly transshipment harbours) examined from the angle of transport techniques and their influence on the economic structure and development of the regions.

The Commission also asked an institute to supplement theoretical work already done on the planning and development of industrial sites with practical information, based on experience in Community countries, which will help in the creation and administration of industrial areas.

Documentation

366. In order to accomplish the various tasks concerning harmonization of policies from the regional point of view, the creation of new activities, and development studies, the Commission has expanded its exchange of information with the regional authorities of both

Community and non-member countries. A body of data has thus been assembled to which additions should be made in future so that the Commission can be kept posted concerning all important work done on regional problems.

7. Social policy

367. The following pages show that the Commission has unremittingly continued its current work on the many facets of social questions. Furthermore, 1968 saw the adoption of important decisions, particularly that completing the final stage in establishment of the freedom of movement of workers; approval of a regulation to harmonize certain social provisions concerning road transport; and the drawing up of the memorandum on structural policy in agriculture, in which social aspects have been given a predominant place. These twelve months were also clearly notable for adaptation of the tasks of the three Communities to a common viewpoint, which implied fresh impetus to activities in the social field and the establishment of priorities. With an eye to action more or less long term, particular attention was given to employment problems, to study of possible ways of making the European Social Fund more effective, and to endeavours to improve treatment of the social aspects in the various common policies.

THE CORRELATION BETWEEN SOCIAL POLICY AND THE OTHER COMMUNITY POLICIES

368. In a resolution adopted on 29 February 1968 the Council considered that the social policy tasks arising, both for the Community and for the Member States, from the various common policies or activities to be pursued under the Treaties of Rome and Paris had to be examined in order to ensure consistency between social measures taken or envisaged in connection with these various common policies or activities, each of which had its own, partial, social aspect. To this end, the Commission submitted to the Council on 29 July 1968 an interim report on the "correlation between social policy and the other Community policies".

Social aspects of general economic policy

369. The studies on general economic policy embrace important aspects of social policy, whether it is short-term economic policy (trend analyses and policy recommendations) or medium-term economic policy that is concerned.

In 1968 the Council endorsed the ninth report on manpower problems, which contained practical suggestions for solving the short-term problems posed in the field of employment.⁽¹⁾ Furthermore, in the short-term policy recommendations addressed by the Council to the Member States on a proposal by the Commission every year since 1964, guidelines were laid down for incomes, prices, wages, employment, etc.

370. The first medium-term economic policy programme emphasized employment problems. The draft of the second programme concentrated mainly on the structural problems and policies and stressed the part which should be played by the vocational guidance and training of young people, training, readaptation and further training of adults, the organization and functioning of employment services, and the creation of new jobs through the establishment of new industries.

Both programmes also set out a certain number of guidelines of a social nature, especially with regard to incomes policy, regional policy and housing policy.

Agriculture

371. Special attention has been devoted to the social problems of agriculture within the framework of studies connected with the Commission's memorandum on the common agricultural policy.

Furthermore, a study was carried out on the readaptation of workers who are obliged to leave farming and need to be guided towards other branches of activity.

An important step towards the completion of Community social policy was accomplished on 6 June 1968, when the two sides of industry signed an agreement on the working week in agriculture. It was the work of the Joint Advisory Committee on Social Problems

⁽¹⁾ Sec. 380.

of Paid Agricultural Workers that enabled the Commission to ask the representatives of employers and workers to conclude this agreement. Talks are now being held with a view to concluding an agreement on the working week in the stock-raising sector.

Since the usefulness of the annual survey on the working week and wages in agriculture has been proved, a similar study will be put in hand for horticulture, forestry and wine-growing. Among the new studies being undertaken, reference may be made to the investigation of labour costs in agriculture. As far as the studies on industrial health and safety are concerned, the Commission has consulted the Joint Committee regarding the priorities to be observed.

Examination of the two proposed regulations on the training of social and economic advisers and the retraining of agricultural workers continued in the competent departments of the Council.

Fisheries

372. Social measures have also been taken in connection with the common policy for deep-sea fishing. The Commission has finished drafting a "Survey of the social situation in the deep-sea fishing industry of the Community countries", to help towards achievement of the aims it set itself in its "Report on the situation in the fishing industry and basic principles for a common policy".⁽¹⁾

In this connection the Commission has submitted to the Council three proposed regulations, one of which concerns "the introduction of a common structure policy for fisheries". Articles 10 and 11 of this proposed regulation provide for the possibility of action of a social nature concerning, in particular, the level of social protection, the conditions of vocational training and retraining, and the improvement of living and working conditions at sea.

A start has been made on the study of problems of vocational training in the deep-sea fishery sector.

Lastly, by decision of 7 June 1968, the Commission has set up a "Joint Advisory Committee on Social Problems in the Sea-Fishing Industry".

⁽¹⁾ Chapter X, sec. f of the report.

Transport

373. On 30 July 1968 the Council, acting on a proposal by the Commission, endorsed the text of a first regulation on the harmonization of certain social provisions in road transport. This regulation specifies the minimum age for drivers, the composition of crews, crews' driving time and resting time, and checking methods. The introduction of Community rules for the installation of a mechanical monitoring device on road vehicles (a recording tachometer) was discussed by the Joint Advisory Committee on Social Matters in Road Transport. The Commission continued with the preparation of a proposal for a second regulation concerning provisions on the working week, annual holidays, public holidays and the prohibition of goods transport on Sundays and public holidays. The Commission has consulted the Joint Advisory Committee and government experts.

With regard to vocational training, work continued on the drafting of European "career briefs" for the training of lorry drivers and road hauliers.

374. As regards inland waterway transport, the preparation of measures to harmonize certain social provisions has also continued (consultations are taking place with the two sides of the industry). Such measures are likewise being prepared for rail transport, which has been made the subject of comparative studies of working conditions in the Member States.

Other proposals for regulations submitted by the Commission to the Council also comprise important social features. The proposals concern compensation for the fulfilment of obligations inherent in the concept of public service, access to the market in road and inland waterway transport, and normalization of railway accounts.

Energy policy

375. The proposals drafted by the Commission for the institution of a common energy policy have many social aspects.⁽¹⁾ In the Commission's view, all the work to be undertaken must be consistent with the social aims of the Treaties.

⁽¹⁾ Ch. III, 4.

Present efforts are to be intensified in order to assure improvement of the social conditions of workers in enterprises in the energy sectors; vocational training; health and safety at working places; and the implementation of preventive measures for safety and hygiene, not only in the exploitation of sources of energy but also in the transport and use of the products.

Besides sectors undergoing expansion, such as oil, natural gas and nuclear energy, the Community's energy economy covers coal, a declining sector which obviously calls for the implementation of additional social measures.

Social aspects of activities based on the ECSC Treaty

376. Specific measures already undertaken in the coal sector will have to be developed and others will have to be planned. Mine closures still necessary will have to be carried out as part of carefully phased programmes of readaptation and industrial conversion, in order to protect workers from the risk of unemployment and to preserve the chances of developing the regions concerned. It will be important to promote the employment of sufficient numbers of young and skilled personnel, who will still be indispensable for the rational exploitation of the coalmines; with this in mind, the Commission will endeavour to get the idea of a "short career" for miners accepted, in order to meet the well-considered requirements of a coal industry which is now being adapted to an economy in full development.⁽¹⁾

Social aspects of activities based on the Euratom Treaty

377. The parts of the present Report devoted to health and safety (Euratom) provide a picture of the work carried out more particularly in connection with protection against ionizing radiations by the incorporation and application of the Euratom basic standards in the law

⁽¹⁾ The rest of the Report furnishes ample information on the Commission's activity in these fields.

of the Member States; with the revision of these standards in the light of scientific knowledge and of experience of their applicability; and with the co-ordination of studies and research on nuclear medicine and hygiene—radioactive contamination of environment, effects of radiation on living organisms, monitoring of background radioactivity, etc.⁽¹⁾

Social aspects of the elimination of technical obstacles to trade

378. The General Programme for the elimination of technical obstacles to trade resulting from disparities between the laws of the different countries, which the Commission submitted to the Council in March 1968, covers a wide range of products subject to legislation and regulation in respect of industrial safety. The Commission will take care that this work of elimination will be pursued with due regard for any aspects of safety and social law that may be involved.⁽²⁾

Social aspects of company law

379. In the work being done on the creation of a European company, the representation of the interests of the workers in such a company constitutes an important problem.

The Commission is now carrying out detailed studies on this subject, which also has repercussions on international mergers (Article 220 of the Treaty of Rome).⁽³⁾

EMPLOYMENT AND TRAINING

Activities in connection with employment

380. The ninth report on manpower problems in the Community was drawn up by the Commission and submitted to the Council, which

⁽¹⁾ Secs. 442 *et seq.*

⁽²⁾ Sec. 9.

⁽³⁾ Secs. 84 and 85.

studied the report at its session of 29 July 1968. Like the previous ones, the report for 1968 provides information on the trend of the labour market by country, branch of activity and region, and quantified forecasts of future developments. It deals with the measures and activities in the individual States and at Community level.

In the conclusions it reached upon examining this report, the Council emphasized the need:

- (a) to reinforce the arrangements and instruments of combating unemployment;
- (b) to implement measures for adapting the amount and kind of manpower supplied to demand;
- (c) to increase the geographical and occupational mobility of workers; and
- (d) to increase the number of jobs available and improve the balance of their distribution among the different regions.

381. A "plan for co-operation between the Member States' employment services" had been drawn up by the Commission, and the priority work in connection with it was approved by the Council in 1967. In implementation of this plan, the Commission has instituted an annual report on the development of the employment services' activities.

Furthermore, the comparative study of the employment services⁽¹⁾ is being supplemented by a study of the methods of finding employment for workers and adaptation of the latter to the requirements of economic and social evolution.

Lastly, under this plan the Commission organized fact-finding sessions in 1968, and a period of collective in-service training for employment service officials.

382. With regard to researches into methodology, mention should be made of the study the Commission is carrying out at Community level of the methods of forecasting the working population and employment. These investigations are being pursued in co-operation with independent experts and government representatives. The Commission has also undertaken various preparatory studies to try to improve the forecasts of manpower in the ECSC industries. In addition, it

⁽¹⁾ *Les services de main-d'œuvre des États membres de la Communauté*. Collection "Études", Série Politique sociale, No. 16.

continued its examination of the structural aspects of employment in certain industries which are in difficulties (textiles, shipbuilding) or expanding (electrical engineering, plastic processing), completed its analysis of employment in the building trade, and pursued its analysis of employment trends in the ECSC industries.

Activities in connection with vocational guidance and training

383. In accordance with paragraph 4 of its recommendation to the Member States dated 18 July 1966,⁽¹⁾ the Commission has published its first "Annual Report on Vocational Guidance Activities in the Community—1967". The second report will be issued in 1969.

This report shows that vocational guidance activities are improving and constantly developing, and it also emphasizes the need for considerable intensification of educational and vocational guidance.

384. As regards vocational training, the Commission has concentrated its efforts mainly on the alignment of training standards. Following its work on drawing up a Community list of minimum knowledge and skills for the trade of turner,⁽²⁾ the Commission submitted to the Council two other proposed recommendations at the beginning of 1968, for the adoption at national level of Community lists for the trades of miller and grinder. These three lists have been embodied in a single document for the category of "skilled machine-tool operators". On 7 November 1968 the Advisory Committee on Vocational Training approved this document and the change of its title to "Monographie professionnelle européenne pour la formation des ouvriers qualifiés sur machines-outils" (European career brief for the training of skilled machine-tool operators). The document will be sent to the Council early in 1969.

Similar studies are being carried out in the building industry, with regard to operators of cranes and other building-site equipment, and in the transport industry, for which Community lists on the knowledge and skills of lorry drivers and road hauliers are being drawn up.

⁽¹⁾ *Official gazette* No. 154, 24 August 1966.

⁽²⁾ *First General Report* (1967), sec. 267.

The two Subcommittees on Training (Steel) and (Coal), which assist the Commission in its work regarding the ECSC industries, met at the beginning of 1968 and established the guidelines for a fourth Action Programme. This programme relates to the adaptation of structures, methods and means to meet the new training objectives; the investigation of problems due to the introduction of computers and automation techniques in the production and the management of enterprises; vocational and further training for adults as well as retraining; and co-ordination of the results achieved by the trade organizations and enterprises in the field of programmed instruction.

In accordance with the convention concluded with the International Labour Office's Advanced Technical Training Centre in Turin,⁽¹⁾ a second seminar on training policy and organization at enterprise level was held for some twenty executives from mines and iron and steel plants in Africa and Latin America. In addition, several scholarships have been granted to trainees from these areas, to enable them to attend the Centre's regular training courses.

385. The Commission has continued its efforts to complete certain studies and surveys. The six national reports on the attempt to devise multi-skill training programmes have been completed.⁽²⁾ A covering report is to be drawn up. An "analysis of the reforms in the vocational training field which are being implemented or are planned by the Member States" is now being completed. A survey for the purpose of drawing up an inventory of means of training by main branches of activity, qualification levels and regions is also in progress.

The covering reports concluding the studies on adaptation of the training of staff to technical, economic and social progress⁽³⁾ in the iron and steel industry and in the coal industry are ready and will be published.

During 1968, Volume IV of the bulletin of training documentation⁽⁴⁾ appeared. Next year this bulletin, which hitherto has dealt mainly with questions of vocational training in the ECSC industries, will also include other economic sectors.

⁽¹⁾ *First General Report (1967)*, sec. 274.

⁽²⁾ *Tenth (EEC) General Report*, sec. 240.

⁽³⁾ *First General Report (1967)*, secs. 268 and 269.

⁽⁴⁾ *Ibid.* sec. 272.

Work on the Community manual on new technical processes in the steel industry⁽¹⁾ has been continued. The first volume, on metering and automation, has already been published; the second volume, on mechanization, automation and metering in blast furnaces, is being completed.

386. Side by side with its own activities, the Commission had the opportunity of assisting certain schemes in the Community countries which were in line with the common policy for vocational training. It gave financial aid to the organization of European occupational proficiency competitions and participated actively in several conferences and seminars such as the third international conference on rationalization, automation and technical progress, organized by IG-Metall; seminars on harmonization held by the European Institute for Vocational Training; and the European congress on vocational training, organized by UNITESA (National union for technical and vocational instruction) and planned to take place in February 1969 in Rome.

Implementation of the first common programme to promote the exchange of young workers⁽²⁾ has been pursued. As part of the tasks for which it is responsible, the Commission has studied with the government representatives the measures to be taken in order gradually to increase these exchanges and enable them to produce their full effect.

In co-operation with the trade organizations concerned, the Commission has promoted the institution of co-ordinated programmes of exchanges of young farmers and craftsmen, and has organized Community seminars for several groups of trainees.

THE SOCIAL FUND, READAPTATION AND RECONVERSION

The European Social Fund

387. Sums repaid in 1968 by the European Social Fund, with the approval of the Fund Committee, totalled 25,904,347.08 units of account, distributed as shown in Table 16.

⁽¹⁾ *First General Report* (1967), sec. 270

⁽²⁾ *Official gazette* No. 78, 22 May 1964.

TABLE 16
Aid from the Social Fund in 1968

Country	For retraining		For resettlement		Total	
	Amount (u. a.)	Number of workers	Amount (u. a.)	Number of workers	Amount (u. a.)	Number of workers
Germany (FR)	7,487,852.48	11,526	1,024,881.64	158,862	8,512,734.12	170,388
Belgium	799,251.52	1,055	121.36	1	799,372.88	1,056
France	7,563,358.23	8,789	142,195.79	19,282	7,705,554.08	28,071
Italy	5,220,854.25	35,130	2,024,555.05	172,126	7,245,409.30	207,256
Luxembourg	—	—	—	—	—	—
Netherlands	1,640,431.50	1,646	845.20	12	1,641,276.70	1,658
Community	22,711,748.04	58,146	3,192,599.04	350,283 (¹)	25,904,347.08	408,429 (²)

(¹) In this figure the number of workers from Italy resettled in another Community country has been counted twice, once in the country of origin and once in the host country (Germany or France). The actual number of persons resettled is about 180,000.

(²) In view of note 1, the number of workers is about 240,000.

The amount of aid granted in 1968 was considerably more than in 1967 (+11.9 million u.a.), chiefly in respect of France and Germany and, to a lesser extent, of Italy. This is mainly due to the fact that certain applications for aid from the Fund which had been previously made by these countries could not be settled until 1968 because of technical difficulties.

The sums repaid by the European Social Fund (credits) and Member States' contributions (debits) in 1968 involved the transfer of 2,287,833 u.a. in all, about 223,343 u.a. going to Germany and 2,064,540 to Italy, with 1,480,210 coming from Belgium, 583,837 from France, 51,809 from Luxembourg and 172,027 from the Netherlands.

388. The total amount applied for in 1968 was again considerably larger than in the preceding years; it worked out at 27.6 million u.a., compared with 22.9 million u.a. in 1967 and 13.9 million u.a. in 1966.

Applications for retraining assistance account for the whole of this increase, which relates chiefly to Italy (+4.1 million u.a.).

TABLE 17
 Recapitulation of the activity of the European Social Fund
 (20 September 1960–31 December 1968)

Country	Type of operation	Amount represented by applications submitted	Amount represented by applications examined	Amount represented by aid granted	Number of workers benefiting
		in units of account			
Germany (FR)	Retraining Resettlement	34,620,548.15 2,793,605.07	21,079,912.72 2,088,523.05	20,184,209.21 1,718,222.11	57,303 230,101
	Total	37,414,153.22	23,168,435.77	21,902,431.32	287,404
Belgium	Retraining Resettlement	5,003,745.56 2,235.60	4,042,653.78 2,235.60	3,952,717.70 2,233.40	7,836 13
	Total	5,005,981.16	4,044,889.38	3,954,951.10	7,849
France	Retraining Resettlement	22,084,120.89 1,826,864.69	20,053,857.73 705,039.06	19,939,537.20 567,390.49	30,972 78,118
	Total	23,910,985.58	20,758,896.79	20,506,927.69	109,090
Italy	Retraining Resettlement	44,039,945.41 4,422,950.12	24,460,570.41 4,088,566.85	23,220,154.97 3,992,172.89	203,310 340,037
	Total	48,462,895.53	28,549,137.26	27,212,327.86	543,347
Luxembourg	Retraining Resettlement	34,660.13 —	12,896.44 —	12,896.44 —	96 —
	Total	34,660.13	12,896.44	12,896.44	96
Netherlands	Retraining Resettlement	8,103,308.54 16,784.19	7,201,351.19 16,417.38	6,652,993.89 16,363.43	11,243 229
	Total	8,120,092.73	7,217,768.57	6,669,357.32	11,472
Community	Retraining Resettlement	113,886,328.68 9,062,439.67	76,851,242.27 6,900,781.94	73,962,508.41 6,296,387.32	310,760 648,498
	Total	122,948,768.35	83,752,024.21	80,258,895.73	959,258

389. The budget of the European Social Fund for the financial year 1969, based on the Member States' estimates of the amounts they expect to apply for during the year, is 33.4 million u.a. The

Commission also asked the Council to carry forward to 1969 about 17.1 million u.a. from the 1968 budget, for the settlement of applications outstanding at the end of the financial year 1968.

390. At the end of its eighth year of operation the Fund's activity was as shown in Table 17.

391. As regards the changes to be made in the Fund, the time which has passed since the Commission's proposals were worked out in 1965, and the imminence of the final period, have caused the various authorities concerned to concentrate on elaborating a much wider reform than Article 126 of the EEC Treaty implies. (Under this Article, the Council may, on the expiry of the transitional period, maintain all or part of the present system of aid provided for by Article 125, and may also decide to what fresh uses the Fund might be put.)

On conclusion of the work connected with this matter, the European Social Fund's Committee gave the Commission its opinion on 19 July 1968. The Commission, for its part, continued its study and will communicate its opinion to the Council in the near future.

Meanwhile, the work begun in the Council has been suspended.

Readaptation of workers (ECSC)

Readaptation operations

392. In 1968 the Community's activity in the field of readaptation (tiding-over and retraining of redundant workers) reached quite considerable proportions.

Between 1 January and 31 December 1968 a total of 12,968,266.02 u.a. was set aside for the readaptation of 42,748 workers.

Table 18 shows the foreseeable number of workers concerned and the amount of credit made available, broken down by country and industrial sector.

393. Just as in 1967, the coal industry was the one to which the Community gave most readaptation assistance, in direct connection with continued endeavours to effect reorganization. In Germany

TABLE 18
 Readaptation assistance approved under Article 56(2) of the ECSC Treaty
 (1 January 1968—31 December 1968)

Country	Coal industry		Iron and steel industry		Iron-ore mines		Total	
	Workers aided	Amount furnished ⁽¹⁾	Workers aided	Amount furnished ⁽¹⁾	Workers aided	Amount furnished ⁽¹⁾	Workers aided	Amount furnished ⁽¹⁾
Germany (FR)	22,540	7,017,790	6,801	1,437,500	207	34,250	29,548	8,489,540
Belgium	7,250	2,377,500	656	90,000	—	—	7,906	2,467,500
France	16	4,759.92	1,372	420,493.17	554	131,758.57	1,942	557,011.66
Italy	—	—	387	328,800	—	—	387	328,800
Luxembourg	—	—	—	—	—	—	—	—
Netherlands	2,157	849,171.27	808	276,243.09	—	—	2,965	1,125,414.36
Community	31,963	10,249,211.19	10,024	2,553,036.26	761	166,008.57	42,748	12,968,266.02

⁽¹⁾ in units of account

assistance was given in respect of 23 mines, in Belgium 8, in France 1 and in the Netherlands 1 hard-coal mine and 1 brown-coal mine. Readaptation work, however, is also expanding in the iron and steel industry: in 1967 about 8% of the beneficiaries were workers in this industry, and in 1968 the percentage exceeded 23%.

The process of reorganizing the iron and steel industry required the complete or partial closing-down of 16 Community plants (8 in Germany, 1 in Belgium, 2 in France, 4 in Italy and 1 in the Netherlands). In the iron-mining sector readaptation measures were applied to the staff of 3 mines in France and 1 mine in Germany.

Readaptation arrangements

394. The governments of several member countries have filed new requests for aid with the Commission in accordance with Article 56(2) of the ECSC Treaty, to be granted on a lump-sum basis (redeployment bonuses and special compensation for premature retirement). The Commission has carried out a detailed examination of all the problems raised by the grant of such lump-sum assistance. It concluded that readaptation assistance should still continue to be given primarily for the purpose of achieving the two objectives referred to in the Treaty of Paris, namely:

- (1) Protection of the incomes of workers and their families or partial compensation for losses of income;
- (2) Promotion of geographical and occupational mobility in so far as this is necessary for re-employment.

Readaptation assistance has considerably facilitated the reorganization of Community enterprises. Nevertheless the Commission, bearing in mind its financial resources, was not in favour of using any large proportion of the readaptation funds, in the form of very costly lump-sum assistance, to speed up this reorganization by encouraging workers to leave their jobs.

On the basis of these considerations, the Commission decided that compensation in the shape of lump sums (discharge compensation, redeployment bonuses, single allowance) could be granted under Article 56(2) of the ECSC Treaty, at the request of the governments, to coal and iron-ore miners aged 40 or over at the time of their discharge, provided they had been in mining for the previous five years at least or

had been classed as "physically handicapped" under the laws or regulations in force in their countries. Furthermore, total lump-sum compensation per beneficiary is not to cost the Commission more than 625 u.a.

Within this framework, the Commission is prepared to examine special questions which might arise from application of the above-mentioned arrangements. Problems of the kind are now being discussed.

395. The readaptation systems applicable in Germany, France and Belgium, which were considerably modified in 1967, underwent few or no further changes in 1968. However, in the case of Belgium the Commission decided to accept its Government's proposals concerning the application of the general Belgian system whereby employers who agree to take on elderly and/or handicapped workers discharged from collieries are given financial assistance in paying their wages. This financial assistance for wages and social charges is on a diminishing scale and is granted at standard amounts laid down by Royal Decree of 24 February 1967. The Commission has decided to bear 50% of this burden.

In the case of the Netherlands, the implementing details of readaptation measures for iron and steel workers were decided by agreement between the Commission and the Government.

Re-employment in coal-mining and iron and steel-producing areas

396. Although the discharge of workers in the coal and steel industries does not always result in heavy unemployment it does involve, in the regions where it occurs, a slowdown of activity which, in the end, gravely affects their economic and social equilibrium.

Hence, readaptation assistance must be completed and closely combined with conversion operations in constantly improved programmes designed to ensure continuity of employment.

In this way, the new jobs, numbering about 8,000,⁽¹⁾ which the loans granted by the Community under Article 56(2 a) of the ECSC Treaty⁽²⁾ will help to create, will enable about 3,500 former miners and steel work-

⁽¹⁾ Secs. 345 *et seq.*

⁽²⁾ Secs. 457 *et seq.*

ers to be re-employed, with priority over other categories of workers. Since 1961, the Community's efforts in the conversion field will thus have facilitated reintegration (apart from industrial estate schemes) of 33,500 former ECSC-industry workers into stable jobs in various alternative industries.

Re-employment of workers obliged to leave agriculture

397. The reintegration in the other economic sectors of male and female workers obliged to leave the land has given rise to numerous problems. The Commission has undertaken a survey in order to collect data which could help in elaborating the policy to be adopted, especially as regards possible methods for promoting the re-employment of this group of people and for overcoming the difficulties still experienced by farm workers who change to other occupations—difficulties which may be psychological or sociological or may be due to their need for information, guidance and readaptation.

FREE MOVEMENT OF WORKERS

398. On a proposal from the Commission⁽¹⁾ and after the European Parliament had been consulted, the Council adopted on 29 July 1968 a regulation⁽²⁾ and a directive⁽³⁾ completing freedom of movement for workers. Thus, almost a year and a half in advance of the date specified by the Treaty, and parallel with establishment of the customs union, one of the fundamental principles of the Community has been put into effect. The Community provisions adopted by the Council have rounded off the legal and normative structure outlined by the previous regulations.⁽⁴⁾

At the same meeting the Council adopted, in accordance with Article 22(2) of the EEC Treaty, a decision applying Articles 48 and 49 to the French overseas departments. The Community provisions on the

⁽¹⁾ *Official gazette* No. 145, 8 July 1967, *Tenth (EEC) General Report*, sec. 242, and *First General Report* (1967), sec. 295.

⁽²⁾ Council Regulation (EEC) No. 1612/68 of 15 October 1968 on the free movement of workers within the Community, *Official gazette* No. L 257, 19 October 1968.

⁽³⁾ Council Directive No. 68/360/CEE of 15 October 1968 on the abolition of restrictions on movement and residence within the Community of workers of the Member States and their families, *Official gazette* No. L 257, 19 October 1968.

⁽⁴⁾ *First General Report* (1967), secs. 295 *et seq.*, and article by M. Levi Sandri, Vice-President of the Commission, in *Bulletin* No. 11-68.

free movement of workers have thus been extended to Guadeloupe, Martinique, Réunion and Guiana.⁽¹⁾

399. The Commission has continued to examine with the Member States problems raised by application of the Treaty's provisions concerning the right to remain in the territory of a State after having been employed there.

400. During 1968, measures giving priority to the employment of workers who are nationals of the State in which they work were resorted to much less frequently than during the previous years. As in previous years too, Germany, Italy and Luxembourg did not invoke the "safeguard clause" of Article 2 of Regulation No. 38 of 1 May 1964; and after April and July 1968 respectively, the Netherlands and France likewise refrained from making use of this arrangement for national protection of employment in certain areas and occupations. Belgium, however, saw itself obliged to maintain the priority of the national labour market for underground and surface workers in mines in the provinces of Hainaut/Liège and Limburg.

401. In co-operation with those Member States which do not have bodies for the recruitment of labour in Italy, the Commission continued its activities for obtaining information quickly on Italian workers prepared to accept employment in these States. It also carried on a number of more specific activities for the purpose of promoting vacancy clearance and, more particularly, helping to place young workers who had undergone crash courses for jobs in the Community at centres specializing in high-speed training.

In its report on "The free movement of workers and labour markets in the EEC—1967" the Commission surveyed vacancy clearance activities and studied more particularly the problems raised by the application of Community priority and equality of treatment as between workers who are nationals of other Member States and nationals of the host country in a less strained labour market. On 22 May 1968 the Commission and the Member States decided to study the means of gradually achieving a better balance between job offers and applications within the framework of Community vacancy clearance.

⁽¹⁾ Council Decision No. 68/359/CEE of 15 October 1968 applying Articles 48 and 49 of the Treaty to the French overseas departments, *Official gazette* No. L 257, 19 October 1968.

402. The Advisory Committee on Freedom of Movement for Workers met on 1 March and 17 May 1968 to study the broad lines of the proposal to be formulated with a view to determining the right of workers to remain in a country.⁽¹⁾ The Committee expressed its views on matters concerning the final cessation of work when a worker reaches the age of retirement or is permanently disabled.

In the Committee's opinion, the conditions governing the worker's right to remain in the country where he was last employed should relate to the duration of residence and of employment. It emphasized that the right to remain in a country should be granted not only to the worker himself but also to the members of his family who had been allowed to join him before he ceased working.

Furthermore, the Committee took cognizance of the rules which could serve as basis for the Member States' labour law. A working party of the Committee was set up to study the matter and is still pursuing its investigations.

The Technical Committee has continued its work on the progressive creation of an instrument to facilitate the exchange of information between the Member States and the Commission on the notification of applications for and offers of employment for vacancy clearance purposes. On the basis of brief descriptions of a number of trades or groups of occupation for which labour is short in Belgium and France, the working party set up for this purpose has defined the terms corresponding to the description given. Vacancy clearance within the Community could be considerably speeded up as a result of this information.

HARMONIZATION OF SOCIAL SECURITY ARRANGEMENTS

General problems concerning social security

403. The studies on the economic effects of social security and the financing of social security in agriculture have been completed and will be submitted to the Council. A new edition of the "Comparative tables of social security systems in the Member States of the European Communities: I - General system", updated to 1 July 1968, has been prepared. The Commission is pursuing its study on the financial problems of so-

⁽¹⁾ Sec. 399.

cial security, scheduled for completion in 1969. In addition, work for the publication of a series of social security indicators (typical figures and characteristic relative values in this field) has been started.

The drafting of fifty information memoranda concerning occupational diseases on the European list has now reached its final phase, and these memoranda can therefore be published during 1969.

The Commission has drawn up and submitted to the Council a report on the extent to which the Member States have ratified the various Conventions of the ILO, several of which concern social security; the European Code of Social Security; and the Council of Europe's European Social Charter. The Council has taken due note of the report and requested the Commission to undertake a detailed study of the obstacles which prevent certain conventions from being ratified.

The biennial examination of the responses made by the Member States to the two recommendations of the Commission in connection with the European list of occupational diseases and the conditions of compensation for them⁽¹⁾ was carried out in May 1968. It showed that certain progress had been made by national legislation in this field.

404. As in 1965, 1966⁽²⁾ and 1967,⁽³⁾ the financial aid furnished by the Member States in 1968 to help meet the claims on the social security schemes in the coalmining industry was scrutinized for conformity with Article 2(2) of High Authority Decision No. 3/65.

The steady shrinkage in the number of actively employed miners is resulting in a substantial rise in the ratio of pensioners to workers, and this is one reason why the governments are having to pay out larger and larger sums each year to reduce the burden of social security contributions. The increase for the Community as a whole was 8.2% in 1966, 11.4% in 1967 and 5% in 1968.

405. The Working Party on Social Security in the Coal Industry,⁽³⁾ set up by the Joint Committee on Terms of Employment (Coal), has continued its studies. It has examined the information prepared by the sub-groups and decided to edit it before passing it on to the Joint Committee.

⁽¹⁾ *Official gazette* No. 80, 31 August 1962, and No. 151, 17 August 1966.

⁽²⁾ *Fourteenth (ECSC) General Report*, secs. 320 and 399, and *Fifteenth (ECSC) General Report*, sec. 462.

⁽³⁾ *First General Report* (1967), sec. 304.

406. A new report comparing Community and British⁽¹⁾ social security schemes at 1 January 1967 was submitted to the Coal Committee of the UK/ECSC Council of Association, which approved it.

Social security for migrant workers

407. The Commission continued its work on the general revision of the social security regulations for migrant workers adopted under Article 51 of the EEC Treaty.⁽²⁾

It notified the Council of the following matters:

- (1) Amendments to be made to the proposed Council regulation on the application of social security arrangements to workers in paid employment and their families moving from one Community country to another⁽³⁾ — hereafter called Regulation No. 3 revised — as a result of a supplementary report by the Administrative Committee for the Social Security of Migrant Workers and Opinions of the Economic and Social Committee⁽⁴⁾ and the European Parliament.⁽⁵⁾
- (2) A proposed Council regulation to provide annexes to Regulation No. 3 revised.⁽⁶⁾ The Economic and Social Committee rendered its Opinion on this proposal in plenary session at the end of October 1968, and the European Parliament at its session in November 1968.
- (3) Amendments to be made to the proposed Regulation No. 3 revised to take into account the case law established by the Court of Justice of the European Communities with regard to pensions.

The Council began its discussions of these regulations on 22 September 1968.

However, finalization of the proposed Council regulation laying down the implementing procedures for Regulation No. 3 revised will still take some time, largely because the above-mentioned amendments to Regulation No. 3 will be taken into account in the implementing regulation.

⁽¹⁾ *First General Report (1967)*, sec. 303.

⁽²⁾ *Ibid.*, sec. 305.

⁽³⁾ *Official gazette* No. 194, 28 October 1966.

⁽⁴⁾ *Ibid.* No. 64, 5 April 1967.

⁽⁵⁾ *Ibid.* No. C 10, 14 February 1968.

⁽⁶⁾ *Ibid.* No. C 95, 21 September 1968.

408. Besides settling day-to-day matters such as administrative problems or questions of interpretation arising from the Community regulations implementing Article 51 of the Treaty, the Administrative Committee produced the preliminary drafts of the regulations mentioned above. It also began a study with a view to establishing Community provisions to implement Article 74 of Regulation No. 3 revised on the collection of social insurance contributions on the territory of a Member State other than the one to whose social security scheme a worker belongs.

It is appropriate to recall that this Committee, which has been working for ten years, held its 100th meeting in December 1968, the first meeting having been held in December 1958.

Furthermore, an investigation was commenced in the Audit Committee in order to ascertain the causes of the increase in the costs of medical care for wage-earners and their families and for pensioners, and subsequently to make use of the resulting information so as to highlight the development of municipal legislation in this connection.

Wages and terms of employment

409. The Commission pursued its studies of particular aspects of wages and incomes, such as the study on "basic criteria for determining wages and the related problems of an incomes policy", which has now been published,⁽¹⁾ and the studies on wage drift and the sliding scale of wages. In the wider field of incomes and assets policy, the Commission has also put in hand two studies: one on "the present state of information on incomes and assets in the six countries of the Community" and the other on "encouragement of the formation of assets by workers".

410. Pursuing its endeavours to harmonize basic statistics, the Statistical Office of the European Communities has published data on hourly wage-rates, the working week and paid employment in industry⁽²⁾

⁽¹⁾ Collection "Études", Série Politique sociale, No. 19, 1967.

⁽²⁾ Statistical Office of the European Communities, *Études et enquêtes statistiques*, Nos. 2/1968 and 4/1968. Wage rates and the working week have already been treated in the joint publication *Gains horaires et durée du travail — octobre 1966*, No. 8/1967.

(April and October 1967), as well as the first results of the survey of "labour costs in 1966" in the mining, manufacturing and construction industries of the Community.⁽¹⁾ Furthermore, in co-operation with the national statistical offices, the Statistical Office has made a survey on wages in road transport,⁽²⁾ the results of which are due to be processed in 1969.

The Commission has also submitted to the Council a draft regulation⁽³⁾ arranging for a new survey in 1970 of labour costs in industry, on the basis of accounting figures for 1969; water, gas and electricity production and distribution will be included in the survey for the first time.

411. Taking over from the ECSC High Authority, the Commission has published such studies as those on "trends in wages, terms of employment and social security in the ECSC industries in 1967" and "job analysis and job evaluation".

Lastly, special attention was paid to the effect of technical progress on systems of payment in the coal and steel industries.

A study on "the degree of mechanization and methods of payment in Belgian, Dutch, French and German collieries" has been completed and submitted to the ECSC Consultative Committee; a report on the development of methods of payment has been completed and will be published during 1969.

412. As regards equal pay for men and women, the Commission has started to prepare a new report setting out the position in the Member States as at 31 December 1968. A questionnaire has already been sent to the competent national authorities in order to obtain the necessary information.

413. On the subject of working conditions, a survey on Sunday working in the glass industry has been arranged. This survey is additional to those carried out in five other branches of industry. Furthermore, a study on holidays with pay in the Member States of the EEC has been

⁽¹⁾ Statistical Office of the European Communities, *Etudes et enquêtes statistiques*, 1968, supplement.

⁽²⁾ Council Regulation No. 100/66/CEE, *Official gazette* No. 134, 22 July 1966.

⁽³⁾ Regulation adopted by the Council on 21 November 1968, *Official gazette* No. L 289, 29 November 1968.

published.⁽¹⁾ The ECSC's activities in the field of comparative labour law have been continued. Another study, "The legal system of employers' and workers' organizations", has been added to the existing publications in the "labour law" series.

Industrial relations

414. On 6 and 7 May 1968 the Commission arranged a meeting of the Central Group of Employers and Workers to study the general lines of the Commission's future activity in the social field, the programme of operations likely to promote the implementation of Article 118 of the Treaty, and the progress of work in the Commission and the Council.

Furthermore, by means of informal contacts, the Commission has endeavoured to widen its direct connections with the European secretariats of the various trade unions and employers' organizations and with the representatives of both sides of industries faced with specific problems.

For instance, by way of experiment and with the assistance of national bodies, either governmental or representing employers' and workers' organizations, the Commission has begun to collate collective agreements in force in the mechanical and electrical engineering industries. The results will probably be available early in 1969, and they will no doubt make it possible to judge whether this work can be extended to all branches of industry.

In the field of collective agreements, the Commissions has published the rundown on "developments in collective bargaining in the Community industries (1953-63)".

415. In the fields for which they are competent, the Joint Committees on Harmonization of Terms of Employment in the coal and steel industries have approved the following studies, which have been published or will be published shortly:

- (a) comparative tables on the *de jure* (statutory and contractual) *de facto* position regarding the employment of manual workers in the coal industry;

⁽¹⁾ Collection "Etudes", Série Politique sociale, No. 18, 1967.

- (b) comparative tables on the *de jure* (statutory and contractual) and *de facto* position regarding the employment of manual workers in the steel industry;
- (c) the impact of technical progress on productivity, wages, the working week and employment (case studies in the steel industry).

In addition, the Joint Committee for the coal industry has examined a report on "the trend of wages and wage costs between 1954 and 1965 in Community collieries" and has continued to prepare its study on statutory and contractual provisions for the protection of young workers in the coal industry. The Joint Committee for steel has undertaken a study of the measures introduced in the Community countries to remedy the social repercussion of structural changes in the steel industry. Two other studies will deal with "the various aspects of the shorter working week" and "the scale and nature of absenteeism".

416. The contact group linking the Commission of the European Communities and international federations of metallurgical and mining supervisory staffs has held a meeting. Its discussions concerned, in particular, problems of the employment, re-employment on other work within the firm, and readaptation of supervisory staffs in the coal and steel industries. Furthermore, the representatives of the International Confederation of Executive Staffs expressed a wish for closer co-operation with the Commission. Certain studies are being prepared for the committees of non-manual workers in the coal and steel industries; they deal with the working week and the representation of non-manual workers at enterprise and industrial branch levels.

Comparative tables on the *de jure* (statutory and contractual) and *de facto* position regarding the employment of non-manual workers in the coal and steel industries of the Community have been completed and are to be published.

Sociological research on new steelworks

417. The Commission is now finishing a research project undertaken in completely new steelworks. The object has been partly to distinguish technical progress in its pure form in these enterprises, and to study its social impact in them as well as the concrete solutions found for the difficulties experienced, and partly to investigate the problems which have faced enterprises set up in regions with no steelmaking tradition. The Commission hopes to publish the results towards the end of 1969.

HOUSING

ECSC

418. Commission financing of housing for workers in the ECSC industries, the aims of which are both economic and social,⁽¹⁾ has been continued. Fresh funds have been granted,⁽²⁾ under Scheme VI in particular. The funds from this source, totalling 20 million u.a. for the years 1966, 1967 and 1968, have been fully expended in France, Germany, Luxembourg and the Netherlands. The question has arisen of pursuit of the Commission's work via a seventh scheme for financing housing construction. The Commission has begun to study the housing situation and present needs in the Community countries, especially with regard to the industries coming under the Treaty of Paris. The inauguration of the 100,000th dwelling built since 1953 with financial aid under the ECSC schemes took place on 19 November 1968 in Ghent. The house forms part of a project of 500 dwellings under construction in Belgium in the communes of Wachtebeke and Zelzate. Further information on the financial measures decided upon in the course of 1968 is given in Table 19.

TABLE 19

Financial operations endorsed under loan-aided Scheme VI
for the construction of workers' houses
(1 January 1968—31 December 1968)

Country	Industries	Dates of Commission decisions	ECSC advances			
			from the Special Reserve	Rate	from borrowings	Rate
Germany (FR)	Coal	8-5-1968	DM 10,900,000	1%	—	—
	Coal	20-3-1968	DM 500,00	1%	—	—
France	Coal	29-7-1968	FF 3,740,000	1%	—	—
Luxembourg	Iron and steel	24-6-1968	Bfr. 20,000,000	1%	—	—
Netherlands	Iron and steel	31-7-1968	Fl. 2,890,000	1%	—	—

⁽¹⁾ *Fifteenth (ECSC) General Report*, sec. 471.

⁽²⁾ *Ibid.*, sec. 474.

Germany (FR)

419. Financial aid for the construction of miners' houses in the Land of North Rhine-Westphalia was continued under Scheme VI.⁽¹⁾

Three grants, totalling DM11,400,000, were allocated to the Ruhr and Aachen hard coalfields and the brown coalfields of Cologne and Helmstedt. These advances from the ECSC Special Reserve, at a rate of interest of 1%, are to part-finance the building of 3,100 dwellings for renting and for ultimate owner-occupation. The funds set aside for the Ruhr are intended in the first place to facilitate the transfer of miners under the arrangements for the reorganization of this coalfield. The funds earmarked under Scheme VI for financing housing for workers in the iron and steel industry have been completely exhausted.

Belgium

420. The possibilities and methods of implementing a sixth scheme in Belgium have been examined. A Commission decision on the allocation of ECSC funds may be expected early in 1969.

France

421. Allocation of a third and final tranche to French collieries under Scheme VI has been endorsed.⁽²⁾ An appropriation of FF 3,740,000 has been made for the construction of about 440 dwellings with a view to owner-occupation. The loans, at a rate of interest of 1%, will be allocated to three coalfields. A sum of FF 2,490,000 has been earmarked for house-building in the Nord/Pas-de-Calais coalfield. These dwellings are primarily intended for miners who, as a result of pit closures, have been obliged to move to another part of the coalfield. The other two loans are FF 750,000 for the Lorraine coalfield and FF 500,000 for the whole of the Centre/Midi coalfield.

Of the total of FF 16,000,000⁽³⁾ set aside for building houses for workers in the French iron and steel industry, FF 5,300,000, the third and last tranche, was paid in 1968. This amount will be used for the

⁽¹⁾ *First General Report* (1967), sec. 315.

⁽²⁾ *Fifteenth (ECSC) General Report*, sec. 479.

⁽³⁾ *Ibid*, sec. 480.

partial financing of 700 dwellings in the Est, Nord and Centre regions, most of which are intended for ultimate owner-occupation.

Italy

422. The possibilities and methods of implementing a sixth scheme in Italy have been examined. The Commission is expected to take a decision on the allocation of ECSC funds early in 1969.

Luxembourg

423. Under Scheme VI, Lfrs. 20,000,000 have been appropriated for the building of houses for steelworkers. Besides this advance, supplementary resources contributed by the State Savings Bank amount to Lfrs. 31,500,000. This total of Lfrs. 51,500,000 will help to finance the construction of approximately 120 houses for owner-occupation.

Netherlands⁽¹⁾

424. A sum of Fl. 2,890,000 has been released for implementation of the sixth housing scheme. This advance will be used for building some 450 steelworkers' dwellings, mostly for owner-occupation, in the western provinces of the country.

Recapitulation of what the ECSC has done

425. From the time it first began to provide assistance for the building of houses for workers in ECSC industries up to 31 December 1968, the Community contributed financially, under Experimental Schemes I and II and the six major loan-aided schemes, to the construction of 109,446 dwellings, of which 68,259 were to be rented and 41,187 to be ultimately owner-occupied. At the latter date, 100,986 had been completed.

⁽¹⁾ *Fifteenth (ECSC) General Report*, sec. 484.

Table 20 gives the operational position and Table 21 the financial position at 31 December 1968.

TABLE 20
Operational position of Experimental Schemes I and II
and loan-aided Schemes I—VI at 31 December 1968

Country	Dwellings financed	of which		
		in preparation	building	completed
Germany (FR)	75,456	839	3,159	71,458
Belgium	7,114	465	1,463	5,186
France	17,675	364	848	16,463
Italy	5,318	31	880	4,407
Luxembourg	695	10	1	684
Netherlands	3,188	—	400	2,788
Community	109,446	1,709	6,751	100,986

TABLE 21
Financial position of Experimental Schemes I and II
and loan-aided Schemes I—VI at 31 December 1968

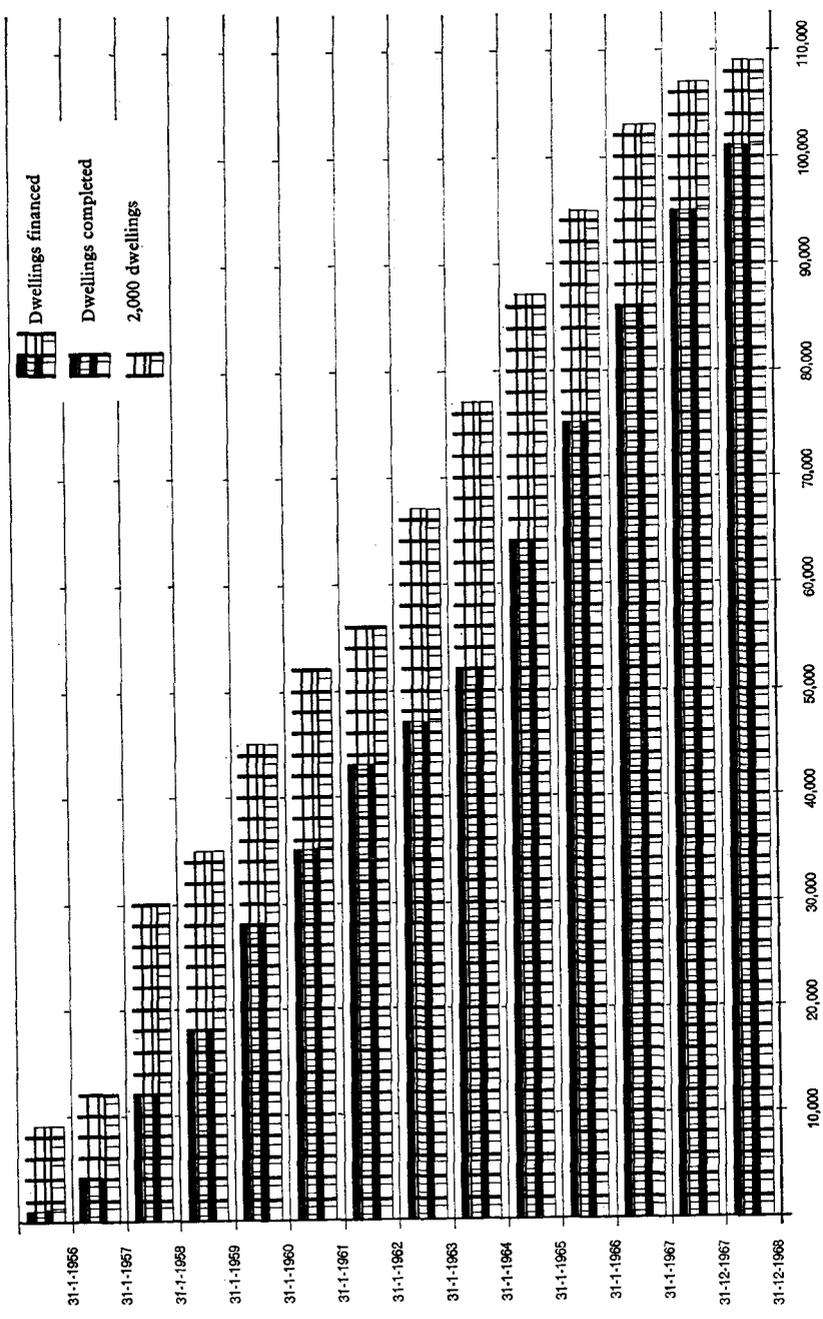
(million units of account)

Country	Commission advances		Additional funds mobilized at Commission instigation	Total amount advanced	Funds from other sources (housing associations, etc.)	Total cost of dwellings built
	from own resources	from borrowings				
Germany (FR)	48.20	13.24	109.21	170.65	676.04	846.69
Belgium	4.60	19.26	2.30	26.16	26.68	52.84
France	25.53	—	5.06	30.59	125.45	156.04
Italy	6.54	8.04	2.06	16.64	25.21	41.85
Luxembourg	2.15	1.70	0.63	4.48	6.22	10.70
Netherlands	5.20	2.14	5.97	13.31	12.90	26.21
Community	92.22	44.38	125.23	261.83	872.50	1,134.33

The following diagram shows at a glance the progress of the ECSC's work in the subsidized housing field (dwellings financed and completed).

ECSC subsidized housing financed and completed

Position at:



Special scheme⁽¹⁾

426. An initial report on the ECSC special building scheme approved in 1962 was published in autumn 1968 in the four Community languages. The guiding principles of this scheme are:

- (i) to complete dwellings and community infrastructure simultaneously;
- (ii) to make allowance for changes in living habits when drawing up plans and building dwellings.

Building-work on the Salzgitter-Lebenstedt site in Germany was finished at the end of 1968. Work is in progress on sites at Wulfen (Germany), Le Creusot (France), Heemskerk (Netherlands) and Piombino (Italy).

Preparation of the Belgian scheme at Genk is not yet complete.

Housing for migrant workers

427. The Commission has drawn up a first report on the action taken by Member States on the recommendation concerning the housing of workers and their families who move from one Community country to another.^(2,3) This report, which contains all the replies received from the governments, relates to the period 15 July 1965-15 July 1966.

The most significant results recorded in the report concern the calculation of present and future housing requirements (in which allowance will henceforth always be made for migratory movements) and specific financial aid to migrant workers' housing, especially in Belgium and Germany.

SOCIAL SERVICES AND FAMILY QUESTIONS

428. The Commission has regularly checked up on the extent to which the Member States have implemented its recommendation⁽⁴⁾ on social services for migrant workers in the Community. A second report has been

⁽¹⁾ *Fifteenth (ECSC) General Report*, secs. 485 to 489.

⁽²⁾ *Official gazette* No. 137, 27 July 1965.

⁽³⁾ *Ninth (EEC) General Report*, sec. 256.

⁽⁴⁾ Recommendation of 23 July 1962, *Official gazette* No. 75, 16 August 1962.

issued on the response made to this recommendation, containing the official replies received from the governments.⁽¹⁾ This document not only shows what a stimulating effect the recommendation has had, but also demonstrates the most significant aspects of the efforts made in the social field on behalf of migrant workers and their families. Action was also taken in connection with the vocational and further training of social workers concerned with migration. Two meetings were arranged: one in France, for French, Belgian and Luxembourg social workers, and the other in Italy, for Italian or Italian-speaking social workers. These two meetings dealt primarily with the problems of young workers.

Furthermore, the Commission has followed the development of the social services in the various countries, in order to pinpoint the most topical questions. Thus, the social problems of old people were studied from the different angles (demographic, economic, sociological, psychological, etc.), but this investigation has not yet been completed.

429. The Commission has continued to follow the development of the family policy of the Member States. It took part in the tenth conference of European ministers responsible for family questions, the subject of which was "Woman between job and family".

Finally, in view of the growth of the cheap group-holiday movement, the Commission has undertaken a study in the member countries for the purpose of collecting information on the actual situation and on requirements in this field.

COMMON HEALTH AND SAFETY POLICY

430. The merger of the Community institutions should make it possible to synthesize the general guidelines and methods peculiar to the ECSC and the EEC:

- (a) medical research (Article 55 of the ECSC Treaty);
- (b) consultation and information policy (Article 46 of the ECSC Treaty);
- (c) harmonization of social conditions (Articles 117 and 118 of the EEC Treaty).

⁽¹⁾ Second report on the action taken on the recommendation concerning the work of the social services for workers who move from one Community country to another (1965-66), Document 15157/V/67.

It follows that the measures taken in the past in each of these fields must be mutually adapted and linked up so as to make an effective contribution towards a Community social policy centred on priority questions common to all industries.

Industrial medicine and health

431. A working party, composed of chief medical officers of the large ECSC enterprises, has held a meeting at which it studied the results of a survey on the work of company doctors in the main industrial areas. The working party decided to give priority to the study of matters concerning the medical examination of workers and to the physician's contribution to ergonomics.

432. The programmes of research on industrial medicine, traumatology and industrial physiology and psychology, which have been under way since 1964, are nearing completion. A second series of annual reports describes the progress made in each branch. On the basis of information obtained from the scientific advisory committees, the Commission has decided to consult the circles concerned (both sides of industry and government departments) with a view to carrying out three new programmes. These relate to:

- (i) chronic respiratory diseases,
- (ii) rehabilitation (cardio-respiratory and motor deficits),
- (iii) study of man at work,

and are intended to follow on the programmes now being completed.

433. The five-year programme of physiopathological and clinical studies (respiratory complaints and occupational poisoning) has entered upon its final stage.⁽¹⁾ Most of the work carried out under this programme of 90 research projects was finished by December 1968. The first results are already being processed. Side by side with the research work proper, the epidemiological survey on chronic bronchitis is proceeding very satisfactorily.

⁽¹⁾ *First General Report (1967)*, sec. 330.

A teach-in for basic research on the pneumoconioses was held in Florence on 16, 17 and 18 October 1968. The conclusions concerned, in particular:

- (a) the intensive, systematic campaign to be conducted, using every modern prophylactic and therapeutic method, against concurrent pneumoconiosis and tuberculosis;
- (b) the importance of individual immunoreactions in the development of pneumoconioses;
- (c) the immediate prospects for specific therapy, already tested by trials, against the occurrence and development of pneumoconioses.

434. A summary of the studies carried out under the first rehabilitation programme has been published,⁽¹⁾ and research under the second programme has continued and been discussed by the research workers.⁽²⁾ The Commission has authorized fresh research on myo-electric prosthesis for arms and the extension of three current research projects. With regard to the programme on the treatment and rehabilitation of burns patients, two new series of investigations have been initiated. Thirty-one research projects are therefore in hand.

435. The result of a Community survey on safety, carried out in the ECSC industries, have been published.⁽³⁾ Two fresh studies give a summary of the results obtained in mines and iron and steel plants.⁽⁴⁾

A considerable part of the research work under the second "human factors and safety" programme has been completed. Correlation of the findings obtained will enable a comprehensive report to be drafted.

Fresh research work under the first "ergonomics" programme was undertaken in 1968. The investigations have been continued with the co-operation of industrial circles. Ergonomic teams have been set up by Charbonnages de France and by the Dutch coal and steel undertakings. The results obtained have already shown that, in certain cases, very distinct increases in productivity have been obtained as a result of improvements to working places.⁽⁵⁾

436. The research activity encouraged by the ECSC Treaty has given rise to the publication of numerous scientific articles. Reprints of these

⁽¹⁾ Collection "Traumatologie et réadaptation", No. 1.

⁽²⁾ *First General Report (1967)*, sec. 331.

⁽³⁾ Collection "Physiologie et psychologie du travail", No. 3.

⁽⁴⁾ *Ibid.*, Nos. 4 and 5.

⁽⁵⁾ *First General Report (1967)*, sec. 332.

articles have been sent to industrial medical officers and others likely to be interested. A booklet giving information on noise, its effects and its prevention will be published for wide distribution.

Industrial safety

437. The programme of factory inspectorate traineeships carried out in 1965 and 1966 was continued in 1968.⁽¹⁾ Twenty officials were enabled to study the situation in a Community country other than their own for two or three weeks. Traineeships for thirteen other officials have been prepared. Such traineeships greatly promote the diffusion of information on the organization and duties of factory inspectorate departments in the Community.

The work on the approximation of safety legislation with respect to workers and third parties has been pursued. With the collaboration of experts from the Member States, a proposal for a directive amending the Council directive of 27 June 1967 on the approximation of the laws and regulations concerning the classification, packaging and labelling of dangerous substances⁽²⁾ has been drafted and submitted to the Council. The proposal is meant to provide fresh rules for the labelling of organic peroxides; it is the outcome of a new investigation into the labelling of these substances which the Council expressly asked for when the Community directives were adopted.

Social requirements were taken into consideration when the general programme on the removal of technical obstacles to trade was drawn up. The working parties on "lifting gear (cables and chains)" and "grindstones and grinding-machines" have continued their activity in the field of the approximation of safety regulations.

Problems of industrial health and safety (ECSC)

Steel Industry Safety Commission

438. The Safety Commission and its specialized working parties have investigated several matters such as access to the cabs of mobile cranes; the detection and measurement of gases encountered during repair work

⁽¹⁾ *First General Report* (1967), sec. 324.

⁽²⁾ *Ibid.*, sec. 325.

on gas mains, piping and appliances; the use of oxygen in tapping; individual protective equipment for blast-furnace ladlemen; the principles of safety training.

The principles of accident prevention, adopted by the Safety Commission in 1966⁽¹⁾ have been very widely disseminated during the past twelve months among enterprises, employers' and workers' organizations, and bodies connected with health and safety matters. These principles were also communicated to non-member countries (Spain, the United Kingdom and Sweden).

Industrial health

439. A third tranche, amounting to 215,121 u.a., has been released for the second research programme (dust control in mines) from the total credit of 6 million u.a. granted in 1964. This third tranche relates to further work on four research projects and to eight new research projects, to be pursued for two years in eight Community research centres. The financial assistance given for these researches since work started on implementation of the programme totals 4,495,598 u.a. At the beginning of the fifth year of implementation the facts have shown that the aims of accident prevention originally laid down and the results obtained certainly coincide with progress in industrial practice and meet the requirements of modern technology. It will be necessary to ensure that production technology and accident prevention continue to keep pace with each other in the future as well.

A joint working party of engineers and doctors has laid the foundations for effective co-operation by means of which it will be possible to organize in the six countries a survey on the relationship between the incidence and development of the pneumoconioses on the one hand and the measures taken to control dust in coal mines on the other. The research work on the factors which influence atmospheric conditions in mines, undertaken by a Dutch organization, has been completed. The results will be very useful in helping to choose effective ventilation and refrigeration appliances in mines.

440. On 14 June 1967 the High Authority decided to grant a credit of 4 million u.a. for a second research programme on the technical prevention and control of air pollution caused by the steel industry. In conformity with this decision a group of projects has been studied by the

⁽¹⁾ *Fifteenth (ECSC) General Report*, sec. 505.

advisory committees and submitted to the Commission. Furthermore, a rundown has been prepared for publication on the research activities promoted by the ECSC over the last ten years concerning the control of dust and residual gases in the iron and steel industry.

A new research committee, specializing in questions of air pollution by iron and steel plants, has been set up.

Mines Safety and Health Commission

441. In 1968 the Mines Safety and Health Commission investigated the circumstances, causes and preventive measures connected with two group accidents in the Community involving the loss of eleven lives in all. It also received initial data on a firedamp explosion which caused the death of seventeen people.⁽¹⁾

It has approved the following interim or final reports on the activities of its working parties:

- (1) Working Party on Rescue Arrangements and Mine Fires:
 - (a) approval of a Community test-projet for rescuing entombed workers by means of large boreholes;
 - (b) report on fires at deep level;
 - (c) report on fire-resistant fluids;
 - (d) final report and practical conclusions for application of the theory of stabilization of ventilation systems;
 - (e) reports on the organization of rescue work in 1965 and 1966 and the improvement of anti-CO filter devices.
- (2) Working Party on Flammable Dusts: reports on barriers to contain dust explosions;
- (3) Working Party on Electricity: interim report on the effects of saline pastes;
- (4) Working Party on Winding Ropes and Shaft Guides: calculation of the effects of dynamic stresses on shaft guides.

Furthermore, both these Working Parties and the Working Parties on Health and on Psychological and Sociological Factors in Safety (safety

⁽¹⁾ Cave-in at No. 4 working of the Niederrheinische Bergwerk AG, Germany (5 dead), on 15 June 1967; firedamp and dust explosion at the Varenne (Loire) working, France (6 dead), on 3 May 1968; firedamp explosion at the "Minister Achenbach" mine, Brambauer, Germany (17 dead), on 4 October 1968.

campaigns) have continued with the task assigned to them, and the Working Party on Combined Statistics of Accidents also started operations.

On 10 October 1968 the Mines Safety and Health Commission adopted its annual report for 1967, which will be submitted to the Member States and the European Parliament.

Health and safety (Euratom)

442. The Commission's work to combat the hazards of radioactivity consists mainly in the elaboration of rules and regulations and in investigations and research concerning radiation protection which are closely connected with radiobiological research. These two activities have been linked together for ten years now and have progressed side by side, thus enabling the Commission to institute and carry out a common health policy and to obtain scientific support for this policy in a research programme which it co-ordinates and promotes.

Despite certain difficulties the Commission has, to a large extent, been able to meet the responsibilities in the sphere of health protection allotted to it by the Euratom Treaty and to achieve positive results as regards not only the establishment of rules but also in the fields of technical harmonization and scientific research.

443. The application of Basic Standards, as laid down by the Council of Ministers in 1959 in the form of directives, has been continued in several countries. Fresh provisions have been drawn up and put into effect: in certain special branches of protection against ionizing radiation hazards, the provisions have been either amplified or aligned on the latest Council directive of 27 October 1966, which amended the Basic Standards.

In accordance with Article 33 of the Euratom Treaty, the Commission has given its opinion on a Belgian draft regulation, four draft texts communicated by the Italian Government and two draft decrees communicated by the Netherlands. In one case the Commission made a recommendation and asked that a provision be amended to bring it more into line with the Basic Standards.

In France, several departmental orders have come into force to implement the decree of 15 March 1967 on the protection of workers against radiation. By the end of 1968 all the Member States had prepared or adopted laws and regulations to ensure compliance with the Basic Standards prescribed by the Commission. But the body of rules

thus formed is nevertheless being supplemented and corrected, with the full agreement of the Commission, which has established close relations with the competent national authorities in this field.

444. The Basic Standards are not immutable; their revision was requested in 1967, and the Commission's departments and a group of experts set up under Article 31 began to study possible amendments. This work was continued during 1968. It has become apparent that no great change will have to be made in the maximum permissible doses at present given in the Standards, but experience in the application of these Standards in municipal legislation, and advances in scientific knowledge at international or European level, will nevertheless lead to the modification of certain concepts and definitions connected with the practical organization of medical and physical control. The revision will probably be terminated in 1969, as soon as several studies carried out with the help of specialized research centres yield replies to the questions which have arisen, notably regarding controlled areas, protected areas, the additivity of doses, dosimetry and maximum permissible concentrations.

445. The Commission has taken an important step to improve knowledge of the various psychological aspects of accident prevention and industrial safety. In this connection it has prepared the publication of a final report by a team of psychologists and psychiatrists which has carried out a study assignment. The report summarizes thousands of psychological observations and examinations, and represents the first co-ordinated, systematic effort to explore this subject in the nuclear sphere at Community level.

The conclusions of this report will make it possible to adapt the methods of protection and prevention in research centres and enterprises and will provide a valuable scientific basis for studying human factors connected with the prevention of accidents.

The Commission found it useful to try to ascertain, by directly canvassing public opinion, the population's attitude to radioactivity hazards and the question of protection. Following surveys in Germany and Italy, this study is now being pursued in Belgium and Luxembourg. The results will be analysed and compared as soon as all investigations have been completed.

On various occasions the Commission's attention has been drawn to the importance of informing the medical profession of the hazards arising in practice from the increased use of ionizing radiations. Preparations have been made to issue a publication to meet this requirement.

446. The Community procedure of consultation with experts referred to in Article 37 of the Euratom Treaty on schemes for the disposal of radioactive waste was resorted to when eight projects were submitted to the Commission in 1968. The Commission has given its opinion on two German, one Dutch and two French nuclear power plants and three German industrial plants and trial reactors. The implementation of this article of the Treaty continues to be an important feature of the Commission's health policy, since it enables concerted action to be taken at Community level in order to ascertain whether the disposal of radioactive waste is liable to contaminate the water, soil or airspace of another Member State.

447. At a time when there are great prospects of expansion in the nuclear field in the shorter or longer term, the Commission has made a special endeavour to determine the scientific facts of the radioactive contamination of environment and to harmonize the methods of waste disposal and of measurement and control at the practical and technical level. The possible radioactive contamination of hydrobiological systems and the protection of natural resources of air and water are receiving the Commission's serious attention. The effects of actual or potential contamination of environment are not adequately known yet, and it is still difficult to assess their extent. The main source of contamination of man is and will be the food chain. This is why all the investigations which concern man and his environment must be tenaciously pursued until the final objective of the Community's research programme is attained, namely, the most precise possible determination of the danger which might face the human race as a result of extension of the peaceful uses of nuclear energy. It should be emphasized that attainment of this objective will facilitate nuclear expansion, in particular by helping the health authorities in their work of supervision and of preventing the occurrence of radioactive hazards.

During 1968 the Commission's research programme was often examined by groups of national experts. The work of the Commission in promoting radiation protection was considered to be useful and effective, and its continuation at Community level was unanimously approved. Although the Commission has not been able to give financial assistance in 1968 for the implementation of research programmes under contract, the national authorities and research centres have still tried, as far as their funds permitted, to go through with many such programmes, thus demonstrating that the activities and researches of the Commission's health services are essential to the common weal and have, in

fact, the character of a true public service. It is to be hoped that the decisions enabling the Commission to pursue its work of co-ordination and stimulation will be adopted in good time, so that the current activities whose continuation has been rendered possible by an exceptional effort on the part of research centres and their personnel will not be finally frustrated.

448. The principal features of the Commission's research programme in the fields of radiation protection and radiobiology are the studies on the contamination of man and his environment, including radiation toxicology; those on physical and biological dosimetry; epidemiological investigations of groups of people exposed to special hazards; and the study of the hereditary, immediate and long-term effects of radiation on human beings. These studies have advanced as normally as the situation allowed, and the results are to be found in the Commission's scientific publications.

449. Besides establishing rules and regulations and carrying out the research programme, the Commission has continued to take various steps to harmonize the methods and techniques for measuring radioactivity in water, the soil and food. Furthermore, the programme for the intercalibration of individual dosimeters, carried out under the aegis of the Commission with the help of most of the research centres and institutes in the Community, has led to considerable improvement in the accuracy of measurements and in the conformity of the doses recorded by dosimetric films.

450. Of the Commission's publications during 1968, mention may be made of a practical guide for organization of the monitoring of the radioactive contamination of foodstuffs and beverages, which the competent authorities in the Member States found extremely interesting, and another document laying down principles and general methodology for determining the limit radiological capacity of a hydrobiological system.

Thus, progress is gradually being made towards the indispensable harmonization between the various research institutes and authorities in the Member States of the practical application of the Basic Standards of radiation protection in the particular spheres of contamination of water and food. Lastly, several studies are being made to investigate means of identifying irradiated food, and to harmonize the regulations on the use and testing of irradiated foodstuffs which various Community States apply for the protection of public health.

8. ECSC financial activities

451. Under the Treaty of Paris the Commission can obtain the funds needed for ECSC purposes by imposing a levy on coal and steel production or by borrowing. The levy is intended mainly to meet the Community's administrative expenses—the Merger Treaty lays down what proportion of the budget of the European Communities should be accounted for by this levy⁽¹⁾—and to cover aids for readaptation and the promotion of technical and economic research. Borrowed funds can be used by the Commission only for granting loans.

FINANCING OF ECSC INVESTMENTS

452. The Treaty of Paris empowers the Commission to “facilitate the carrying out of investment projects by granting loans to enterprises or guaranteeing loans otherwise raised by them.”

In addition to granting loans to the coal and steel industries, the Commission may by the same means assist the financing of operations and installations designed directly and mainly to help increase the production, lower the production costs or facilitate the marketing of the products coming under its jurisdiction. Aid of this kind, for which it first has to obtain the unanimous consent of the Council of the European Communities, has been given in large measure to the financing of large power stations, often jointly owned by several enterprises, and the building of workers' houses.

Although lending of both these kinds (under Article 54 of the ECSC Treaty) continued at a high level in 1968, reconversion loans granted under Article 56(2) rose faster during the year under review. Here the object of the loans is to facilitate the financing of new and economically sound activities or for the reconversion of enterprises calculated to provide productive re-employment for workers rendered redundant by radical changes in the sales position for the coal and steel industries.

Under neither Article did other enterprises apply in 1968 for the Commission's guarantee. Repayments on previously granted loans, i.e. 47 million u.a., reduced commitments under this heading to 39.8 million u.a. at 31 December 1968.

⁽¹⁾ Sec. 619.

Borrowing operations

453. Articles 49 *et seq.* of the Treaty of Paris empower the Commission to procure the funds necessary to the accomplishment of its mission, especially by borrowing sums for relending to enterprises. With its good credit standing on the capital markets, the ECSC has up to now raised 52 loans to a total value of 828 million u.a.

From 1 January to 31 December 1968 the Commission contracted five loans to a total value of 108 million u.a.—two bond issues floated on the Italian capital market, one bond issue floated on the Belgian capital market, and two private loans from German banks.

Classified according to currency, the loans were as follows:—

Lit. 15,000,000,000 (public loan)	=	24 million u.a.
DM. 120,000,000 (private loan)	=	30 million u.a.
Bfrs. 750,000,000 (public loan)	=	15 million u.a.
DM. 60,000,000 (private loan)	=	15 million u.a.
Lit. 15,000,000,000 (public loan)	=	<u>24 million u.a.</u>
		108 million u.a.

Lending operations

454. Funds available for lending to enterprises in 1968, from the year's borrowings and sundry other sources (see below) totalled 134.8 million u.a.

(million u.a.)			
1. Borrowed funds			
Already available at beginning of year	10.5		
1968 borrowings	108.0		
Anticipated repayments	7.8		
		126.3	
2. Own resources (Special Reserve)			
Unexpended receipts from previous years	5.8		
Allocated to Special Reserve in 1968	0.7		
Redemption payments on earlier loans	2.0		
		8.5	
			134.8

Most of the monies were re-lent as raised, at 6.75% and 7%, to finance industrial programmes under Article 54. On the other hand, terms for redevelopment loans under Article 56 of the ECSC Treaty were usu-

ally more favourable. Owing to the partial use of its own resources, i.e. the interest on liquid assets, these loans could be granted at the reduced rate of 4.5% for the first five years, and 6.5% to 6.75% thereafter.

Loans granted by the ECSC, including those for the building of workers' houses, totalled 919.9 million u.a. in all, 821.1 million from borrowing and 98.8 million from the ECSC's own resources.

455. The Community's policy of financing residential building for workers was continued in 1968. Loans for this purpose are as a rule granted out of the Special Reserve at very low interest and on exceptionally easy redemption terms, and are furnished in the currency of the country concerned to avoid any exchange risks to the borrower. The amounts made available during the year under review were mainly for Scheme VI, which runs from 1966 to 1968, although some payments were made under the "special tranche" of Scheme V. Special Reserve disbursements in 1968 for the two schemes amounted to 4.3 million u.a.

The opening in November 1968 of the 100,000th dwelling built with ECSC financial assistance will give an indication of the scope of these schemes.

456. The great bulk of the ECSC's loans were, as before, to industry, for which it set aside, in 1968, a total of 60.5 million u.a., drawn entirely from borrowings. The projects assisted all fell within the priority classes laid down in the Community's "General Objectives", as follows:—

Coal industry

- (a) Productivity and production-cost improvement and coal utilization: Hoesch Aktiengesellschaft Bergbau, Essen-Altenessen; Steinkohlenbergwerk Westfalen Aktiengesellschaft (Ahlen, Westphalia);
- (b) Pithead power stations likely to use low-grade fuels:— Charbonnages de France, Paris (collieries of the Nord/Pas-de-Calais, Douai); Saarbergwerke Aktiengesellschaft, Saarbrücken;

Iron and steel industry

- (a) Blast-furnace burden preparation and pig-iron production: Italsider SpA (Trieste plant), Genoa;

- (b) Oxygen steelmaking:
Aktiengesellschaft der Dillinger Hüttenwerke, Dillingen, Saar;
Koninklijke Nederlandsche Hoogovens en Staalfabrieken NV,
IJmuiden;
- (c) Continuous casting:
Società Industrie siderurgiche, meccaniche e affini SpA, SISMA,
Milan;
- (d) Production rationalization and specialization:
August Thyssen-Hütte Aktiengesellschaft, Duisburg-Hamborn;
Usines métalliques de Saint-Eloi, Louis Piret et Cie, Thy-le-
Château;
Acciaierie e Ferriere Lombarde Falck SpA, Milan;
Hoesch Aktiengesellschaft Hüttenwerke, Dortmund;
Fried. Krupp Hüttenwerke AG, Bochum.

457. 13 redevelopment loans granted in 1968 totalled 32.8 million u.a. drawn from borrowed funds.⁽¹⁾ The breakdown by country is as follows:—

German Federal Republic

North-Rhine-Westphalia:

Rheinisches Zinkwalzwerk GmbH & Co. KG, Datteln;
Ruhr-Zink GmbH, Datteln;
Spanplattenwerk Münsterland GmbH & Co. KG, Dorsten;
Borsig Aktiengesellschaft, Berlin;
Chemische Werke Hüls AG, Marl;
Faserwerke Hüls GmbH, Marl;
Hüttenwerke Kayser AG, Lünen.

Belgium

Hainaut:
Caterpillar Belgium SA, Brussels;
Limburg:
Gemeentekrediet van België, Brussels;

France

Lorraine:
Société Pneumatiques, caoutchouc manufacturé et plastiques,
Kléber-Colombes, Colombes (Hauts-de-Seine);

⁽¹⁾ See also secs. 345 *et seq.*

Société Omnium national de transports et d'exploitation routière
(Onatra), Marseilles;

Nord/Pas-de-Calais:

Société d'équipement du Pas-de-Calais, Arras;

Netherlands

Limburg:

NV Bouwbedrijf Noordland, Roermond.

458. By 31 December 1968, loans granted by the ECSC since its inception are shown in the following table, broken down by sector and by country.

TABLE 22
Breakdown of total amount lent, to 31 December 1968

(million u.a. and %)

Sector	Germany (FR)	France	Italy	Belgium Luxembourg Netherlands	Community	
					million u.a.	%
Coal industry	189.74	44.92	4.77	14.00	253.43	27.55
Iron-ore mines	10.55	13.00	5.70	1.00	30.25	3.29
Iron and steel industry	176.65	59.77	136.16	26.53	399.11	42.74
Sub-total	376.94	117.69	146.63	41.53	682.79	73.58
Workers' housing	56.29	23.52	14.22	32.50	126.53	13.76
Redevelopment and reconversion	28.84	20.58	25.83	47.93	123.18	11.62
Readaptation	5.33	0.59	—	—	5.92	0.64
Research	1.29	0.67	0.23	0.76	2.95	0.32
Miscellaneous	—	—	—	0.92	0.72	0.08
Total	463.69	162.09	180.44	113.63	919.85	100.00

AID FOR TECHNICAL RESEARCH CONCERNING ECSC INDUSTRIES

459. In 1968 the Commission endeavoured to apply the decisions taken the previous year with a view to a more complete harmonization between the procedure for the implementation of the policy with regard to

aid for technical research⁽¹⁾ and that which has long been followed in the field of social and medical research⁽²⁾. These measures concerned:

- (1) The establishment in each research sector (steel, coal, social) of medium-term programmes, emphasis being given to "hot spots" where special efforts should be made in 1968, 1969 and 1970, and those sectors where preferential action is required;
- (2) An evaluation of the funds required for each sector during the financial years 1968, 1969 and 1970, so that these programmes can be carried out;
- (3) Laying down of a selection procedure which will enable the various projects proposed to be classified according to the agreed priorities and the financial limits decided on.

By the end of the first half of 1968, medium-term research programmes were published for the three sectors. Funds to be allocated had to take into account the large amounts foreseeably needed for readaptation operations, and an amount of 6 to 8 million u.a. was decided on.

Financial assistance for research in 1968

460. 1968 was the first year in which the new procedure was implemented and, in fact, begun during the second half of the year. As had been foreseen, it was also marked by a considerable demand for readaptation (12.89 million u.a.).⁽³⁾ Despite this considerable amount reserved for readaptation, the Commission went ahead with its research policy in the sectors covered by the ECSC Treaty. Thus, in 1968, research contracts were concluded to an amount of 4.415 million u.a., broken down as follows:

Steel: 2.168 million u.a.

Coal: 2.247 million u.a.

Disbursements amounted to 8 million u.a., bringing total disbursements for research to 63 million u.a. and the proportion of disbursements to contracts signed since 1952 to 77%.

⁽¹⁾ Secs. 237 *et seq.* and secs. 300 *et seq.*

⁽²⁾ Secs. 430 *et seq.*

⁽³⁾ For further details see Secs. 392 *et seq.*

CHAPTER IV

EXTERNAL RELATIONS

1. The enlargement of the Community

Proposals put forward by member countries

461. The difficulties of reaching unanimity on how to deal with the applications for membership from the United Kingdom, Denmark, Ireland and Norway, and with the letter from the Swedish Government, persist. Despite the appeal put forward by the Commission, the Council session on 18 and 19 December 1967⁽¹⁾ did not result in agreement to open negotiations with the applicant countries. This difference of opinion, which was a point of major concern throughout 1968, affects the life of the Community through its political consequences in that it may cause Community activities to stagnate. Individual Member States, aware of this danger, have formulated a number of suggestions which differ widely but are all aimed at making interim arrangements between the Community and the countries seeking membership.

462. On 19 January, for instance, the three Benelux countries put a proposal before the other Member States and the Commission in the form of an *aide-mémoire*.⁽²⁾ The objects were to establish:

- (a) in the economic sphere, procedure for consultation between the Community and its Member States on the one hand, and the applicant countries on the other, in order to study their applications for membership; to prevent any increase in the disparities already existing between the Community and the applicants (and perhaps to conclude agreements to which the applicants would also be parties, especially on European patents, European company law,

⁽¹⁾ *First General Report* (1967), sec. 427.

⁽²⁾ *Bulletin* 3-68, Ch. II.

and insurance); and to undertake common projects in fields not covered by the Treaties;

- (b) in the political sphere, closer co-operation in order to achieve the political unification of Europe.

463. At the meeting between the French President and the German Federal Chancellor in Paris on 16 February 1968, a joint declaration⁽¹⁾ was issued in which the two Governments affirmed their willingness to carry on what they and their partners had undertaken since the European Economic Community was set up, and expressed their intention to devote all their efforts to completing and developing the common market, and to consummate the merger of the three existing Communities. They looked forward to enlargement of the Communities by the accession of other European countries, in particular those which had already applied for membership. Until this became possible, the two Governments were prepared to envisage such arrangements between the Community and the applicant countries as would help to expand trade in industrial and agricultural products and to facilitate subsequent admission to the Community of the countries which had requested it.

464. On 23 February 1968 the Italian Government drew up its own proposals, in the form of a joint declaration⁽¹⁾ for adoption by the six Governments. In this proposed declaration, the Member States were to undertake:

- (a) to continue, with due observance of the deadlines, the processes of economic integration and of the merger of the Communities;
- (b) to ensure (for instance, by consultation with the countries concerned through diplomatic channels or via the Commission) that no steps were taken which would widen the gaps between themselves and the applicant countries;
- (c) to adopt measures to reduce such gaps; for this purpose, the Governments of the Member States were to:
 - (i) ask the Commission to continue studying the matter of the applicants' membership;
 - (ii) authorize the Commission to propose suitable measures for co-ordinating short-term economic policies within the OECD;

⁽¹⁾ *Bulletin* 3-68, Ch. II.

- (iii) reach agreement on participation of their Ministers of Economic Affairs and of Finance in the quarterly meetings of the WEU, with a view to ensuring better co-ordination of short-term economic policies by the Six and the United Kingdom.

The Italian Government also referred to the possibility of calling a conference of Ministers of the Member States and the applicant countries, in which the Commission would participate, for the purpose of arranging ways and means of closer co-operation between their Governments with the object of achieving the economic and political unification of Europe.

465. Finally, on 27 February 1968 the Belgian Government submitted a memorandum on technological co-operation in Europe. More than had been done in the past, this document emphasized the need for action all along the line, springing from a clearly defined political will. The memorandum proposed that:

- (a) the Commission of the European Communities should be instructed to make exploratory contacts with the non-member countries concerned;
- (b) a step-by-step procedure should be worked out which would consist in first discussing the body of technological problems at Community level on the basis of the Luxembourg resolution of 31 October 1967, with a view to subsequently offering non-member countries in Europe the chance of participating in projects defined by the Six;
- (c) lastly, bearing in mind a number of drawbacks which the first two suggestions might involve, a procedure should be established whereby all the countries concerned should join together to analyse all the technological problems facing Europe; the Belgian Government regarded this procedure as supplementing, not replacing, the terms of reference laid down at Luxembourg, and as the most appropriate way of avoiding a fundamental dispute connected with the British application for membership of the Common Market.

466. The next Council session after that of 19 December 1967 took place on 29 February 1968. The intervening two months had been profitably spent, and the Council was presented with a series of proposals, diverse in character but complementary, which had to be

thoroughly examined before the Community could draw up an interim agreement to put before the applicant countries. The German Minister of Foreign Affairs gave an account of the items which such a provisional arrangement might cover, and these were embodied in a document⁽¹⁾ submitted to the Council on the eve of its 9 March session.

The discussions at this Council session revealed the difficulty of analysing all the points in the different proposals; the Commission was requested to do this and report back as soon as possible.

467. The Commission rendered a formal Opinion to the Council on 2 April 1968.⁽²⁾ It regretted the failure to act upon its Opinion of 29 September 1967, but stated that examination of the various proposals put forward by the Member States and the Council's discussions of 29 February and 9 March 1968 would seem to indicate that the Member States were not in disagreement on certain fundamental points.

The Commission therefore felt able to suggest the general lines which could be followed in drafting an agreement that would pave the way to membership for the four applicant countries.

Such an agreement should, in the Commission's view:

- (a) be regarded as providing for a phase of adaptation, notably to facilitate as much as possible the rapid re-establishment of lasting economic equilibrium in the United Kingdom;
- (b) serve as a framework for endeavours to bring the Community and the applicant countries closer together, so that, not too long after their accession, they would be able to assume all the responsibilities and enjoy all the advantages of membership of the Community.

However, the prospect of eventual membership should be defined as follows:

- (a) The agreement should establish a preparatory phase of limited duration; it should not relate solely to trade, but should also lay down a procedure for consultation and arrange for co-operation with the states concerned in the fields of scientific research and technological development.

⁽¹⁾ *Bulletin* 5-68, Ch. II.

⁽²⁾ *Ibid.*, Ch. V, sec. 74. The full text of the Opinion is given in the Supplement to *Bulletin* 4-68.

- (b) At the end of this phase (or earlier, if circumstances allowed) the Commission would submit to the Council an Opinion additional to that of 29 September 1967, stating whether the conditions for membership were satisfied. On the basis of this Opinion, the Council would take action under Article 237 of the Treaty. Furthermore, the Commission considered that the Council should also examine the preparations for enlargement which the Community itself ought to make by strengthening its structures, implementing common policies, and completing economic union. Finally, the Commission intended to submit to the Council at the appropriate time more detailed proposals on an agreement preparatory to the accession of additional countries and on the development and strengthening of the Community with the same object in view.

468. This Opinion was examined by the Council during its session at Luxembourg on 5 April. Neither at this session nor at those on 30 May and 30 July did a common attitude emerge towards the conclusion of such a preparatory agreement; but on 30 July it was decided that an entire day should be devoted to the matter at the first autumn session. This took place on 27 September and was preceded by submission of a second memorandum from the German Government.⁽¹⁾

469. The German Government stressed the need, so long as new members could not be admitted, for interim measures to strengthen ties between the Communities and the applicant countries and to facilitate and prepare the way for their ultimate membership. It recommended action in three fields: trade relations, technological co-operation, and permanent contacts.

An arrangement should be made to facilitate trade between the Communities and the applicant countries and thus set in motion a process of adjusting the economy to new conditions. It would be concluded with a view to, and pending, subsequent membership, but would not be a substitute for membership. In its first phase, provision would be made for reciprocal tariff cuts of the order of 30%, which would be calculated on the basis of pre-Kennedy Round customs duties and then applied to the duties resulting from the tariff cuts implemented under the Kennedy Round agreements. Exceptions should

⁽¹⁾ *Bulletin* 11-68, Ch. III.

be kept to a minimum. Where trade in farm products was concerned, reciprocal preferences would be arranged between the various countries.

In the technological field, the German Government felt that more advantage should be taken of the work done in the Community to establish links with the applicants, particularly Britain. The Maréchal Group should therefore complete its task as soon as possible,⁽¹⁾ and its report should state what opportunities there were for co-operation between the Community and the applicants. The Council should then arrange for a ministerial conference between the Six and the States which have applied for membership of the Community, in which the Commission would take part.

In conclusion, the German proposals provided for "permanent contacts" between the Community and the applicant countries in order to pave the way for membership. Once agreement had been reached on the various proposals, the German Government considered that a conference should be arranged between the Foreign Ministers of the member countries and of the applicant countries, with the Commission participating, in order to lay down directives for subsequent developments.

Work at the 27 September session of the Council produced no conclusive result on these proposals, and the matter was postponed to 4 and 5 November.

470. At the Council session of 4 and 5 November, the French Minister of Foreign Affairs explained the nature and the limits of the arrangements he envisaged. He emphasized that trade arrangements would not be a substitute for the procedure leading to membership and would not be tied to it either. The arrangements would be open to European countries irrespective of whether they had applied for membership: some of the non-applicant countries maintained economic relations with the Community which were no less close than those of the applicant countries. The Minister went on to say that the trade arrangements would clear the way for a procedure that would remove most trade barriers.

The arrangements for industrial products would include reciprocal tariff preferences which might be of the order of 30% and could be

⁽¹⁾ Ch. III, 3 *supra*.

implemented within four years. The preferences would relate to products on which tariffs were cut by 50% in the Kennedy Round and would be calculated on the basis of the duties actually applied as a result of the Kennedy Round. Furthermore, the possibility could be considered of more substantial preferences for certain products affected by co-operation in the fields of research and technology.

Reciprocal benefits should also be considered for farm products, at prices somewhere between Community prices and world prices.

In the field of research and technology, the Minister hoped that the work of the Maréchal Group would be brought to a successful conclusion. In its report, the Maréchal Group should list projects which might be carried out by a number of countries working together. On the basis of the conclusions of this report, the Council could make a choice of projects in which the Community could co-operate with other interested countries, and then proceed to consult the latter on the conditions for their participation.

The Council then discussed all the proposals put forward by the different Member States and agreed to instruct the Permanent Representatives to collaborate closely with the Commission in studying, in the light of the Council's deliberations, all the proposals submitted, and especially those concerning trade arrangements and technological co-operation.

471. At its session of 9 and 10 December, the Council received an interim report from the Committee of Permanent Representatives on the trade arrangements and instructed the Committee to continue its studies, in close collaboration with the Commission, in the light of the statements, requests and suggestions made by the various delegations during the session.

A draft resolution on scientific and technical research was also prepared by the Committee of Permanent Representatives for consideration by the Council. After a brief discussion, the Council adopted this resolution, as follows:

"1. The Council, the Governments of the Member States, and the Commission will, before 1 July 1969, put into effect the provisions of the resolution adopted at the Council meeting held at Luxembourg on 31 October 1967 on co-operation in scientific and technical research.

“2. To this end, the Working Group on Scientific and Technical Research Policy of the Medium-term Economic Policy Committee will submit, before 1 March 1969, under the conditions laid down in this resolution, the report which it had been instructed to prepare and which will take into consideration the possibilities of co-operation with European non-member countries, in conformity with the mandate given to it on 31 October 1967.

“3. The Council will examine the report from the Working Group on Scientific and Technical Research Policy and will draw its initial conclusions concerning the action to be undertaken. In the light of these conclusions, it will forward proposals for co-operation to those European countries which are interested, of which it will draw up a list, and in particular to the countries which have applied for membership of the European Communities, and will annex the Working Group’s report to these proposals.

“4. Through the appropriate channels, the Council will obtain the opinion of the non-member States in question on the proposals which it has communicated to them. The Council will discuss the replies which it receives and also any suggestions put forward by these States. The Council and the non-member States in question will call meetings of experts in order to examine the technical, financial and other problems involved in undertaking the operations envisaged. Experts from the Commission will take part in these meetings.

“5. The sole object of this examination will be to prepare for discussions between the Ministers responsible for technology in the Six and in the other countries in question, with representatives of the Commission, with a view to taking the necessary decisions on the various projects planned.”

The position of the applicant countries and the other European countries interested in possible arrangements for membership

472. According to statements made by the British Foreign Secretary, Mr. Michael Stewart, in Paris on 26 April 1968 and by the Minister of State at the Foreign Office, Lord Chalfont, in Rome on 22 October 1968—both at WEU Council meetings—the British Government is prepared to examine any proposals for interim agreements which

might be submitted to it, provided these proposals are presented jointly by the Six and are inextricably linked with membership of the Community for the United Kingdom.

It should also be recalled here that the British Prime Minister, Mr. Harold Wilson, expressed himself in the following terms at the Lord Mayor's Banquet in London on 11 November 1968:

“Our application is in and will so remain. No words of mine could add to our determination, not only as a government or parliament, but as a trading community and a people, to stand firm in support of that application. To be neither disheartened by obstruction, nor distracted by plausible *soi-disant* alternatives or attractive and tempting blind alleys. . . . What is tragic for Europe is the blind refusal to face facts. A refusal none the less obdurate, even if day by day the explanation for that refusal takes on new and ever bewildering changes of form.”

473. The Norwegian Government declared itself in favour of the Benelux proposal in an *aide-mémoire* of 9 February 1968. It notified the Commission, in an *aide-mémoire* of 25 November 1968, that it was maintaining its application for membership, considering that enlargement of the Community was the best way of arriving at the maximum degree of European integration.

If trade agreements were contemplated, Norway would favour them only if they would contribute towards eventual membership. The Norwegian authorities also stated that, if the arrangements related solely to products on which tariffs were cut by 50% in the Kennedy Round (following the French proposal), more than half of Norway's exports to the Community would remain outside the preferential system, and this would create a situation prejudicial to the Norwegian economy.

474. In an *aide-mémoire* delivered to the Commission on 8 February 1968, the Danish Government stated that it shared the desire of the Governments of the Benelux States, expressed in their *aide-mémoire* of 19 January 1968, to help in the development of the European Communities and in the enlargement of these Communities. Furthermore, the Danish Government emphasized that discussions on the proposals for consultation would not affect Denmark's application for membership. During a visit to the Commission on 7 November 1968, Mr. Poul Nybo Andersen, Danish Minister of Economic Affairs, affirmed that

this application would be maintained and that proposals for trade arrangements could not be considered an alternative to membership. Should such arrangements be bilateral, moreover, Denmark's economic interests might be harmed.

475. The Irish Government informed the Commission that it would be interested in trade arrangements made with a view to subsequent membership, but it also expressed its concern about possible competition from Community farm produce on the British market.

476. On 10 July 1968 the Austrian Government sent an *aide-mémoire* to the Commission in which it recalled its aim of regulating its economic relations with the EEC by means of a special treaty taking into account Austria's international commitments. The Austrian Government hoped that the facilities which Austrian industry and agriculture urgently needed in order to safeguard their traditional economic links with the Communities might be obtained as soon as possible. Austria attached great importance to participating from the outset in any negotiations concerning trade arrangements that might be opened.

477. In a press communiqué published on 8 February 1968, the Swedish Government declared that Sweden would be interested in taking part in a conference on matters concerning European economic co-operation attended by all the States concerned. Swedish interest here should be considered in the light of the Swedish application for negotiations with the European Economic Community.

478. In February 1968 the Swiss Government informed the Commission that it was greatly interested in the trade arrangements planned with the countries which had applied to join the Community and would wish to participate from the start in negotiating any such arrangements and in consultation procedures. Switzerland's position was confirmed by several statements, and recently also in a speech by Mr. H. Schaffner, Head of the Federal Department of Public Economy, at the meeting of the EFTA Ministerial Council in Vienna on 21 and 22 November 1968.

479. At the last ministerial meeting of the EFTA Council, Mr. A. Karjalainen, Finnish Minister of Foreign Affairs, stated that his Government would also be interested in participating from the start in any negotiations that might be held for the purpose of making trade arrangements.

480. Furthermore, the EFTA Council, during its ministerial meeting at Vienna on 21 and 22 November 1968, reaffirmed its readiness to consider in a positive spirit any constructive proposals for interim solutions (including trading arrangements) which might be put forward by the European Economic Community, provided these proposals were in conformity with the international obligations of the members of EFTA.

The communiqué issued at the end of the meeting also said that the Council had noted with interest developments since the London meeting, and especially the decision of the EEC Ministers to examine all current proposals, in particular those for trading arrangements and technological co-operation. The Ministers expressed the hope that these initiatives taken within the EEC would soon result in common proposals by the Six. They instructed their Permanent Representatives in Geneva to keep the situation under close review in the light of developments in the Communities, so as to enable a co-ordinated response to be given to any proposal by the Six which might be put to their Governments individually or collectively. The Ministers were agreed that any solution must be consistent with GATT obligations and should provide a reasonable balance of advantage to each EFTA country.

[2. The association of European countries with the Community

THE ASSOCIATION OF THE UNITED KINGDOM WITH THE ECSC}}

481. Difficulties connected with the timetable of activities prevented the Council of Association from holding the session scheduled for December 1968. It was eventually arranged that this session should take place at the end of January 1969.

The Council's three standing Committees, and the various working parties, have continued their studies. The Steel Committee met on 9 April, the Trade Relations Committee on 12 September, and the Coal Committee on 11 October.

The Steel Committee received a report on the structure of steel prices, drawn up by the joint working party concerned.

In the Trade Relations Committee there were consultations regarding the Community measures to help the French iron and steel industry and their effect on the steel trade between the UK and the Community.

The Coal Committee received from its working parties reports on the energy situation in the United Kingdom and in the Community, on technical research, and on automation and remote control in the coal industries of the Community and the United Kingdom.

THE ASSOCIATION OF GREECE WITH THE EEC

The Community and political events in Greece

482. Since the military *coup d'état* on 21 April 1967, only those provisions of the Athens Agreement and decisions of the EEC-Greece Council of Association entailing clearly defined obligations have been applied, particularly where these concern customs arrangements and trade. However, nothing further has been done to implement provisions of the Agreement which do not specify precise obligations but furnish a framework for the future development of the Association, in particular provisions for harmonization of the agricultural policies of the Community and Greece.

Moreover, the time-limit for using the sum of \$125 million lent to Greece under Protocol 19 to the Athens Agreement expired on 31 October 1967, and the uncommitted balance, equivalent to about \$56 million, has not been allocated to any new operations nor have the negotiations for new measures of financial assistance to Greece after 31 October 1967 been pursued.⁽¹⁾

No movement towards a return to normal democratic conditions of life has been noted in Greece during 1968. Although the referendum of 29 September 1968 led to the adoption by the Greek people of a draft constitution drawn up by the instigators of the *coup d'état* of 21 April 1967, most of those provisions of the new Constitution that guarantee the fundamental human and civil rights—in particular Articles 10, 12, 13, 14, 18, 19 and 25—have not come into force, the

⁽¹⁾ See the Commission's reply to a written question by M. Seifriz, *Official gazette* No. 243, 7 October 1967.

Greek Government having reserved the right to implement them at a later date. The Government has also suspended implementation of Articles 58, 60 and 121, dealing with freedom to found political parties and with parliamentary and municipal elections. Consequently, the Joint Parliamentary Association Committee is still unable to function.

In view of all this, the Commission cannot modify its attitude regarding application of the Association Agreement with a view to developing it instead of merely dealing with current matters as they arise.

Implementation of the Agreement in 1968

483. The Council of Association met twice, on 6 March and 3 December 1968. It confined itself to discussing the rates of CCT duty to be applied in 1969 to spirits of turpentine and resins (Protocol 10 to the Agreement);⁽¹⁾ arrangements applicable to Community imports from Greece of products processed from fruit and vegetables with added sugar, listed in Annex III to the Agreement; and imports into Germany of Greek wines for industrial purposes, as well as other current questions concerning the two parties to the Agreement.

Furthermore, the Community informed Greece (under Article 64(3) of the Athens Agreement) of the prolongation until 30 November 1969 of the Trade Agreement with Iran and consulted it regarding the standard amount applicable to unrefined olive oil from Greece with effect from 1 November 1968.

The Council of Association was assisted by the Association Committee, which met several times during 1968.

As the Joint EEC-Greece Parliamentary Association Committee was unable to function, the European Parliament's Committee for the Association with Greece, whose members constitute the Community's delegation on the Joint Committee, met several times to study the development of the political and economic situation in Greece.

484. Results achieved in other fields during 1968 are as follows:

- (i) Prolongation until 30 June 1969 of the provisional arrangements for trade in certain farm products, in particular fruit and vege-

⁽¹⁾ The Council of Association agreed that these rates should be temporarily reduced to 3% and 3.5% respectively.

tables. This system anticipates harmonization of the agricultural policies of the Community and Greece and assures the latter intra-Community treatment (Decision No. 1/68 of the Council of Association);

- (ii) Prolongation of the preferential arrangements for imports into the Community of certain Greek goods processed from farm products until joint agreement has been reached on a new system, not later than 30 June 1969 (Council Regulation (EEC) No. 760/68;⁽¹⁾)
- (iii) Adoption of measures concerning imports of Greek industrial wines into Germany;⁽²⁾
- (iv) Maintenance during 1968/69 of the standard abatement of 0.5 u.a./100 kg on the levy on unrefined olive oil applicable to Greece under Regulation No. 162/66/CEE (Council Regulation (EEC) No. 1703/68;⁽³⁾)
- (v) Increase in the compensatory levy to be charged by the Community (50%) and by Greece (100%) on exports to each other of goods manufactured under the conditions laid down in Article 8 of the Agreement (Decisions Nos. 2 and 3/68 of the Council of Association);
- (vi) Application of the intra-Community tariff system (i.e. total exemption) from 1 July 1968 onwards to Greek industrial products imported into the Community; opening by the Member States of regularly increasing quotas for products still subject to quantitative restrictions;
- (vii) Application by Greece from 1 November 1968 of a further tariff reduction of 10% (50% in all) on industrial products (except those listed in Annex I) and farm products in Annex III imported from the Community; further increase of 10% (40% in all) in the overall quotas opened by Greece for most of the non-liberalized Community products.

485. At present the Commission has no figures at its disposal concerning the trend of trade between the Community and Greece in 1968. However, it can be said that between 1961 and 1967 Greece's

⁽¹⁾ *Official gazette* No. L 139, 22 June 1968.

⁽²⁾ *Ibid.* No. L 130, 12 June 1968.

⁽³⁾ *Ibid.* No. L 266, 30 October 1968.

total exports to the Community rose by 200% (compared with 100% to the rest of the world). Its exports of farm products rose by 150% (78% to the rest of the world), and its industrial exports by 370% (220% to the rest of the world).

Imports of Community products into Greece rose by 94%, compared with 50% for the rest of the world; and the proportion of capital goods in total Greek imports from the Community rose from 24% to 30% (from 16% to 22% for the rest of the world).

THE ASSOCIATION OF TURKEY WITH THE EEC

486. The EEC-Turkey Council of Association met twice during 1968. At the first of these meetings the Council adopted its third annual report, covering the period 1 January-31 December 1967. The Council also adopted a recommendation concerning the movement certificate connected with the preferential system of merchandise trade in the context of the Association.

On 9 December 1968 the Council of Association gave its approval to the opening, as soon as possible, of negotiations for the change-over to the transitional phase of the Association; under the Ankara Agreement, this may begin on 1 December 1969 or later. In this connection the Council took particular note of the Contracting Parties' desire to strengthen still further their mutual relations, to add to the positive results already achieved by the Turkish economy during the first four years of the Agreement, and to widen the reforms planned by the Turkish authorities, reforms which manifest the Turks' will to make new and substantial progress in their future development plans.

The Council of Association also agreed that negotiations between the Member States and Turkey on the establishment of a new Financial Protocol should be opened at the same time, so that the financial help given by the Community to Turkey shall not be interrupted when the present Protocol expires on 1 December 1969.

487. The Joint EEC-Turkey Parliamentary Association Committee held two meetings, from 1 to 4 April 1968 at Venice and from 21 to 24 September 1968 at Istanbul, during which it adopted several recommendations on such matters as increased collaboration between the Association's organs and the definition, for the transitional phase

of the Ankara Agreement, of mutual commitments that would take account of the special economic and social needs of Turkey and its level of development. The Committee stressed the importance of harmonizing the economic policies of Turkey and the Community, particularly their medium-term policies, and recalled its earlier recommendations on the immigration of Turkish manpower into Community countries. The European Parliament endorsed these recommendations in its resolutions of 2 July and 28 November 1968.⁽¹⁾

488. When the Ankara Agreement came into effect the Member States granted Turkey various tariff quotas, for tobacco, dried grapes, dried figs and hazelnuts, and these have now been replaced by Community quotas which aggregate the amounts for the various items. The Community took this step⁽²⁾ under Article 3 of Protocol 1 to the Ankara Agreement, following final alignment of the customs duties of the individual Member States on the common customs tariff, which came into effect on 1 January 1968 for tobacco and on 1 July 1968 for the other products. The quotas are at the following rates of duty:

Tobacco	: nil
Dried grapes	: nil
Dried figs	: 4.7%
Hazelnuts	: 2.5%

Administration of these Community quotas has been so arranged that the best use shall be made of the amounts involved.

Moreover, in 1968 the Community put into effect the preferences for Turkey decided by the Council of Association on 1 December 1967 in respect of a number of additional items: fishery products, quality wines, dessert grapes, citrus fruits, certain textiles. As a result of these new advantages, about 33% of Turkish exports to the Community now receive preferential treatment. When account is taken of the Turkish exports which enter the Community duty free, the percentage of Turkish exports to the Community which benefit from low or nil duties or from preferential treatment amounts to a total of 85%.

489. Following the Council of Association's recommendation No. 1/67 dated 9 October 1967, the Community examined the problems of entry

⁽¹⁾ *Official gazette* No. C 135, 14 December 1968.

⁽²⁾ See Council Decision of 21 December 1967 (*Official gazette* No. L 7, 10 January 1968) and Council Decision of 24 June 1968 (*ibid.* No. L 144, 26 June 1968).

into the transitional phase of the Association, on the basis of a general study forwarded by the Commission to the Council of the Communities on 29 April 1968. From this examination, the Council concluded that the transitional phase of the Ankara Agreement should begin as soon as possible. The study of elements which could be used in outlining the content of this transitional phase was taken a stage further in a second report by the Commission, dated 16 October 1968.

490. As regards Community financial aid to Turkey, the loans granted in 1968 by the European Investment Bank for four new industrial projects and one new infrastructure project have brought the amount of credits already provided by the Bank for industrial projects to 53.7 million u.a. and for infrastructure projects to 68.3 million u.a., that is to say 112.1 million u.a. in all. Furthermore, a new outline contract has been drawn up for the gradual allocation of a sum of 7.5 million u.a. for the execution of investment projects.

3. Relations with the Mediterranean countries

TUNISIA AND MOROCCO

491. The talks with Tunisia and Morocco, which had been interrupted in November 1967, were resumed in October 1968 on the basis of a new mandate adopted by the Council on 30 July 1968 with a view to conclusion of agreements covering certain fields.

According to the Council's formula, these agreements, for which the Community proposes a duration of five years, will constitute a first step towards full association of Tunisia and Morocco with the EEC as provided for in the declaration of intent annexed to the Final Act of the Treaty of Rome, the ultimate aim being to eliminate obstacles to trade in conformity with GATT rules.

The progress made gives grounds for hoping that the agreements will soon be concluded. At its session on 9 and 10 October 1968, the Council took note of the negotiations with Morocco and gave the Commission the necessary instructions for the final phase.

ALGERIA

492. During 1968 the Algerian Government approached the Community on two more occasions with a view to opening negotiations. Pending a negotiated solution to the problem of relations with Algeria, the Commission in May 1968 sent the Council a proposal on action to harmonize the existing arrangements for imports of Algerian products into the various Member States.

In this connection, the Council on 30 July 1968 adopted a series of measures covering imports of Algerian wine into Germany and Benelux.

SPAIN

493. Between September 1967 and April 1968, a Commission delegation carried through an initial phase of negotiations with Spain on the basis of a mandate adopted by the Council in July 1967.

On 15 October 1968 the Council received a report on these negotiations from the Commission. The report contained proposals for modifying the offers and requests of the two parties with a view to enabling talks to be resumed.

The agreement envisaged would consist of two stages. The first would last at least six years and would provide for reciprocal trading preferences. Transition to the second stage, which would not be automatic, would be decided jointly by the two parties.

ISRAEL

494. The Community prolonged for a second time, for a further period of one year starting on 1 July 1968, the reductions in various customs duties on goods from Israel covered by the Trade Agreement which expired on 30 June 1967.

The Council's *ad hoc* Working Party continued its studies on the basis of the report concerning future relations with Israel which the Commission submitted to the Council on 7 June 1967⁽¹⁾. In response to a request made by the Council on 30 July 1968, the Commission

⁽¹⁾ *First General Report (1967)*, sec. 471.

addressed to it on 23 October a memorandum in which the various possible solutions are analysed. The Working Party discussed this document during December 1968.

MALTA

495. In a letter to the Council dated 4 September 1967,⁽¹⁾ the Maltese Government asked that negotiations should be opened for the establishment of a relationship between Malta and the Community in the most appropriate form.

A report on relations between Malta and the Community was forwarded by the Commission to the Council on 17 May 1968.

At the Council's request, exploratory talks took place from 21 to 23 October 1968 between a Commission delegation and representatives of the Maltese Government.

The Commission's report to the Council on these talks is in preparation.

4. The Associated African States and Madagascar and the associated overseas countries and territories

INSTITUTIONS OF THE YAOUNDE CONVENTION

The Association Council

496. At its sixth session (23 July 1968), at Kinshasa, under the chairmanship of M. Franco Maria Malfatti, Italian State Secretary for Foreign Affairs and President of the Council of the European Communities, the Association Council examined certain matters concerning the institutions and also various problems caused by quantitative restrictions on imports into the Associated African States and Madagascar (AASM), the definition of the concept of "products originating in",

⁽¹⁾ *First General Report (1967)*, sec. 416.

and the arrangements for imports of meat from Madagascar and sugar from the AASM into the Community.

During this session the Council adopted a resolution further defining the general pattern for financial and technical co-operation (Article 27 of the Convention).

Furthermore, under the terms of Article 58(2) of the Convention, the Community consulted the AASM on the content of the draft Association Agreement between the Community and the East African countries (Kenya, Uganda, Tanzania).

Finally, following discussions in the Council on the implementation of Article 60, the parties to the Yaoundé Convention adopted a resolution to the effect that they would meet again in December 1968 to start a joint examination of the arrangements to be made for the future.

This extraordinary session of the Association Council took place on 19 December, and two memoranda from the Associated States were considered. One of these concerned the measures by which the EEC proposes to deal with oils of vegetable origin under the common agricultural policy; the other dealt with the arrangements for imports into the Community of manioc starch originating in the AASM.

The Association Committee

497. The nineteenth meeting of the Association Committee took place on 8 March 1968, the twentieth on 17 May 1968, and the twenty-first on 5 July 1968. At these meetings the Committee, besides preparing for the sixth session of the Association Council, examined the definition of "products originating in"; the system for postal consignments; questions arising from the quota arrangements adopted by the Associated States; the special situation in Mauritania as regards definition of the origin of fishery products; the restrictions on imports into Germany of matches made in Upper Volta; implementation of Article 29 of the Yaoundé Convention (right of establishment); implementation of Annex VI to the Convention (financial aid); commercial policy (Article 12 of the Convention); the Community's study on creation of a joint marketing organization for the Associated States; the difficulties encountered by the Huilafric company of Dakar regarding the concept of origin of its production; information on the action taken by the Council of

the European Communities after it had consulted the Committee regarding arrangements for products processed from cereals and rice; and the measures to be taken among the Member States and the Associated States in the light of their mutual interests at international level.

The twenty-second meeting of the Association Committee took place on 25 October 1968, and the twenty-third on 11 December 1968. Some of the points mentioned above were further examined at the twenty-second meeting, but it was more particularly concerned with the implementation of Article 60 of the Yaoundé Convention: a meeting of ambassadors was organized with the aim of preparing a meeting of the Contracting Parties at ministerial level on 19 December 1968. At the twenty-third meeting the transitional system for "products originating in" the AASM and sent by post was extended until 31 May 1969, and attention was given to the arrangements for manioc starch originating in the AASM and exported to the Community.

The Joint Committee of the Parliamentary Conference of the Association

498. The Joint Committee of the Parliamentary Conference of the Association met twice.

At Brussels from 20 to 24 May 1968, detailed discussions took place on the current problems of the Association and on the problems connected with renewing the Yaoundé Convention.

These matters were further examined at Brazzaville from 14 to 19 October 1968. At this meeting, attention was given to M. Ebagnitchie's draft of the fourth annual report on the activities of the Association Council; its final adoption was a matter for the Parliamentary Conference. Furthermore, it was decided that industrialization of the AASM should also be discussed at the Parliamentary Conference, independently of the examination of the annual report.

The Court of Arbitration

499. At its twentieth meeting, the Association Committee noted the coming into effect of the appointments of M. Lecourt as President of the Court of Arbitration, of M. Trabucchi as judge and of M. Mertens

de Wilmars as deputy. At its nineteenth meeting, the Committee had noted the resignation of M. Mamadou Touré from his post as judge, and the Association Council at its sixth session had appointed M. Seminega to replace M. Touré as judge, and M. Lubamba to replace M. Seminega as deputy judge.

RIGHT OF ESTABLISHMENT AND FREEDOM TO SUPPLY SERVICES⁽¹⁾

500. In this matter, all the AASM declared they were fully implementing Articles 29 *et seq.* of the Yaoundé Convention.

TRADE

Customs and quota disarmament

501. Discussions on tariff disarmament continued between the Community and those Associated States which had invoked Article 61 of the Yaoundé Convention in order to avoid putting into effect the reductions provided for in Article 3.

One of the Associated States concerned, Burundi, has adopted a two-column customs tariff incorporating preferences for the Community, and this came into force on 1 July 1968, bringing the number of Associated States which have not yet granted a preferential tariff to the Community down to three: Congo (Kinshasa), Somalia and Togo. However, Somalia and Togo have stated that they intend to fulfil their obligations in this respect very shortly. The Commission has, when asked, provided technical assistance through its own staff for the experts of the Associated States who have had to work on the adaptation of these tariffs. Similar assistance has been given to two

⁽¹⁾ *First General Report* (1967), sec. 453.

of the Overseas Countries and Territories which still have to bring their customs tariff into line with the provisions of the Council Decision of 25 February 1964 concerning the EEC-OCT Association.

Furthermore, several draft decisions by the EEC-AASM Council of Association have been prepared, which will have the effect of modifying the basic decisions on the definition, for trade between the EEC and the AASM, of the concept "products originating in". Two of these drafts were adopted in July 1968 by the Association Council at its meeting in Kinshasa. Under one of them, a quota of fish exported by Mauritania to Member States is to be considered as "originating in" Mauritania; the other amends the definition of "goods originating in" as regards the mixture of dried, salted fruit of CCT heading 20.06. Three other draft decisions were not adopted by the Council of Association and are being re-examined.

As a result of the gradual elimination of quantitative restrictions, the liberalization of imports from the Member States was, in principle, completed by 1 June 1968. Certain restrictions have however remained in force, in order to protect nascent industries or to avoid conflict with requirements which are essential elements in organization of the agricultural markets. A full list of these restrictions is in course of preparation and is being finalized in the offices of the AASM Governments.

Marketing of Associated States' products

502. In April 1968 a start was made with implementing the Community programme under which the AASM would be helped to participate in big international trade fairs and exhibitions organized in the Member States. This programme is partly financed by the Member States (provision of free sites at fairs) and partly by the EDF (construction, lay-out and decoration of stands, and suitable publicity). Most of the AASM have already been represented at one or more such fairs in Germany, Italy, Belgium and France. The results are encouraging, and have demonstrated the usefulness of such aids to the marketing of AASM goods.

Furthermore, the Commission, acting on a proposal by the Associated States and with the assent of the Member States, decided to finance a study with the object of pinpointing the difficulties in marketing AASM products and of proposing commercial methods for

solving them, in particular by creation of a common trading organization or by any other suitable means. This study consists of two parts: the first, a survey in each Associated State, began in Africa during October 1968; the second phase starts in Europe at the beginning of 1969.

In conclusion, three new studies concerning promotion of trade within the Community in certain products from the AASM have been completed or are on the point of being completed. The first deals with conditions under which cocoa butter is used in the fats industry. The second concerns promotion on the Community market of trade in hides and skins originating in the AASM; these products are of some importance to the Associated States in the Sudan/western Sahara area, and concrete recommendations have been made. These two studies have been distributed to the relevant public authorities and private circles in the Associated States and Member States. The third study, which is still in progress, concerns the conditions of production, transport and marketing of bananas. Now that renewal of the Yaoundé Convention is being negotiated, it has been found necessary to collect as much information as possible on this tropical product, which has caused certain difficulties in the Association.

The trend of trade between the Community and the Associated States

503. The Commission published a statistical study on the way in which the main products imported into the EEC from the Associated African States and Madagascar developed from 1964 to 1967, and another on developments in trade between the EEC and AASM from 1958 to 1966/67.

Imports into the EEC

504. Imports into the Community from the AASM showed a small decrease in absolute value for 1967, and the percentage of imports from the AASM in the Community's total imports fell from 4.3% in 1966 to 4.2% in 1967. The items where the decline was most pronounced were coffee and copper, the figures for which dropped

by about 12 million and 39 million units of account. The substantial increase in purchases of cocoa (30 million u.a.) only partly offset this decrease.

The slight fall in EEC imports from the AASM in 1967 would appear to be due to cyclical fluctuations, for a drop (from 3.6% in 1966 to 3.4% in 1967) also occurred in EEC imports from the other African countries (excluding North Africa).

On the other hand, the share of Latin America, whose exports are much more diversified, grew from 8.8% to 8.9% during the same period.

For the first six months of 1968, EEC imports from the AASM show signs of recovery; however, it will be necessary to wait for the results of trade over the entire year before this trend can be properly assessed.

Exports from the EEC

505. EEC exports to the AASM increased by over 9% from 1966 to 1967.

Although the volume of French exports continues to be substantial in trade with the States of the franc area, the share of the other Member States in exports to this area is still growing regularly (from 17% in 1964 to 23% in 1967).

Agricultural products that compete with similar European products

506. In accordance with Article 11 of the Convention and Article 10 of the Decision of 25 February 1964, the Community, after consulting the AASM, adopted a number of measures affecting imports of agricultural products originating in the AASM and OCT which are similar to and compete with European products.

In consequence, the system governing Community imports⁽¹⁾ of unhusked and milled rice,⁽²⁾ manioc products,⁽³⁾ and processed fruits

⁽¹⁾ *First General Report (1967)*, sec. 457.

⁽²⁾ Council Regulation (EEC) No. 884/68, *Official gazette* No. L 156, 4 July 1968.

⁽³⁾ Council Regulation (EEC) No. 800/68, *ibid.* No. L 149, 29 June 1968.

and vegetables with added sugar,⁽¹⁾ has been prolonged until the Convention expires (on 31 May 1969).

Other measures concerning imports of sugar and tobacco are still being studied by the Council.

Reference is made elsewhere to the regulation on imports of processed agricultural products;⁽²⁾ under its provisions, the temporary system in force for products originating in the AASM has been prolonged until the date of expiry of the Convention.⁽³⁾

Special aid for the main oleaginous products of the AASM and OCT

507. On 25 July 1967 the representatives of the Member Governments of the EEC, meeting in the Council, adopted a decision providing financial aid⁽⁴⁾ for the main oleaginous products originating in the AASM and OCT and imported into the Member States between 1 July 1967 and 31 May 1969. However, the decision has not yet been ratified by four of the Member States, whose constitutional procedures require parliamentary approval for such a measure.

World market prices for most of these products have developed unfavourably since the end of 1967.

Production aids

508. Total commitments approved between 1 January and 31 December 1968 amounted to 28,631,000 u.a. Of this, 20,808,000 u.a. was for structural improvements and 7,823,000 u.a. for price support. The beneficiaries were Cameroon, Central African Republic, Chad, Dahomey, Madagascar, Mali, Niger, Senegal and Togo.

⁽¹⁾ Council Regulation (EEC) No. 866/68, *Official gazette* No. L 153, 1 July 1968.

⁽²⁾ Council Regulation (EEC) No. 160/68, *ibid.* No. 195, 28 October 1966.

⁽³⁾ Council Regulation (EEC) No. 801/68, *ibid.* No. L 149, 29 June 1968.

⁽⁴⁾ This aid corresponds to part of the difference between reference prices and world market prices. There is a ceiling of 13 million u.a., which may, however, be increased by a levy of not more than 1 million u.a. from the interest on the first EDF.

The structural improvement projects were carried out according to programme. They can be said to have resulted in increased productivity of cotton and groundnuts.

As regards price support, world cotton prices have recovered somewhat, whereas groundnut prices have deteriorated to such an extent that the support granted makes up for only half the difference between the target prices and the prices obtained on export. The situation has been made still more difficult by the cancellation of bilateral agreements between France and several Associated States producing groundnuts.

FINANCIAL AND TECHNICAL CO-OPERATION

Financial and technical co-operation in 1968

509. The commitments undertaken for expenditure from the second EDF approved by the Community in 1968 amounted to 119 million u.a. for the AASM and 14 million u.a. for the OCT. This total commitment of 133 million u.a. means that the sum of 130 million u.a. fixed as the annual target was again exceeded. In consequence, five months before expiry of the Convention, commitments amount to 590 million u.a., or 81% of the EDF's total resources of 730 million u.a.⁽¹⁾ When the sums to be reserved for technical supervision and other expenses connected with the projects are added to this total, only about 60 million u.a. remains available for new commitments in 1969.

510. A breakdown of EDF aid by field of activity shows that agricultural production received 44% of the sums committed in 1968; transport and communications 41%; education and training 9%;⁽²⁾ hydraulic engineering, municipal services and housing 3%; and industrialization 4%.

Inclusive of these various new projects, the resources of the second EDF have since 1964 been devoted mainly to the modernization and diversification of production, to which 42% of the credits have been allocated. Next comes transport and communications infrastructure,

⁽¹⁾ Taking into account adjustments made to previous commitments.

⁽²⁾ On top of this 9%, representing 10 million u.a., comes a further 1 million u.a. from the Commission's budget, for scholarships granted to AASM and OCT nationals.

with 35%. The special effort made to help education and training is shown by the regular increase in the credits allocated to this sector (22% between 1964 and 1968).

511. As regards methods of financing, 110.9 million u.a., or 91% of total commitments in 1968,⁽¹⁾ consisted of non-repayable grants, and the rest, 11.2 million u.a., of loans on special terms. These loans will play a more prominent part in 1969, since only 62% of the total amount earmarked for them has been allocated as yet. In addition to new credits, decisions have been taken to grant 9.9 million u.a. from the EDF in the form of advances to the Sugar Equalization Fund in the OCAM⁽²⁾ States and the Groundnuts Stabilization Fund in Senegal.

In terms of the main legal categories of aid provided for in the Yaoundé Convention, the 1968 commitments primarily concerned economic and social investments (55% of the total). Production aids represented 16%, diversification aids 17%,⁽³⁾ general technical co-operation 9%, technical assistance linked with economic and social investments 2%,⁽³⁾ and emergency aid 1%.

Emergency aid was provided in 1968 to bring speedy help to areas in Mali threatened by locusts, and to repair damage caused by a hurricane in Madagascar.

512. Operations approved from the resources of the first and second EDFs continued, generally speaking, to be implemented as planned. At the end of the year these operations, in hand or completed, represented an amount of 967 million u.a., divided among 622 projects and programmes. Of these, 385 were financed from the first EDF and 237 from the second.

As in 1966 and 1967, the sums actually paid out will total between 110 and 115 million u.a.

More calls for tender were made in 1968 than in previous years. It is therefore expected that more work will be done on projects in 1969, and this in turn will entail greater expenditure.

⁽¹⁾ Taking into account adjustments made to previous commitments.

⁽²⁾ Organisation commune africaine et malgache (Common Afro-Malagasy Organization).

⁽³⁾ However, these two categories do not cover all the operations concerned (see *First General Report* (1967), sec. 461).

513. Now that the AASM and OCT have been associated with the Community for more than ten years, enough projects financed from the first EDF have been completed and are in operation for the Commission to be able to make a first general review of the results obtained from them, of their suitability to the requirements of the countries, and of the condition in which they are being maintained.

The Commission has therefore begun to search for relevant material in the reports rendered by the resident deputy supervisors in the AASM, and to commission certain studies on the subject from specialized offices and agencies.

514. All the different activities connected with vocational training and the training of supervisory staff have continued and expanded—the programmes of full-time scholarships and in-service training, part-time courses, scholarships for correspondence courses, specific training programmes, provision of teachers, and various studies. These activities are a response to the concern repeatedly expressed by the European Parliament and repeated on 2 July 1968 in its resolution on the review of financial and technical co-operation within the EEC-AASM association. This resolution laid emphasis on the importance of forming human beings, which increases as the number of development projects grows, and on continuation of the effort made by the Commission to promote the technical and vocational training of supervisory staff and the education of the rural population.

By 18 December 1968, 2,176 scholarships for study and in-service training had been granted for the 1968/69 academic year; of this number, 2,056 were for nationals of the AASM and 120 for nationals of the OCT (compared with 1,892 and 124 in the previous year), 1,358 were for the extension of studies already begun, and 818 constituted new scholarships. Of the scholarship holders, 2,009 are engaged in normal studies and 167 are taking refresher courses. At 42.7% the proportion of scholarship holders assigned to training establishments within the AASM has gone up again (36% in 1967/68). Of the rest, 56.8% are being trained in the Member States and 0.5% in Israel.

During 1968, three programmes of specific training were carried out. These concerned supervisory staff for OTRACO (Congo-Kinshasa), foremen and clerks of works for public projects (Central African Republic), and supervisory staff for tea and coffee co-operatives (Rwanda).

As part of its programming and follow-up activities, the Commission is to carry out an inquiry by post among the 2,300 scholarship

holders who had finished their studies by 1 January 1971. The main objects of the inquiry are to ascertain how former scholarship holders have settled down again in their countries and in their occupations; to assess the usefulness of their training; and to find out what demand exists for refresher courses. The inquiry will be completed in the course of 1969.

Craftsmen and small entrepreneurs are given part-time courses *in situ*, in order to train them or improve their capacities for managing and organizing enterprises. The importance and usefulness of this type of aid have prompted the Commission to increase considerably the number of cases in which it pays the costs involved. As a result, 313 people will now benefit from them, compared with 182 last year.

On 1 December, 2,055 nationals of the overseas Associates (compared with 1,536 in the previous year) were holders of correspondence-course scholarships, which essentially consist in the payment of the fees for enrolment and tuition. The holders nearly all come from the AASM (2,033); only 22 are nationals of the OCT. Some of these scholarships are applied for by people who wish to improve their proficiency in their occupations, others with a view to preparing for examinations connected with promotion. More and more, however, they are also being used for collective educational projects to train agricultural supervisors engaged in rural modernization operations and for refresher courses for civil servants or officials in semi-public enterprises.

An in-service training period which began in September 1967 ended on 15 February 1968. Another period was completed entirely in 1968, and a further one, which began in September 1968, will end in February 1969. In these two latter periods the Commission welcomed fourteen trainees from ten of the Associated African States, and one from the Netherlands Antilles. These training periods, which take place in the Commission's departments, have now been divided into Part I "Information" and Part II "Instruction".

As part of the short-course training programme, thirty-four seminars were held in the member countries in 1968. They were attended by about 1,150 people, mainly Africans, of whom about 70 were English-speaking. In addition, twenty-four seminars were held in the associated countries, with some 1,100 participants in all. Mention should be made of the seminar which took place in November 1968 under the auspices of the University of Abidjan, since it was remarkable for both choice of speakers and number of participants.

*The pattern of financial and technical
co-operation*

515. Establishment of the general pattern of financial and technical co-operation is a task which rests with the Association Council (Article 27 of the Yaoundé Convention); it was completed in 1968 on the basis of a proposal submitted by the Commission.

The Association Council confirmed lines which it laid down in 1966 and 1967. In addition, it emphasized the need for the AASM to co-ordinate their investment projects still more closely, so that the development of all the States concerned can be stimulated in the best possible economic conditions. The Community's task is to assist this co-ordination through the technical assistance it provides.

The Association Council also pointed out that food production should not be neglected while endeavours were being made to improve the production of industrial crops, and that production and marketing structures in the field of stock-breeding required modernization.

There should be intensification of the efforts already being made to reduce the handicaps suffered by the more remote areas and territories because of lack of communications.

Finally, the Council emphasized the need to examine the means by which training methods could be diversified, particularly the use of new teaching techniques.

Co-ordination of Community aid with other aids

516. The Commission continued its efforts to co-ordinate Community aid with the other multilateral and bilateral aids.

As an example, mention may be made of the joint financing of the second stretch (327 km) of the railway across Cameroon with capital drawn from four different sources, in whose co-ordination the Commission played a particularly useful part.

RENEWAL OF THE YAOUNDE CONVENTION

517. The Yaoundé Convention expires on 31 May 1969. Article 60 of the Convention lays down that, one year before it runs out, the Contracting Parties must consider what arrangements might be made for a

further period. In order to help the Community to fix its own position, the Commission on 3 April 1968 submitted to the Council a Memorandum⁽¹⁾ giving its point of view on the renewal of the Yaoundé Convention.

Generally speaking, the Commission favoured continuing along the broad lines of the present system, but with changes and improvements rendered desirable by the experience gained in implementing the Convention and by international developments.

When the Association Council met at Kinshasa in July 1968, all participants reaffirmed their willingness to continue the Association. It was decided that a meeting of the Contracting Parties should be held at ministerial level in December, and this meeting accordingly took place on 19 December 1968. It had been prepared by a meeting at ambassadorial level. The points dealt with at this meeting of ministers concerned the procedure for negotiating the new Association Convention between the EEC and AASM; establishment of a timetable for the negotiations; and examination of the problems involved in setting up a new association system.

5. Association agreements with countries comparable with the AASM

NIGERIA⁽²⁾

518. According to the latest information available to the Commission, two Member States have not yet carried out the procedures for ratifying the Association Agreement between the EEC and Nigeria.

KENYA, UGANDA, TANZANIA

519. The negotiations for association between the EEC and the above-mentioned three East African States ended at Brussels on 7 June 1968.

⁽¹⁾ Ref. R/690/68/EAMA/20. See also *Bulletin* 6-68, sec. 80.

⁽²⁾ *First General Report* (1967), sec. 473.

These negotiations began in March 1965 and took place in three phases, with intervals of several months.⁽¹⁾

The Association Agreement was signed on 26 July 1968 at Arusha (Tanzania), headquarters of the East African Community.

It will be recalled that this association arises from the declaration of intent made by the Member States in 1963, just before the Yaoundé Convention was signed. By this declaration, countries whose economic structure and pattern of production were similar to those of the AASM were invited to establish with the Community association agreements comprising mutual rights and obligations, particularly in the field of trade. The present Agreement closely resembles that concluded with Nigeria at Lagos; the wording of both texts owes much to Parts I, III and V of the Yaoundé Convention.

The Agreement will come into force on the first day of the month following the date on which the instruments of ratification have been exchanged, and will expire on 31 May 1969, that is to say when the Yaoundé Convention and the Agreement with Nigeria expire. As in the case of these two agreements, provision is made for re-examining the Agreement with the East African States with a view to its renewal.

The signatory States have initiated the ratification procedure, but at the end of 1968 only Uganda had completed it.

6. Trade relations with non-member countries and the common commercial policy

MULTILATERAL RELATIONS IN GATT

Work programme

520. Implementation of the work programme adopted at the twenty-fourth session of the Contracting Parties in November 1967⁽²⁾ led to meetings in October 1968 of the various committees set up for this

⁽¹⁾ *Eighth (EEC) General Report*, sec. 310.
Ninth (EEC) General Report, sec. 324.
Tenth (EEC) General Report, sec. 336.

⁽²⁾ *First General Report (1967)*, sec. 518.

purpose, which began to work out how they should discharge the duties assigned to them.

It took nearly twelve months to muster the basic documents and to collect the necessary data. Each Contracting Party supplied:

- (a) A list of the tariff and para-tariff measures applied by its partners that it wished to see included in the general inventory which the GATT Secretariat was requested to prepare in order to allow the Committee on Trade in Industrial Products to establish how these obstacles might be removed;
- (b) Data and information concerning domestic policies on agricultural products felt to occupy an important place in international trade flows, with a view to the preparation by the GATT Secretariat of tables to allow the Agriculture Committee to analyse the market situation of such products and to pinpoint the problems affecting them.

In both cases, the Community's contributions were prepared in co-operation with the Member States with the help of documents drafted by the Commission.

At its first meeting, held on 17 and 18 October, the Committee on Trade in Industrial Products adopted a new classification of non-tariff and para-tariff obstacles and asked the GATT Secretariat to prepare a revised version of the inventory of such measures on the basis of this classification. The Chairman of the Committee and the GATT Secretariat were to remain in contact with the delegations and put forward suggestions as to the methods to be adopted in analysing the various obstacles. In addition, a group of technical experts was set up to advise the GATT Secretariat on the study of the tariff situation such as it will be when all the concessions arising from the Kennedy Round negotiations have been implemented in full.

At its meeting held in October 1968, the Agriculture Committee agreed on a schedule of work to be carried out in order to implement the second stage of its programme, consisting, in accordance with its instructions, in identifying the problems with a view to achieving at a subsequent stage constructive and mutually acceptable solutions. This schedule is in line with the approach advocated by the Community, which stressed the need to identify the problems by tackling them as a whole in order to analyse them in their context. This analysis will be carried out on two classes of problem: one, those relating to the

international markets, their structures, and import and export measures; secondly, production policies, their objectives and their impact on international trade.

The reports of the two committees and that of the Committee on Trade and Development were submitted at the twenty-fifth session of the Contracting Parties, which took place in November 1968.

On the initiative of the GATT Director-General, who was anxious that advantage should be taken of this session to reaffirm a political will to safeguard the results achieved and to seek further progress in liberalizing trade, despite the problems, difficulties and dangers at present troubling international economic life, the Contracting Parties had been invited to send high-level representatives so that at the end of the session conclusions could be adopted on the further implementation of the work programme adopted at the preceding session.

The main item discussed was the work programme.

The reports by the committees responsible for implementing the programme gave details of the progress made.

In his introductory statement, the Director-General urged strongly that what was needed in all spheres was preparatory work based on greater efforts to seek out "new and imaginative ideas that would permit the best exploitation of possibilities for negotiations, whenever these might arise". From this point of departure, the discussions led to the adoption of conclusions which not only confirm the validity of the objectives of the work programme regarding the expansion of trade, but also call on the committees to intensify and accelerate their work so that at the twenty-sixth session in late 1969 the Contracting Parties may be in a position to take appropriate decisions on the possible solutions to the problems and the main lines of future action in the various fields.

The problems peculiar to the developing countries were given priority in all parts of the work programme. Explicit recognition of this priority is an achievement due to the particularly resolute activity of those countries. Their attitude and the importance they attached to obtaining a more effective Committee on Trade and Development reinforced in order to have an instrument suited to their action in the development of the work programme are evidence

that they appreciate the usefulness and particular merits of GATT in the general context of development policy.

Through its representatives, the Community made an active and constructive contribution to establishing the conclusions on this central item on the agenda. While subscribing to the intention of directing efforts in such a way that the work taken in hand may advance, as far as possible, from the study stage to the quest for mutually acceptable solutions, the Community nevertheless placed particular emphasis on the need to safeguard the results obtained and to implement the Kennedy Round.

In this context it stressed the importance of implementing the agreement on chemical products by abolishing the American Selling Price system, both because of the practical effects and on account of the psychological and political benefits of such a decision.

521. While waiting for this long-term work programme to be carried out, certain Contracting Parties had requested, under Article XXII, that special working parties should be set up to deal with problems deemed urgent. This possibility was confirmed when the long-term work programme was adopted in the agricultural sector, though it was clearly understood that these working parties should nevertheless take into account, especially in seeking solutions, the general context and objectives of the work done by the Agriculture Committee.

New Zealand, for example, asked for an urgent examination of the world market situation for dairy products. The Working Party set up for this purpose held an exploratory discussion with a view to the possible conclusion of an international arrangement on certain dairy products. The United States requested that a Working Party on Poultry should be set up; it has held three meetings. The two Working Parties have assembled documentation on the facts of the situation and have received suggestions for solutions from certain participants. The Community itself continued to uphold the principle of international price discipline in accordance with its overall approach to agricultural matters.

522. On the initiative of the United States, the GATT Council set up on 27 March 1968 a working party to examine the question of border tax adjustments in relation to GATT rules on the subject. The main aim

of US action in this field is to establish that the distinction made by GATT rules between indirect taxes, which may be offset at the frontier, and direct taxes, which may not, is unjustified from the economic angle because direct taxation, like indirect taxes, affects prices, and consequently trade. This view is probably the result of concern—which the Commission in any case deems to be without foundation—felt in US economic circles on account of the introduction by the Member States of the Community and by several other European countries of a system of tax on value added and of consequent fiscal adjustments at frontiers.

In the course of the preliminary examination of the provisions of the General Agreement on the subject, it was found that the GATT rules, which are incorporated in most regional integration agreements, are based on a text proposed in 1947 by the US delegation and have since that date been confirmed on several occasions by the Contracting Parties. The Working Party is now examining the practices of the Contracting Parties before undertaking an examination of the possible effects of such adjustments on international trade and before going on to study all the proposals and suggestions which may be put forward on the subject.

The importance attached by the United States to this matter because of its effect on domestic policy means that it will probably constitute one of the main aspects of GATT's work for the months to come and will require the Community's constant attention.

523. Renegotiations of concessions under Article XXVIII of the General Agreement have been held with certain non-member countries which had withdrawn or modified concessions granted to the Member States or to the Community as such. Negotiations with Australia⁽¹⁾ (photographic goods, textile articles, knives) and Canada (delayed implementation of concession rates granted for chemicals and appearing in the Geneva Protocol of 1967) have been concluded, and those with Brazil, Chile, the Republic of South Africa, Canada (adoption of the Brussels Nomenclature for chemicals) and Israel are still in progress.

Consultations under Article XIX of the General Agreement are being pursued with Australia on the placing of quantitative restrictions on imports into Australia of certain knitted or crocheted goods and with Spain concerning the levy of a temporary duty on synthetic rubbers and the re-establishment of import licences for certain cheeses.

⁽¹⁾ *Official gazette* No. L 258, 21 October 1968.

TRADE RELATIONS WITH NON-MEMBER COUNTRIES

Relations with the United States

524. The trend of relations between the Community and the United States in the course of the year under review must be analysed in the light of the aggravation of US balance-of-payments difficulties and a renewal of protectionist pressures.

One of the ways being considered since the beginning of 1968 by the US Government to remedy this situation was to attempt to increase the export surplus. If this objective were to entail the adoption of measures such as the application of an import surcharge or export subsidies, or *a fortiori* any combination of both devices, it is quite clear that the Kennedy Round achievements would be seriously threatened because of the chain reactions that would certainly occur.

The general feeling of concern on the part of the main trading partners of the United States led them to seek ways of enabling the US to achieve its commercial objective in a general movement to expand rather than contract trade. This is how the idea of an asymmetrical implementation in favour of the United States of tariff reductions agreed at the Kennedy Round was mooted.

At its session of 9 April 1968, the Council adopted a resolution in which the Community declared that it was ready to speed up from 1 January 1969 the implementation of commitments assumed at the Kennedy Round, provided that:

- (a) no measure to protect imports and no measure to subsidize exports was adopted by the United States; and
- (b) the United States had, by 1 January 1969, abolished the American Selling Price in accordance with the Agreement Relating Principally to Chemicals.

On 10 December 1968 the Commission submitted to the Council an account of the pertinent facts to enable it to assess the situation.

In view of this information, in particular the fact that it had not yet been possible to abolish the ASP, the Council did not have to take a decision on implementing the proposed "acceleration", consisting in the implementation of two tranches of the reductions, from 1 January 1969. In the meantime, the Council's declaration of 9 April 1968 remains

valid. The Council, moreover, agreed to the extension of the deadline for the entry into force of the agreement on chemical products, i.e. 1 January 1970, so that the possibility of the ASP being abolished by the US Congress may still be allowed for.

Although this is only one of the two conditions on which an acceleration of Community tariff cuts depends, it is of particular importance that it should be fulfilled, not only for economic reasons but also from a political and psychological viewpoint. If Congress does in fact abolish ASP, the timing of the measure would also be of considerable importance, for it is clear that the more the decision is delayed, the less effective any acceleration will be, since in the normal way the next tranche of reductions should take place on 1 January 1970.

525. A development which can also be explained by the pressure due to the US balance-of-payments difficulties and protectionist tendencies lies in the policy pursued by the US Administration in implementing certain domestic laws existing prior to the accession of the US to GATT in 1947 and which remained in force by virtue of the Protocol of Provisional Accession, although they are not in line with the general rules of GATT.

The legislation in question concerns the application of countervailing duties and the quota provisions of the Agriculture Adjustment Act, some of which, moreover, are covered by an exemption obtained by the United States in 1955. Several cases arose in trade relations between the EEC and the United States in the course of 1968:

- (a) the case of Community exports of tomato preserves and concentrates, on which countervailing duties are levied in the United States;
- (b) the case of poultry exports to the Swiss market by the Community and other countries, which triggered off aggressive US action in the form of subsidies to win back the market at any price;
- (c) the case of exports of dairy products, which have been affected by two successive sets of measures to strengthen quota arrangements under the Agriculture Adjustment Act.

A number of similar cases are under discussion for other agricultural products, and every new development in the Community's agricultural policy is being followed with the greatest attention by the US Representations made to the Community by the US Government

on matters of trade have usually related to certain aspects of the common agricultural policy, specifically concerning either import arrangements or export policy.

For its part, the Community is keeping an attentive watch, from the angle of its interests and rights, on action taken by the United States both in implementing its domestic legislation and at other levels.

For example, the Community cannot see why the law on countervailing duties should be applied automatically. The difficulties and problems due to the automatic application of such duties are illustrated perfectly by the case of tomato preserves and concentrates. It is difficult to understand why, when the economic and commercial aspects of a particular case show clearly that there is no harm or risk of harm arising from a commercial policy of the Community, its exports to the United States should nevertheless be singled out for countervailing duties. The Community considers that this law represents a commercial instrument which introduces a regrettable element of uncertainty in the development of a climate of co-operation and mutual trust in trade relations with the United States, and its incompatibility with GATT rules becomes more and more obvious with the passage of time.

Another element of disequilibrium between the rights and obligations of the parties concerned in relation to GATT rules is the unlimited duration of the exemption enjoyed by the US Agriculture Adjustment Act. As international co-operation develops, there is less and less justification for an exemption enabling the United States to avoid its share of the general responsibility for the solution of a world problem: a recent example was the tightening up of restrictions on incoming dairy products.

The protectionist pressures which have been felt in the United States since the end of the Kennedy Round have recently had a disturbing success in the signature of a law which, by amending the rules of tariff classification, has the practical effect of substantially raising the protection for reprocessed wool fabrics and blends of such fabrics. This is a direct blow to the balance of concessions negotiated in the Kennedy Round for a particularly sensitive sector. These tariff increases are a very direct threat to the interests of the Community, which intends to insist on its rights.

The Community is in constant contact with the US Administration on the whole range of commercial policy problems arising between the two biggest world trading units.

Relations with the countries of Latin America

526. During the year under review the Commission has closely followed the process of integration in Latin America and the trend of the Community's trade with the Latin American countries. The many contacts it has had with the Latin American missions accredited to the European Communities have been useful and have provided a steady flow of information on matters concerning the countries in that area.

For example, a fact-finding meeting attended by members of the Argentine mission was held on 28 and 29 February 1968. The meeting discussed ways and means of improving trade relations between the two parties and examined the trend of Argentina's exports to the Community, in particular of traditional products such as beef.

On this occasion the Argentine mission announced its Government's wish to negotiate in due course a general trade agreement with the EEC. Subsequently the Argentine Government requested that priority should be given to negotiations on beef, without excluding however general agreements on trade and in the sphere of financial and scientific co-operation. The Commission is preparing its position in relation to this request, having regard to the fact that similar requests have been made by other non-member countries.

Another fact-finding meeting was held on 20 March 1968 with members of the Uruguay mission. It dealt mainly with problems arising and prospects for imports into the Community of beef from non-member countries. The Uruguay Government also requested, in December 1968, that negotiations should be opened with the EEC, in particular on beef.

Consequently, as negotiations to renew the Association Convention between the Community and the Yaoundé countries⁽¹⁾ are getting under way, the points of concern to the Latin American countries are known and the new convention should permit the normal development of EEC trade with Latin America.

In November 1968 the Italian Government laid before the Council a memorandum on relations between the Community and the Latin American countries. The Commission is preparing a working paper on the basis of this memorandum.

⁽¹⁾ Sec. 517.

The Commission was present as an observer at the ninth meeting of the Governors of the Inter-American Development Bank. It was also represented on the Plenary Committee of the Economic Commission for Latin America, at the tenth Seminar on the Methodology of Integration held in Rio de Janeiro, at the Congress of the Latin American Iron and Steel Institute (ILAFA) in Lima, and at the Inter-American Planning Congress.

The Community also participated in the international agricultural and industrial exhibition arranged in July in Buenos Aires by the Argentine Rural Society.

Relations with Asian countries

527. In early 1968 India renewed its long-standing request for the conclusion of a comprehensive trade agreement with the Community. Examination of this request led to the conclusion that before starting negotiations on new bases, the current negotiations on certain products⁽¹⁾ singled out at the time of the Kennedy Round should be completed and that the results of UNCTAD II should be taken into account.⁽²⁾

As for the autonomous measures to be taken by the Community in favour of India, the nil duty on Indian kips took effect as planned on 1 July 1968; on the same date tariff quotas at nil duties were opened for hand-woven silk and cotton fabrics to a total value for the second half of 1968 of \$500,000 for each of the two categories (i.e. half the amount decided on for a full year);⁽³⁾ each of these quotas has been renewed in full (\$1 million) for 1969.

The Government of the Philippines forwarded to the Commission two *aide-mémoires* concerning the tariff treatment of raw coconut oil for industrial use.

Other countries in the area approached the Commission to point out difficulties they feared for their exports to the Community following the entry into force of various agricultural regulations, particularly in the sphere of fruit and vegetable preserves.

⁽¹⁾ Secs. 534 *et seq.*

⁽²⁾ Sec. 547.

⁽³⁾ Council Regulation (EEC) No. 864/68, *Official gazette* No. L 153, 1 July 1968.

COMMON COMMERCIAL POLICY

New regulations

528. On 5 April 1968 the Council adopted a proposed regulation on defence against dumping practices, bonuses or subsidies on the part of non-member countries.⁽¹⁾ This regulation, which closely follows Article VI of the General Agreement on Tariffs and Trade and the international anti-dumping code negotiated in implementation of Article VI during the Kennedy Round, provided the Community, in time for the entry into force of the customs union on 1 July 1968, with an effective Community instrument of defence against any dumping practices, bonuses and subsidies in international trade which may disturb the Community's economy.

529. On 10 December 1968 the Council adopted three regulations proposed by the Commission in the field of the common commercial policy. They concern:

- (i) The drawing up of a common liberalization list for imports into the Community from non-member countries;
- (ii) The progressive establishment of a common procedure for managing quantitative quotas for imports into the Community;
- (iii) A special import procedure for several products from certain non-member countries.

These regulations were provided for in the Action Programme of 25 December 1962 and proposed by the Commission between 1965 and 1967. After long and difficult discussions at expert level, they have now received the Council's approval six months after the completion of customs union and one year before the deadline for the alignment of the common commercial policy as a whole.

Together with the anti-dumping regulation adopted by the Council in April 1968, these three regulations cover almost the whole of the Community import system. It must be stressed, however, that they constitute only a framework for a policy to be filled in by the Council in the months to come on the basis of Commission proposals. These regulations, nevertheless, already enable the Community to pursue a

⁽¹⁾ *Official gazette* No. L 93, 17 April 1968, and *First General Report* (1967), secs. 496 *et seq.*

liberal commercial policy as required by Article 110 of the Treaty, while providing the necessary guarantees for effective protection in the case of threatened disorganization of the markets.

The regulation on the common liberalization list provides for the consolidation of what has been achieved in aligning liberalization measures in the various Member States and for the possibility of extending such consolidation or, in the case of disturbances on the market, reducing it. It also lists the non-member countries to which it applies. At present the common liberalization list covers only two thirds of common customs tariff headings. For the other products, which have been liberalized to degrees differing from one State to another, alignment is a future policy objective.

The regulation on the common procedure for managing import quotas establishes common rules for the administration of quotas and procedures for distributing the quotas decided upon. It therefore permits the implementation of decisions regarding the protection of the Community the aim of which is the opening of Community quantitative quotas by the Council, either by negotiation (at Community level) or unilaterally. A quota management committee, consisting of representatives of the Member States and presided over by a representative of the Commission, has been set up to solve any specific difficulties arising.

Lastly, the regulation on special procedure constitutes a dynamic component of the commercial policy, for products which at the outset cannot be liberalized or for which quotas cannot be opened in the whole Community are first of all subject to the supervision provided for in the regulation and, in the light of experience gained, may either be liberalized completely in the end or may be admitted under quota. Besides these alternatives, there remains the possibility, for trade in specific products, of concluding agreements with the non-member countries concerned, for example as regards prices to be complied with or quantities to be exported. It is for the Community's institutions to specify the products and countries to be included in this special procedure.

The regulations apply to all products. Their geographical application is general for agricultural products governed by regulation; for other products the same applies except in cases where special arrangements prove necessary because of an economic or political situation peculiar to certain non-member countries. A solution to this problem must be found by the end of the transitional period.

Now that these three regulations have been adopted by the Council, considerable work remains to be done in important areas of commercial policy, for example:

- (i) Export policy as a whole (export aids, credit insurance, etc.);
- (ii) The problem of "active commercial policy" (measures to be taken should Community exports be hampered by abnormal attitudes (of a discriminatory nature, for example) on the part of importing non-member countries);
- (iii) Establishment of a final Community import system to be applied once the transitional period has expired.

Co-ordination and alignment of trade agreements

Consultations

530. The consultations provided for by the Council Decision of 9 October 1961⁽¹⁾ on the negotiation of agreements relating to the trade relations of Member States with non-member countries and on changes in the liberalization arrangements with regard to non-member countries were also continued in 1968. They dealt essentially with the liberalization measures decided on by the Member States in relation to the Eastern-bloc countries and Japan. Because of these measures the import systems of the Member States have been unified to a large extent in respect of the Eastern-bloc countries and to a very large extent in respect of Japan, mainly as a result of the liberalization of imports provided for in the recent Franco-Japanese and Italo-Japanese negotiations. Major preconditions for a unified Community policy on imports have thus been fulfilled.

Alignment of contents of agreements

531. In accordance with Article 3 of the Council Decision of 9 October 1961,⁽²⁾ the Commission must examine trade and shipping agreements in force and ensure that they do not stand in the way of the

⁽¹⁾ *Official gazette* No. 71, 4 November 1961.

⁽²⁾ *Ibid.* and No. 223, 29 December 1965.

establishment of a common commercial policy at the end of the transitional period. In January 1968 a report on the matter was referred to the experts of the Member States with a view to a joint study. On the basis of this report the first set of criteria have been established for adapting trade agreements to Community rules, as is now becoming necessary. Provisionally, a decision has been proposed to the Council which, while affirming the principle of Community-level negotiating from 1 January 1970, would allow the Member States to extend certain existing bilateral agreements by tacit agreement.

A Community status for bilateral agreements between certain Member States and non-member countries

532. On its own initiative the Commission proposed that the bilateral agreements in force between three Member States and the United Kingdom in respect of the minimum price for imports of certain types of cereals into the UK should be given a Community status. Such a rearrangement has become necessary now that the common cereals market has been operative since 1 July 1967. Agreement on matters of principle has been achieved and discussions are being pursued on points of detail.

533. In accordance with the mandate given by the Council on 27 June 1968, the Commission, assisted by representatives of the Member States, undertook negotiations with Switzerland to substitute a Community agreement for three bilateral agreements at present in force between Switzerland on the one hand and Germany, France and Italy on the other, on processing traffic in certain textile products. During the latest round of negotiations, on 19 and 20 November 1968, the two parties reached an agreement on the provisions to be included in the agreement.

Concerted action (specific products)

Textiles

534. In accordance with the guidelines given by the Council when the Long-term Cotton Textiles Arrangement was prolonged, the Community negotiated in 1967 with India and subsequently with Pakistan on steps to be taken for the purpose of concluding bilateral agreements between

the two countries and each Member State under Article 4 of the Long-term Arrangement.⁽¹⁾

In the course of the negotiations a standard agreement was prepared, the list of products to be included in the agreements was drawn up, and the import ceilings to be granted to India and Pakistan were fixed. The Member States signed the bilateral agreements in 1968.

These agreements make a definite contribution to the co-ordination of the Member States' trade relations with the non-member countries in question, for they conform to the standard agreement drawn up in the course of the preparatory negotiations; they are therefore identical in all the Member States and cover the same products. The agreements, moreover, provide expressly for the possibility of the Community as such becoming party to them at a later stage.

By negotiating with two developing countries mutually acceptable agreements, which involve the suspension of quantitative import restrictions still in force in certain Member States and the fixing of import ceilings negotiated with the supplying countries at a level higher than that of former quotas, the Member States have met the developing countries half way in their desire—frequently expressed—to have greater access to the Community market and to replace the system of quotas imposed by importing countries by negotiated arrangements.

On 11 June 1968 the Japanese Government also requested the opening of negotiations with the Community for the conclusion of agreements under Article 4. In agreement with the Member States, the Commission held exploratory conversations with Japan in order to ascertain whether Japan was ready to enter into negotiations on the basis of the standard agreement prepared for the negotiations with India and Pakistan. Now that these conversations have taken place, it is for the Member States to take a decision on the opening of negotiations.

Jute, coconut products, and craft products

535. In accordance with what was agreed at the time of the Kennedy Round, the Commission put in hand a study of the scope for agreements with India and Pakistan giving them greater access to the Community market for the above products; negotiations have been opened with the two countries.

⁽¹⁾ *First General Report (1967)*, secs. 500 *et seq.*

Restrictions on exports of hides and skins and non-ferrous metal scrap

536. Under Articles 115 and 155 the Commission recommended that the Member States maintain in 1968 the import restrictions already established on unified principles.⁽¹⁾

Cattle for processing

537. Pursuant to the bilateral agreement with Denmark on cattle for the food-processing industry, negotiated at the same time as the Kennedy Round, the Joint Committee set up under Article 9 of the agreement met on 22 October and 12 November 1968 for the purpose of implementing the agreement.

Cheese

538. In February 1968 the Swiss Government expressed concern over the prices at which certain cheeses were being supplied to the Swiss market.

The Swiss Government pointed out to the Commission that the prices of dairy products in Switzerland are at least as high if not higher than those of its suppliers and that it was desirable to reach a pragmatic solution which would be in the interest of the exporters, the consumers and Swiss producers.

After examining the matter and discussing it with experts from the Member States, the Commission, acting on the basis of the provisions of Article 17(4) of Council Regulation No. 804/68 of 27 June 1968 setting up a common organization of the market in milk and milk products, fixed as from August 1968 lower refunds for exports of certain cheeses to Switzerland.

This decision was possible because the Swiss authorities gave an assurance that they would see to it that the prices charged by other suppliers did not undercut EEC prices, either by concluding bilateral agreements to this effect or by applying import levies in Switzerland.

⁽¹⁾ Recommendations Nos. 68/42/CEE and 68/43/CEE, *Official gazette* No. L 18, 22 January 1968.

This *modus vivendi* is functioning satisfactorily, and on both sides efforts are being made constantly to improve its practical effectiveness.

The measures concern Gouda, Edam, Fontina and other comparable Community cheeses, and also cheeses such as Samsoë, Havarti and Butterkäse.

Commercial policy: steel

Peripheral tariff arrangements

539. The customs duties on ECSC steel products imposed at the Community frontiers by the High Authority's Recommendation No. 1/64 were accepted as the point of departure for the reductions agreed in the Kennedy Round; by its Decision No. 663/68/CECA, the Commission amended this recommendation in order to comply with the bound tariff concessions granted to the GATT Contracting Parties and the obligations assumed by the Member States under the Geneva Protocol of 30 June 1967.

It was natural that certain non-member countries should wish to enjoy the same tariff quotas as granted in the preceding years, and to make this possible the Commission again authorized the Member States to import in 1969, as an exception to Recommendation No. 1/64, some 350,000 metric tons at the old harmonized rates (Decision No. 2026 of 12 December 1968). It also authorized, for the first half of 1969, the import of certain steel products with duties suspended or at rates lower than those harmonized in accordance with the half-yearly tariff adjustments unanimously approved by the representatives of the Governments (Decision No. 2025 of 12 December 1968).

For foundry pig iron, the Commission, by its Recommendation No. 2060, maintained for 1969 and 1970 the minimum specific duty of \$5/metric ton by extending Recommendation No. 1/66 for two years, which itself maintained a level of protection initially decided in 1964 while reducing the rate from \$7/metric ton to \$5/metric ton. For certain qualities of foundry pig, however, tariff quotas at the reduced rate of 4.6% have been granted; as for 1968, they amount to 78,000 metric tons (Decision No. 2061 of 18 December 1968).

Restriction of steel imports from State-trading countries or areas

540. Difficulties in the common market for steel, which were partly reflected in lower prices, have been appreciably reduced by the limitation of imports of steel products from State-trading countries and areas, which was first the subject of a decision by the Government representatives in 1963. The decision has been renewed each year since; for 1969 the agreement was renewed on 10 December 1968.

A close analysis of the import opportunities available to each member country (quotas and "contingency reserves") does not reveal, however, in the light of available figures, any tendency to increase the "utilization rate" of these opportunities considered as a whole. When, nevertheless, the decision relating to 1968 was renewed, an increase in contingency reserves—brought up to 466,000 metric tons for 1969—was authorized to enable certain Member States to comply more fully with the desire expressed by various Eastern-bloc countries to expand their steel exports. Certain other changes making for greater flexibility (changes authorized between classes of products) had been authorized in the course of 1968.

In January 1964 a measure was introduced for the first time whereby Community fabricators were forbidden to align prices on lower quotations from the Eastern-bloc countries. This rule, which supplements the quantitative restrictions, was renewed for a year by Commission Decision No. 2178/68/CECA of 27 December 1968, after approval by the ECSC Consultative Committee and endorsement by the Council.

ECSC specific agreements

541. The arrangements made with certain leading steel-producing or exporting countries to monitor world market trends were maintained. There were two more meetings with Japanese Government officials, one in Tokyo on 4 and 5 April 1968, and the other in Brussels on 7 and 8 October. The discussions dealt with the expansion of the Japanese steel industry and the market situation in the two areas, and also the problems arising for both Japan and the Community from the developments in the world market. A meeting was held with Swedish officials in Brussels on 26 September. The agenda again covered market problems, and particular attention was paid to special steels and problems of structure and supply; opportunities for co-operation on techni-

cal matters were also discussed. The Trade Relations Committee of the UK/ECSC Council of Association met in Brussels on 12 September to discuss the world market and points relating to trade between the two areas.

Co-ordination of policy on credit insurance

542. At its session of 9 December 1968 the Council adopted the fourth report of the Group for the Co-ordination of Policy on Credit Insurance, Guarantees and Financial Credits.

The Council thus took note of the fact that the work on the draft of a standard medium- and long-term insurance policy in respect of public purchasers would be completed and submitted to it as soon as possible.

The Council instructed the Group to expedite work in the other spheres of harmonization of credit insurance techniques, namely the drafting of a standard medium- and long-term insurance policy in respect of private purchasers (suppliers' credits) and a standard policy in respect of both public and private purchasers (purchasers' credits), the preparation of essential points regarding the harmonization of short-term risks in respect of both public and private purchasers, and the establishment of a premium system and scale of charges.

The Group was also asked to report to the Council on the various possible techniques for reducing the disparities between the different national systems of financing exports. As the Group was not able to obtain a mandate regarding the delicate problem of distinguishing between commercial credits and aid credits, the Commission will submit a memorandum to the Council in the near future.

As the need arises the Commission will, in sufficient time before the end of the transitional period, make any proposals that it considers necessary in order to comply with the time-limits set by the Treaty.

Commercial policy towards Eastern European countries

543. Yugoslavia is the first Eastern European country to accredit an ambassador to the European Communities (1968) and to have opened

formal trade negotiations with the Community; these began on 15 October 1968 in accordance with the mandate given by the Council at its session of 30 July 1968. From 5 to 7 June 1968 contacts had already been established at technical level between the Commission and Yugoslavia in order to study in particular the problems of exporting agricultural products to the Community.

In April 1968 the Commission decided, on the basis of undertakings given by Poland to respect the sluice-gate prices for pigmeat and poultrymeat, not to charge the supplementary amounts on exports from that country (Regulations Nos. 564/68 and 565/68.⁽¹⁾) In June 1968 the Commission held technical conversations with a Polish delegation. These discussions served to bring out the main problems regarding trade in agricultural products and to give the Polish delegation information on the machinery of Community regulations.

As a result of technical discussions held on 24 and 25 April and 24 and 25 June 1968, Hungary undertook to observe the sluice-gate price fixed for pigmeat by Council Regulation No. 121/67 and the Community agreed not to charge a supplementary levy under Article 13 of the same regulation. This agreement was made by an exchange of letters between the parties concerned.

Other countries

Lebanon

544. The agreement signed on 21 May 1965 on trade and technical co-operation took effect on 1 July 1968, i.e. within the period specified in Article XIV of the agreement.

Iran

545. The trade agreement between the Community and Iran was again renewed for a year under Article V of the agreement.

⁽¹⁾ *Official gazette* No. L 107, 8 May 1968.

7. Relations with the developing countries

DEVELOPMENT AID: GENERAL PROBLEMS

Co-ordination of development aid and of technical assistance

546. The Working Party set up by the Council to deal with co-ordination and co-operation in the sphere of technical assistance met twice in 1968, in the spring and the autumn; it continued to exchange information on the technical co-operation activities and policies of the Member States and the Commission.

It devoted a good deal of its time to examining action undertaken to provide technical assistance under the EEC/Lebanon agreement and pursuing co-ordinated assistance operations in connection with the Industrial Research Centre for Central Africa (CRIAC), the African Institute of Development and Planning (IDEP), and the Congo National Institute of Agricultural Studies (INEAC).

Two new subjects were discussed by the Working Party: a request for technical assistance from the interim Council of Ministers of the Association of West African States and a comparison of the methods used by the Member States and the Commission in keeping in touch with former scholarship holders in order to follow up their careers.

UNCTAD II

547. The UN Conference on Trade and Development held its second session in New Delhi from 1 February to 29 March 1968. The Community, and all the Member States individually, took part.

During this session particular attention was paid to the study of problems which had emerged, in the course of the preparatory work, as "points of crystallization". In view of experience gained at the first session in Geneva in 1964, the Conference made every effort to arrive at solutions acceptable to all the members. In some cases agreement was obtained without undue difficulty and some resolutions were adopted unanimously, in particular those relating to the special problems of land-locked countries, the special measures to be taken to help the

less advanced developing countries, and the problems of the developing countries in the matter of shipping. Other resolutions or decisions, on commodities, on the problems of financing development and aid, on the preferential treatment of manufactures exported by the developing countries, and on trade relations between countries with differing economic and social systems, were adopted unopposed, though often after protracted negotiations and on the basis of hard-fought compromises.

548. While to some the results of the Conference may seem modest and while largely they were only a more formal expression of what had long been acknowledged to be necessary, their importance as indicators pointing the way towards an overall concept of development should not be underestimated. Three points must be emphasized.

The agreement on an action programme for commodities established the practical framework for the study and implementation of international measures to promote each of the products concerned (cocoa, sugar, oilseeds, oils and fats, natural rubber, hard fibres, jute, etc.). Although it lays down in practical terms the lines along which steps must be taken for each product concerned, the programme has not solved all the difficulties, since it leaves it to the countries interested in each of the products to fill in adequate detail at a later stage into the framework fixed by concerted government and international action. The programme, which is in fact an outline schedule and a timetable, must therefore also be considered a milestone on the road to the practical implementation of international measures. In this respect it is in very distinct contrast to the more ambitious, but so much more theoretical, recommendations of the first Conference.

Secondly, the agreement on the establishment at an early date of a generalized system of preferences,⁽¹⁾ without reciprocity or discrimination, for the semi-manufactures and manufactures of the developing countries represents a major step forward in international trade and economic relations. The extent of this achievement can be measured by the fact that at the first Conference in 1964 several industrialized countries, including some of the most important, were firmly opposed even to the principle of such preferences.

It is also important that the developed countries have agreed to undertake to appropriate 1 percent of their GNP at market prices

⁽¹⁾ See also sec. 559.

for development aid. This is an important advance, even if it will not have any immediate effect on the total volume of aid, for the target will encourage the developed countries to increase their financial share in the development of the third world, despite the serious difficulties which most of them have to cope with.

549. In short, the New Delhi agreements must be appreciated not only as the first tangible achievements based on aims which at the outset had been too vast and general to be workable, but in particular as the starting point for seeking and implementing practical solutions to a considerable number of problems which face the developing countries.

Lastly, it must be pointed out that at New Delhi, for the first time within UNCTAD, the EEC States submitted three joint proposals on commodities; they dealt respectively with the elements of a commodities policy, a price policy and trade liberalization. For lack of time and failing agreement at New Delhi, these proposals had to be referred to the Conference's subsidiary organs, in particular the Committee on Commodities.

550. The UN Trade and Development Board held its sixth and seventh sessions this year in Geneva (6-7 May and 2-23 September).

While the sixth session dealt mainly with points of procedure, the seventh session concentrated on the improvement of UNCTAD's institutional machinery. This problem had been raised at New Delhi and a solution was found which was approved unanimously by the members of the Board. The improvements decided on by the Board constitute an important step forward. Their aim is to improve, in the context of Resolution 1995 (XIX) of the UN General Assembly setting up UNCTAD, the Conference's deliberating and negotiating functions. They also concern working methods, in particular the reduction of the number and length of the meetings of its various subsidiary organs.

551. The UNCTAD Committee on Manufactures held its third session in Geneva from 8 to 18 October 1968. The European Economic Community participated as an observer.

The Commission reviewed the problems rising from the expansion of exports of manufactures from the developing countries. In particular, it examined the recent trends and developments in trade in manufactures, tariff and non-tariff barriers, restrictive business practices and incentives for industrial exports.

At the conclusion of its discussions, the Committee adopted a decision calling, in particular, for studies to be made by the UNCTAD Secretariat on the problems of tariff and non-tariff barriers and stipulating that a sessional committee to look into these matters might be set up. A resolution on the establishment of an intergovernmental group of experts on tariff reclassification was adopted by a majority vote.

The Committee on Commodities held its third session in Geneva from 28 October to 8 November. The European Economic Community participated as an observer. The Committee adopted two recommendations still outstanding from the New Delhi Conference which concerned buffer stocks and diversification of the economies. These results, coming as they did just after the conclusion of the International Sugar Agreement, which is generally regarded as an UNCTAD success, represent an important step forward.

The Special Committee on Preferences, which was set up by virtue of a resolution adopted at UNCTAD II, held its first session in Geneva from 29 November to 6 December 1968. The European Economic Community participated as an observer.

The Committee examined the progress made by the developed countries in working out and establishing the essential points of a system of generalized preferences. The western countries reported on studies undertaken on the subject in their capitals and in the context of OECD, and also on the programme of work established in that organization. In a statement on behalf of the EEC, the Commission's representative pointed out that the EEC was firmly resolved to adhere to the deadlines fixed by OECD and UNCTAD for the completion of work on preferences.⁽¹⁾

At the conclusion of its discussions, the Committee reached an agreement on the work programme to be undertaken in UNCTAD before the ninth session of the Trade and Development Board, which will begin on 26 August 1969.

OECD Development Assistance Committee (DAC)

552. As in the past the Commission took part regularly in the Committee's work. As part of the annual review of the development aid

⁽¹⁾ Sec. 567.

measures and policies of DAC's members, it submitted to the Committee a memorandum on the EEC's activities in the matter of financial and technical aid to the developing countries in 1967. This memorandum was discussed on 27 September 1968.

The Commission also played an active role, both in the Committee itself and in its various working parties, in the study of certain development problems such as the implications of UNCTAD II, burden-sharing among DAC's members, an increase in the volume of aid, the effectiveness of "self-help efforts", the simplification and improvement of DAC's objectives with regard to terms and conditions, harmonization of terms and conditions, effects of export credits on the indebtedness of beneficiaries, the setting-up of an early warning system for external indebtedness, the problem of tied aid, public relations and development aid, and aid for education schemes.

FOOD AID

Convention on food aid in the form of cereals

553. During 1968, the Member States and the Commission endeavoured to work out technical procedures for implementing the food aid programme involving an annual volume of 1,035,000 metric tons of cereals, which the Community and the Member States have undertaken to supply under the Food Aid Convention in the period 1968/69 to 1970/71.⁽¹⁾

On 9 November 1967 the Commission had submitted to the Council a memorandum in which it sketched out the general lines along which the Community could carry out its obligations. The Commission had stressed, in particular, that food aid should contribute to the economic development of the beneficiary countries.

As regards the procedure for granting aid, the Commission suggested that the Council should establish annually what proportion of aid was to be provided by each country and then give it a mandate

⁽¹⁾ *Tenth (EEC) General Report*, sec. 312 (end).

to prepare the necessary agreements with the beneficiary countries for the provision of cereals in conformity with the Council's directives. The Commission, moreover, insisted that the cereals should be mobilized in the Community itself according to Community procedures in order to avoid the risk of upsetting the cereals market.

However, certain Member States took the view that the responsibility for food aid distribution was a matter for the States and that a measure of consultation at Community level was all that was otherwise needed. Failing an early agreement, the Council was not able to conclude the Food Aid Convention by the date laid down in accordance with Articles 111 and 114 of the EEC Treaty. The Community therefore requested the Food Aid Committee, set up under Article III of the Convention, to extend to 31 December 1968 the period for depositing the instrument of final acceptance. This extension was granted at the first meeting of the Food Aid Committee, which was held from 4 to 10 July 1968. Since, however, this later deadline could not be observed either, the Community had to request a further extension until 30 April 1969. This was granted by the Food Aid Committee at its second session in November 1968.

554. At its 47th session, on 27 September 1968, the Council reached an agreement on the contribution to be made by each Member State in carrying out the commitments undertaken. The scale of contributions, which was calculated on an empirical basis and does not constitute a precedent, can be revised while the Food Aid Convention is being implemented. The Member States' shares in the EEC programme will be as follows:

France	320,000 metric tons
Germany	320,000 metric tons
Italy	238,000 metric tons
Netherlands	82,000 metric tons
Belgium	73,000 metric tons
Luxembourg	2,000 metric tons
Total	<u>1,035,000 metric tons</u>

By the end of 1968 six developing countries (India, Pakistan, Tunisia, Turkey, Indonesia, United Arab Republic) had submitted applications for food aid in the form of cereals for 1968/69. The total quantity involved is 1.9 million metric tons.

On 27 November 1968 the Commission submitted to the Council a memorandum on the applications that had been made to date. On 6 December 1968 the representatives of the Member States and of the Commission had an initial discussion in the *ad hoc* working party which has been set up to make preparations for the drawing-up of the EEC food aid programme for 1968/69.

At its 54th session, on 9 and 10 December 1968, the Council issued two regulations establishing the conditions for mobilizing cereals as food aid. It also agreed on the procedure for negotiating and concluding Community food aid agreements between the EEC and beneficiary countries.

Supply of milk products

555. At its 43rd session, held on 22 July 1968, the Council adopted a resolution on the marketing of surpluses in the milk and milk products sector. In accordance with this resolution it was decided that by 1 October 1968 the necessary measures should be adopted, on a proposal from the Commission and in accordance with the procedure laid down in Article 43(2) of the Treaty, to permit certain quantities of milk products to be supplied to the developing countries.

COMMODITIES AND INTERNATIONAL COMMODITY AGREEMENTS

Cocoa

556. After the adjournment of the Conference called by UNCTAD with a view to concluding an international cocoa agreement (December 1967), consultations were held in June 1968 between the main producer and consumer countries. Various outstanding problems were examined, in particular the working of the quotas and of the buffer stock, verification arrangements, and obstacles to trade and consumption. Some progress was made, but there are reservations on various points, for example the details of how to protect the minimum price of cocoa. The Secretary-General of UNCTAD was therefore not able to reconvene the Conference to negotiate an international cocoa agreement.

Coffee

557. In the course of negotiations begun in mid-1967 and completed in February 1968 in the framework of the International Coffee Organization, in which the Commission took part, the International Coffee Agreement was renewed for five years. The 1968 agreement is, as before, based on a system of export quotas, with adjustment of quotas during the year in relation to the prices of the various categories of coffee and an intensification of export and import verification measures. In order to ensure long-term balance between supply and demand, production goals will be fixed and a diversification fund has been set up. There are also special arrangements concerning exports of processed coffee.

As for the Commission's future participation in the Agreement, general provisions written into the 1968 Agreement concern changes in the way in which the importer members of the Organization participate and are represented. In a resolution the International Coffee Council took note of a declaration by the EEC Member States to the effect that the Community as such would in future have the right to accept the 1968 Agreement. The new Agreement, which took effect provisionally on 1 October 1968, will be prolonged beyond the transitional period provided for in the Treaty of Rome.

The twelfth session of the International Coffee Council (August 1968) dealt mainly with measures to implement the new Agreement during the 1968/69 coffee year. A special session of the Council in December 1968 dealt with export and import control and the adoption of the Statute of a Diversification Fund.

Sugar

558. Convened initially in September-October 1965, the UN Sugar Conference failed at that time to establish an agreement. It met again in Geneva from 17 April to 1 June 1968, and though the divergences between the participants had been reduced considerably, it was necessary to adjourn the Conference until 23 September. On 24 October a resolution was adopted submitting a draft International Sugar Agreement for approval by the governments. This Agreement is to take effect on 1 January 1969 and will be valid for five years.

Under the Agreement, sugar prices are to be supported by means of an export quota mechanism linked with market prices. An indirect effect of this machinery will be to limit the future growth of production and of stocks in the producer countries. The Community's proposal, however, to set up a one-million-ton buffer stock, self-financed by a levy on all trade in sugar—preferential agreements included—was not maintained in the Agreement. The Agreement embodies, on the other hand, certain points put forward at the New Delhi Conference in order to take into account the characteristics of the developing countries' economies. A special emergency reserve, for example, of up to 150,000 metric tons will be set up each year to cope with the particular difficulties of developing countries subscribing to the Agreement.

The Conference itself is important for various reasons:

- (i) Politically, it was an extension of the New Delhi Conference, the main result of which, in the commodities sector, was the adoption of an action programme providing for the rapid implementation of an international sugar agreement.
- (ii) In economic terms, sugar is, together with coffee and cocoa, one of the products which are of primary importance to the developing countries as exports. What is more, the interests of the developed and developing countries as producers come into direct competition here (beet sugar—cane sugar).
- (iii) On the commercial plane, lastly, it is particularly difficult to curb the considerable price fluctuations of this product by acting on the "free market" alone, which is a residual market of lesser importance than the big preferential areas (US, British, Eastern bloc).

For the Community, the recent adoption of a Community sugar policy has established its position both as regards the legal aspect of its participation in the Conference's work and future agreements and as regards the fundamental problem. Despite the opposition of several delegations, which, relying on the UN Charter, argued that only individual states were entitled to take part in the negotiations, the Community was represented by a single delegation, composed of representatives of the Commission and of the Member States with a joint spokesman. The Conference finally decided in favour of inserting an amendment in the draft allowing for the possibility of the Community as such acceding to the Agreement. On the fundamental problem, the Community, which had to take up a position in the context of its sugar

regulation, negotiated the fixing of the rate for its own supplies at 117%, corresponding to an export quota of some 1,200,000 metric tons of raw sugar, while the proposal made to it was for 214,000 metric tons to start with and 300,000 metric tons subsequently. On those conditions the Community could not envisage acceding to the Agreement. The possibility, however, of joining at a later date remains open.

TARIFF PREFERENCES

559. In implementation of Resolution 21 (II), adopted at UNCTAD II,⁽¹⁾ OECD resumed its work on preferences. It set up an *ad hoc* working party composed of those countries that intend to grant generalized preferences to the developing countries. The main objective of the working party, in which the Commission is participating actively, is to seek solutions among the donor countries with a view to working out a generalized system of preferences. The OECD member countries have agreed that any country intending to grant preferences should deposit two lists of products with OECD by 1 March 1969:

- (i) a list of manufactures and semi-manufactures, coming under Chapters 25-99 of the Brussels Nomenclature, for which it is not ready to grant preferences or for which preferences could be granted under certain conditions or within certain limits only;
- (ii) a list of processed agricultural products, coming under Chapters 1-24 of the Brussels Nomenclature, for which it is ready to grant preferences.

Each country intending to grant preferences has also been requested to indicate the cases in which preferences are to be granted, including any reservations or conditions, on the basis of which the lists have been drawn up.

560. To this end, the European Economic Community is at present working intensively on the subject. Its intention, declared in 1964 and reaffirmed at New Delhi, is to reach a solution which can bring real and substantial advantages to all the developing countries.

In the Community there has been work on all aspects of a preferential tariff system. Certain points, however, have received partic-

⁽¹⁾ Sec. 548 *supra*.

ular attention, for example the scope and size of tariff reductions and also the safeguard machinery to be set up.

At the request of the Working Party on Trade Questions, the Commission prepared and forwarded to the Working Party on 15 November 1968 its first list of manufactures regarded as "sensitive" in the Community and a preliminary list of processed agricultural products which could in the Commission's opinion be the subject of tariff preferences to be given to all the developing countries.

Several years ago the Commission declared itself to be in favour of the principle of granting preferential tariff treatment to all developing countries, and it is actively pursuing its efforts with a view to the adoption of solutions which afford all these countries real and substantial advantages.

8. Co-operation in the nuclear sector

AGREEMENTS WITH THE UNITED STATES, THE UNITED KINGDOM AND CANADA

561. Co-operation with non-member countries has naturally been affected by the reduction in Euratom activity in the field of nuclear research, under the 1968 interim programme. Nevertheless, in numerous spheres of common interest the Community continued to work together with the main non-Community bodies: the United States Atomic Energy Commission (USAEC), the United Kingdom Atomic Energy Authority (UKAEA) and Atomic Energy of Canada Limited (AECL).

As the Euratom/United Kingdom Agreement for Co-operation, concluded on 4 February 1959 for a period of 10 years, expires on 3 February 1969, the Council gave the Commission the directions necessary for negotiating an extension of the agreement for a further two years.

The Euratom/AECL technical agreement, which was concluded on 6 October 1959 and renewed in 1965, expired on 6 August 1968. The AECL suggested that either a new technical agreement, better suited to the present relations between the two organizations, should be concluded, or co-operation should be continued on pragmatic lines in the

framework of the Euratom/Canada Agreement for Co-operation in the peaceful uses of atomic energy of 6 October 1959, which is still in force. A final choice between the two possibilities can be made when the content of Euratom's next research programme is known. In the meantime, technical co-operation is being pursued with the AECL along pragmatic lines.

OTHER ACTIVITIES

562. In pursuance of Article 103 of the Euratom Treaty, the following were submitted to the Commission in 1968:

- (a) The draft of an exchange of letters between the Canadian and French Governments regarding the transfer of raw materials and special nuclear materials to France, in the framework of the Euratom/Canada agreement of 6 October 1959;
- (b) A draft extension of the Agreement for Co-operation in the nuclear field concluded between Italy and the United Kingdom on 28 December 1957;
- (c) A draft agreement between Germany and Argentina in the field of scientific research and technical development (including the nuclear sector).

The notification of the Franco-Canadian exchange of letters was followed by close contacts between the Commission and representatives of the French Government (under Article 103 of the EAEC Treaty) and between the Commission and representatives of the Canadian Government (under Article XIII, Safeguards, of the Euratom/Canada Co-operation Agreement). As a result the Commission informed the French Government that there was no objection to the planned exchange of letters. However, likewise in the context of Article 103, the Commission was not able to agree to extension of the bilateral agreement between Italy and the United Kingdom, which expired in May 1968. This attitude is in conformity with its consistent practice of not authorizing the renewal of nuclear co-operation agreements concluded by the Member States with non-member countries before the entry into force of the Euratom Treaty (Article 106). By the end of 1968 seven such agreements had expired and had not been renewed.

The Commission did not raise any objection to the agreement for exchange of information between Germany and Argentina. The agree-

ment was concluded under the Euratom/Argentina agreement, which took effect on 6 November 1963.

The text of the agreement concluded in 1968 between the Reactor Centrum Nederland and the United Kingdom Atomic Energy Authority was also communicated to the Commission.

On 28 November 1968 the Commission was informed by the German and Dutch Governments that they proposed to co-operate jointly with the British Government in the field of isotope separation processes making use of the gas ultra-centrifuge method. The two Member Governments added that they considered "that a trilateral co-operation agreement should leave open the possibility of bringing in other Community States and, should the case arise, other European countries, to share in the results of this co-operation". They expressed their intention of contacting the Commission in accordance with the procedures laid down in the Euratom Treaty, if the discussions between the three Governments led to an agreement.

NON-PROLIFERATION TREATY

563. On 18 January 1968 the United States and the Soviet Union finally submitted to the Eighteen-Nation Disarmament Committee, meeting in Geneva, a complete draft of a treaty for the non-proliferation of nuclear weapons. Following two months of negotiations the text, now revised, was forwarded by the Committee to the General Assembly of the United Nations, which approved it on 12 June after some final amendments.

The treaty was available for signing from 1 July 1968. It will be recalled that the non-proliferation treaty cannot take effect until it has been ratified by the Depositary States (US, UK, USSR) and by a further forty States.

564. The final version of the treaty differs from the preceding drafts mainly because of the concessions to the non-nuclear powers, which called unceasingly, during the negotiations, for a better balance between the obligations imposed by the treaty on them and those imposed on the nuclear powers. These concessions appear in particular in the provisions concerning the supply of fissionable materials and exchanges of information (Article IV), the use of nuclear explosions for peaceful purposes (Article V), and disarmament (Article VI).

Article III (Safeguards) lays down that each non-nuclear-weapon State party to the treaty undertakes to accept safeguards as set forth in an agreement to be concluded with the International Atomic Energy Agency (IAEA) in accordance with the Statute and safeguards system of the Agency; such an agreement may be concluded with the IAEA by a State acting either individually or together with other States.

That is why the Commission, when consulted under Article 103 of the EAEC Treaty by the Community Member States which are non-nuclear powers in the sense of the non-proliferation treaty, made no objection in June 1968 to the States signing the treaty at the first stage. The Commission found that in principle there was no incompatibility between the objectives of the treaty and those of Euratom. However, the Commission drew the attention of the Member States concerned to the unknown effects of implementation of Article III, which simply refers to the conclusion of safeguard agreements, whose precise content therefore remains to be defined case by case. For the Community an agreement with the IAEA, safeguarding the rights and obligations that the Community Member States have assumed under the Treaty of Rome, seems to be the appropriate means of reconciling implementation of the non-proliferation treaty with observance of the provisions of the Euratom Treaty. In these circumstances the Commission considered it necessary to ask the Member States consulting it to delay ratification of the non-proliferation treaty after signing it until a satisfactory agreement is concluded with the IAEA under Article III of the treaty.

The treaty has since been signed by Luxembourg (14 August), the Netherlands (19 August) and Belgium (20 August); on signing it the three countries declared that they did not intend to ratify it before the Commission and the IAEA concluded an agreement allowing the provisions of the Euratom Treaty to be observed.

9. The Community and international organizations

UNITED NATIONS

565. During the period under review a new feature marked relations between the Community and the United Nations. By virtue of Resolution 1267 (XLIII), adopted by the Economic and Social Council

(ECOSOC), the European Economic Community was invited to be represented and to take part as an observer at the 45th session of ECOSOC, which was held in Geneva from 8 July to 2 August 1968. The Community's spokesman made a statement on financial and technical co-operation between the European Economic Community and the Yaoundé countries.

The Community participated as an observer at the second session of the Council of the United Nations Industrial Development Organization (UNIDO), which was held in Vienna from 17 April to 14 May 1968.

Commission representatives attended the 15th UNESCO General Conference. At the session, the Commission handed over to UNESCO a communication on films in the context of the Agreement on the Importation of Educational, Scientific and Cultural Materials (Florence Agreement).

Relations between the Commission and the Secretariat of the International Atomic Energy Agency (IAEA) remained active. In the past year they have concerned more especially the problems of the dissemination of information in connection with the preparatory work being done by the IAEA with a view to the setting up of an International Nuclear Information System (INIS). The Commission was also represented by an observer at the IAEA General Conference (Vienna, 24 September—1 October 1968), which was concentrating this year on the repercussions that the non-proliferation treaty would have, once it came into force, on the Agency's activities and structure.⁽¹⁾

INTERNATIONAL LABOUR ORGANIZATION (ILO)

566. When a new single department assumed responsibility for the Commission's work in the social field, discussions became necessary with representatives of the International Labour Office to re-establish on a new basis, and strengthen, the ties of co-operation between the two institutions. As in previous years, the Commission took part in the International Labour Conference and co-operated in the work of various ILO organs, in particular on vocational training, and industrial health and safety. The Office also continued to give its technical assistance to the Commission regarding the social security of the Community's migrant workers.

⁽¹⁾ Sec. 563.

ORGANIZATION FOR ECONOMIC CO-OPERATION
AND DEVELOPMENT (OECD)

567. As in the past, the Commission participated with interest in the OECD's work in various fields. It played a part, for example, in working out the policy attitudes adopted by the OECD countries at UNCTAD II in New Delhi.

There was active co-operation between the Commission and OECD in two other fields: firstly, in connection with the balance-of-payments difficulties experienced by certain OECD member countries, including France, and secondly, with regard to scientific and technological policy. At the third Conference of Science Ministers of the OECD member countries the Commission was represented by M. Hellwig, Vice-President. Contacts have also been maintained in the social sphere.

Under co-operation arrangements with the European Nuclear Energy Agency, the Dragon Agreement was extended until 31 March 1970. For this new stage of operating the reactor, Euratom's financial contribution has been cut from 46.8% to 40% and that of the United Kingdom increased by an equivalent amount. Assurances have been obtained from the United Kingdom Atomic Energy Authority, the owner of the reactor from March 1970, on the subject of a further extension of the agreement beyond 31 March 1970.

Likewise the agreement between Euratom and OECD on the installation at Ispra of the ENEA's Computer Programme Library was extended to 31 December 1968.

WESTERN EUROPEAN UNION (WEU)

568. The WEU Assembly held its last session of the year from 14 to 18 October 1968, at which it:

- (i) recommended that the Council should take measures to reinforce and make greater use of the machinery for consultation and co-operation between the WEU member countries in the fields of foreign policy, defence and technology; it also recommended that the ministers of finance, economic affairs and technology should attend the coming meetings of the WEU Council;
- (ii) requested the Governments of the EEC countries concerned and the candidate countries to summon a political conference in order to promote institutionalized co-operation in foreign policy, defence

and technology and in any other fields not covered by the European Treaties.

Speaking during the session, the President of the Commission, M. Jean Rey, dealt in particular with the enlargement of the Community and expressed the hope that the proposal made by M. Brandt in the Council of the Communities on 27 September would provide the basis for a compromise between the Six on the subject.

M. Martino, the member of the Commission with special responsibility for external relations, represented the Commission on the days on which the economic situation in Europe was examined at the meetings of the WEU Council in Paris on 26 April, in Bonn on 9 July and in Rome on 22 October 1968. As is the custom, M. Martino gave an account of developments in the economic situation in the Communities. The meetings dealt with the problems of European integration, in particular those connected with the enlargement of the Communities.

At the meeting of 29 October, M. Martino, speaking on behalf of the Commission, gave assurances that the Commission would not fail to study any proposal made by the Member States, in the spirit of its Opinions rendered on 29 September 1967 and 2 April 1968.

EUROPEAN FREE TRADE ASSOCIATION (EFTA)

569. In the context of the regular meetings between the EFTA Secretariat and Commission officials, an exchange of views and information took place on 25 October 1968.

It dealt with technical obstacles to trade, anti-dumping rules, regional policy, movement of goods and investment in the steel industry.

570. The Commission was also informed of the work of the Conference of the non-nuclear weapon states, which was held in Geneva in September 1968 under the auspices of the United Nations.

It also maintained its relations with the Food and Agriculture Organization of the United Nations (FAO), the World Health Organization (WHO), the Office of the United Nations High Commissioner for Refugees (UNHCR), the European Conference of Ministers of Transport (ECMT), the Intergovernmental Committee for European Migration (ICEM) and the International Bureau of Weights and Measures.

10. The Communities' diplomatic relations

571. In the period under review, diplomatic relations were established between the Communities and nine non-member countries. In order of handing over of letters of credence by Heads of Missions, they are the following: Malta, Tanzania, Kenya, Ghana, Uganda, Libya, Malaysia, Yugoslavia and Indonesia.

At present 81 States have representatives with the European Communities. Of these States, 32 have representatives accredited to the three Communities, 48 to the EEC alone and 1 to the EEC and ECSC.

The Commission has appointed Mr. J. Linthorst Homan as new Head of the Delegation of the Commission of the European Communities to the United Kingdom.

CHAPTER V

INSTITUTIONS AND ORGANS OF THE COMMUNITIES

1. The European Parliament

Presidency, sessions

572. At the opening of its annual session on 12 March 1968 the European Parliament elected its President and other officers (Article 1(2) of the Rules of Procedure). M. Alain Poher (France, Christian Democrat) was re-elected President and M. Metzger (Germany, Socialist), M. Battaglia (Italy, Liberal), M. Terrenoire (France, European Democratic Union), M. Furler (Germany, Christian Democrat), M. Wohlfart (Luxembourg, Socialist), M. Berkhouwer (Netherlands, Liberal), M. Carboni (Italy, Christian Democrat) and M. Dehousse (Belgium, Socialist) were elected Vice-Presidents.

Between 1 January and 31 December 1968, the Parliament met twelve times in six ordinary sessions at Strasbourg and six extraordinary sessions in Luxembourg.⁽¹⁾

⁽¹⁾ The sessions were held on the dates indicated below, which are followed by references to the *Official gazette* in which the minutes of the sittings and the texts of the Opinions and resolutions adopted by the Parliament are published:

8 January: (*Official gazette* No. C 3, 22 January 1968) in Luxembourg
 22-26 January: (*Ibid.* No. C 10, 14 February 1968) in Strasbourg
 21-22 February: (*Ibid.* No. C 18, 9 March 1968) in Luxembourg
 11-15 March: (*Ibid.* No. C 27, 28 March 1968) in Strasbourg
 21-22 March: (*Ibid.* No. C 32, 6 April 1968) in Luxembourg
 13-17 May: (*Ibid.* No. C 55, 5 June 1968) in Strasbourg
 18-19 June: (*Ibid.* No. C 66, 2 July 1968) in Luxembourg
 1-5 July: (*Ibid.* No. C 72, 19 July 1968) in Strasbourg
 30 September-3 October: (*Ibid.* No. C 108, 19 October 1968) in Strasbourg
 24-25 October: (*Ibid.* No. C 116, 8 November 1968) in Luxembourg
 25-29 November: (*Ibid.* No. C 135, 14 December 1968) in Strasbourg
 13 December: (*Ibid.* No. C 138, 21 December 1968) in Luxembourg

The extraordinary sessions chiefly concerned agricultural matters and the future of Euratom. As in past years, the members of the European Parliament and of the Consultative Assembly of the Council of Europe held a Joint Meeting on 27 and 28 September 1968 at which the Parliament presented its report on its activities during the period May 1967-April 1968. This year, the subject of the exchange of views between the institutions of the Communities was "Prospects for the Communities after 1 July 1968".⁽¹⁾

During 1968 the Parliament paid tribute to its late members: M. Merten (Germany, Socialist), M. Weinkamm (Germany, Christian Democrat), M. Angelini (Italy, Christian Democrat), M. Bech (Luxembourg, Christian Democrat) and M. Lamine Gueye, a former President and Vice-President of the Parliamentary Conference of the EEC-AASM Association.

Activities

573. The Parliament was consulted by the Council on a large number of proposals for regulations and directives arising from different parts of the Treaties and rendered 83 Opinions, 47 of which concerned the common agricultural policy. Of the remainder, 4 related to the free movement of goods, 2 to taxation policy, 4 to freedom of establishment and freedom to supply services, 7 to the approximation of legislation, 1 to economic policy (medium-term programme), 6 to the common transport policy, 3 to social policy, 4 to the AASM, 1 to commercial policy and 4 to the budget and administrative affairs.

The Parliament adopted 49 resolutions during 1968. One concerned the events in Czechoslovakia, 1 the French measures, 1 the economic situation in the Community, 3 agriculture, 1 the iron and steel industry, 1 the coal situation, 1 research and technology, 5 Euratom, 1 transport, 3 social policy, 1 the enlargement of the Community, 3 relations with Turkey, 4 relations with the AASM, 1 relations with East Africa, 1 commercial policy, 1 the results of the Kennedy Round, 2 the New Delhi conference, 1 food aid, 1 the non-proliferation treaty, 1 the International Sugar Agreement, 2 the report on the activities of the Communities, 1 the social report, 1 the merger treaty, 10 budget questions and 1 derived Community law.

⁽¹⁾ This discussion was held on 26 November 1968 (*Official gazette* No. C 135, 14 December 1968).

The main points of most of these Opinions and resolutions are described in the various chapters of this Report, the accounts of the Parliament's debates and the speeches by its Members having been summarized each month in the Bulletin of the European Communities. The following pages will simply give an overall view of parliamentary activity during 1968 and draw attention to the most important work.

574. On 23 January 1968 the Parliament held an important debate⁽¹⁾ on the Council's decisions of 19 December 1967 concerning the applications for membership from the United Kingdom and other European countries. As was emphasized in the final resolution, the Parliament deplored that the attitude adopted by one Member Government against the unanimous opinion of the Commission had not allowed any negotiations to be started. Most of the speakers in the debate expounded subjects which reveal the anxieties of the European Parliament with regard to the question of enlargement; concern to continue the work of building the Community and the need to find suitable means to attain a satisfactory solution; the danger of Europe being forced to accept a position of inferiority; and Europe's need to profit by the contribution, particularly to its parliamentary life, that would be made by Great Britain's deeply rooted democratic traditions. The speakers of the European Democratic Union group together stressed the United Kingdom's need to achieve economic renovation before joining. They refused to accept the British "all or nothing" point of view and advocated an arrangement which could keep future options open. The EDU group abstained in the vote on the final resolution, which was otherwise unanimously adopted, and in which the Parliament asked the Council and the Commission to pursue unremittingly their efforts to overcome the present disagreement between the Governments of the Member States and invited the latter to turn to account the willingness shown by the United Kingdom and the other applicant countries to enter into a Community relationship with the Six in order to engender new types of European communities. Lastly, the resolution expressed the hope that the Heads of State or Government of the Communities would meet again to implement Community policy, the aims of which are laid down by the Treaties.

575. Enlargement of the Community was also the main subject of the debate at the Joint Meeting held on 27 and 28 September 1968 by the

⁽¹⁾ *Bulletin* 3-68, Ch. I.

European Parliament and the Consultative Assembly of the Council of Europe. Under the successive chairmanship of Sir Geoffrey de Freitas (United Kingdom, Labour), President of the Consultative Assembly of the Council of Europe, and of M. Alain Poher (France, Christian Democrat), President of the European Parliament, the members of the two Assemblies studied the "political conditions for full development and broadening of the Communities" and "problems and prospects for scientific research and technical development as factors in the political unity of Europe". These topics were introduced by M. Dröscher (Germany, Socialist) and Mr. Maxwell (United Kingdom, Labour). Expressing himself in a personal capacity, M. Dröscher elaborated on the paradoxical situation of the Community: at a time when it had reached a peak in its material development it found itself plunged into political crisis. The customs and agricultural union required that the Community should have greater freedom to act; this would, however, mean restricting the field of independent action by Member States, whereas the latter, because of the absence of a Community authority capable of acting on their behalf in all spheres, were reluctant to abandon powers to other authorities and were endeavouring to win back those they had already renounced. This dilemma was also illustrated by the inability of the Community to adopt a common attitude with regard to the United Kingdom application for membership and by the prevailing uneasiness over the political aims of the Treaties which established the Communities. M. Dröscher concluded by recommending the "creation of a political common market". In his report, Mr. Maxwell expressed the concern caused by the lack of large-scale planning for technology in Europe and proposed that the multitude of organizations for scientific and technical co-operation should be controlled by a Council endowed with real powers.

576. The position and future prospects of Euratom were a matter of deep concern for the Parliament in 1968. In January, after having recalled the multifarious aspects of the questions in abeyance, the Parliament adopted a resolution reaffirming that close relations must be maintained between Euratom and public and private enterprises. It also noted that, through the association agreements, Euratom could become an indispensable instrument for the much-needed co-operation between Europe of the Six and other technologically advanced States. Lastly, the Parliament regretted that the Council had been unable to make a more positive pronouncement at its meeting of 8 December 1967, and considered it indispensable that Euratom should have independent financial resources at its disposal. In another resolution, voted on 27 November

1968 and concerning the political, budgetary and financial aspects of research and investments relating to Euratom, the Parliament made an urgent appeal to the European conscience of the Council, pleading that it should not sacrifice the great prospects for a European research policy to national budget policy considerations. At its extraordinary session in Luxembourg on 13 December 1968, the Parliament adopted another resolution on Euratom problems. In view of the serious crisis threatening the existence of Euratom and the lack of political determination, which has caused prejudicial dissipation of the Community's research and development programmes, the European Parliament reaffirmed that any abandonment of Community policy in this field would, in the process of European unification, be tantamount to a retreat inconsistent with the efforts simultaneously deployed to consolidate and widen the existing Communities. Realizing that the work of Euratom must be adapted to the scientific and technical aims, the Parliament urged the Commission to make proposals to this end and noted with satisfaction the Council decision of 10 December 1968 requesting the Working Group on Scientific and Technical Research Policy (Maréchal Group) to resume its studies. It should be added that, in a debate on an oral question put to the Commission on 13 March 1968 and in a resolution adopted on 1 October 1968, the Parliament had expressed its great anxiety concerning the interruption of the activities of this Group.

577. The exchange of views between Council, Parliament and Commission on 27 November 1968 was concerned with the prospects of the Communities after 1 July 1968. It gave rise to a discussion on the need to render the institutional machinery of the Communities democratic, to strengthen and widen the latter, to guarantee the future of Euratom and to institute close co-operation in the monetary field. In his address the President in office of the Council M. Medici, Italian Minister of Foreign Affairs, made a broad survey of the problems facing the Communities. He recalled that the Council had always endeavoured to foster relations with the Parliament by interpreting the Treaties as widely as possible and would in the future make use as frequently as it could of the facility of non-mandatory consultation of the Parliament, and continue to study this possibility in each particular case outside the fields on which consultation is expressly provided for by the Treaties.

578. In its concern over the political consequences of the events which took place in Czechoslovakia in August 1968, the Parliament, in a debate

on 1 October 1968, unanimously condemned the occupation of that country by foreign troops. The Parliament considered that this occupation was prejudicial to the self-determination of the Czechoslovak people and stressed that it also jeopardized the attainment of wider understanding among the European nations.

579. On several occasions in 1968 the Parliament examined the Community's economic, monetary and financial problems. At its March session it heard the statement by M. Barre, Vice-President of the Commission, on the economic situation in 1967 and the outlook for 1968. In the resolution adopted at the end of a detailed discussion, the Parliament recommended, in particular, that the Community institutions should make harmonious use of short-term economic policy instruments and considered that this would require that the Member States apply a more far-reaching employment policy. Monetary problems gave rise to two oral questions in 1968, one by M. Dichgans (Germany, Christian Democrat) at the October session, and the other in November on behalf of all the political groups. In his replies during the first debate, M. Barre broadly surveyed events in the monetary field up to October 1968, the future of the international monetary system and monetary relations within the Community. At the end of November, M. Barre presented a full report on the part played by the Commission in the events of that month, the effect of the measures adopted or announced on the implementation of the Treaties and on the conclusions the Commission had drawn from these events. In the more specialized field of measures taken in June 1968 to protect the French economy, the Parliament, having regard to the Commission's reply to oral question No. 8/68, voted a resolution in which it recalled that the fundamental principle of the Community is the solidarity of the member countries and their readiness to help each other in times of difficulty.

580. In 1968 there were numerous debates on the Community's external relations.

In July the Parliament discussed the problem of the changeover to the transitional stage of the EEC-Turkey Association and carried a resolution favouring the development of this Association. With regard to the association with the AASM, the Parliament, in January 1968, held a broad debate culminating in a resolution on the results of the 4th meeting of the Parliamentary Conference of the Association in Strasbourg from 4 to 7 December 1967. The Parliament made numerous recommendations to the Member States, the Associated States and

the Community and requested that the renewal of the Yaoundé Convention be prepared without delay and the negotiations concluded so as to ensure the continuity and development of the existing relations. In July 1968 the Parliament also examined the result of financial and technical co-operation in the EEC-AASM Association and passed a resolution on the lines it wished the EDF aids and the contributions of the European Investment Bank to follow. At its September/October session, the Parliament studied the Commission's memorandum to the Council on the renewal of the Yaoundé Convention on the basis of a report presented by M. Thorn (Luxembourg, Liberal) and unanimously recommended that the validity of the new convention should be seven years. Following an oral question by M. Dehousse (Belgium, Socialist) at the same session, the Parliament requested the Commission to approach the Member States with a request that they leave the ratification of the EEC-Nigeria Association Agreement in abeyance until the situation in Nigeria has become completely clear.

In March 1968 the Parliament held a debate on commercial relations between the Community and the State-trading countries and passed a resolution on this matter based on a report by M. Hahn (Germany, Christian Democrat). In January 1968 the Parliament drew the conclusions from the results of the Kennedy Round.

At its sitting of 15 May 1968 the Parliament discussed the EEC's commitments in respect of food aid for the developing countries in the framework of the Kennedy Round. In January and in July it defined its attitude towards the United Nations Conference on Trade and Development (UNCTAD) in New Delhi. Having discussed problems connected with the preparation of this Conference at the first session, the Parliament discussed and criticized the results achieved on the basis of the report by M. Pedini (Italy, Christian Democrat).

Again in connection with external relations, the Parliament finally dealt with problems of the treaty on the non-proliferation of nuclear weapons. Following an oral question by M. Scelba (Italy, Christian Democrat), the Parliament held an interesting debate in March 1968 on the political aspects of attitudes towards the non-proliferation treaty and its compatibility with the Euratom Treaty. In May the Parliament drafted a resolution for the attention in particular of the President of the General Assembly of the United Nations requesting that nuclear experiments and the production of nuclear weapons be stopped and existing nuclear armouries progressively reduced.

581. At its session of October 1968 the Parliament held an important debate on the Community procedures for implementing derived Community law. In his report, presented on behalf of the Legal Committee, M. Jozeau-Marigné (France, Liberal) explained how, with the gradual extension of this derived Community law, which comprises the regulations, directives and decisions for implementing the Treaties, there had been a corresponding increase in the number of tasks entrusted to the Commission by the Council. The Parliament examined the problems of a legal, technical and political nature due to this institutional development and noted in its final resolution that this development would more and more frequently take the form of intervention by bodies not provided for by the Treaty and usually designated as "committees". The Parliament considered that, although a procedure of this kind can enable the executive institutions to decide in full awareness of the relevant facts, it should be instituted only with the maximum political circumspection in order not to vitiate the Community's institutional system. Whenever, because of disagreement between the Commission and a committee, the Council decides to take the decision itself, it must first consult the Parliament before so doing.

582. At its session of 15 May, the Parliament discussed the problems involved in drafting the treaty for the merger of the Communities. A treaty of this kind would replace the Treaties of Paris and Rome, which at present govern the affairs of the ECSC, the EEC and Euratom. The Parliament hoped that the merger process would be a further advance in the development of the life of the Community and a new step towards the political objectives laid down in the Treaties. In January the Parliament also considered the question of a European University. As a result of an oral question from M. Dehousse (Belgium, Socialist) requesting the Commission to advise the Parliament of the present situation with regard to the founding of such a university and to define its position, M. Hellwig, Vice-President of the Commission, recapitulated the work carried out prior to the meeting of the Heads of State and Government in Bonn in 1961. Subsequently, and particularly after the 1965 crisis, the negotiations were suspended. The Commission has not ceased to strive for the implementation of the university project, but it is faced with the problem of the advisability and adequate preparation of a fresh step in this direction.

583. By a resolution adopted in March 1968, the Parliament amended the procedure for the examination of the General Report on the Activities of the Communities. In particular, the new procedure implies that

the conclusions of the opinions rendered by each Parliamentary Committee shall be included in the consolidated document drawn up by the Parliament. The Parliament then appointed M. Lücker (Germany, Christian Democrat) general rapporteur for the study of the Communities' activities in 1967, as described in the First General Report presented by the Commission on 22 February 1968 for the three former Executives, and in its own name for the part of 1967 subsequent to the merger. The Parliament discussed this Report at its July 1968 session and observed in its final resolution that, although substantial progress was made in 1967, the problem of enlarging the Communities had impeded their advance and might well jeopardize it even more in the future. The Parliament called for the achievement of economic union within the next few years and again advocated the formation of a Community open to all democratic European countries and set forth the aims which the Community must pursue in internal matters and in those concerning its relations with the associated countries and with non-member countries.

2. The Council

Chairmen and sessions

584. The Council of the European Communities met 37 times during 1968 (21st to 57th sessions) and held one extraordinary meeting in Kinshasa on 23 July 1968. In accordance with the decision taken by the representatives of the Governments of the Member States under Article 37 of the Merger Treaty, the April, June and October sessions were in Luxembourg. The chairmanship was held in turn by French and Italian members.

585. The Council met three times with M. Maurice Couve de Murville, the French Minister of Foreign Affairs, in the chair:

24th session (29 February);
26th session (9 March); and
30th session (5 April).

The Council met five times under the chairmanship of M. Giuseppe Medici, the Italian Minister of Foreign Affairs, and once under the chairmanship of his alternates:

- 42nd session (20 June);
- 45th session (30 July);
- 47th session (27 September);
- 51st session (4 and 5 November);
- 54th session (9 and 10 December).

At the 36th session on 30 May 1968, the chair was taken first by M. Giuseppe Lupis, Deputy State Secretary for Foreign Affairs, and then by M. Athes Valsecchi, Deputy State Secretary for Finance, of the Italian Republic.

M. Edgar Faure, the French Minister of Agriculture, presided over ten sessions:

- 21st session (22 and 23 January);
- 22nd session (19 and 20 February);
- 23rd session (26 and 27 February);
- 27th session (11 and 12 March);
- 29th session (25 to 27 March);
- 31st session (8 and 9 April);
- 34th session (29 and 30 April, and 1 May);
- 35th session (27 to 29 May);
- 37th session (17 and 18 June);
- 38th session (27 and 28 June).

M. Giacomo Sedati, the Italian Minister of Agriculture, presided on seven occasions:

- 40th session (15 July);
- 43rd session (22 and 23 July);
- 46th session (23 and 24 September);
- 48th session (14 and 15 October);
- 50th session (29 and 30 October);
- 52nd session (25 and 26 November);
- 55th session (9 December).

Five sessions were devoted to economic and financial affairs, three of them conducted by M. Michel Debré, French Minister of Economic Affairs and Finance:

- 25th session (4 and 5 March);
- 28th session (25 March);
- 32nd session (9 April).

The 49th session, on 29 October 1968, was presided over by M. Natale Santero, Deputy State Secretary at the Italian Ministry of the Treasury.

The 56th session, on 12 December, was chaired by M. Antoine Wehenkel, Luxembourg's Minister of Economic Affairs, in the absence of M. Emilio Colombo, Italian Minister of the Treasury.

Three Council sessions were presided over by Ministers of Industry and Commerce: the 39th (5 July) and 53rd (28 November) sessions were conducted by M. Giulio Andreotti, Italian Minister of Industry and Commerce, and the 57th session on 20 December 1968 by M. Vito Lattanzio, Italian Deputy State Secretary for Industry.

M. Jean Chamant, French Minister of Transport, took the chair at the 33rd session on 29 and 30 April, and M. Oscar Luigi Scalfaro, Italian Minister of Transport, at the 41st session on 18 July.

M. Giacinto Bosco, Italian Minister of Labour and Social Security, presided over the 44th session, devoted to social affairs, on 29 July.

Lastly, the council met in extraordinary session at Kinshasa on 23 July 1968, when M. Franco Maria Malfatti, Deputy State Secretary for Foreign Affairs of the Italian Republic, took the chair.

Activities

586. Expressed in figures, the Council's activities during the period 1 January to 31 December 1968 can be summarized as follows:

- (i) 221 regulations were adopted; 30 of these deal with free movement of goods, 155 with the common agricultural policy, 3 with transport, 3 with social policy, 1 with Greece, 8 with Turkey, 3 with the AASM and OCT, 8 with commercial policy and 10 with administrative affairs;
- (ii) 50 decisions were approved; 19 of these deal with the free movement of goods, 1 with State aids, 5 with Euratom, 1 with energy policy, 1 with the application of Articles 48 and 49 of the EEC Treaty to French overseas departments, 2 with the European Social Fund, 3 with Turkey, 9 with commercial policy, 4 with the European Development Fund, 1 with the OCT (products originating in), 1 with

the establishment of a veterinary committee and 3 with budgetary matters;

- (iii) 21 directives were adopted; one deals with the free movement of goods, another with mutual assistance for France, and a third with taxation policy; 10 deal with freedom of establishment and freedom to supply services, 3 with the approximation of legislation, 2 with the common agricultural policy, 1 with energy policy, 1 with transport policy, and 1 with social policy.

587. At the sessions when Ministers of Foreign Affairs were in the chair the Council had an exchange of views on various existing proposals or proposals made during the year, notably by the German Government, for trade arrangements and technical co-operation, in connection with the applications for membership from the Governments of the United Kingdom, Ireland, Denmark and Norway, and the letter from the Swedish Government. At its 54th session at the end of the year, the Council decided to continue its examination of the possible trade arrangements and adopted a resolution on the implementation of co-operation measures in the sphere of scientific and technical research. Ways of strengthening the European Economic Community were examined by the Council at its 51st and 54th sessions on the basis of a memorandum submitted by the French Government. At this session the Council confirmed its political readiness to continue its action with a view to the internal development of the Communities.

588. In the external relations field, the 36th session in May 1968 gave its agreement to the results obtained by the Commission in negotiations with the countries of East Africa for an Association Agreement. At its extraordinary session on 23 July 1968, the Council reached agreement on the position that the Community would take at the 6th session of the EEC-AASM Association Council. Similarly, at its 54th session, the Council agreed on the line to be taken by the Community at the ministerial meeting of the Contracting Parties to the Yaoundé Convention on 19 December, dealing with the problems of renewing this Convention. With regard to Tunisia and Morocco, the Council, at its 45th session, adopted terms of reference to enable the Commission to resume negotiations with a view to a partial agreement leading to the association of these countries with the EEC; these were supplemented in the case of Morocco at the Council's 47th session. Still in the external relations field, the 45th session invited the Commission to begin exploratory

talks with Malta, authorized the opening of negotiations for a commercial agreement with Yugoslavia and agreed transitional arrangements for imports of Algerian wine into the Community. At its 51st session, the Council prolonged for a year the trade agreement between the EEC and Iran. On the question of food aid, the 47th session recorded its agreement in principle on the allocation of food aid commitments undertaken by the EEC and the Member States. A number of implementing procedures in connection with these commitments were approved at the 54th session. Lastly, at the 51st Council session, it was unanimously agreed that the European Communities should participate in the Japan World Exposition in Osaka in 1970.

In the field of commercial policy, the Council at its 24th session adopted a number of decisions concerning the opening, apportionment and management of Community tariff quotas for 1968. At its 30th session it adopted a regulation on defence against dumping practices on the part of non-member countries. In connection with the steps taken by the United States Government as part of its balance-of-payments programme, the Council, in its concern to keep international trade moving towards a progressive removal of tariff obstacles, discussed at its 28th session the possibility of effective, unilateral speeding-up in favour of the United States of the results of the Kennedy Round negotiations, subject to certain conditions. At its 32nd session, held one month later, the Council, bearing in mind the efforts of the United States Government to restore its balance of payments, declared that the Community was prepared to apply these tariff reductions as from 1 January 1969. In December 1968 (54th session), the Council adopted three regulations which form part of the programme for the gradual harmonization of Member States' commercial policies to facilitate the introduction of a common policy.

589. At its 25th session early in the year the Council, in accordance with established tradition, discussed the economic situation in the Community and adopted a recommendation addressed to the Member States on the guidelines for short-term economic policies in 1968. Following the events of May and June in France, the Council held a consultation at its 39th session on the measures envisaged by the French Government in the steel sector and associated itself in general with the efforts of that Government to overcome difficulties in the sector. During its 42nd and 45th sessions some weeks later, the Council adopted a directive granting mutual assistance to France and discussed the steps taken by the French Government to restore equilibrium to the economy.

Following on the monetary crisis of late November, the Council, at its 56th session at the end of the year, had an exchange of views on the economic situation in the Community and the outlook for 1969; it recognized the need for greater convergence of economic policies in the Community and the necessity of examining the possibilities of greater co-operation between the Six in monetary matters.

590. The problems of the common market in agriculture were on the agenda of many sessions. In February (22nd and 23rd sessions) the Council adopted the regulation establishing a common organization of the market in live plants, cut flowers and the like. At its 23rd session it noted its agreement to measures to implement a Community veterinary policy enabling animals and animal products to circulate within the Community. Discussion of the possibility of establishing a Standing Veterinary Committee continued until the Council's 48th session, when a decision on the composition and rules of procedure of this committee was adopted, agreement in principle having been reached at the 43rd session. On several occasions the Council discussed in great detail all the problems posed by the milk and milk products and beef and veal sectors. At its 35th session it agreed several resolutions concerning problems arising connection with the introduction, as from July 1968, of a single market for these products and certain measures which might help to place the milk products market on a sounder footing.

Subsequently, at its 43rd session, the Council adopted a further resolution on the marketing of milk and milk products surpluses. With regard to the regulation on assistance from the Guidance Section of the EAGGF for 1969, the Commission's proposal was discussed at the Council's 52nd session, and the entire regulation was approved at the 55th session. Early in December 1968 the 54th session heard a detailed address by M. Mansholt, Vice-President of the Commission, on the reform of agriculture in the Community.

591. In the field of the harmonization of customs legislation, the Council agreed in principle on regulations concerning the concept of the origin and the customs valuation of goods (36th session) and another defining customs territories (45th session); it adopted these at its 38th and 47th sessions respectively. At its 54th session the Council discussed five proposed directives and regulations dealing with customs warehousing, deferred payment of customs duties, inward processing traffic, free zones and Community transit.

In the field of freedom of establishment and freedom to supply services, the Council in March 1968 (26th session) approved an initial directive on the co-ordination, with a view to making them equivalent, of the guarantees required of firms or companies in the Member States to protect the interests of members and outsiders. A month later (30th session), the Council approved a directive on access for Community farmers who are nationals of one Member State and established in another Member State to various forms of credit, and in December (57th session) it approved a directive on access for these same farmers to various forms of aid. In July (45th session), the Council adopted seven directives, six of them dealing with self-employed activities in the retail trades, the food and beverage industries, and personal services, the seventh with film distribution.

592. In the transport field the Council, following a preliminary examination at its 33rd session, agreed at its 41st session on regulations on the application of the rules of competition to transport, the harmonization of certain social provisions in road transport, the introduction of a bracket-rate system for road haulage between the Member States and a Community quota for goods transport by road. It also approved a directive on the duty-free admission of fuel in the tanks of motor vehicles.

As regards problems associated with the Community's social policy, the Council, at its 24th session, adopted a number of conclusions concerning the subjects discussed on 21 December 1967.⁽¹⁾ At its 44th session it agreed a regulation and a directive on free movement of workers within the Community in the final period; it also discussed the employment situation and found that all members were in favour of the principle of a tripartite conference on employment problems.

As regards ECSC matters, the Council gave confirmatory Opinions with a view to the grant of financial aid by the Commission for technical research (36th and 47th sessions) as well as reconversion loans (37th, 48th and 53rd sessions). The Council held a consultation on the financial measures taken by the Member States in support of the coal industry in 1969 (51st session) and endorsed the extension for one year of marketing aids for coking coal and coke for the steel industry and the further prolongation of the decision forbidding the alignment of prices with offers of steel and castings from State-trading countries or territories (57th session).

⁽¹⁾ *First General Report* (1967), sec. 573.

In Euratom's sphere of activity the Council, at its 45th session, approved the extension of the Dragon Agreement from 1 August 1968 to 31 March 1970. At its 57th session it adopted a resolution on Euratom's future which makes provision for a research and training programme for 1969, the establishment of multiannual programmes, the examination of criteria for a co-ordinated industrial policy in the nuclear field and the promotion of possible further activities for the Joint Research Centre.

593. Acting in its capacity as the Communities' budgetary authority, the Council approved the draft operating budget of the three Communities for 1968 and finally adopted Euratom's research and investment budget for the same financial year at its 24th session; a supplementary budget was adopted at its 48th session. At its 28th session the Council definitively adopted the operating budgets of the three Communities for 1968. At its 49th session it dealt with the revision of salaries of officials of the Communities. Lastly, it approved the 1969 draft budget of the Communities at its 51st session and adopted this budget definitively at its 54th session.

594. In 1968 the representatives of the Member States meeting in the Council took the following decisions, among others:

- (a) The signing on 29 February and 27 September 1968 respectively of the Convention on the mutual recognition of companies and bodies corporate and the Convention on jurisdiction and the enforcement of civil and commercial judgments;
- (b) The decision dealing with certain measures to be applied to State-trading countries or territories in the matter of iron and steel products covered by the ECSC Treaty (54th session);
- (c) The decision on certain tariff measures for the first half of 1969 for imports of several iron and steel products from non-member countries (53rd session);
- (d) The decision on the accelerated alignment on the common tariff duties applicable to certain products (38th session);
- (e) The approval of proposals authorizing Germany to import specified qualities of wire rod within certain limits (29th and 53rd sessions).

3. The Court of Justice of the European Communities

The Judges

595. In accordance with arrangements made, the Court decided on the formation of the Chambers for the 1968/69 judicial year at its meeting on 2 October 1968. The composition of the Court is as follows:

President of the Court:	M. R. Lecourt
First Chamber:	M. J. Mertens de Wilmars (presiding)
Judges:	M. A. M. Donner, M. R. Monaco
Advocate-General:	M. K. Roemer
Second Chamber:	M. A. Trabucchi (presiding)
Judges:	M. W. Strauß, M. P. Pescatore
Advocate-General:	M. J. Gand
Registrar:	M. A. Van Houtte

Tenth anniversary of the Court

596. On 23 October 1968 the tenth anniversary of the Court of Justice was marked by a formal meeting attended by a large number of representatives of the Community institutions, the governments and the senior courts and administrative tribunals of the Member States.

The President of the Court of Justice, M. R. Lecourt, gave an address dealing with the nature and range of Community law, the machinery that ensures that it is interpreted uniformly, and the relations between Community and domestic law.⁽¹⁾ After paying tribute to his predecessors, M. Lecourt closed by saying:

“Moreover, [Community] law, through its effects, is weaving into the daily lives of 185 million citizens of the Member States a fabric of common bonds, common practices, and common patterns of behaviour. And if it is true that the progress of human societies can be measured by the progress of law concerning individuals, the judicial experience of this decade will have convinced us that such

⁽¹⁾ For long extracts from this address see *Bulletin* 12-68, Ch. III.

has been the role of Community law, which does not merely take the form of rules limited to the relations between the public authorities, but is genuine law, upheld in the courts, a law to which the citizen himself may have access.”

M. Roemer, Advocate-General, referred to the important contribution made by case law in the different countries to the development of Community law.⁽¹⁾ The various aspects of the judicial co-operation achieved between domestic judges and the Court of Justice were also dealt with.

The President of the International Association of Lawyers and M. Gaudet, Director-General of the Legal Service, also spoke at the ceremony.⁽²⁾

4. The organs of the Communities

THE ECSC CONSULTATIVE COMMITTEE

Chairmen, sessions

597. During 1968 the ECSC Consultative Committee met five times in Luxembourg and held an extraordinary session at Strasbourg. It rendered ten Opinions to the Commission.

With M. Taccone (Italy, steel users) taking the chair as senior member, the Committee elected as its Chairman at its 118th session (25 January 1968) M. Jacques Ferry (France, steel producers). It also elected its officers and appointed the members of its standing committees. M. Ferry presided over all the sessions of the Committee: 119th session (26 March 1968), 120th session (14 June 1968), 121st

⁽¹⁾ *Bulletin* 2-69, Ch. III.

⁽²⁾ The activities of the Court (cases pending and rulings handed down) are reported in Ch. VI *infra*.

session (1 July 1968, at Strasbourg), 122nd session (17 September 1968) and 123rd session (13 December 1968).

At the opening of the 119th session the Chairman of the Committee paid tribute to the late Raymond Latin, former Vice-Chairman of the Committee, and to the late Werner Klaer, a senior official of the High Authority and the Commission, both of whom died early in 1968.

Activities

598. Each quarter, statements were made to the Consultative Committee on the subjects of the Community's activities and the development of the economic situation by M. Levi Sandri and M. Barre, Vice-Presidents of the Commission, and M. Colonna di Paliano and M. Haferkamp, members of the Commission. Also each quarter, the Commission submitted to the Committee forward programmes on the production, consumption, export and import of coal and steel. Furthermore, as in all previous years and in accordance with an established tradition, the Commission reported on the general state of the coal market during the year.

At the session of 1 July 1968, which coincided with the date of the entry into force of the customs union, the Chairman of the Committee stressed the importance of this event. In a speech, M. Jean Rey, President of the Commission, paid tribute to the work of the Committee, "the oldest advisory institution of the European Communities".

At Strasbourg, the Committee rendered its Opinion, under Article 67 of the Treaty of Paris, on appropriate Commission measures in the ECSC iron and steel sector in connection with the steps envisaged by the French Government as a result of the events of May. Emphasizing the pressing need for a common energy policy, the Committee, at its 122nd session, rendered an Opinion endorsing the extension of Decision No. 1/67 on aid to metallurgical coking coal and coke. Under Article 94(1) of the Treaty it rendered at its 123rd session an Opinion on the advisability of another extension of Decision No. 1/64 aligning quotations for pig-iron and steel products from state-trading countries. At its 120th session, the Committee approved a medium-term coal research programme. Lastly, a special subcommittee, set up under the Consultative Committee, submitted to the 121st session a draft report on the merger of the European treaties.

THE ECONOMIC AND SOCIAL COMMITTEE

Chairmen, sessions

599. In 1968 the Economic and Social Committee held eight plenary sessions and rendered 40 Opinions (67th to 74th sessions). At its 70th session the Committee held an extraordinary meeting to celebrate its 10th anniversary.

M. Major (Belgium, workers' group) presided at the following sessions: 67th on 24 and 25 January 1968, 68th on 27 and 28 March 1968, 69th on 24 May 1968 and 70th on 28 and 29 May 1968.

At its 71st session (25 to 27 June 1968) the Committee unanimously elected the following officers of its Steering Committee for 1968-70: as Chairman, M. Berns (Luxembourg, general interest group), and as Vice-Chairmen, M. Brenner (Germany, workers' group) and M. Précigout (France, employers' group).

In addition to the 71st session, M. Berns presided at the 72nd (25 and 26 September 1968), 73rd (30 October 1968) and 74th (27 and 28 November 1968) sessions. With regard to the Committee's functions, it amended at its 73rd session the responsibilities of its nuclear sections. One of these sections will now deal with energy policy and the other with all nuclear questions. The Committee formally constituted these two sections at its 74th session.⁽¹⁾

Activities

600. At the various plenary sessions the Committee heard statements by its Chairmen and the President of the Commission. At the 71st session M. Major, the retiring Chairman, summarized the results achieved during the past year, during which he had endeavoured to make the Committee a forum in which representatives of the employers' organizations and of the workers could exchange views. The permanent arrangements for discussion with the Commission were of great value and he hoped that the existing ties would become closer. In his opening speech at the 72nd session, M. Berns, the new Chairman, outlined the Committee's working programme and added that, in his view, the Com-

⁽¹⁾ The composition of the Committee and its organs is given in *Official gazette* No. C 2, 9 January 1969.

mittee must be given work more directly and concretely involving it in the major policy choices to be made by the Community. At the same session, M. Rey, President of the Commission, explained the Commission's standpoint on the general study of the overall Community situation which the Commission wishes to undertake jointly with the Committee. "As the Community completed an important stage in its development on 1 July", said the President of the Commission, "it is necessary to consider the general situation at the opening of the next stage of the economic union". M. Rey assured the Committee that he would give all possible assistance in the preparation of the consultation, which the Committee intends to hold at its plenary session in February 1969. At the 74th session, M. Berns reviewed the Community and international monetary problems in the light of the events which had occurred at the end of November 1968. It was vital that the countries should show solidarity, given the interdependence of their economies: a policy of national isolation was fraught with danger. The events of November had shown that "the European partners must have the courage to abandon certain prerogatives pertaining to national sovereignty in order to establish a common monetary policy, without which no true economic integration can be achieved".

601. The Opinions which the Committee rendered at the request of the Council and the Commission concerned various fields of EEC activity. The Committee rendered its annual Opinion on the economic trend of the Community at its 68th session and its Opinion on the Second Medium-term Economic Policy Programme at its 72nd session. Harmonization of customs regulations was dealt with in a number of studies by the Committee, which rendered Opinions on draft Council regulations and directives at its 68th session (valuation of goods for customs purposes, bonded warehouses, customs examination and temporary storage, deferred payment of duties, taxes and levies) and at its 71st session (inward processing traffic, transit traffic within the Community, free zones and customs territory). In the field of the approximation of national legislation, the Committee rendered Opinions on publicity for branded pharmaceuticals (67th and 70th sessions), the general programme for the elimination of technical obstacles to trade (71st session), cut glass and electrical equipment (73rd session) and on the measurement of the natural weight of cereals per hectolitre and the measurement of ships' tanks (74th session). With regard to freedom of establishment and freedom to supply services, the Committee rendered an Opinion on self-employed activities of architects (67th session) and certain self-employed processing activities (industry and crafts) (74th

session). Concerning agriculture, the Committee rendered Opinions on certain provisions for the common organization of the market in vine products (68th session), Community programmes for the Guidance Section of the EAGGF (69th session), health control and intra-Community trade in fresh meats (70th and 71st sessions), the common organization of markets in processed fruit and vegetable products and certain agricultural products listed in Annex II to the Treaty (70th session), the treatment of saccharose intended for human consumption (72nd session), the marketing of seeds and seedlings (73rd session) and three Opinions relating to tobacco (joint market organization, government monopolies and domestic taxes) (74th session). In connection with transport policy, the Committee rendered Opinions on certain questions relating to access to the occupation of road haulier, the control of capacity in domestic road haulage, action by Member States with regard to obligations inherent in the concept of public service (68th session) access to the inland waterways goods transport market (71st session), and the standardization of railway accounts (72nd session). As regards the social sector, the Committee heard, at its 69th session, an address by M. Levi Sandri, Vice-President of the Commission, and rendered an Opinion on the development of the social situation in the Community during 1966. The Opinion on the same subject, but relating to 1967, was rendered at the 74th session. Finally, at the same session, the Committee rendered an Opinion on the application of social security systems to workers and their families moving from country to country within the Community.

THE EURATOM SCIENTIFIC AND TECHNICAL COMMITTEE

602. On 5 March 1968 the Euratom Scientific and Technical Committee met for the last time in the form specified for it by the Council in a decision of 1 April 1963 to cover the five years from 1 April 1963 to 31 March 1968. The Committee discussed the general principles of a document from the Commission entitled "Future activities of Euratom". The Committee established the general criteria which it believed should govern Community activity in the scientific and technical field and affirmed its conviction that the Community should implement a comprehensive programme on fast reactors.

603. In accordance with Article 134 of the Treaty, the Council, at its meeting of 31 May 1968, reconstituted the Committee for a period of five years beginning on 1 April 1968. In pursuance of this Council decision the following are to serve on the Committee:

- M. Pierre Ailleret, directeur général honoraire et conseiller scientifique, Electricité de France;(1)
- Professor Arnaldo Angelini, direttore generale, Enel;(1)
- M. Jean Bertin, président-directeur, Bertin & Cie;
- Professor Pietro Caldirola, direttore scientifico, Camen;
- M. Giulio Cesoni, direttore, sezione energia nucleare, Fiat;(1)
- Professor Willy Dekeyser, Hoogleraar aan de Faculteit voor Wetenschappen, Rijksuniversiteit, Ghent;(1)
- M. Marcel De Merre, directeur, Société générale de Belgique;(1)
- M. René Dondelinger, directeur général adjoint, Aciéries réunies de Burbach-Eich-Dudelange (Arbed);
- M. Dante Finzi, vicepresidente, Sorin;
- M. Rolf Harde, Geschäftsführer, Interatom (Internationale Atomreaktorbau GmbH);
- M. Pierre de la Lande de Calan, président, Babcock/Atlantique;
- Professor Desiderius G. H. Latzko, Laboratorium voor Energievoorziening, Leerstoel Constructie Kernreactoren;(1)
- Professor Heinrich Mandel, Vorstandsmitglied der Rheinisch-Westfälischen Elektrizitätswerk AG;(1)
- M. Francis Perrin, haut commissaire à l'énergie atomique;(1)
- Professor Carlo Salvetti, vicepresidente, CNEN;
- M. Walter Schnurr, Technischer Geschäftsführer, Gesellschaft für Kernforschung mbH;(1)
- Professor Walter Stich, Leiter, Institut für Hämatologie der Gesellschaft für Strahlenforschung mbH;
- M. Maurice Tubiana, chef, département des radiations à l'Institut Gustave-Roussy;
- M. van Reenen, directeur, Rotterdamse Droogdok Mij NV;(1)
- Professor Josef Wengler, former Vorstandsmitglied, Farbwerke Hoechst AG.(1)

(1) Reappointment.

604. The Committee met on 18 and 19 September at the request of the Commission in order to examine the proposals for a programme which the latter was drawing up. At its meeting on 17 October the Scientific and Technical Committee rendered its Opinion, in accordance with Article 7 of the EAEC Treaty, concerning the Commission's proposal to the Council for the drafting of a multiannual research and training programme.

When the Committee met in September it decided to renew for one year the mandates of Professors Latzko and Mandel as its President and Vice-President. It also appointed for a period of five years the experts of the "basic standards" (Treaty Article 31) and "disposal of radioactive waste" (Treaty Article 37) groups. The Euratom Treaty confers on these two groups special responsibilities with regard to the protection of workers and the public from ionizing radiations.

603. In accordance with the wishes of the Scientific and Technical Committee and in view of the advantages of closer co-operation for itself, the Commission decided to associate the Committee as fully as possible with its work, in particular by increasing the number of its meetings and by encouraging the Committee to set up its own specialized working parties.

Lastly, in order to facilitate its work, the Committee adopted its own rules of procedure.

OTHER COMMUNITY ORGANS⁽¹⁾

The Consultative Committee on Nuclear Research

606. There was no meeting of the Consultative Committee on Nuclear Research (CCNR) in 1968. However, a special CCNR study group, set up by Council decision on 8 December 1967, was instructed to examine questions relating to the long-term supply of enriched uranium. This *ad hoc* group held six working meetings between May and No-

⁽¹⁾ The activities of the Monetary Committee, the Short-term Economic Policy Committee, the Medium-term Economic Policy Committee and the Budget Policy Committee are discussed in Ch. II *supra*.

vember under the chairmanship of M. F. Spaak, Director-General for Energy. In compliance with Council instructions, it drafted and submitted to the CCNR a report on the conditions under which the Community may obtain nuclear fuels from external sources. At the end of 1968 it also prepared a draft report on Europe's enriched uranium requirements, available sources of supply and the case for setting up a European enrichment capacity, having regard to the basic economic characteristics of this type of plant.

5. The Commission

INTERNAL ADMINISTRATION OF THE COMMISSION

Reorganization of departments

607. In 1968 the Commission completed the reorganization and rationalization of its departments, which it had begun on the entry into force on 1 July 1967 of the Treaty merging the Executives and Councils.

Under the 1968 budget adopted by the Council the number of authorized posts had to be reduced from the 1967 figure of 5,149 to 4,898 for 1968. Pursuant to Regulation No. 259/68, introducing special temporary measures, 254 officials ceased to be employed by the Commission.

The Commission made these reductions in the number of posts over a period of time and co-ordinated transfers from Brussels to Luxembourg and vice versa.

The number of officials affected by changes in the location of administrative departments was 488. Where the exigences of the service permitted, the wishes of members of the staff were taken into account when transfers were made.

608. The Commission also decided on the allocation of responsibilities among the departments of its unified administration, which are now organized as follows:

Secretariat of the Commission

Legal Service

Spokesman's Group

Statistical Office (located in Luxembourg)

DG I External Relations

DG II Economic and Financial Affairs

DG III Industry

DG IV Competition

DG V Social Affairs (located partly in Luxembourg)

DG VI Agriculture

DG VII Transport

DG VIII Development Aid

DG IX Personnel and Administration (located in Brussels and Luxembourg)

DG X Information

DG XI External Trade

DG XII General Research and Technology

DG XIII Dissemination of Information (located in Luxembourg)

DG XIV Internal Market and Approximation of Legislation

DG XV Joint Research Centre

DG XVI Regional Policy

DG XVII Energy

DG XVIII Credit and Investments (located in Luxembourg)

DG XIX Budgets

DG XX Financial Control

Supply Agency

Safeguards and Controls (located in Luxembourg)

Security Office

Several Directorates-General have had their work increased considerably and have been provided with extra staff. Other Directorates-General have been reorganized in accordance with their new duties.

609. The Commission has combined the departmental responsibilities for drawing up budgets within a single Directorate-General. This Directorate-General is responsible for the preparation and presentation not only of the Commission's operating budget, but also of Euratom's research and investment budget and the ECSC's research and readaptation budget; it therefore helps to determine the size of budget items in relation to each other and to the budget as a whole.

The Commission has given special responsibilities to the Directorate-General for Financial Control. In accordance with the provisions of the financial regulation, this department supervises all measures liable to involve expenditure to ensure that they are in order and meet the requirements of good financial management. It deals in particular with budget appropriations, availability of funds and the conformity of expenditure with the relevant rules; it has oversight not only of expenditure on staff and operations but also of expenditure by the EAGGF and Social Fund and of EDF commitments.

Euratom's Security Office, which was set up to implement Council Regulation No. 3 on Euratom secret information, has now been organized as a department coming directly under the President of the Commission and is responsible for security throughout the Commission's departments.

The Commission completed all these measures of reorganization by the deadline set in the Final Act of the Merger Treaty of 8 April 1965.

Establishment

610. Under the 1968 budget the Commission disposes of a total of 4,883 permanent posts at the A, B, C, D and L/A levels (plus 15 temporary posts), broken down as follows:

Category A:	1,363 (plus 15 temporary posts)
Category B:	911
Categories C + D:	2,142
Category L/A:	467

A further 55 posts (20 in Category A and 35 in Category B) were placed temporarily at the Commission's disposal in order to facilitate its task of abolishing posts without dismissing staff and to enable it to regularize the situation of auxiliary employees who had been in the Commission's service for several years.

Statute of Service

611. On 29 February 1968 the Council adopted, on the Commission's proposal and in pursuance of Article 24 of the Merger Treaty, a regulation embodying the Statute of Service (staff regulations) of the officials of the European Communities, with arrangements for other Community servants, and also providing for special measures temporarily applicable to Commission officials. The new Statute of Service is based on the EEC and EAEC Statutes, the provisions of which have been extended to all three Communities, subject to a number of changes.

On the same date the Council also adopted, on the Commission's proposal, a regulation establishing the conditions and procedure for levying the tax payable to the European Communities in pursuance of Article 13 of the Protocol on the Privileges and Immunities of the European Communities. This regulation too extends to all three Communities the rules hitherto applied in the EEC and EAEC.

Recruitment and careers

612. In the matter of staff policy, the Commission has the task of gradually aligning the practices obtaining in the former three institutions. The magnitude of this task is such that a transition period of several months will probably be needed; this time will have to be used to work out the details of co-operation with the representatives of the staff with a view to establishing, if possible by joint agreement, how the job of alignment is to be carried out. Experience has shown that co-operation on these lines is desirable if, for example, it can help to smooth the course of officials' careers.

Over 250 young graduates have been taken on for three- to six-month training periods on the Commission's staff; this gives them the opportunity of gaining an overall picture of the Commission's various activities.

Staff training

613. Before the merger the former Executives of the Communities had initiated training programmes with different degrees of intensiveness and on different lines.

Following its reorganization, the Commission approved a new short-term training programme (November 1968-May 1969) designed to enable officials who had been transferred as a result of the reorganization to make full use of their talents in their new positions. It also set up an Advisory Committee for Staff Training, which is required to submit proposals concerning training to the Commission.

Staff social welfare

614. The Commission has started preparing a policy of social welfare for the staff as a whole. The policy will have to be co-ordinated to cover staff employed in different localities, and bodies seating equal numbers of employer's and employees' representatives will be set up to administer the various forms of welfare along harmonized lines.

Transfers of departments

615. In implementation of the decisions taken by the Commission at the beginning of the year on the principles governing the location of departments following the merger, removals of technical equipment and of documentation and archive services from Brussels to Luxembourg and vice versa were carried out in three successive stages.

In both Brussels and Luxembourg there were further removals on a smaller scale to bring together departments which had previously been housed in a number of different buildings.

BUDGET QUESTIONS

1968 budget

616. The first combined budget of the three Communities was adopted in final form by the Council on 25 March 1968, after the European Parliament had expressed its views in a resolution on 14 March.

The budget covers the period from 1 January to 31 December 1968 and totals 2,176,917,671 u.a., the expenditure authorized for each institution being:

8,242,040 u.a. for the European Parliament,
 9,299,472 u.a. for the Council,
 1,916,130 u.a. for the Court of Justice,
 2,157,460,029 u.a. for the Commission.

The 2,157,460,029 u.a. allocated to the Commission comprises:

87,779,040 u.a. for administrative expenditure,
 24,550,989 u.a. for expenditure by the European Social Fund,
 2,045,130,000 u.a. for expenditure by the European Agricultural
 Guidance and Guarantee Fund.

Euratom programmes

617. As regards the EAEC research and investment budget, the second five-year programme ended on 31 December 1967. As it proved impossible to adopt a third programme in time, an interim programme was drawn up for 1968. To all intents and purposes this programme comprised only credits for the administration and technical operation of the Joint Research Centre, and the bulk of indirect activity was suspended.

Only funds carried over from 1967 (10,290,000 u.a.) made it possible to keep up financial participation in certain contracts.

The 1968 budget was finally implemented as follows:

Commitments undertaken 46,381,000 u.a.
 Disbursements 52,529,000 u.a.

A proposal for a third programme was drafted in the course of the year, but it was not endorsed by the Council.

On 8 January 1969 the Commission adopted the preliminary draft of the research and investment budget (Euratom) for 1969 and submitted it to the Council.

This preliminary draft was drawn up on the basis of the Council decision of 21 December 1968, which provided for a research and training programme consisting of a joint programme and supplementary programmes lasting one year from 1 January 1969.

The programme covers 19 objectives, and the corresponding appropriations (credits committed) amount to 48,630,000 u.a.—24,030,000 u.a. for the joint programme and 24,600,000 u.a. for the supplementary programmes.

1969 budget

618. In the course of its session of 9-10 December 1968, the Council took a final decision, subsequent to the resolution adopted on 28 November by the European Parliament and the amended draft, on the European Communities' budget for 1969.

This, the second budget common to the three Communities, covers the period from 1 January to 31 December 1969 and totals 2,701,456,707 u.a. The following expenditure is authorized for each of the institutions:

8,942,960 u.a. for the European Parliament,
 9,919,879 u.a. for the Council,
 1,969,680 u.a. for the Court of Justice,
 2,680,624,188 u.a. for the Commission.

The sum of 2,680,624,188 u.a. for the Commission is composed of:

97,711,027 u.a. for administrative expenditure,
 33,445,637 u.a. for expenditure by the European Social Fund,
 2,549,467,524 u.a. for expenditure by the European Agricultural
 Guidance and Guarantee Fund.

Questions arising from the ECSC Treaty

619. In order to adapt the budget year laid down by the ECSC Treaty to the financial provisions of the Merger Treaty making the budget period coincide with the calendar year (1 January-31 December), it proved necessary to extend the 1967/68 budget year by six months. For this eighteen-month period (1 July 1967-31 December 1968), receipts from the levy and other sources totalled 59.8 million u.a.

The credits authorized by the High Authority (1967/68) and by the Commission (second half of 1968) to cope with the ECSC's own

requirements amounted to some 60 million u.a. for the following purposes:

Administration	29.6 million u.a.
Readaptation	23.6 million u.a.
Research contracts	7.0 million u.a.

Attention must be drawn to how much has been done in the matter of readaptation, benefiting over 76,000 workers, 52,000 of them from the collieries and 24,000 from the steel industry.

620. A decision taken by the Commission on 18 December 1968⁽¹⁾ fixed the rate of the ECSC levy for 1969 at 0.3%, which thus remains unchanged. The European Parliament committees to which the matter had been referred in conformity with established practice had already expressed an opinion in favour of maintaining this rate at a meeting in Luxembourg on 12 December.

It is expected that the 0.3% levy on coal and steel production will bring in some 37 million u.a. in 1969. Together with other income (in particular interest on investments), amounting to 5 million u.a., and the available reserves (9 million u.a.), this figure brings foreseeable resources up to 51 million u.a.

Expenditure (on which the Commission based its decision on the rate of the levy) is broken down in the following fashion: a contribution to the Community's administrative expenditure, which was fixed by the Merger Treaty at 18 million u.a., readaptation grants (25 million u.a.), and expenditure on technical and economic research into coal and steel production, consumption trends and safety in the two industries (8 million u.a.).

621. On 16 January 1969⁽²⁾ the European Parliament, the Council, the Commission, the Court of Justice and the Economic and Social Committee, giving effect to Article 8 of the Decision of the Representatives of the Governments of the Member States of 8 April 1965 (annexed to the Merger Treaty), together adopted a decision establishing the Official Publications Office of the European Communities in Luxembourg.

⁽¹⁾ *Official gazette* No. L 312, 28 December 1968.

⁽²⁾ *Ibid.* No. L 13, 18 January 1969.

CHAPTER VI

COMMUNITY LAW

622. When it became clear that developments in Community law would call for brief discussion each year, the new chapter of the EEC Commission's General Report was added to the usual information given, in the chapter concerning the institutions, on the activities of the Court of Justice of the Communities.

However, experience has shown that the chapter on Community law, which necessarily includes numerous references to the cases pleaded before the Court, gives these cases a context which helps to bring out their importance and their implications. Accordingly, when the present report was being drafted, it was finally decided to group together the material given separately in the previous reports in the "Institutions" and "Community law" chapters.

In order to retain a general view of the activities of the Court during the past year, the present chapter begins with a brief review of the new cases which came before the Court, and of its judgments. The conclusions which the Commission draws from these cases will then be regrouped under the various headings concerning the development of the Community's legal order.

1. Activities of the Court of Justice of the European Communities in 1968

NEW CASES

623. During 1968, 33 new cases concerning the activities of the three Communities were brought before the Court. Of these, 11 were dealt with and the others are still pending.

The 33 cases are as follows:

- (i) Two appeals by the Commission against a Member State under Article 169 concerning the customs union;⁽¹⁾
- (ii) One appeal by the Commission against a Member State under Article 93(2) of the EEC Treaty;⁽²⁾
- (iii) Three appeals against one of the Community institutions under Articles 173 and 175 of the EEC Treaty concerning the common agricultural policy;⁽³⁾
- (iv) A case brought under Article 146 of the Euratom Treaty on the application of the Protocol on Privileges and Immunities to the Ispra Centre;⁽⁴⁾
- (v) Nine preliminary questions filed under Article 177 of the EEC Treaty by courts of the member countries on matters of interpretation of Community law or the validity of Community acts. Of these nine cases, one concerns the interpretation of an agricultural regulation,⁽⁵⁾ one the customs union,⁽⁶⁾ two the interpretation of Articles 85 *et seq.* of the EEC Treaty,⁽⁷⁾ two the social security of migrant workers,⁽⁸⁾ one the interpretation of Article 97

⁽¹⁾ Case 7-68: *Commission v. Italian Republic*, *Official gazette* No. C 24, 22 March 1968.

Case 24-68: *Commission v. Italian Republic*, *ibid.* No. C 115, 6 November 1968.

⁽²⁾ Case 1-68: *Commission v. French Republic*, *ibid.* No. C 11, 17 February 1968, withdrawn when the matter was rectified by France.

⁽³⁾ Case 6-68: *Zuckerfabrik Watenstedt GmbH v. Council*, *ibid.* No. C 24, 22 March 1968; judgment rendered, see sec. 626 *infra* and *Official gazette* No. C 82, 20 August 1968.

Cases 10-68 and 18-68: *Eridania Zuccherifici Nazionali and others v. Commission*, *Official gazette* No. C 54, 4 June 1968, and *ibid.* No. C 84, 28 August 1968.

⁽⁴⁾ Case 2-68: *Ufficio Imposte di Consumo, Ispra, v. Commission*, *ibid.* No. C 11, 17 February 1968.

⁽⁵⁾ Case 4-68: *Firma Schwarzwaldmilch GmbH v. Einfuhr- und Vorratsstelle für Fette (Verwaltungsgericht, Frankfurt am Main)*, *ibid.* No. C 14, 24 February 1968; judgment rendered, see sec. 627 *infra* and *Official gazette* No. C 82, 20 August 1968.

⁽⁶⁾ Case 13-68: *SpA Salgoil v. Italian Ministry of Foreign Trade (Court of Appeal, Rome)*, *Official gazette* No. C 75, 29 July 1968.

⁽⁷⁾ Case 14-68: *Bundeskartellamt v. Farbenfabriken Bayer (fines) (Kammergericht, Berlin)*, *ibid.* No. C 82, 20 August 1968. Case 31-68: *Chanel SA v. Cepeha Handelsmaatschappij NV (Arrondissementsrechtbank, Rotterdam)*, *ibid.* No. C 3, 11 January 1969.

⁽⁸⁾ Case 19-68: *De Cicco v. Landesversicherungsanstalt Schwaben (Sozialgericht, Augsburg)*, *ibid.* No. C 84, 28 August 1968.

Case 28-68: *Caisse régionale de sécurité sociale du nord de la France v. Torrekens and others (Cour de cassation, France)*, *ibid.* No. C 136, 19 December 1968.

of the EEC Treaty,⁽¹⁾ and two the interpretation of the Protocol on Privileges and Immunities (also filed under Article 150 of the Euratom Treaty and Article 41 of the ECSC Treaty);⁽²⁾

- (vi) Finally, 17 appeals were brought by officials or other servants against their institutions on questions of staff administration.

In addition, during 1968, 29 other cases brought in 1967 or before were pending before the Court; 19 were settled by judgment of the Court during the year; one case was struck off.

JUDGMENTS

624. During the same period the Court handed down 26 judgments. They concern the following matters.

625. A judgment on an appeal by the Commission against a Member State:

Case 7-68: *Commission v. Italian Republic*. Appeal under Article 169 of the EEC Treaty to seek confirmation that the levying of a progressive tax on the export of objects of art and antiques was contrary to Article 16 of the EEC Treaty.

By a judgment dated 10 December 1968 the Court found for the Commission.

626. Five judgments on appeals against a Community institution:

Case 28-66: *Kingdom of the Netherlands v. High Authority*. Appeal under Article 33 of the ECSC Treaty concerning special tariffs applicable to certain coal and steel transport services to or from the Saar.

In a judgment handed down on 8 February 1968 the Court reversed the High Authority decision.

⁽¹⁾ Case 29-68: *Milch-, Fett- und Eierkontor GmbH v. Hauptzollamt Saarbrücken* (Finanzgericht Saar), *Official gazette* No. C 136, 19 December 1968.

⁽²⁾ Case 5-68: *Sayag v. Leduc* (Cour de cassation, Belgium), *ibid.* No. C 24, 22 March 1968; judgment rendered, see sec. 627 *infra* and *Official gazette* No. C 82, 20 August 1968.

Case 23-68: *Klomp v. Inspector of Taxes, The Hague* (Gerechtshof, The Hague), *Official gazette* No. C 115, 6 November 1968.

Case 3-67: *Fonderie Acciaierie Mandelli v. High Authority*. Appeal under Article 33 of the ECSC Treaty concerning the contribution due from this enterprise to the scrap compensation system.

In a judgment handed down on 8 February 1968 the Court dismissed the appeal on the merits.

Case 29-67: *de Wendel & Cie SA v. Commission of the European Communities*. Appeal under Article 33 of the ECSC Treaty concerning the ban on discrimination in the matter of prices and publication of price lists for steel.

In its judgment of 11 June 1968 the Court dismissed the appeal by the company partly as inadmissible and partly on the merits.

Case 30-67: *Industria Molitoria Imolese and others v. Council of the European Communities*. Appeal under Article 173 of the EEC Treaty, in particular against Council Regulation 128/67 fixing the prices and principal marketing centres for cereals in 1967/68.

In its judgment of 13 March 1968 the Court found the appeal inadmissible.

Case 6-68: *Zuckerfabrik Watenstedt GmbH v. Council of the European Communities*. Appeal under Article 173 of the EEC Treaty against Council Regulation 1009/67/CEE (the common organization of the sugar market).

In its judgment of 11 July 1968 the Court also ruled this appeal by a private enterprise inadmissible.

627. Fifteen judgments concerning requests for preliminary rulings by courts of the member countries under Article 177 of the EEC Treaty (or Article 150 of the Euratom Treaty or Article 41 of the ECSC Treaty).

A judgment was handed down on the interpretation of Articles 30 *et seq.* of the EEC Treaty, namely the direct applicability of the articles, in particular Article 31, and the concept of "individual rights which domestic courts must uphold".

Case 13-68: SpA Salgoil *v.* Italian Ministry of Foreign Trade (Court of Appeal, Rome).

In its judgment of 19 December 1968 the Court noted that Articles 31 and 32, second paragraph, were directly applicable, pointing out that "a Community rule must be applied with the same force in all the Member States".

Two judgments concerned the interpretation and validity of agricultural regulations:

Case 5-67: Beus & Co. *v.* Hauptzollamt Munich (Finanzgericht, Munich).

In a judgment handed down on 13 March 1968 the Court of Justice confirmed the validity of Commission Regulation No. 144/65/CEE of 18 October 1965 instituting a countervailing charge on imports from Bulgaria and Rumania of dessert grapes grown in the open.⁽¹⁾

Case 4-68: Firma Schwarzwaldmilch GmbH *v.* Einfuhr- und Vorratsstelle für Fette, Frankfurt/Main (Verwaltungsgericht Frankfurt).

In a judgment handed down on 11 July 1968 the Court of Justice ruled on the interpretation of Commission Regulation No. 136/64/CEE and in particular on the concept of *force majeure* referred to in the Regulation.

A judgment was given on the interpretation of Article 85 (and 86) of the EEC Treaty:

Case 24-67: Parke-Davis & Co. *v.* Probel (Gerechtshof, The Hague).

In a judgment handed down on 29 February 1968 the Court ruled for the first time on the relationships between the Community law on restrictive agreements and monopolies and the Member States' laws on patents.

Eight judgments concerned the interpretation of Articles 95 and 97 of the EEC Treaty and the concept of a tax with effect equivalent to a customs duty as used in the agricultural regulations:

⁽¹⁾ *Official gazette* No. 172, 18 October 1965.

- Case 7-67: Firma H. Wöhrmann *v.* Hauptzollamt Bad Reichenhall (Finanzgericht, Munich);
- Case 13-67: Firma Becher *v.* Hauptzollamt Munich (Finanzgericht, Munich);
- Case 20-67: Firma Tivoli *v.* Hauptzollamt Würzburg (Finanzgericht, Munich);
- Case 25-67: Firma Milch-, Fett- und Eierkontor GmbH *v.* Hauptzollamt Saarbrücken (Finanzgericht, Saar);
- Case 27-67: Firma Fink-Frucht GmbH *v.* Hauptzollamt Munich (Finanzgericht, Munich);
- Case 28-67: Firma Molkerei-Zentrale *v.* Hauptzollamt Paderborn (Bundesfinanzhof, Munich);
- Case 31-67: Firma A. Stier *v.* Hauptzollamt Hamburg-Ericus (Finanzgericht, Hamburg);
- Case 34-67: Firma Lück *v.* Hauptzollamt Köln-Rheinau (Finanzgericht, Düsseldorf).

The judgments of the Court in all these cases were adopted on 3 and 4 April 1968.

A judgment was given on the interpretation of Article 1(p) of EEC Council Regulation No. 3:

- Case 19-68: De Cicco *v.* Landesversicherungsanstalt Schwaben (Sozialgericht, Augsburg).

In a judgment rendered on 19 December 1968 the Court replied in the affirmative to the question whether the periods during which a worker had been insured under Italian legislation on disablement insurance for craft workers could be treated as insurance periods for the purposes of Regulations Nos. 3 and 4.

In conclusion, there are two judgments on the interpretation of the Protocol on Privileges and Immunities:

- Case 32-67: Van Leeuwen *v.* Gemeente Rotterdam (Gerechtshof, The Hague).

In a judgment handed down on 8 February 1968 the Court interpreted the concept of "national taxes" from which the Protocol on Privileges and Immunities exempts officials of the Community.

Case 5-68: *C.M. Sayag v. J.-P. Luduc* (Cour de cassation, Belgium).

This judgment, handed down on 11 July 1968, gave the Court an opportunity to rule on the scope of the immunity from legal process enjoyed by the European Community officials in respect of acts performed by them in their official capacity.

628. Five judgments were rendered following appeals by staff against their institutions:

Case 16-67: against the Euratom Commission. Judgment handed down on 11 July 1968 (appeal dismissed partly on the merits and partly as inadmissible).

Case 26-67: against the EEC Commission and the Commission of the European Communities. Judgment handed down on 11 July 1968 (appeal dismissed on the merits).

Case 33-67: against the Council. Judgment handed down on 23 March 1968 (appeal dismissed on the merits).

Case 35-67: against the Commission of the European Communities. Judgment handed down on 11 July 1968 reversing a disciplinary decision of the (ex-Euratom) Commission, which had dismissed a scientific official.

Case 3-68: against the Council. Judgment handed down on 11 July 1968 (appeal dismissed on the merits).

2. The legal order of the Community

629. The legal order of the Community continues to develop within the framework of the three separate Treaties establishing respectively the European Coal and Steel Community, the European Economic Community and the European Atomic Energy Community. These Treaties are, however, now applied by the common institutions (Commission, Council, Parliament, Court), which are in a position to take a general view of matters arising in the three Communities. By distributing the work between its members and by organizing its departments, not in relation to three separate Treaties, but functionally, according to the nature of the problems concerned (e.g. competition, external relations,

etc.), the single Commission's aim has been to facilitate the contacts and pooling of work necessary in the implementation of the three Treaties.

Community law continues to grow as the Communities emerge from the period of construction to enter the period of operation. Most of the new Community legislation concerns agriculture. However, with the completion of the customs union on 1 July 1968, the need is being felt to align the customs law of the Member States and indeed in some cases to create Community rules directly applicable in the six countries. This is a new field in which Community law is likely to develop in the coming years.

Community law is derived not only from the regulations, directives and decisions adopted by the Community institutions but also from the international agreements concluded by the Communities. At this stage problems of relationships between international law and the law of the Member States arise which are not explicitly settled by the Treaties themselves.

Lastly, conventions between Member States will be gradually added to the Community law enacted in pursuance of the Treaties; Article 220 of the EEC Treaty provides for such conventions in order to help achieve economic integration. Two of them have already been signed: on 29 February 1968 the Convention on mutual recognition of companies and bodies corporate, and on 27 September 1968 the Convention on jurisdiction and the enforcement of civil and commercial judgments.

It is true that these Conventions are not part and parcel of the EEC Treaty and it would be rash to claim that the legal procedures stipulated to ensure compliance with, and unity of interpretation of, the Treaty are immediately applicable to the Conventions. It is however interesting to note that in signing these Conventions the Member States declared themselves ready to consider conferring certain additional powers on the Court of Justice of the European Communities. And it is very significant in this context that their point of departure was the idea that, subject to the necessary adaptations, new states joining the European Economic Community should also sign such Conventions.

Such a novel legal system, having such a wide variety of forms and aspects, cannot easily be classified in the traditional manner, for instance by contrasting "public" law with "private" law and municipal law with international law. Classification problems are, in fact, less

important than the establishment of key features of Community law in relation to the real requirements of economic integration under the three Treaties.

THE MACHINERY OF THE COMMUNITY LEGAL SYSTEM

Nature and scope of Community law

Direct applicability

630. The judgments handed down by the Court on 3 and 4 April 1968 in cases 28-67, 13-67, 25-67, 27-67 and 34-67⁽¹⁾ provided fresh material on the direct applicability of Community rules. The Court had to settle a series of points which had been submitted to it under Article 177 of the EEC Treaty by four German courts, including the Bundesfinanzhof (federal revenue court). These points concerned the interpretation of the fiscal provisions of the EEC Treaty, especially Articles 95 and 97. The Bundesfinanzhof had asked the Court whether it maintained its decision 57-65⁽²⁾ on the direct applicability of Article 95, first paragraph, of the EEC Treaty and whether the article could confer on private individuals the right to claim the same treatment before a Member State's courts, although the Member State's law on the point had not yet been amended, as they would enjoy if the State had complied (either of its own motion or after a procedure under Articles 169 or 170) with the obligation entailed by Article 95 to adopt appropriate legislation. The Court was also asked to state whether Article 97 was directly applicable in the sense of giving every citizen the right to appeal to a domestic court to check that the legal average rate of the charge was compatible with the principles stipulated in Article 95.

631. Replying to the questions, the Court began by reaffirming that the Community constituted a new legal order in favour of which the States had limited their sovereign rights, although in specific fields only, and to which not only the Member States, but also their nationals, were subject. Consequently, Community law was independent of the

⁽¹⁾ *Recueil de la jurisprudence de la Cour* (hereinafter *Recueil*), XIV, pp. 211, 275, 305, 327 and 359. (The reports of the Court do not appear in English.)

⁽²⁾ *Recueil*, XII, p. 293.

Member States' legislation; just as it created obligations for private individuals, it was also designed to create rights which form part of the legal structure of the Member States. These rights existed not only when they were explicitly conferred by the Treaty, but also by reason of obligations which the Treaty specifically imposed both on private individuals and on the Member States and the Community institutions. In this connection, what was required—and *all* that was required—was that the Treaty clause invoked should, by its very nature, tend to produce direct effects in the legal relations between the Member States and those under their jurisdiction.⁽¹⁾

Having stated this principle, the Court, confirming previous rulings,⁽²⁾ recognized that Article 95 of the EEC Treaty produced immediate effects and created for individuals the specific rights which the domestic courts are required to uphold: Article 95, first paragraph, is a non-discrimination rule which constitutes a clear and unconditional obligation.⁽³⁾ Similarly, the second paragraph of Article 95, which provides the necessary complement to the non-discrimination rule, creates an unconditional obligation which is not subject in its execution or effects to the intervention of any act, either of the Community institutions or of the Member States. The fact that this provision contains elements entailing an assessment of economic factors does not divest the domestic court of the right and the duty to ensure that it is complied with.⁽⁴⁾

On the other hand, the Court ruled out the direct applicability of Article 97, observing that this clause gave the Member States the option of using the procedure of average rates, and involved, for those of them which had regularly exercised this option, interposing between Community law and its application legal acts containing discretionary powers, so that the choice of average rates and the implications of this choice cannot possibly, in the present state of Community law, be directly affected by the rule of Article 97.

The Court also observed that no case could be made out against the direct applicability of Article 95 by invoking the dual structure of the system of legal protection established by the Treaty—appeals by private individuals to the competent national courts and exercise of the powers and rights of appeal given to the Community authorities by

(1) Judgment 38-67, *Recueil*, XIV, p. 226; cf. judgment 26-62, *ibid.*, IX, p. 5.

(2) Judgment 57-65, *ibid.*, XII, p. 294.

(3) Judgment 28-67, *ibid.*, XIV, p. 226.

(4) Judgment 27-67, *ibid.*, pp. 341 and 342.

Articles 155 and 169—or by pointing out the difficulties which the application of the Community rule might lead to in a given Member State. On the first point, the Court affirmed in particular that the action of a private individual is aimed at safeguarding individual rights in a specific case, while the intervention of the Community authorities is concerned with general and uniform compliance with the Community rule. It was thus apparent that the guarantees granted to individuals under the Treaty system to safeguard their individual rights and the powers granted to the Community Institutions regarding the fulfilment by the States of their obligations had a different object, different purposes and different effects, and could not be compared.⁽¹⁾ On the question of the difficulties which the application of Article 95 by the national courts might raise in a Member State, the Court observed that the complexity of certain situations in a State could not alter the legal nature of a directly applicable Community provision, especially since the Community rule must apply with the same force in all the Member States.⁽²⁾

632. As in previous years, direct application of Community law has formed an important part of the work of the national courts. Of the decisions handed down on this question during 1968,⁽³⁾ two judgments of the Bundesfinanzhof may be mentioned.

As a result of judgment 28-67 of the Court of Justice, the Bundesfinanzhof recognized, in its decision of 11 July 1968,⁽⁴⁾ the applicability of Article 95 of the EEC Treaty, with the consequence that where a domestic tax conflicts with the requirements of Article 95, the national provision which imposes this tax is not applicable where imposition of the tax would entail an infringement of Article 95.

Moreover, in a decision of 10 July 1968⁽⁵⁾ further to the judgment handed down by the Court of Justice on 13 December 1967 in case 17-67,⁽⁶⁾ the Bundesfinanzhof ruled that all regulations adopted by the Community institutions in pursuance of Article 189, second paragraph, of the EEC Treaty created obligatory and directly applicable legal rules of general scope, the reception of which in the legal order of each Member State did not depend on any special act of adoption, and

⁽¹⁾ Judgment 28-67, *Recueil*, XIV, p. 227.

⁽²⁾ Judgment 28-67, *ibid.*, p. 228.

⁽³⁾ See Table 26 *infra*.

⁽⁴⁾ *Außenwirtschaftsdienst der Betriebsberater*, 1968, p. 354.

⁽⁵⁾ *Ibid.*, p. 397.

⁽⁶⁾ *Recueil*, XIII, p. 572.

that the Community's power of legislation was exercised autonomously, independently of the legal and constitutional orders of the Member States.

Primacy of Community law over municipal laws

633. In judgments 28-67 and 34-67, the Court of Justice also had occasion to discuss the implications of the primacy of Community law (in the case in point, Article 95 of the EEC Treaty) over those provisions of domestic law which were incompatible with this rule. The Court said that the effect accorded Treaty Article 95 was a bar to the enforcement of any domestic measure incompatible with this text. The Court found, however, that Article 95 did not restrict the power of the competent national courts to apply those processes of the domestic legal order appropriate to safeguard the individual rights conferred by Community law. In particular, when a domestic tax was incompatible with Article 95, first paragraph, only beyond a certain amount, the national court must decide according to the rules of its municipal law whether all the tax was illegal or only that part exceeding the correct amount.⁽¹⁾

634. Among the judgments of domestic courts which confirm the primacy of Community law in the event of a conflict with domestic law, a judgment of the Bundesfinanzhof of 11 July 1968⁽²⁾ should be noted; this expressly recognized the primacy of Community law over conflicting domestic rules. However, a further judgment handed down on 10 July 1968 by the same court made a distinction between the validity and the interpretation of Community law on the one hand and its application in domestic law on the other. On the latter point, the Bundesfinanzhof appears to take the view that in certain cases the German constitutional provisions guaranteeing fundamental rights (*Grundrechte*) might be a bar to the application of Community law. In the case in point it nevertheless noted that there was no incompatibility between these two categories of provisions and that the problem of a conflict between them therefore did not arise.

In this matter, a judgment of the (French) Colmar Court of Appeal dated 15 November 1967⁽³⁾ may also be quoted; this said that all decisions handed down by the Court of Justice under Articles 177 and

⁽¹⁾ Judgments 28-67 and 34-67, *Recueil*, XIV, pp. 228-229 and 370.

⁽²⁾ Sec. 632 *supra*.

⁽³⁾ First Civil Chamber, Saarknappschaft (Miners' insurance company of the Saar), C. Freund et Martin, *Gazette du Palais*, No. 115-117, 24-26 April 1968, p. 3. *Revue générale de droit international public*, September 1968, p. 860.

219 of the EEC Treaty were part of Community law and therefore shared in the primacy of the Treaty over domestic legislation, that therefore they were binding on the Member States' courts in the same way as Community law, and that "compliance with an interpretation of the Communities' Court is directly and closely linked with compliance with the Treaty itself, the primacy of which is indisputable and, in France at any rate, is written into the Constitution (Art. 55)".

635. However, although more and more domestic courts are accepting the primacy either of the law of the Treaties or of derived Community law over the provisions of municipal law, it should be noted that the courts are not yet entirely unanimous on this fundamental question.⁽¹⁾ The fact is of particular concern in the case of a supreme court. Thus, the French Conseil d'Etat, by a ruling of 1 March 1968,⁽²⁾ dismissed a request for the annulment of decisions of the Minister of Agriculture authorizing the importation into France of wheat meal from Algeria and specifying that the imports were not subject to the levies provided for by EEC Regulation No. 19 of 4 April 1962. In this case the Conseil d'Etat relied on Order 62-1088 of the President of the Republic of 19 September 1962 on the tariffs in trade between Algeria and France (under Article 50 of the Law of 15 January 1963 this order has the force of statutory law), by virtue of which the arrangements in force for the entry into France of goods from Algeria before Algeria became independent were maintained for a transitional period. The Conseil d'Etat found that the order prevented the levy introduced by Regulation No. 19 from being charged when wheat meal from Algeria entered France itself or French overseas departments.

This ruling appears to proceed from the idea that a French court is bound to ensure the application of the *lex posteriori*, whatever the meaning and scope of existing Community law: consistent practice in the Conseil d'Etat has been that the court has no discretion to review the conformity of a French law either with the Constitution or with a rule of international law.

In its reply to the written parliamentary question No. 28-68 by M. Deringer,⁽³⁾ the Commission noted that the application of this

(1) See, e.g., the judgment of the Finanzgericht Baden-Württemberg of 21 March 1967 (*Entsch. der Fin. Ger.*, 1967, p. 240).

(2) Syndicat général des fabricants des semoules de France, *Recueil Dalloz-Sirey*, 1968, jurisprudence, p. 286. *Actualité juridique*, droit administratif, 1968, II, p. 235. *Europarecht*, 1968, p. 317.

(3) *Official gazette* No. C 71, 17 July 1968.

ruling in the framework of the Treaties establishing the European Communities was—as the Court of Justice had already shown⁽¹⁾—incompatible with compliance with the legal order deriving from the Treaties, and added that appropriate action was being considered.

*The uniform application of Community law:
Articles 177 of the EEC Treaty and 150 of the
Euratom Treaty*

636. In 1967 the number of preliminary questions under Article 177 of the EEC Treaty had increased to a point where they accounted for approximately two thirds of the new cases brought before the Court of Justice.⁽²⁾ In 1968, the number of such questions filed with the Court declined.⁽³⁾

This does not appear to be a symptom of a change of attitude. The main reason is that when the member countries' judges—who are becoming increasingly familiar with the rulings of the Court—have to deal with a Treaty clause or Community enactment which has already been the subject of a Court interpretation, they are more and more likely to apply this interpretation themselves, quite often actually citing the Court judgment. This explains why the Court, after handing down ten judgments in 1967 concerning the interpretation of EEC Council Regulations Nos. 3 and 4 on the social security of migrant workers,⁽⁴⁾ this year received only two preliminary questions relating to these regulations.⁽⁵⁾ It is therefore probable that a number of the courts of first instance refrained from using the facility provided for in Article 177, second paragraph, because the matters of interpretation or validity brought before them had already been settled in Luxembourg in response to a question from another court.

637. At a ceremonial session of the Court held on 23 October 1968 to celebrate its tenth anniversary, President Robert Lecourt and Advocate-General Karl Roemer said that the history of the Court had shown clearly the importance and value of the machinery established by Articles 150 of the Euratom Treaty and 177 of the EEC Treaty in ensuring unity of interpretation of Community law.

⁽¹⁾ Case 6-64, *Recueil*, X, p. 1158.

⁽²⁾ *First General Report* (1967), secs. 575 and 620.

⁽³⁾ Table 24 *infra*.

⁽⁴⁾ *First General Report* (1967), sec. 576.

⁽⁵⁾ Case 19-68.

President Lecourt observed that generally speaking co-operation between the Court and the member countries' courts had been vigorously promoted by the preliminary questions filed by courts of different statuses over the last ten years. It was true that not all the branches of the judiciary in the Member States had yet used the preliminary question. But the list of supreme courts referring to the Court of Justice of the Communities under Article 177 of the EEC Treaty was already quite long and varied since it included the Belgian, French and Luxembourg *Cours de cassation* and the *Conseils d'Etat* or final administrative, social or revenue courts of Germany, Belgium and the Netherlands.

The attitude of the member countries' courts to judgments handed down by the Court is also very significant. The information given in this connection by Advocate-General Roemer is of particular interest as an aid to establishing a fuller picture of the relationships which have been established between local courts and the Community Court.

First of all, once they have applied for and received a preliminary ruling, the national judges do not appear ever to have shown reluctance to apply the interpretation given by the Court to specific cases. True, there are traces of criticism from time to time. But these have apparently been on marginal points which could not radically affect the issue.

Moreover, it may be noted that, apart from the preliminary question, many judgments rely on the Court's rulings. Indeed, some judges in the member countries have denied that the Court's preliminary rulings are binding only on the specific cases to which they directly relate.

638. As to the fear sometimes expressed that the practice of reference for a preliminary ruling may lead to abuses or protracted delays, President Lecourt was able to show that the facts easily prove that there is no such danger.

Since the entry into force of the Treaties of Rome, the Court had received 54 requests in very varied fields for preliminary rulings, 13 of which were from courts of first instance and comparable courts, while there were 18 references from courts of second instance and 23 from final courts of appeal. Moreover, the Court seldom took more than 5 to 7 months (including recesses) to reply to the questions put. It is true that some cases being dealt with by courts in the member countries are too urgent to allow of a preliminary question in Luxembourg. But the decision on this point lies precisely with the judges of

courts of first instance or even in appeal, for whom reference to the Court of Justice is optional and not obligatory.

If used with moderation, the option given to the national judge at the stage of first instance of applying to the Court has the advantage not only of avoiding procedural costs and complications but also of calling the Court into action before conflicting case-law between the member countries has had time to gain a firm foothold.

The sources of Community law: acts of the institutions

639. The institutional development begun in 1967 in agricultural matters with the transition to the single market stage⁽¹⁾ was consolidated during the year under review mainly in relation to the completion of the customs union on 1 July 1968.⁽²⁾ That part of Community law which is known as "derived" law and which includes the regulations, directives and decisions implementing the Treaties increased gradually in line with the increase in work entrusted to the Commission by the Council.

This fact raises certain legal, technical and policy problems which have been examined by the European Parliament on the basis of a very thorough report on behalf of the Parliament's Legal Affairs Committee by M. Jozeau-Marigné.⁽³⁾ Thus on 3 October 1968 the European Parliament adopted a resolution on Community procedures for implementing derived Community law,⁽⁴⁾ which concerns both the principle of the exercise of executive powers (confined to two institutions, the Council and the Commission) and the intervention in procedures for implementing derived Community law of agencies not established by the Treaty, usually called "committees".

It should be noted that Article 155, final subparagraph, of the EEC Treaty enables the Commission to exercise the powers which the Council confers on it to implement the rules made by the Council. Though the wording does not prevent the Council from itself exercising the powers of implementation, it is quite clear that any implementing powers not retained by the Council may be delegated only to the Commission.

⁽¹⁾ *First General Report* (1967), sec. 622.

⁽²⁾ See also sec. 629 *supra*.

⁽³⁾ European Parliament, document de séance 115/68.

⁽⁴⁾ *Official gazette* No. C 108, 19 October 1968.

Moreover, the Council is still bound to observe the principles of the institutional order established by the Treaty. If therefore it decides not to delegate to the Commission the powers of implementing the rules which it makes, it cannot in any event challenge the powers of proposal which the Commission holds by virtue of the Treaty in the field concerned by the rules in question.

These points help to clarify the legal and institutional role of the committees, which are manned by representatives of the Member States with a Commission representative as chairman, already set up or proposed under procedures to enable derived Community law to be implemented effectively and, if necessary, rapidly.

In this case a distinction should be drawn between the management committees of the agricultural policy and the committees which might be called "rule-making" committees, whose work consists less in day-to-day management than in the establishment of new rules. Rule-making committees are, for example, the Committee on Origin,⁽¹⁾ the Committee on Customs Value⁽²⁾ and the Standing Veterinary Committee.⁽³⁾

640. The procedure of the management committees set up in connection with the common organization of agricultural markets is as follows:

- (a) The Commission has to consult the committees on drafts of measures which it intends to adopt;
- (b) If the opinion is favourable or if no opinion is rendered, the Commission adopts a decision which cannot be challenged;
- (c) If the opinion is unfavourable, i.e. if the committee votes by a qualified majority of twelve against the Commission's project, the Commission may also adopt an immediately applicable decision, but the measure adopted is at once communicated to the Council, which may within a month adopt a different decision, ruling according to the voting procedure specified in Article 43(2) of the Treaty.

This arrangement, which at all times gives the Commission the necessary powers, fulfils well the operating requirements of the agricultural market organizations, the running of which entails almost

⁽¹⁾ Council Regulation (EEC) No. 802/68 of 17 June 1968, *Official gazette* No. L 148, 28 June 1968.

⁽²⁾ Council Regulation (EEC) No. 803/68 of 17 June 1968, *ibid.*

⁽³⁾ Council Decision of 15 October 1968, *Official gazette* No. L 255, 18 October 1968.

every day the adoption of measures which have to come into force immediately.

Moreover, the arrangement has proved its worth in practice. Co-operation between the Commission and the management committees has developed very well: in the great majority of cases, Commission decisions have been adopted with the endorsement of the committee. In respect of only 20% of the consultations was no opinion given; there have been only five unfavourable opinions and there has been only one Council decision changing a Commission decision.⁽¹⁾

641. However, more time is necessarily needed, and the conditions obtaining are bound to be different, when the problem is not that of running a common market organization but of working out measures of a more permanent and a more general nature (health protection rules and customs regulations intended, for instance, to determine the concept of origin of goods). As M. Jozeau-Marigné pointed out in his report, the organization and powers of the committees should be matched with the specific characteristics of the sectors in question and the decisions to be adopted; the precedent of the agricultural management committees "could not be used to justify some measure of *immobilisme*."

Therefore the system proposed by the Commission for the "rule-making committees" differs from the procedure of the agricultural management committees:

- (a) Firstly, it is only when the opinion of the committee is favourable that the Commission has to adopt a decision immediately;
- (b) Secondly, when there is no favourable opinion from the committee, it is not for the Commission, but for the Council, ruling on the Commission's proposal, to adopt the measures;
- (c) However, the danger of a delay exceeding a certain period (usually three months) is obviated by the rule that the Commission recovers its power of decision if the Council has not acted within the stated period.

To be sure, this procedure gives the Commission less power of decision than the system of the agricultural management committees. None the less the procedure respects the idea of distribution of powers underlying Article 155, final subparagraph, of the EEC Treaty and the

⁽¹⁾ See the replies of the Commission to written parliamentary questions Nos. 71/68 and 156/66 by M. Vredeling, *Official gazette* No. C 66, 2 July 1968, and No. 82, 24 April 1967.

other rules ensuring the conditions of operation and the institutional balance of the Community: this procedure gives no power of decision to the committee of national experts. If the Commission lacks the power of decision (no opinion or an unfavourable opinion from the committee), it is the Council which rules on the Commission's proposal, with the consequences which Article 149 of the Treaty then entails.

642. This arrangement has been adopted as it stands for the Committee on Origin and the Committee on Customs Value.⁽¹⁾ On the other hand, in veterinary matters, the agreement between the members of the Council in July 1968⁽²⁾ entails an impairment of the procedures proposed by the Commission; it is stipulated that the rule that the Commission itself makes the decision if the Council has not adopted measures within a certain period does not apply when the Council has come out, by a majority, against the measures proposed by the Commission.

It is undeniable that, from the point of view of the efficiency of the institutional machinery, this restriction of the rule in respect of the veterinary committee could well diminish its value. The advantages of a rule of the kind derive precisely from its strictness and its automatic operation, which constitute at the same time a very strong incentive for the Council to speed up its work and a firm guarantee of the adoption of a decision, whatever happens, within a reasonable period.

Contentious proceedings

Protection of individuals by the Court

643. The judgments handed down by the Court of Justice on 13 March 1968 in case 30-67⁽³⁾ and on 11 July 1968 in case 6-68⁽⁴⁾ gave it an opportunity of confirming and amplifying its previous rulings⁽⁵⁾ concerning the right accorded natural persons and bodies corporate by Article 173, second paragraph, of the EEC Treaty to appeal decisions

⁽¹⁾ Sec. 5 *supra*.

⁽²⁾ Sec. 200 *supra*.

⁽³⁾ *Industria Molitoria Imolese SpA and others v. Council of the European Communities, Recueil, XIV, p. 171.*

⁽⁴⁾ *Zuckerfabrik Watenstedt v. Council of the European Communities, ibid., p. 595.*

⁽⁵⁾ *Ninth (EEC) General Report, secs. 388 and 390; First General Report (1967), sec. 625.*

which, while having the appearance of a regulation, concern them directly and individually.

In the first of the judgments, the Court reaffirmed that it was not impossible for an act having the general character of a regulation within the meaning of Article 189, second paragraph, of the EEC Treaty to contain measures addressed to specific persons in such a way as to render them individual within the meaning of Article 173, second paragraph. However, the Court specified that there was no such "individualization" in the case of provisions with a scope restricted to specific territorial zones, if within each zone they affected the interests of categories of users and dealers who were considered in the abstract and were singled out only in respect of their participation in the market for the products in question.

In case 6-68, the Court had to decide once again whether a measure should be considered a decision or a regulation within the meaning of the Treaty. However, more difficulties arose in the case in point than in other cases: the regulation challenged limited in time part of the intervention arrangements in Council Regulation No. 1009/67 of 18 December 1967⁽¹⁾ and thus meant the removal of a guarantee of sale to the detriment of producers and sellers of the product in question. The Court settled the case, which in his submissions the Advocate-General had called a borderline case,⁽²⁾ by stipulating firstly that a provision which abrogated or limited in time a provision of general scope is of the same nature as the general provision; it then stressed that "as long as it is established that a regulation applies in virtue of an objective *de jure* or *de facto* situation defined by the regulation in relation to its purpose, its status as a regulation is not impaired merely because it is possible to determine—to whatever degree of accuracy—the number, or for that matter the identity, of the persons to which it applies at a given moment."

Appeals by Community officials

644. Among the decisions which the Court of Justice handed down last year in cases concerning appeals by staff against their institutions,⁽³⁾ the judgment of 11 July 1968 in case 16-67⁽⁴⁾ should be mentioned. This judgment represents a further contribution to the "internal measures"

⁽¹⁾ *Official gazette* No. 308, 18 December 1967.

⁽²⁾ *Recueil*, XIV, p. 607.

⁽³⁾ Sec. 628 *supra*.

⁽⁴⁾ *Recueil*, XIV, p. 431.

theory, already outlined by the judgments handed down in the cases 16 to 18-59⁽¹⁾ and 27 and 30-64⁽²⁾: the Court has classified as “internal measures”—acts which of their nature cannot be appealed—rulings by superiors on proposals from subordinates concerning the running of a department, and mere observations to an official by his superior making an assessment of that official’s conduct on duty.

INTERPRETATION AND APPLICATION OF SUBSTANTIVE RULES OF COMMUNITY LAW

645. Only the Court of Justice of the Communities has the power to interpret Community law with a force binding on all those concerned. However, it can be applied to only on the initiative of a private individual, a Member State or a Community institution and only in respect of past acts or inaction.

Nevertheless the Commission and the Council are compelled to interpret the Treaties when the acts which they propose or adopt are being drafted. The application of the substantive rules of Community law therefore engenders problems of interpretation, the most important of which deserve mention.

Interpretation of the substantive rules of Community law by the Court of Justice

646. It is impossible to give here a full commentary on the rulings of the Court during 1968.

Some of the matters are in any case discussed in the chapters of this report describing the Community’s work in specific fields. For the present chapter, the most significant aspects seem to be those concerning interpretation of the provisions of the ECSC Treaty on transport, the fiscal provisions of the EEC Treaty (Articles 95 to 97), the concept of *force majeure* in certain agricultural regulations, the Protocol on Privileges and Immunities of the Communities and the disciplinary clauses of the staff regulations.

⁽²⁾ *Recueil*, VI, p. 45.

⁽³⁾ *Ibid.*, XI, p. 615.

Transport provisions of the ECSC Treaty

647. The main reason for High Authority decision 14/66 of 20 July 1966 authorizing a series of special rates applicable to certain coal and steel transport services to or from the Saar was the change in the conditions of competition of ECSC enterprises in the Saar resulting from major changes in infrastructure (canalization of the Moselle, etc.).

In its judgment of 8 February 1968 on case 28/26 (Kingdom of the Netherlands *v.* High Authority), the Court of Justice dismissed all the arguments of the plaintiff as to the merits and thus confirmed the lawfulness of the High Authority's approach; nevertheless it considered the lack of a precise time-limit as contrary to the Treaty and for that reason annulled the decision challenged.

According to the judgment, it was not permissible for the special rates to provide permanent support intended to offset economic difficulties: they must constitute for the enterprises concerned an incentive to adapt within a reasonable period to the changed conditions of competition.

EEC Treaty Articles 95 to 97

648. Five German revenue courts, including the Bundesfinanzhof, had submitted to the Court of Justice a series of questions on the interpretation of EEC Treaty Articles 95 to 97 and on the concept of charges with effect equivalent to customs duties within the meaning of the agricultural regulations. In the judgments which it handed down on 3 and 4 April 1968,⁽¹⁾ the Court of Justice had occasion not only to supplement and confirm its previous rulings but also to clarify certain new points.

Article 95 of the EEC Treaty prohibits a Member State from levying on the products of the other Member States domestic taxes greater than those it levies directly or indirectly on like products or taxes likely to protect other products indirectly. In the absence of like domestic products or other domestic products subject to protection, can Article 95 or 30 of the Treaty prevent a Member State from levying a domestic tax on products imported from other Member States? To this question put by the Munich Finanzgericht the Court replied in the negative, arguing that the purpose of Article 95 prevented such an interpretation

(¹) Sec. 627 *supra*.

and that the restrictions in Article 30 of the Treaty were different in their machinery and their object from measures of a fiscal nature.⁽¹⁾ The Court observed, however, that the freedom thus granted to the Member States had its limits. It would not be permissible to levy on the products in question taxes of an amount such that the free movement of the goods within the Common Market would be impaired; but the limits were not exceeded when the amount of the charge remained within the general framework of the national tax system of which the tax challenged was an integral part.⁽²⁾

*Concept of force majeure according to Regulation
No. 136/64/CEE*

649. The Court of Justice received a request for interpretation of Commission Regulation No. 136/64/CEE, with regard to the concept of *force majeure* occurring in Article 6 of the Regulation (case 4-68 - Firma Schwarzwaldmilch GmbH v. Einfuhr- und Vorratsstelle für Fette, Frankfurt).

The relevant clause, which also occurs in other agricultural regulations, stipulates that all imports from non-member countries must be covered by a licence issued against a security. The security is forfeited if the import has not taken place during the life of the licence, save in cases of *force majeure*.

In a judgment handed down on 11 July 1968, the Court found that since the concept of *force majeure* was not identical in content in the various branches of law and in the various fields in which it was used, its meaning should be determined in accordance with the legal framework in which it was to take effect. Hence the interpretation of the concept of *force majeure* in the regulation challenged should take into account the special nature of the public-law relationships between importers and the Member Governments and the purposes of the regulation. The Court inferred that the concept should not be restricted to cases of absolute prevention but ruled that within the meaning of the regulation the importer, in order to invoke *force majeure*, should have to prove that he had been unable to effect import within the period

⁽¹⁾ Case 27-67, *Recueil*, XIV, p. 341.

⁽²⁾ Case 31-67, *ibid.*, p. 357.

specified owing to abnormal external circumstances beyond his control except at excessive cost.

The Court's reasoning highlights the independence of Community law in relation to the law of the member countries, even when the terminology used is the same.

Protocol on Privileges and Immunities

650. The judgments handed down by the Court in 1968, drawing on interpretations given in previous cases,⁽¹⁾ show that in the Court's view the Protocol on Privileges and Immunities is justified, but also limited, by purely practical requirements and that there is no general intention to shield the staff of the Communities from domestic law and the domestic courts.

- (a) In a preliminary question (Article 177 of the EEC Treaty) filed by the Hague Gerechtshof (appeal court), in a suit involving the Netherlands Government and an official of the Community concerning an educational charge (case 32-67 - *Van Leeuwen v. Gemeente Rotterdam*), the Court was called upon to interpret the concept of "national taxes" from which the Protocol on Privileges and Immunities of the Community annexed to the EEC Treaty exempts officials and staff of the Community in respect of salaries, wages and emoluments paid to them by the Community. The Court ruled that a charge or fee for a specific service rendered by the public authorities was not a tax within the meaning of Article 12 of the Protocol, even if the rate of the charge or fee was related to the salary paid by the Community to the debtor (judgment handed down on 8 February 1968).
- (b) A road accident involving an official using his personal vehicle to effect a duty mission gave the Court the opportunity to rule on a preliminary question from the Belgian Cour de cassation (ruling handed down on 11 July 1968), on the scope of the immunity from legal process enjoyed by officials of the Communities for acts performed by them in their official capacity (case 5-68 - *C.M. Sayag v. J.P. Leduc*).

⁽¹⁾ Case 6-60, *Recueil*, VI, pp. 1131 *et seq.*

The Court gave a narrow interpretation to the concept of "official capacity". It found that immunity from legal process applied solely to acts which by their nature represented participation by the party invoking such immunity in the work of the institution to which he belonged.

In the case in point, the fact of driving a motor vehicle was an act performed in an official capacity only in the exceptional cases when that activity could not be accomplished other than under the authority of the Community and by its own staff.

Disciplinary arrangements for Community staff

651. In its judgment handed down on 11 July 1968 in case 35-67, the Court reversed a decision of the (ex-Euratom) Commission, which had dismissed a scientific official as a disciplinary measure.

The scope of this judgment goes beyond the case in question, since it is the first time the Court has handed down a judgment concerning a formal disciplinary procedure and since it discussed and settled a number of important points in this field.

As to the nature of the disciplinary procedure, the Court declared that the board of discipline, though a consultative organ of the authority empowered to make appointments, was bound to observe the fundamental procedural requirements in the exercise of its functions.

The Court was anxious to reconcile compliance with procedural safeguards, which is so important in such a field, with the practical requirements of the functioning of the institutions. It found that the Commission, in its capacity as authority empowered to make appointments, ought to have heard the party concerned itself instead of instructing a senior official to hear him. However, generally speaking, it recognized that the Commission could entrust this task to one or more of its own members, if reasons connected with the smooth running of the services so justified.

Application of the substantive rules of Community law by the Council and Commission

652. The more difficult problems dealt with by the Commission and Council in 1968 included two more recent questions:

- a) the harmonization of customs legislation, and
- b) the application of Articles 108 and 109 of the EEC Treaty (the balance of payments).

Harmonization of customs legislation

653. As already noted above,⁽¹⁾ the completion of the customs union on 1 July 1968 opened a new chapter in Community law. To replace the member countries' regulations or harmonize them with a view to removing the distortions of competition and diversions of traffic or manufacturing which disparities could engender, a body of common rules of customs legislation is being built up, which, in the customs union fixed by the EEC Treaty as one of the foundations of the Community, is obviously necessary if the removal of customs duties and quantitative restrictions between the Member States and the application of a common customs tariff are to be effective.

The preparation of the texts now adopted led the Commission and Council to fix their views on important problems of interpretation which concern both the relations between the different parts of the EEC Treaty and the relations between the three Treaties establishing the European Communities.

Relations between the different provisions of the EEC Treaty

654. The customs union is both the essential and the most prominent feature of economic integration, and it is therefore rather surprising that for the alignment of national customs legislations Article 27 of the EEC Treaty has made provision for no Community action other than Commission recommendations to the Member States.

The reticence of the Treaty on this point contrasts strongly with the powers conferred on the Council to legislate, using Commission proposals, in the field of commercial policy. Should it be inferred that the authors of the Treaty regarded the unification of customs legislations rather as a logical and necessary complement to the establishment of a common commercial policy towards non-member countries? The Commission has reached this conclusion only in respect of certain aspects of

⁽¹⁾ Sec. 629.

the customs legislation (cf. regulation of the definition of the origin of goods).⁽¹⁾

For the other parts of the customs legislation, the Commission has thus been led to envisage the application of Article 100 on the "approximation of such laws and regulations of the Member States as have a direct incidence on the establishment or functioning of the Common Market". But all that Article 100 allows of is the mere approximation of domestic laws through directives to the Member States.

It has, however, become apparent that on certain points (for instance, arrangements governing the definition of customs value) it was essential to go further and fix rules uniformly and directly applicable in the member countries. Having noted that the Treaty had made no provision in this respect for the powers required to achieve one of the objects of the Community, the Commission and Council, after consulting the European Parliament, decided that here was exactly the kind of case covered by Article 235.

Relations between the three Treaties

655. Generally speaking the relations between the three Treaties are governed by Article 232 of the EEC Treaty. The principle is as follows: because it has general scope, the EEC Treaty applies also to nuclear products or to coal and steel where these are not governed by one or other of the two corresponding Treaties; otherwise, the relevant provisions of the Euratom and ECSC Treaties take precedence over those of the EEC Treaty. Apart from the historical accident that the ECSC Treaty was signed first and the EEC and Euratom Treaties a few years later, the relations between the EEC Treaty and each of the two other Treaties is thus like the relations between a *lex generalis* and a *lex specialis*.

One conclusion already drawn from this principle is that the clauses of the EEC Treaty on freedom of establishment and freedom to supply services also apply to activities connected with coal and steel.

In customs matters, the application of this rule to nuclear products raises few difficulties. The common customs tariff established in accordance with Article 9 of the EEC Treaty covers them as well, and all that the special rules laid down by the Euratom Treaty for the establishment of a common market in nuclear products do is to make

⁽¹⁾ *Official gazette* No. L 148, 28 June 1968.

exceptions of very limited scope to the EEC Treaty, most of which have now ceased to have effect. The harmonization of customs legislations on the basis of the EEC Treaty will therefore also cover nuclear products.

The situation is less clear at first sight for ECSC products, since the common customs tariff is not valid for them. The ECSC Treaty contains special provisions for them which do not go as far as the establishment of a customs union or of a common commercial policy, but seek only to reconcile the operation of the Common Market with the maintenance, as to principle, of the Member States' powers in the matter of commercial policy towards non-member countries (Article 4(a), Articles 71 to 75).

Should it be concluded that the EEC Treaty rules on the harmonization of customs legislations cannot apply to coal and steel? This would seem to neglect the fact that the ECSC Treaty achieves only partial integration and that its commercial policy clauses, which say nothing of the harmonization of customs control arrangements, have only limited scope. In view of the silence of the Treaty here, there is no valid motive for reasoning otherwise than has already been done for freedom of establishment and freedom to supply services.

This means that there is no obstacle, in respect of the principle, to applying to coal and steel the rules adopted on the basis of the EEC Treaty (cf. regulation on the origin of goods).⁽¹⁾ However, it is also possible that the competent institutions may prefer to restrict their intervention to what is necessary to the application of the common customs tariff; in this case, the arrangements adopted will not apply for ECSC products (cf. regulation on customs valuation).⁽¹⁾

Application of Articles 108 and 109 of the EEC Treaty (balance of payments)

656. The economic difficulties in France during May and June 1968 naturally had repercussions on the external equilibrium of the French economy, and consequently on the balance of payments, leading the Community institutions and the French Republic to apply Articles 108 and 109 respectively.⁽²⁾ On that occasion, certain principles were laid down concerning the legal analysis of these provisions and their implementation.

⁽¹⁾ *Official gazette* No. L 148, 28 June 1968.

⁽²⁾ For steel, the measures of protection and support for French industry were adopted on the basis of Articles 37 and 67 of the ECSC Treaty (unilateral protective measures)

657. Article 109 was construed—the wording is clear on this—as a rule enabling the Member State concerned to adopt safeguard measures derogating from the rules of functioning of the Common Market, but only for protective purposes (*à titre conservatoire*). The protection concept justifies unilateral measures only in so far as there has been no Community decision at the appropriate time (i.e. “immediately”, as the text says), on mutual assistance under Article 108(2); as a corollary, as soon as the Community procedure of Article 108 comes into operation, the unilateral measures adopted by the Member State must be dropped. It follows that the unilateral measures adopted for protective purposes are the only ones in respect of which the Council can act under Article 109(3), ruling with a qualified majority on a Commission opinion and after consulting the Monetary Committee, to require the Member State concerned to amend, suspend or abolish the measures. Such action by the Council therefore also has an emergency character and cannot replace any measures adopted in pursuance of Article 108.

In short, as soon as the Community procedure provided for in Article 108 has been completed, the unilateral protective measures have no further justification and must either be replaced by measures adopted under Article 108 or be withdrawn.

658. Article 108 itself contains a logical sequence of actions.

First of all, Article 108(1) provides for an examination of the situation of the Member State concerned by the Commission in the light of the measures which that State has already adopted or which the Commission itself recommends. These are measures under Article 104, and the view has been widely accepted that at this stage the only measures which may be adopted are those which are compatible with the rules of the Treaty and the acts adopted for its implementation. Consequently, Article 108(1, first paragraph) does not allow the State to adopt and does not allow the Commission to recommend it to adopt derogatory safeguard measures.

Secondly, if the measures which can thus be adopted by the Member State do not appear adequate, the Council can then, on a recommendation by the Commission, which must consult the Monetary Committee for the purpose, grant mutual assistance. This presupposes the active intervention of the other Member States and not a mere passive acceptance of measures adopted by the Member State concerned. This is what happened in the case in point. In other words, a directive granting mutual assistance has to be addressed to the Member States other

than the one in difficulty. The Commission can quite well simultaneously recommend measures to the Member State which it must adopt itself, note that these will however be insufficient and recommend mutual assistance; this is what in fact happened.

Lastly, safeguard measures liable to derogate from the rules of the Treaty and of the implementing provisions can be granted by the Commission under Article 108(3), where the Council has refused the mutual assistance which the Commission has recommended, or where mutual assistance is granted by the Council but is inadequate alone, or in combination with the measures adopted by the Member State under Article 108(1), to remedy the situation. In the case in point, the Commission granted safeguard measures under Article 108(3). Therefore, the Member State can now adopt or maintain only such measures as are compatible with the authorizations granted by the Commission.

INFORMATION ON THE TREND OF COMMUNITY LAW

659. As in previous years, the Commission continued information work on the development of Community law.

The representatives of the Commission, and in particular of its Legal Service, participated regularly in the work of the Legal Affairs Committee of the European Parliament on important matters affecting the legal order of the Community. In particular the debates on Community procedures for enforcing derived Community law may be mentioned; these were based on a report submitted by M. Jozeau-Marigné which led to the adoption of a resolution by the Parliament in the October session.

At various symposia and seminars matters connected with the application of Community law were the subject of detailed study: problems linked with nationalized undertakings and competition at a "Bruges week" in April, the right of establishment at Fontainebleau and Bari in October, the relations between Community law and the law of the Member States at Hamburg in November. The second Italo-German legal congress held at Berlin in September was devoted to problems connected with the abuse of dominant positions as controlled by Community law and by the law of the Member States, and to jurisdiction and the enforcement of civil and commercial judgments. The fourth congress of the International Federation for European Law met at Rome in October and was attended by a number of members of the Court of Justice of the European Communities, senior judges of national courts and tri-

bunals, jurists and lawyers particularly interested in the development of Community law; representatives of the Commission's Legal Service took part. Problems connected with the concentration of enterprises in the Common Market were studied in detail at the congress.

A second visit by members of the committees of the Bundesrat (German Federal Council) and senior ministerial advisers responsible for matters of European law provided an opportunity for a profitable exchange of views on the establishment of penalties to ensure compliance with Community law, the prerequisites and the limits of Article 235 of the EEC Treaty and the interpretation of Article 155, final subparagraph, of the Treaty.

Contacts with judges in the various countries were also continued during the period covered by the present Report, in particular with Belgian judges, the future French judges of the Centre national d'études judiciaires, and *Gerichtsreferendare* (judges in training) of the Federal Republic of Germany. The main topic was the relationship between Community law and the law of the Member States. The Commission continues to encourage such contacts with judges and officials responsible for the application of Community law in the Member States. The contacts are established by means of visits made by groups of judges and officials to the Commission's departments or by the participation of officials of the Legal Service in legal meetings organized by the national associations such as the Association européenne de juristes in Paris or the *Academisch Genootschap* of Eindhoven.

In February the Legal Service of the Commission organized a meeting of a number of law teachers, judges and practising lawyers from the Community legal world who are interested in the problem of preventing modern techniques concerning legal information from developing solely within individual States and without proper co-ordination of effort. The meeting was used for a tentative exploration of ways and means of concerting information.

Outsiders are still showing considerable interest in Community law: there have been visits to the Commission in Brussels by British and Scandinavian lawyers, whether teachers or practising lawyers, and conferences organized in London by the British Institution of International and Comparative Law on Community law and the common law. The 53rd conference of the International Law Association held in August in Buenos Aires should also be mentioned; attended by officials of the Commission, the conference discussed problems connected with Community law.

TABLE 23
Cases analysed by subject matter
 (situation at 31 December 1968)

	ECSC				EEC				Euratom	Privileges and immunities	Appeals by staff of the institutions	Total
	Scrap compensation	Transport	Competition	Miscellaneous ⁽¹⁾	Customs union	Competition (including tax cases)	Social cases	Agricultural policy				
New cases	165	35	52	19	33	28	22	37	2	5	162	560
Cases struck off	22	5	15	9	6	2	1	2	1	—	47	110
Cases judged	143	30	37	10	26	23	20	24	—	4	101	418
Cases pending	—	—	—	—	1	3	1	11	1	1	14	32

⁽¹⁾ Levies, investment declarations, tax charges, miners' bonuses.

TABLE 24
Cases analysed by type (EEC Treaty)*
(situation at 31 December 1968)

	Cases filed under Articles										Grand total ⁽⁴⁾	
	169 and 93	170	173			175	177		184	215		
			By Govern-ments	By pri-vate persons	By the instr-utions		Total	Valid-ity				Inter-pretation
New cases	13	—	10	24	—	34	3	5	50	3	16	120
Cases struck off	4	—	3	2	—	5	—	—	2	—	—	11
Cases judged ⁽¹⁾	8	—	7	21	—	28	2	5	44	3	7	93
In favour of plaintiff ⁽²⁾	8	—	1	6	—	7	—	—	—	—	—	—
Dismissed on merits ⁽³⁾	—	—	6	2	—	8	—	—	—	—	7	—
Ruled inadmissible	—	—	—	13	—	13	1	—	—	3	—	—
Cases pending	1	—	—	1	—	1	1	—	4	—	9	16

* Excluding appeals by staff and cases concerning the interpretation of the Protocol on Privileges and Immunities. For these, see Table 23.

(1) The number of judgments is smaller than the number of cases judged, because some cases were consolidated.

(2) In respect of at least one of plaintiff's main pleas.

(3) This also covers appeals found inadmissible in respect of some pleas.

(4) The total may be smaller than the sum of cases listed, since some cases were based on more than one article of the Treaty.

TABLE 25
Cases analysed by type (ECSC Treaty)*
(situation at 31 December 1968)

	Number of cases filed			Total
	By the Governments	By the institutions	By individuals (enterprises)	
New cases	20	1	251	272
Cases struck off	9	—	42	51
Cases judged ⁽¹⁾	11	1	209	221
In favour of plaintiff ⁽²⁾	5	—	48	
Dismissed on merits ⁽³⁾	6	—	114	
Ruled inadmissible	—	1	47	
Cases pending	—	—	—	—

* Excluding appeals by staff and cases concerning the interpretation of the Protocol on Privileges and Immunities. For these, see Table 23.

⁽¹⁾ The number of judgments is smaller than the number of cases judged, because some cases were consolidated.

⁽²⁾ In respect of at least one of plaintiff's main pleas.

⁽³⁾ This also covers appeals found inadmissible in respect of some pleas.

TABLE 26
Decisions by domestic courts concerning Community law⁽¹⁾

Subject matter ⁽²⁾	Country	EEC Treaty											ECSC Treaty ⁽³⁾	Total										
		Free movement of goods				Free movement of workers	Transport	Competition			Tax provisions	Article 220												
		Customs duties	Quantitative restrictions	Monopolies	Agriculture			Restrictive agreements, monopolies	Dumping	Aids														
						12	5				1	1			1	1	1	1	24	27	13	1	1	1
	Belgium					1								24							1		—	26
	Germany (FR)	12		1	20	9					2			27									3	94
	France		5	2	2	9			1		1			13	1	1							2	37
	Italy			1		2								1		1							9	15
	Luxembourg													1									—	1
	Netherlands	3		1	1	2								24									—	31
	Total	20	3	4	23	23	1				3	2		90	3	2					1	14	204	

⁽¹⁾ Figures are for decisions published up to 31 October 1968, excluding cases having involved reference to the Court of Justice for a preliminary ruling.
⁽²⁾ The breakdown by subject matter is according to the main aspect of the judgment; thus cases referring to tax questions in agriculture are classified under "tax provisions".
⁽³⁾ Prices, financing, social security, competition, transport, obligation to pay, and forced execution.

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