

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

COMMISSION

Fourth

GENERAL REPORT

on the

Activities of the Communities

1970

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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 Fourth 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, 9 February 1971

Franco M. MALFATTI
President

Sicco L. MANSHOLT
Raymond BARRE
Wilhelm HAFERKAMP
Vice-Presidents

Albert COPPÉ
Jean-François DENIAU
Altiero SPINELLI
Albert BORSCHETTE
Ralf DAHRENDORF

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INTRODUCTION

Presentation of the General Report for 1970 and programme of the Commission for 1971¹

The decisions of 9 February 1971

On 9 February 1971 the Council took a number of major decisions concerning economic and monetary union. These are a matter for great satisfaction to the Commission, which should be the first to recognize their far-reaching political implications. A special word of thanks must go to Mr Werner, whose Report, following on the Commission's own operational plans, prepared the way for this drive to get Europe once more on the move. The debates in the Council were based on proposals submitted by the Commission. Once again at an important juncture in the process of European unification we have seen the political value of the intellectual give and take between the institutions and of the absolutely original role assumed by the Commission within the Community.

The Commission is well aware how difficult it will be to put into practice this scheme for a thorough recasting of the Community. But it would be a grave political error to underestimate the importance of the Council's decisions, which can without exaggeration be described as historic in the life of the Community. Unquestionably the new Commission has made a wise choice in placing economic and monetary union at the heart of its political programme.

The Commission explained its choice to the Parliament on 15 September 1970,² and now confirms it, strong in the political

¹ This introduction to the Fourth General Report on the Activities of the Communities is based on the address delivered to the European Parliament on 10 February 1970 by Mr Franco Maria Malfatti, President of the Commission, in presenting the Report and outlining the Commission's plans for 1971.

² *Bulletin of the European Communities* No. 9/10-1970.

consensus that has emerged in the Council. There were many sceptics, within the Community and without; doubtless there will continue to be many. The Commission is convinced nevertheless that there is a common political denominator, given which the objectives the Community has set itself need not be put down as unrealistic. They are ambitious objectives—the creation in ten years of a Community that can ensure within its boundaries vigorous development, full employment and stability, can eliminate imbalances between sectors and between regions, can contribute as a single unit to economic and monetary cooperation in the world. None the less these objectives are attainable and realistic. They cannot fail to open the door to greater political cohesion. Perhaps since the signing of the Treaty of Rome no choice has been of such importance to the future of the peoples and countries of the Community. The Commission knows that the difficulties to be overcome are no less great than when the Treaty of Rome was devised, or when the Community passed from the first to the second stage of the customs union. Yet in its view the general and political situation is such that it can look forward with reasonable optimism to the future. The Commission does not say that “Europe” is an established fact. But it does say that a long stride has been taken towards making it so.

Presentation of the 1970 General Report

A large part of 1970 was devoted to implementing the aims laid down at the Hague Conference of December 1969. The “spirit of The Hague”, the sign of a rediscovered political will of the six Member States, made it possible to take a great number of steps and achieve various objectives which the Commission had long been advocating.

Important political decisions were taken, marking the end of the transitional period. The process of reflection was carried further, and led to a plan for the construction of the Europe of the Seventies. The way by which the Community can attain greater dimensions and move towards wider horizons was opened.

For this reason it is worth having a look at the salient points in this succession of activities.

The decisions taken during the night of 21 April 1970 will enable the Community progressively to acquire its own resources, and permit the European Parliament to extend its powers over the budget. It should be emphasized that to the Commission these important decisions are not a goal, but merely a first, though a big, step forward. The Commission considered it regrettable that they did not take sufficient account of the Parliament's recommendations, or of its own proposals. On this point it renews its undertaking to prepare in the next two years a proposal for the further reinforcement of the Parliament's powers.

The undertaking given at The Hague on the enlargement of the Community has been met in full. From Commission proposals the Council worked out a common basis for negotiations; talks were duly opened between the Community and each of the applicant countries, and discussions are also proceeding with the other EFTA countries concerned which want to talk matters over with the Community. It is certainly not necessary to stress the importance of this great event of 1970.

Last year, too, Europe, which is seeking a fresh dimension, showed the world a new face. A genuine, though as yet incomplete, common commercial policy came into being in January 1970. The basic instruments, particularly those concerning exports which have been created since the end of 1969, and the opportunities offered by implementation of the EEC Treaty, especially its Article 113, allowed a start to be made in 1970 on carrying through this Community policy.

At the same time the policy of association in Africa saw the entry into force on the date scheduled of the second Yaoundé Convention and the Arusha Agreement. Consequently the links already established with those countries have been not just maintained, but reinforced.

In the outline of its future plans given to the European Parliament on 15 September 1970, the new Commission gave pride of place to economic and monetary union, as a cardinal element in the construction of Europe and a priority task of the Commission.

Having defined its general objective in the light of the political will expressed at The Hague, the Commission in March 1970 formulated the principles it deemed essential and the broad lines of the stages it proposed for the move towards economic and monetary union.

The Council asked a group of experts headed by Prime Minister Werner to undertake a study of the subject. On 29 October the Commission put before the Council a memorandum, a draft resolution and two draft decisions. There was at the time some controversy over the proposals, but it must be recognized that the Commission's approach was consistent and realistic, seeking not just any solution to the problem but a positive one, one that would provide a working basis for implementing the Hague decisions while ensuring the organic and global character of the plan.

To the progress on the plan for economic and monetary union were added in late 1970 two further successes which also concern the internal development of the Community—the start of Euratom's comeback and the Council's decision on the reform of the European Social Fund.

The year 1970 therefore enabled a beginning to be made on giving practical shape to the conclusions of the Hague Conference, and provided in particular the basis for development of the Community and the Council's historic decision of February 1971 on the establishment of economic and monetary union.

Programme for 1971

Nineteen seventy-one will be a year of fundamental importance in the life of the Community : the decisions on economic

and monetary union are sufficient reminder of that. The Community has experienced crises, even serious crises, in its time; it has gone through equally serious periods of stagnation, of political doldrums, of fading in the grand design to which it has all the time slowly but surely to relate its day-to-day work.

But it has also to realize that the situation today is objectively different. There is an external political situation driving us faster and faster towards political awareness of our responsibilities as a unit at world level. Within the Community subjects are being discussed which are of historic importance for our future and have a far from marginal impact on world equilibrium. These discussions do not represent vague hopes for an indeterminate future, but are the vehicle of political decisions, some of which have already been taken by the Community institutions while others, similarly far-reaching, will be taken in the course of 1971.

What significance can otherwise be attributed to the current negotiations with Britain and the other countries that have applied for membership in order to build up a ten-nation Community? Does the aim the Community has set itself not perhaps signify an important political contribution towards a better balance of forces in the world? Is it not an event pregnant with significance for the future of the Community? In this connection the Commission feels that in face of the difficulties still ahead in the negotiations insufficient attention is being paid to what has already been achieved and is important if the Community's nature and its development as an enlarged Community are to be ensured. The acceptance by the United Kingdom of the Treaties, of the Community's achievements and development—note the importance of the repeated assertions by the British that Britain is ready to go as far as the others are ready to go—of the system of "own resources", are so many elements contributing to a design in which enlargement is a factor reinforcing, not watering down, the Community.

Moreover, the conversion of the Community into an economic and monetary union is perhaps the most ambitious European project entertained since the Treaty of Rome.

Internal strengthening of the Communities

Such is the general political background against which the Commission's programme for the current year has been developed. A summary of that programme follows, though it is not possible here to touch on all its multiple aspects.

Special mention should be made of two developments in the field of social policy : first, the proposals the Commission is preparing to submit to the Council for the launching of the new Social Fund, and secondly, a more thorough and comprehensive appraisal providing a basis for the promised memorandum on social policy.

In addition, the Commission is about to finalize the first instruments for implementing the Council's basic decision of 26 November 1970 on the reform of the Social Fund.

The Social Fund

As already stated, the purpose of the new Social Fund is to provide the Community with a suitable instrument for ensuring the much desired correlation between social policy and the other common policies. Today, when the Community is about to embark resolutely on the road to economic and monetary union and the immense structure being created will establish an economic solidarity that it will be impossible to undo, it would be unthinkable if the Community were not provided with the machinery which would enable it to bear its responsibilities, including its financial responsibilities, in face of the social repercussions of the different decisions which will be adopted in widely varying fields.

The memorandum on social policy

The Commission intends to carry a stage further, and extend to embrace the areas most directly concerned, the appraisal which

must precede the final formulation of the memorandum on social policy. The memorandum will have to take into account the progress made towards economic and monetary union and the indications furnished by the Third Medium-term Economic Policy Programme, which was also adopted by the Council on 9 February 1971.

Its purpose will be to dovetail social policy into the general framework of Community policy, to outline the features of the present situation and to indicate the general objectives to be attained.

The Commission trusts that the memorandum will set off and stimulate a detailed discussion, so that the political will which is essential if intentions are to be put into action can be formed and can make itself felt at Community level.

The environment

As regards the protection of the environment in the Community, a study and research programme to identify causes of and possible remedies for environmental difficulties will be a prominent part of the Commission's proposals for scientific research.

Furthermore, the EEC Treaty provisions on the approximation of laws can, in certain specific cases, serve as a basis for harmonization of national measures.

But this kind of retroactive intervention lacks effectiveness, since the individual States are under increasing pressure to prepare legislative measures against pollution, and sometimes to adopt them as a matter of urgency. Such measures must be adopted in a Community setting in order to ensure that they do not distort competition or create fresh obstacles to trade. The Commission plans to submit proposals on these lines in 1971, perhaps making use of the possibilities afforded by Article 235 of the EEC Treaty.

Agricultural policy

As regards the common agricultural policy, the activities of the Commission and the whole Community will, it is to be hoped, be marked in 1971 by the new proposals which the Commission will submit to the Council for supplementing and amending the texts already submitted on agricultural structures.

The Commission wishes to stress the fact that it sees the agricultural policy as an indivisible whole, that is to say the price and market organization side is closely bound up with the social and the structural sides. The subject is not an easy one to deal with, but that is no reason for the Community to sidestep its political responsibilities. We cannot and must not balk at the decisions needed to get the markets into equilibrium and to make a real contribution towards the rationalization of Community agriculture and correction of serious economic and social imbalances.

The advance of the Community should be guided on such lines that it strengthens a style, a quality of life that will not be belied by pockets of depression and underdevelopment and which would deprive entire classes of producers of any clear-cut, reassuring prospect of progress. This is also the way to give millions of people an interest in the construction of Europe, to bring home to them what is being done and to put forward the construction of Europe as a qualitative leap beyond the existing limits on the distribution of wealth and the smooth growth of our economies.

In the Commission's view, the economic strength attained by the Community is sufficient to translate into practical action the objectives just referred to—objectives which, it must be recalled, are also obligations imposed by the Treaty of Rome.

Industrial policy

Integration of production structures and better territorial distribution of investment are essential if progress towards economic and monetary union and the harmonization of economic

policies are to take place against a background of rapid, balanced growth.

It is necessary, first and foremost, to expedite and round off the Commission's programme for the elimination of technical obstacles to trade.

Another fundamental component of a common industrial policy is the establishment of modern rules and regulations on freedom to tender for public contracts, a matter in which there are still substantial limitations and restrictions of a national character. The Commission appreciates the complexity of this field, and is accordingly seeking realistic solutions which can make a practical contribution to the implementation of a common industrial policy.

It must be emphasized that industrial policy cannot be regarded solely as an instrument for achieving the maximum quantitative growth of industry.

It needs to be dovetailed into a set of regional and social measures which reduce the cost of development, spread its benefits among all the inhabitants of the Community and safeguard the natural environment—a point which brings out the connections between industrial policy and the programme for protection of the environment.

An industrial programme with such complex political implications must however be subjected to the fullest possible political debate.

The Commission therefore plans, as announced in September last year, to convene for 1972—and prepare during 1971—a major conference on Industry and Society in the European Community, for the purpose of discussing what action the Community can best take to link industrial growth with social and regional requirements and with the need to improve the quality of life of its peoples. The conference would provide a forum for a full confrontation of ideas among the Commission, Governments, trade associations, trade unions and figures from the academic world.

Approximation of legislation—freedom of establishment

The prospect of economic and monetary union is also of the highest relevance to the setting of priorities for the Commission's work on the approximation of legislation, freedom of establishment and freedom to supply services.

Absolute priority is given to the progressive harmonization of taxation. Also of outstanding importance are the liberalization of capital movements and achievement of freedom of establishment and freedom to supply services in respect of banks and financial institutions, and laying the legal foundations for the policy on capital markets. To these must be added the Europeanization of company law and the abolition of legal obstacles to intra-Community trade.

As a result of this new slant to its work, the Commission will in a good many cases be unable to show tangible results in 1971. It is nevertheless aware of the need to create and guarantee the essential prerequisites for attainment of the final aim and, concurrently, to prepare in good time the various stages in the move towards economic union. In this connection it would emphatically stress the Council's undertakings with respect to tax harmonization, free movement of capital, and the correction of imbalances between industries and between regions; for its own part the Commission will, during the first stage of economic and monetary union, use its power of proposal and initiative in close conformity with this vital political decision of the Council's.

The Joint Research Centre—research and technology

In the field of research and technology, the Joint Research Centre, reorganized in accordance with the Council's decisions of last December, will operate with a large measure of independence (within the general guidelines laid down by the Commission and Council) as regards its own internal organization and the preparation and execution of research and teaching programmes.

The Commission is rapidly pushing ahead with the preparation of a multiannual research programme which should allow Euratom to emerge from its inactivity of recent years and conduct research in both nuclear and non-nuclear fields.

While the decisions of December 1970 constitute an initial success, the fact remains that they are only a small step in the direction of a genuine common policy on scientific and technological research. For there to be such a policy, three things are necessary. First, the Community's research activities will have to be extended to non-nuclear fields, in order to cover fundamental problems of common interest, such as those of pollution and of public transport. Secondly, they will have to be linked to industrial policy. And lastly, the Community will have to equip itself with effective instruments for devising and administering a common research policy. The Commission sent the Council an initial memorandum on these lines in November, and kept the Parliament informed. During 1971 it will be embodying these guidelines in concrete proposals.

That the Community should set out to equip itself for this purpose does not mean that it is becoming inward-looking or seeking technological autarky: its action is the essential condition for far-reaching and open international cooperation.

Energy policy

The need for a common European position on energy has been acutely felt of late. This fact is encouraging the Commission to continue with its work on ways and means and to make a start with the measures set out in the outline programme of 13 November 1969.

As regards oil and natural gas the Community will in 1971 seek, particularly in view of the medium-term supply position, to step up further its work on security of supply. It is clear that a common policy is important and urgently needed in the matter both of the maintenance of stocks and of the general pattern of the Community's supplies of oil and natural gas.

Furthermore, the Commission will do its utmost to ensure that by the end of the year the Council adopts the proposals submitted on various aspects of energy policy.

Transport policy

The Commission intends this year to propose to the Council two decisions on transport policy, one concerning the harmonization of relations between railways and Member States, the other dealing with the allocation of infrastructure costs.

Concurrently with these two proposals relating to vital sectors of transport policy, the Commission will continue its efforts for the harmonization of social arrangements, by submitting concrete proposals in respect of all three modes of transport. In addition, it plans to lay the foundations for further action on road safety, coordination of investment, and development of new transport techniques and methods, and it hopes to submit proposals to the Council for steps to be taken in connection with sea and air transport.

The Commission will do everything possible to see that during 1971 the common transport policy is given the fresh impetus called for if these proposals, and those already before the Council, are to have practical results.

Regional policy

Regional policy is another essential element in the internal consolidation of the Community. The Council's decision on economic and monetary union and the pressure of facts confirm the Commission in the views which underlie the proposals it submitted to the Council in October 1969.

Action by the Community should be concentrated on an overall view of the common policies and based on regional considerations, for as the effective results of the common policies

are conditioned by the territorial and social context in which they are applied, they obviously must dovetail with the data of specifically regional importance. This is a first essential if the Community is really to be a force for stability and equity; it is a first essential, among other things, for getting rid of a number of structural, and hence persistent, causes of inflationary pressure. In particular, the future policy on agricultural structures and the activities of the reformed Social Fund will have to be thought out and pursued in the light of this requirement.

As the Council rightly affirmed on 26 October, the Community bears a responsibility in regional matters. But to attain the objectives just listed it will have in the next few months to set up the machinery needed if this responsibility is to be made effective.

Enlargement

Where enlargement is concerned, the Commission has done much and has not failed to exercise its powers of initiative: the solutions already adopted have been based on its proposals. The Commission now faces some months of complex discussion, for the problems to be resolved are themselves complex. The results of the negotiations in progress can only be properly assessed if it is borne in mind that, firstly, the political objective is of outstanding importance, secondly, all concerned are anxious to keep the negotiations moving at a brisk pace, thirdly, many important points have already been settled, and fourthly, it seems clear that what is wanted in connection with the financial contribution during the transitional period—and this is one of the main issues still outstanding—is an arrangement for gradual adjustment to the system of “own resources”. On this point, the Commission takes the view that the machinery must not be contradictory, that it must not make it impossible, when the time comes, to apply the permanent system for independent Community revenue or be such that it hampers the phased adjustment of the applicant countries to the financing rules of the Community.

Clearly, in view of what is at stake, we are entitled to hope that the negotiations will quickly be brought to a successful conclusion. The fact that they are now concerned not with marginal but with central issues is a guarantee that effort will not be squandered on minor technical questions but be concentrated firmly on the politico-economic core of the problem.

The Commission consequently feels that its interest and its duty both require it to keep in close touch with the European Parliament and the appropriate Parliamentary committees. While the delicate nature of the matters under negotiation does necessarily mean that on some questions discretion must be the order of the day, the fact remains that the political implications of enlargement are of such importance that they call for the assistance of all responsible bodies, in particular those which are an emanation of the popular will.

The Community in the world

While the prospect of enlargement is giving a new dimension to the Community's role in the world, the Commission is also aware that the Community's internal development is adding to its international responsibilities. The past months have clearly shown the ever-increasing importance of the network of relationships between the Community—especially an enlarged and closer-knit Community—and the rest of the world.

The common commercial policy

Now that the transitional period is over, the Community is required to establish a common commercial policy. The Commission attaches great importance to this matter, which will entail adopting a genuine overall strategy in place of the somewhat haphazard, or at any rate piecemeal, decisions taken hitherto, and giving a broad interpretation to Articles 113 and 116 of the Treaty of Rome.

The weight which the Community carries in world trade is such that it demands well considered long-term political decisions. We cannot on an improvised, day-to-day basis discharge our responsibilities or translate into the necessary political action our economic position as the world's foremost trading power. Our aim must be on the one hand not so to construe the Treaty as to conflict with the desire and the duty—to say nothing of the practical advantage—of speaking with one voice in this matter, and on the other not to make the mistake of reducing a tremendous economic fact to something soulless and lifeless, bereft of political will;

Only so will it be possible both for national interests to be given their due and for the Community properly to discharge its international responsibilities. With this end in view, the Commission is now preparing, among other things, practical proposals on credit insurance which it intends to submit as soon as possible.

The Community and the international organizations

Then again, the Community must be represented at and take part in the work of international organizations, in the negotiations, held under their auspices, and when international agreements are concluded. It will be among the Commission's tasks in the future to see that the Community as such is accorded the position which under the Treaty of Rome is due to it after the expiry of the transitional period.

Development aid

Relations between the industrialized and the developing countries are a field in which the Community must persevere in its determination to perform its duties to the full.

The year 1971 is expected to see a major event, the entry into force of the system of generalized preferences for industrial products exported from any of the developing countries.

The Community's offer of generalized preferences on a world scale is a bold contribution to development aid policy. It is a far-reaching offer, which stems from the Community's conception of the future relations between developed and developing countries, yet reflects the need to safeguard in practice certain essential Community interests.

Raw materials, which are excluded from the generalized preferences, will require attention in the future; here the problems are more difficult still. But here too the Commission will pursue, wherever possible, a policy of world agreements.

It is apparent that what the Community is doing for the developing countries would be far more effective if it were not confined essentially to tariffs and trade and if the Community had at its disposal a more extensive set of instruments so that it could react more suitably to each particular situation. Accordingly, the Commission intends this year to propose that all the Community authorities deliberate together on joint or national measures and operations that will make it possible to move gradually towards a Community policy on development cooperation.

Generalized preferences and association

It is in this context that the Community's policy of association with various developing countries should be viewed.

Its association with the African countries and Madagascar, as emerged clearly from the recent stimulating debates at the Parliamentary Conference in Yaoundé, is the outcome of special responsibilities arising from history, from geographical proximity and from a complex of traditional relations not exclusively commercial in character.

Inasmuch as the association policy relates in particular to the countries of Africa, which are the most underprivileged in the Third World, it tends to offset the inequality in development

potential and is thus a factor of equity and equilibrium in the world, which must remain a permanent feature in the Community we are building. Moreover, as has been said again and again, it is a policy that benefits many and harms none.

The efforts that are being made to reconcile and adapt to each other the regional and the global aspects of development aid will be greatly facilitated by the overall deliberations on cooperation in this matter which the Commission plans to propose this year.

Mediterranean policy

Reasons of history, geography and common traditions have combined with political and economic developments to focus on the Mediterranean area a new awareness of the role the Community is called upon to play there.

The Commission feels the Community could make a substantial contribution to stability and development in the area. It does not deny, however, that it considers the commercial policy instruments at present available to it to be insufficient for its purposes even in the Mediterranean.

Relations with the United States

Still in this same perspective of an active Community presence in the world, the Commission is following with close attention the development of relations with the United States.

True, measures such as the Mills Bill are not exactly constructive, and the Commission trusts therefore that the Bill's reintroduction is more a tactical manoeuvre than a measure it is actually intended to implement.

The Commission takes this opportunity of repeating its conviction that an escalation of reciprocal restrictions between the European Community and the United States would have dangerous and unforeseeable consequences, not only for those immediately

concerned, but for the whole world. It is ready and anxious to seek constructive means of preventing the start of such a dangerous process.

The Commission is persuaded that some divergence of interest between the two largest trading powers in the world is in the nature of things, but that this must be reduced to its due proportions. Efforts should therefore be made to establish a new climate of mutual trust and open-mindedness. The Commission is certain that this new awareness could help to restore the atmosphere that has traditionally prevailed in relations between the Europe of the Community and the United States.

Negotiations with Japan

In the same spirit the Commission has been negotiating, and intends to continue negotiating in 1971, with Japan. A trade agreement between the Community and Japan could be a notable contribution to the liberalization of international trade. If both parties press forward along this path, the negotiations will end in the establishment of a cooperation which will offer additional assurance that certain fundamental principles of conduct in world trade will be observed.

Eastern European countries

As regards the Eastern European countries, 1971 promises to be a year of transition, pending the arrival of 1973 when the Six are to adopt a common commercial policy towards those countries too. The Commission considers, however, that in the intervening two years the Community must act with the fullest possible cohesion, in order that the framing of the future common commercial policy shall not be prejudiced by some fortuitous step, some unplanned action. Needless to say this is in no way intended to restrict possible commercial, economic and technical cooperation with Eastern Europe: on the contrary, the Commission is convinced that cooperation can be better developed in this way.

Conclusion

Such is the Commission's programme for 1971, which will have to be rounded off, in the light of the decisions on economic and monetary union which the Council took on 9 February 1971.

The Communities are going through a time when mere management of their heritage is not enough. The Commission feels, accordingly, that the tasks it has undertaken to perform in 1971 must be seen as part of a single organic whole; while the bonds of interdependence among all the achievements of the Communities must be cultivated, these achievements must be looked upon as the expression of a design which it will take the span of the present decade to complete.

To this end the Commission, pursuing a clear-out political aim, will make use of its right of initiative and proposal, and will seek to ensure that decision-making is not bogged down or drowned in the quagmires of technical detail or specialization. This original institution is very much alive to its own role and function in the Community: even as it rejects analogies which in effect debase its prerogatives, so it rejects interpretations which reduce its role and function, since it is convinced that the Treaty of Rome purposely set out to establish an autonomous institution independent of the Council and dependent for its maintenance in office on the trust of the European Parliament.

In the Commission's view, the construction of the Community demands more and more that all should observe the rules which make up the Community heritage. It intends therefore to see that such observance is the universal rule of conduct, so that the delicate balance upon which the Community rests may be strengthened.

It is in the logic of events that the Community will one day have to make fundamental choices as to its pattern of internal development and its position in the world. Since this time is now close upon us, the Commission is convinced that everything should be done to ensure that these choices are made in full

knowledge of the facts and under optimum conditions. The Community's future must not be prejudiced by present action taken to deal with sectoral stresses or short-term problems.

The Commission realizes that the progress of unification carries the postulates for radical and complex changes in the European scene.

The first timid steps towards political cooperation proposed in the Davignon Plan are also an expression of the dynamism produced by the present phase of European unification : they open up new vistas which are bound to become part and parcel of the Community process.

In this connection the Commission considers that it has a definite duty—one which, incidentally, is also a functional requirement—to ensure that this development can go forward smoothly, without breaks and without imbalances between its different components.

It is in this active, forward-looking loyalty to the spirit of The Hague that the Commission intends to exercise its responsibilities.

The Commission is profoundly convinced that it would not be making the most of that loyalty and that responsibility if it did not seek the help and cooperation of all the truly vital forces in the Community, and above all of the institution in which those forces find their most authoritative and representative expression. It intends, as in the past, to make of the dialogue with the Parliament a constant feature of its action, convinced that it will find in the Parliament the response which, without infringing on the responsibilities of either side, is the reflection of a commitment undertaken in common.

CHAPTER I

FUNCTIONING OF THE COMMON MARKET

1. Free movement of goods

FUNCTIONING OF THE CUSTOMS UNION

1. From the point of view of the functioning of the customs union, 1970 was characterized by difficulties encountered in the administration of the union and by positive effects resulting from the existence of Community legislation in certain customs fields.

In exercising the powers conferred on it by the Council in 1968 and 1969 as regards the application of the common customs tariff nomenclature, valuation, origin, transit of goods through the Community and inward processing traffic the Commission ran into difficulties because the work to be performed at Community level has grown constantly. As the Member States no longer have the power to take binding measures in these fields, they have turned increasingly to the Commission for the solution of the problems facing them, and so have trade circles in connection with their problems. This appreciably added to the burden on the Commission's staff, which has to prepare the implementing measures to be adopted and coordinate the administrative steps to be taken by the Member States. The Commission gave priority to these tasks of administration, which directly influence the functioning of the customs union, at the expense of the work on harmonization of customs legislation, which had to be interrupted for lack of specialized staff. The Commission will make every endeavour to remedy this state of affairs.

The administration of current Community legislation calls for close collaboration between the Commission's customs department and the cus-

toms departments of the Member States, and also frequent consultation of the trade associations organized at Community level. The Commission is glad to observe that both collaboration and consultation have developed satisfactorily and have become a feature of the Community. Direct contacts between the different customs offices in the Member States are proving increasingly indispensable in the application of the new customs arrangements. Under the system of transit of goods through the Community, for example, the officials of the customs department in one country very often have to act directly or indirectly on behalf of the department in another country. In this way, a spirit of Community solidarity is being created.

THE COMMON CUSTOMS TARIFF¹

2. The Commission and the Member States have continued to take care that the common customs tariff is properly administered and, in particular, that its nomenclature is applied and interpreted uniformly. The tariff classification not only determines the rate of customs duty to be applied, but also serves other purposes, such as the levy of domestic taxes, the preparation of trade statistics and the precise designation of goods in many administrative documents. This classification is therefore not without economic repercussions and, if carried out correctly and uniformly, is bound to contribute to the harmonious functioning of the customs union.

The Commission referred to the Common Customs Tariff Nomenclature Committee, set up by Council Regulation (EEC) No. 97/69 of 16 January 1969,² a considerable number of proposals regarding tariff nomenclature, mostly concerning products, the classification of which had been found to give rise to difficulties or divergences in the Community. In the light of the approval expressed by the Committee, the Commission adopted regulations to deal with ten or so of these cases,³ while in some forty other cases the drawing up of classification notes proved to be an adequate solution. Article 4 of Regulation (EEC) No. 97/69, referred

¹ *The Customs Tariff of the European Communities*, published by the Commission in the four Community languages, lists the customs 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 the amendments or suspensions occurring in the course of the year (the 10th series is dated 1 January 1971).

² *Journal officiel* No. L 14, 21 January 1969.

³ See, for example, *Journal officiel* No. L 16, 22 January 1970, No. L 32, 10 February 1970, No. L 36, 14 February 1970, No. L 114, 27 May 1970, No. L 140, 27 June 1970, No. L 163, 25 July 1970 and No. L 167, 30 July 1970.

to above, also empowers the Commission, after consulting the Committee, to decide on the conditions governing the admission of goods to certain headings or subheadings of the tariff. After consultation with the Nomenclature Committee, the Commission adopted several regulations concerning subheadings with reduced duties or levies for meat or live cattle originating respectively in Yugoslavia, Denmark and Austria.¹ It is in this Committee that the Member States work out a consensus with a view to the work of the Customs Cooperation Council in the field of nomenclature.

Great efforts have also been made by the Commission and the Member States to ensure that the elaboration of the explanatory notes to the common customs tariff advances as satisfactorily as possible. Indeed, these notes are impatiently awaited by trade circles and the official departments concerned as a commentary on the different subheadings of this tariff. By 31 December 1970, they were almost completed for a total of 70 chapters of the 93 for which such notes are planned. Their progressive publication was decided as early as 1969; 50 of these chapters have now been printed, to which others will be added in the near future as soon as they have been finalized in the four Community languages.² It must be admitted, however, that this is a long-term task, requiring research into and compilation of abundant technical and scientific information material. Doing this in several languages is bound to raise big problems.

3. The common customs tariff as applicable at 1 January 1971 was adopted in its entirety by Council Regulation (EEC) No. 1/71 of 17 December 1970.³ Its main feature was that the fourth instalment of tariff reductions agreed upon as a result of the last round of GATT negotiations became effective. It should be noted, however, that this new instalment—like its predecessor moreover—has not been applied to the majority of the chemical products, as the condition to which it was subordinated, i.e. the abolition of the American selling price system of customs valuation, had not been met. By comparison with the version of 1 January 1970, the common customs tariff as applicable at 1 January 1971 contains certain rectifications or amendments, in general on matters of form, and also amendments resulting from new agricultural regulations adopted in the course of 1970 (e.g. organization of the vine products market and the

¹ *Journal officiel* No. L 95, 29 April 1970 and No. L 166, 29 July 1970.

² *Explanatory Notes to the Customs Tariff of the European Communities*, published as they become available, in loose-leaf form (3rd partial publication on 1 July 1970).

³ *Journal officiel* No. L 1, 1 January 1971.

fishery sector). Moreover, it might be as well to recall that the common customs tariff had been affected in 1970 by several Council regulations, in particular: three regulations, dated 17 February 1970, restoring the customs duty on silk and silk yarn, but at the same time opening a Community quota for these products¹ and a regulation of 29 June 1970, reducing to 32% and 30% respectively the duties applicable to polyethylene and fabrics of regenerated textile fibres originating in the United States of America.² In connection with unwrought aluminium, it should be pointed out that a new duty of 7% came into force on 1 January 1971, replacing both the conventional rate of 9% and the tariff quota at 5%.

In the course of 1970 common customs tariff duties were suspended in whole or in part for various products, which were thus added to the list drawn up by the Council for that year in December 1969. For 1971, the Member States had lodged with the Commission some 170 applications for suspension of duties relating to nearly 160 products or groups of products. As in the past, they invoked in this connection the absence or inadequacy of Community production of these goods, considered as raw materials or semi-finished products for the manufacturing industry. The agreement of all Member States was obtained for 119 of them, of which 108 had already benefited from an identical measure in 1970. On a proposal from the Commission, the whole of these products formed the subject of Council Regulation (EEC) No. 2635 of 17 December 1970, which is based on Article 28 of the Treaty.³ Again acting on a Commission proposal and in order to fall in with the wishes expressed by the developing countries, the Council likewise decided³ on certain tariff adjustments in favour of products of tropical origin (coffee, cocoa, palm oil, etc.), and also an accelerated implementation of the results of the Kennedy Round for certain products of interest to Latin America.⁴ These various provisions too were inserted in the common customs tariff which came into force on 1 January 1971 by virtue of Council Regulation No. 1/71 already quoted.

Waivers to the application of the common customs tariff under Article 26 of the EEC Treaty were limited by the Commission to certain kinds of manufactured tobaccos and coffee for the Benelux countries,⁵

¹ *Journal officiel* No. L 43, 24 February 1970.

² *Ibid.* No. L 142, 30 June 1970.

³ *Ibid.* No. L 283, 29 December 1970.

⁴ *Ibid.* No. 258, 27 November 1970.

⁵ *Ibid.* No L 13, 19 January 1970 and No. L 153, 14 July 1970.

vinegar and Algerian wines for Germany,¹ and certain kinds of fish and potatoes for France.²

4. Work on the comparison of customs tariffs was mainly dictated by the negotiations between the Community and the four States which are candidates for membership. This activity took the form, *inter alia*, of the elaboration of the table of equivalence between the common customs tariff and the United Kingdom's customs tariff. Work on the customs tariffs of the other three candidates is in progress. Once completed, these tables of equivalence will serve as a basis for the adjustment of the candidate countries' national tariffs to the common customs tariff.

TARIFF QUOTAS

5. Pursuing its efforts since 1961 to eliminate the greatest possible number of tariff waivers in the form of the national tariff quotas allowed by Article 25 of the Treaty and the protocols to the agreement on the drawing up of part of the common customs tariff for the products of List G, the Commission granted only nine quotas in 1970, out of sixteen applied for by the Member States. Other applications became superfluous as a result of the Council's adoption of draft regulations submitted by the Commission introducing Community measures such as reductions or suspensions of customs duties or Community tariff quotas. By continuing its action in parallel with the implementation of the last regulations on the common organization of markets, the Commission considers that it will be able to achieve an even more appreciable reduction, if not the elimination of national tariff quotas.

As regards the opening of Community tariff quotas, proposed or draft regulations relating to thirty-four products were submitted by the Commission to the Council and adopted. In thirty-one of these cases, the opening of Community tariff quotas was in accordance with obligations contracted by the Community either in GATT or in agreements concluded with non-member countries (contractual quotas), while the others were to meet certain needs of the Community (autonomous quotas under Article 28 of the EEC Treaty).

¹ *Journal officiel* No. L 19, 26 January 1970, No. L 112, 25 May 1970 and No. L 214, 29 September 1970.

² *Ibid.* No. L 19, 26 January 1970.

In the matter of these Community quotas, the Commission has made progress towards the choice of uniform methods of administration and is continuing its endeavours to make a real advance towards harmonization of these methods of administration, without losing sight of the approximation of domestic legislation on the subject, which is indispensable in a customs union.

CHARGES WITH EQUIVALENT EFFECT

6. The Commission's action to eliminate charges with effect equivalent to that of customs duties made it possible, in the course of 1970, to settle 9 cases of such charges and to take steps in 33 other cases with a view to regularizing or abolishing them. The latter cases nearly all concern the duties, charges and dues for animal and plant controls and for quality inspections which many products must undergo when imported into or exported from the Member States. Other residual cases of the same kind, numbering 23, are still being examined by the Commission.

Apart from the cases referred to above, certain pecuniary charges the compatibility of which with the principle of free movement of goods among the Member States seems doubtful but which do not appear to have the characteristic features of a charge with equivalent effect are being studied in the light of the provisions of the Treaty relating to these charges and of the recent trend in decisions of the Court of Justice on the subject.

DUTY-FREE ENTRY

7. The fact that customs duties constitute resources for the Communities merely reinforces the need for uniform conditions in which these duties are not charged in certain cases.

On this point, apart from a draft regulation concerning the system of airport shops and sales on board aircraft, which is to be submitted to the Council in the near future, no progress has been made. As a result the numerous duty-free systems, other than those governing the aviation and shipbuilding sectors, continue to present disparities between Member States and to have an uncertain legal basis. The Commission plans, once it has

the necessary means at its disposal, to draw up an exact list of the domestic provisions in force in this field and to take all necessary steps, account being taken of Article 234 of the Treaty, to remedy the present abnormal situation.

CUSTOMS VALUATION

8. Efforts to fill the gaps in existing Community legislation have continued. The Commission's staff and the Committee on Customs Valuation, instituted by Council Regulation (EEC) No. 803/68,¹ were faced with a particularly delicate and difficult task, that of replacing by a Community system the standard values for citrus fruits applied by the majority of the Member States in very different ways. On 3 August 1970, after laborious studies and consultations with the trade circles concerned on several occasions and with unanimous approval of its draft by the Committee on Customs Valuation, the Commission adopted Regulation (EEC) No. 1570/70 setting up a system of average values for citrus fruits.² It should be noted that administration of this regulation is a permanent task and involves, *inter alia*, the fortnightly fixing of average values by the Commission on the basis of data supplied by the Member States.

Among other implementing measures, mention should be made of the Commission regulation fixing the details regarding the exclusion from value for customs purposes of the transport costs incurred in Switzerland or Austria for goods brought into the customs territory of the Community for onward transmission to another place in the Community via the territory of the countries named.³ These provisions will enable the traditional trade flows between the north and south of the Community to be maintained.

Another regulation concerns the exchange rate to be applied for determining the customs value as regards the Canadian dollar,⁴ which was fluctuating beyond the limits laid down by the International Monetary Fund.

¹ *Journal officiel* No. L 148, 28 June 1968.

² *Ibid.* No. L 171, 4 August 1970.

³ Regulation (EEC) No. 1150/70 of 18 June 1970 relating to the point of introduction to be taken into consideration in pursuance of Art. 6(2) of Regulation (EEC) No. 803/68; *Journal officiel* No. L 134, 19 June 1970.

⁴ Commission Regulation (EEC) No. 1970/70, 30 September 1970; *Journal officiel* No. L 216, 20 October 1970.

In view of the fact that the majority of Member States did not have available, at central department level, services with sufficient structure to cope with the requirements arising from application of the new Community rules, the Commission addressed to Member States, with the aim of harmonizing certain valuation practices and in order to ensure the efficacy of the Community measures to be executed, its recommendation of 23 January 1970 on the organization of the services of the central customs departments responsible for applying provisions regarding the value of goods for customs purposes.¹

The measures advocated in this recommendation will, moreover, make it possible to improve the collection of the information necessary to tackle the harmonization of certain divergent practices in the Member States, for instance in cases where the invoice price is not available or has been influenced by factors alien to the notion of a normal price. In order to achieve the required degree of harmonization in this field, it will be essential to work out as rapidly as possible a procedure which is both simple and equitable for solving at Community level the problem of adjusting invoice prices where they do not correspond to normal prices.

CUSTOMS LEGISLATION

9. The inadequacy of the means of action available was especially felt in the field of customs legislation, where all harmonization activities have remained in abeyance. As will be seen from an examination of the different sectors, it was possible to administer the existing Community arrangements only with very great difficulty, though a particular effort was made to launch the Community transit system. The Commission recognizes the highly abnormal character of this situation, which constitutes a danger that is likely to jeopardize seriously the desired consolidation of the customs union, especially since the appropriation of customs duties as "own resources" to the budget of the Communities makes it essential to align numerous sectors of customs legislation (customs clearance procedure, collection of duties, customs arrangements on economic grounds, settlement of disputes, etc.). It should also be noted that customs legislation applies to the collection of agricultural levies, so that almost the whole of the Communities' budgetary resources are concerned by the question.

¹ *Journal officiel* No. L 27, 4 February 1970, p. 10.

The activities for 1970 may be analysed as follows in the different sectors:

Application of directives relating to the placing under customs control and provisional deposit of goods,¹ deferred payment of customs duties, agricultural levies and charges with equivalent effect,² bonded warehouses³ and free zones⁴

10. An examination is now in progress of the laws and regulations introduced by the Member States to comply with these directives as from 1 October 1969.

As regards bonded warehouses and free zones, the Commission was only able to transmit to the Council with several months' delay the proposed directive relating to the usual handling operations likely to be performed under these customs arrangements.

Application of the directive on inward processing traffic⁵

11. It has not proved possible to undertake a thorough examination of the extremely numerous and complex domestic measures put into effect by the Member States to comply with Community rules. The Committee on Inward Processing Traffic was able to hold only five short meetings (10 days in all), in the course of which it worked out the first implementing measures. The aim is the adoption by the Commission or the Council of three initial important directives. Numerous other questions have, unfortunately, not yet been tackled (e.g. problem of coordinated manufacture, utilization of statistical information).

Origin of goods⁶

12. Among the numerous implementing measures that have to be drawn up, the Commission adopted, after a favourable opinion by the Committee

¹ *Journal officiel* No. L 194, 6 August 1969, p. 13.

² *Ibid.* No. L 58, 8 March 1969, p. 14.

³ *Ibid.* No. L 58, 8 March 1969, p. 7.

⁴ *Ibid.* No. L 58, 8 March 1969, p. 11.

⁵ *Ibid.* No. L 58, 8 March 1969, p. 1.

⁶ *Ibid.* No. L 148, 28 June 1968, p. 1.

on Origin, a regulation determining the origin of spare parts for equipment dispatched earlier.¹

The national measures adopted to implement the regulation on a common definition of the notion of origin have not yet been studied.

The Committee on Origin was able to meet for only 8 days in 4 sessions. It continued, as a matter of priority, to work on the criteria for establishing the origin of certain "sensitive" products. In this field the Commission should be able to adopt a regulation concerning radio and television receivers by the end of the year.

The little progress made in the administration of the Community regulations once again stems from inadequate means, but also from the fact that the Commission has had to draw up, as a matter of priority, provisions on the origin of goods, such provisions appearing in different trade or association agreements² or being necessary for their implementation. It has also had to look after the functioning of the customs cooperation committees set up under such agreements.³ In addition, the Commission has taken an active part in work on the same subject in OECD and UNCTAD with a view to setting up the generalized system of preferences.

Community transit

13. The entry into force on 1 January 1970 of the Community transit system has shown how difficult it is to ensure the proper functioning of a Community procedure when it involves subsequent action by the administrative departments of several Member States.

The regulations necessary for the application of the new system had been adopted in time, but it still rested with each national department to prepare for the application of the new rules on its territory, both at the practical level and in the matter of information. From the very first days of the application of the system, the Commission found that in certain Member States preparations had not been completed in good time, with the result that there were, for instance, insufficient stocks of forms or a lack of information both in the customs departments and among

¹ *Journal officiel* No. L 7, 10 January 1970, p. 6.

² Yaoundé Convention and Arusha Agreement, agreements with Israel, Spain and Malta.

³ EEC-Morocco and EEC-Tunisia Customs Cooperation Committees.

users. What is more, the instructions drawn up in the different Member States presented, and sometimes still present, considerable disparities.

The Commission gladly acknowledges that the merit for the fact that the movement of goods was not impeded during the initial period belongs to the national departments which, without exception, displayed a remarkable capacity for improvisation and adaptation.

The situation has gradually reverted to normal, mainly thanks to the work of the Committee on Goods in Transit, in which the Commission and representatives of Member States endeavour to administer the new system at Community level, thus remedying the fact that the practical application of the system is the responsibility of the six national departments.

The trend of events in recent months strengthens the Commission's conviction that, although the Community transit system is still far from being generally applied, it will take an increasingly firmer hold owing to the advantages it offers the users. Since the replacement of existing procedures by the new system necessitates major adjustments on the part of the users and affects a variety of interests, it is only normal that the success of the exercise will require a certain time.

It is particularly encouraging to note that, because of the reduction in border-crossing formalities, several Member States have already been able to authorize freight transported under the Community transit system to cross their frontiers outside the hours fixed for goods traffic without any special dues.

14. Parallel with this, the Commission referred to the Committee a number of proposals aimed at simplifying Community transit procedures for certain types of transport and for certain consignments.

For rail traffic, the proposals include the use, for the purposes of Community transit procedures, of way-bills instead of documents T1 and T2 and overall supervision on the basis of records kept in the railways' accounting centres. The absence of any formality for rail transport under the Community transit system when crossing frontiers within the Community has enabled the railway authorities to eliminate the halt at border stations for a considerable number of international goods trains, thus reducing transit times very appreciably.

A further proposal aims at simplifying formalities on departure and arrival of goods, so that firms can dispatch or take delivery of goods outside the office hours of the customs office at the place of departure

or destination. This simplification would be of great interest to establishments operating round the clock, for trade in perishable goods and to firms located at some distance from the customs office, especially as several Member States have already laid down simplified import and export procedures for these categories of firms.

In order to obtain these initial results, the Commission has concentrated the greater part of its efforts on this particular sector of customs legislation. Other improvements will be achieved if these efforts can be continued and stepped up with increased means of action, for experience shows that, if it is to be administered effectively, this procedure calls for constant attention and the possibility of proposing original solutions adapted to the steady development of transport techniques and modern administrative methods.

Other sectors

(e.g. outward processing traffic, temporary import arrangements, customs clearance procedure, conditions for collection, refund and retroactive levy of duties).

15. As work on harmonization is in abeyance, no proposals have been drawn up, but the Commission is now finalizing a programme of work, requested by the European Parliament, to permit complete harmonization in customs matters and it intends to take the necessary steps to remedy the present situation and to make it possible to carry out the programme.

QUANTITATIVE RESTRICTIONS AND MEASURES WITH EQUIVALENT EFFECT

16. As was emphasized in the Third General Report, measures with equivalent effect to quantitative restrictions have all been prohibited since the end of the transitional period by Article 30 of the EEC Treaty.

As required by Article 33(7) the Commission issued five directives in the course of the transitional period with a view to the abolition of such measures and sees to it that this ban is observed; this it does in fulfilment of the task conferred upon it by the Treaty and in the light of the principles of interpretation set out in these directives.

In this connection, stress should be placed on the very special importance which the Commission attaches to the abolition of restrictions on the supply of products required by the State, regional and local authorities and other public bodies, whose consumption represents a considerable and constantly growing slice of total consumption.

The Commission, well aware that the free movement of goods cannot be translated into reality unless these restrictive measures are abolished, is engaged primarily in constant action to this end.

REMOVAL OF TECHNICAL OBSTACLES TO TRADE

17. The general programme of 28 May 1969 for the removal of technical obstacles to trade resulting from disparities among the laws and regulations of the Member States, comprises four resolutions and an agreement concerning the *status quo* and information to be supplied to the Commission.¹

One of these resolutions relates to the programme for eliminating technical obstacles concerning industrial products; it breaks the programme down into three stages, the last to be completed by 1 July 1970 at Commission level and by 1 January 1971 at Council level. It is definite, however, that the delay in the execution of this programme which had already arisen last year cannot be made up in the course of 1971.

The Commission kept almost entirely to the time-table for the first stage and, to a substantial degree, to that for the second stage by submitting 31 proposed directives to the Council, which adopted in 1970 the 8 directives on motor vehicles listed below:

- (i) directive of 6 February 1970 concerning the acceptance of motor vehicles and trailers for such vehicles;
- (ii) directive of 6 February 1970 concerning the permissible noise level and the exhaust system of motor vehicles;
- (iii) directive of 20 March 1970 on the measures to be taken against pollution of the air by emission of noxious gases from spark-ignition engines fitted in motor vehicles;

¹ *Third General Report*, sec. 26.

- (iv) directive of 20 March 1970 concerning the fuel tanks and the rear bumpers of motor vehicles and trailers for such vehicles;
- (v) directive of 20 March 1970 on the positioning and fitting of rear registration plates of motor vehicles and trailers for such vehicles;
- (vi) directive of 8 June 1970 on the steering devices of motor vehicles;
- (vii) directive of 27 July 1970 regarding the doors of motor vehicles and of their trailers;
- (viii) directive of 27 July 1970 regarding motor vehicle horns.

These directives form part of the first stage of the programme, on which the Council was to decide by 1 January 1970; two exceptions are the third and sixth items on the above list, which come under the second stage and on which a decision by the Council was required by 1 July 1970.

A Council directive of 6 March 1970 amended the directives of 27 June 1967 and 13 March 1969 on dangerous substances, postponing their entry into force until 1 January 1971, as they cannot be implemented in the absence of a supplementary directive concerning dangerous preparations.

18. The Commission submitted to the Council proposed directives on driving mirrors of motor vehicles and electrical equipment utilizable in an explosive atmosphere.¹

It also forwarded to the Council, under Article 149, second paragraph, of the Treaty, proposed amendments to the outline directive on "measuring instruments", the directive on direction indicators of motor vehicles and the directive on certain components and features of agricultural tractors (steering gear).

The elimination of technical obstacles to intra-Community trade makes it possible to progress simultaneously towards several goals, such as:

- (a) eliminating technical obstacles and, through the agreement on the *status quo*, preventing the creation of new obstacles;

¹ By the end of 1970 certain proposed directives will probably be submitted to the Council concerning:

- (i) units of measure;
- (ii) supplementary devices for liquid meters;
- (iii) aerosols;
- (iv) methods of sample treatment and analysis of binary mixtures of textile fibres.

- (b) enabling firms to benefit fully from the dimensions of a genuine common market by making it unnecessary to have various production lines to cater for the different regulations in the Member States;
- (c) protecting the consumer by requiring producers to give clear and honest indications about the nature of the goods marketed;
- (d) safeguarding the natural environment by compulsory minimum rules with respect to pollution.

EURONORM

19. The results of the work of several working parties of the Coordinating Committee on the nomenclature of iron and steel products took concrete shape in 1970 with the publication of a large number of Euronorms: in addition to the 3 revised standards for wire rod, the first edition of which dated from 1957, four standards have been published covering the dimensional tolerances of flat products.

In the group of quality standards, the first five Euronorms concerning alloy and non-alloy high-grade steels used in mechanical engineering have been published, and also two Euronorms on physical tests and the general Euronorm on the agreed designation of steels, which is the revised edition of a text dating from 1962.

Work has been actively continued in all fields: parallel with the standardization of high-grade and special steels, standards are also being drawn up for physical and chemical tests for these types of steel, several Euronorms being in the final stage of preparation, and so are the Euronorm on non-grain-oriented electrical sheets and plates and the Euronorm on tolerances for bars and rods and on dimensions of hexagons.

The sub-group of experts set up for this purpose has prepared a list of modern fine-grained steels, with their characteristics, which should be standardized at European level; this problem, which is important for the competitive capacity of both the iron and steel and mechanical engineering industries, still has to be discussed by the working parties concerned.

Revision of the two most important quality Euronorms from the angle of tonnages produced was started in 1970; these are the Euronorm on structural steels for general use and the Euronorm on steel sheets for pressing or cold-bending, which together cover nearly half the production of finished products in the Community.

SPECIAL RULES APPLICABLE TO TRADE IN PROCESSED AGRICULTURAL PRODUCTS NOT COVERED BY ANNEX II TO THE TREATY

20. Implementation of the single-price system for basic agricultural products led the Council in 1969 to recast its Regulations Nos. 160/66/EEC of 27 October 1966¹,³ and 217/67/EEC of 27 June 1967,²,⁸ which were respectively replaced by Regulations (EEC) No. 1059/69 of 28 May 1969 laying down the trading arrangements applicable to certain goods resulting from the processing of agricultural products⁴ and (EEC) No. 204/69 of 28 January 1969 laying down, for certain agricultural products exported in the form of goods not listed in Annex II to the Treaty, general rules on the granting of export refunds and the criteria for fixing the amount of such refunds.⁵ The rules recast in this way now concern only imports from and exports to non-member countries.

Implementation of Regulation (EEC) No. 1059/69 gave rise to no difficulty in 1970. In order to take account of the experience acquired in this field, however, it was deemed advisable to amend slightly the standard quantities serving as a basis for calculating the variable components as regards sugar confectionery products (heading No. 17.04 of the common customs tariff) and malt extract (heading No. 19.01 of the common customs tariff). Application of the trading arrangements to casein has again been postponed so that the incidence of aid to liquid skim milk utilized for the manufacture of this product can be assessed properly (see Regulation (EEC) No. 987/68).

As regards exports, some amendments have also been made to Regulation (EEC) No. 204/69. These amendments were mainly for the purpose of enabling a differentiation to be made according to the geographical destination of casein and caseinates and of ovalbumin and, in the case of goods partly manufactured with agricultural products imported from non-member countries under processing traffic arrangements, of limiting the application of refunds to Community agricultural products.

¹ *Journal officiel* No. 195, 28 October 1966.

² *Ibid.* No. 135, 30 June 1967.

³ *First General Report*, sec. 25.

⁴ *Journal officiel* No. L 141, 12 June 1969.

⁵ *Ibid.* No. L 29, 5 February 1969.

2. Competition policy

GENERAL

21. In 1970 the trend towards industrial cooperation and concentration became more marked. Accordingly, the Commission's policy necessarily consisted in preserving effective competition in the common market while at the same time encouraging schemes for cooperation, reorganization and combination calculated to render Community enterprises as competitive as possible both inside and outside the Common Market. A competition policy on these lines is a first essential to the success of the industrial policy.

In view of the trend to combination, the Commission was obliged to keep a particularly careful eye on developments in the oligopolistically structured markets, in order to detect any cases which might fall under Article 86 of the EEC Treaty. It also issued a communication entitled "Outlines of competition policy on the structures of the iron and steel industry",¹ setting forth for the information of enterprises the criteria it will be adopting in the application of Article 66 of the ECSC Treaty.

In addition, for the purpose of evaluating the reasons for industrial concentration and quantifying its impact on competition, the Commission is engaged in working out a common method for the statistical analysis of the trend towards concentration in the main sectors of economic activity; these sector-by-sector studies are being conducted in cooperation with research centres and experts in the different Member States.

With regard to Article 85 of the EEC Treaty, concerning agreements between enterprises, the Commission generally speaking continued its policy of encouraging firms to cooperate where this was economically desirable and no major handicap to competition within the Common Market. In a communication of 27 May 1970 on minor-scale agreements not coming under the prohibition on restrictive agreements, the Commission set down the practical position under the case law on the subject, which is to the effect that agreements are forbidden by Article 85 only if they appreciably

¹ *Journal officiel* No. C 12, 30 January 1970.

restrict competition and trade between Member States;¹ whether an agreement is "minor" in scale is decided by reference to two quantitative yardsticks taken together, turnover and share of market. The legal and economic clarification thus provided should serve to encourage cooperation, in particular among small and medium-sized enterprises.

The Commission has also submitted to the Council proposed regulations to facilitate cooperation in the case of classes of agreement of economic importance, such as research and specialization agreements.

Notable individual decisions included a number relating to the distribution sector, and in particular to the general terms of sale agreed between producers and dealers; the Commission accepted that, while dealers might be required to abide by certain conditions, subject to these they should be free to sell anywhere in the Common Market, at such prices as they should themselves see fit to charge.

22. The Commission examined the Member States' replies to its recommendations of the previous year that they adjust their trading monopolies in line with Article 37 of the EEC Treaty, and in some cases decided to institute proceedings under Article 169.

With regard to aid for particular sectors, the Commission endeavoured to ensure greater consistency among the different national arrangements and to combine care that these should be effective with care that they should not distort competition and trade in a manner prejudicial to the common interest. Similarly with regard to all-round aid for particular regions, it continued to work for the establishment of a general method of examination making for greater transparency and for some harmonization of the volume of aid furnished, and so affording more assurance that the arrangements are compatible with the Common Market.

Mention should be made in this connection of the important judgment delivered by the Court of Justice on the financing of national aid by para-fiscal charges on national production and imported products.

¹ *Journal officiel* No. C 64, 2 June 1970.

APPLICATION OF THE TREATY CLAUSES RELATING TO RESTRICTIVE
AGREEMENTS, MERGERS, DOMINANT POSITIONS AND CASES OF
PRIVATE DISCRIMINATION

Individual cases

Position at 31 December 1970

Articles 85 and 86 of the EEC Treaty

23. Table 1 shows developments in 1970 with respect to cases dealt with under Articles 85 and 86 of the EEC Treaty.

TABLE 1
Articles 85 and 86 of the EEC Treaty
(31 December 1970)

	Notifi- cations and applica- tions for negative clearance	Complaints		Com- mission's own initiative	Total
		from Member States	from firms		
Cases in hand at 1 January 1970	9 266	—	71	70	9 407
New cases taken up during 1970	56	—	7	36	99
Total case load	9 322	—	78	106	9 506
Cases disposed of during 1970:					
(a) settled by decision	15				15
(b) settled following exhaustive procedure, but not by decision	13		8	6	27
(c) settled following simplified procedure ¹	2 085		24	19	2 128
Total cases disposed of	2 113		32	25	2 170
Cases in hand at 1 January 1971	7 209		46	81	7 336

¹ Termination of restraint of competition, adjustment bringing case under a block exemption regulation, cases of minor importance.

Of the 7 336 cases pending at 1 January 1970, the largest single group (some 3 500) is concerned with licensing agreements. The first test decisions in this connection are expected shortly.

As has been the practice for more than a year, new notifications are examined on receipt, and usually given priority treatment.

24. Table 2 shows the position for cases taken up under Articles 65 and 66 of the ECSC Treaty.

TABLE 2
Articles 65 and 66 of the ECSC Treaty
(31 December 1970)

	Article 65	Article 66
Cases in hand at 1 January 1970	25	26
New cases taken up during 1970	13	44
Total case load	38	70
Cases disposed of during 1970:		
(a) settled by decision	1	22
(b) settled otherwise (exempt under Article 66(3) proceedings discontinued, consolidated cases)	15	31
Total cases disposed of	16	53
Cases in hand at 1 January 1971	22	17

Market surveillance, checks and investigations

25. As in past years, the Commission assembled particulars and conducted investigations on combinations and proposed combinations of enterprises to establish whether they were permissible under Article 86 of the EEC Treaty.

Its activities in this regard concerned in particular firms in the metal packaging, motor tyre and electrical equipment sectors.

Numerous investigations were also made under Articles 13 and 14 of Regulation No. 17 to obtain the information which the Commission required to appraise agreements notified to it or to check, on its own initiative, the existence of restrictive agreements or other infringements of Articles 85 and 86.

The inquiry which the Commission put in hand in the margarine sector in 1965 under Article 12 of Regulation No. 17, in order to ascertain *inter alia* the reasons for the persistently low level of Community trade in this product, was completed in 1970. It showed that exclusive dealing agreements concluded by the biggest European producer had been in force earlier, but that these had been terminated at the beginning of 1969. It also brought to light the adverse effects on intra-Community trade of differences in the legislation of the Member States, which were impeding the growth of the trade among them.¹

A number of checks were carried out at German steel enterprises in accordance with the Commission's decision on a procedure under Article 65 of the ECSC Treaty with respect to agreements and concerted practices in the German scrap market.²

The surveys required under Decision 1/67, on coking coal and coke for the Community iron and steel industry,³ were completed for all the Community countries for 1967, and work was begun on those for 1968 and 1969.

Individual cases under Articles 85 and 86 of the EEC Treaty

Decisions

26. In 1970 the Commission delivered fifteen decisions on individual cases taken up under Article 85 of the EEC Treaty.

¹ The Commission submitted to the Council on 28 November 1968 a proposed regulation to harmonize this legislation.

² *Journal officiel* No. L 29, 6 February 1970.

³ *Ibid.* No. 36, 28 February 1967.

Four agreements between enterprises were given negative clearance. These related to:

- (a) The Kodak group of photographic supplies companies in the Common Market.¹ These companies' general conditions of sale had since 1 June 1963 contained clauses to which the Commission took exception, inasmuch as they forbade reselling of products for export and fixed resale prices. The rest of Kodak's conditions of sale posed no problems from the point of view of Article 85, and since Eastman Kodak subsequently instructed its Common Market subsidiaries to operate from 1 January 1970 on the basis of amended conditions in which the clauses objected to had been remodelled to make them compatible with Article 85(1) the Commission's finding was that the new arrangements gave no grounds for invoking the Treaty's rules of competition;
- (b) The Association syndicale belge de la parfumerie,² a trade association of Belgian manufacturers, wholesalers and retailers of toiletries formed to protect its members' commercial interests in such matters as brand names and unfair competition. The group had instituted arrangements imposing adherence by all concerned to set prices and distribution channels, thereby causing definite restriction of competition; these have, however, been withdrawn, so that the association is now compatible with the proper functioning of the Common Market;
- (c) The Asbl³ du tube d'acier soudé électriquement,⁴ a non-profit-making association formed by Belgian and Luxembourg producers to promote the quality and use of electrically welded tubes by joint publicity and a joint quality mark guaranteeing compliance with ISO⁵ standards. The negative clearance given to this body well exemplifies the Commission's attitude as expressed in its communication on inter-enterprise cooperation;⁶
- (d) The Supexie company⁷ set up by French producers of phosphatic fertilizers to take charge of the export marketing of their single superphosphates. Supexie, in addition to holding what were in

¹ *Journal officiel* No. L 147, 7 July 1970; *Bulletin of the European Communities* (hereafter *Bulletin*) No. 8-70, Part Two, Ch. I, sec. 15.

² *Journal officiel* No. L 148, 8 July 1970; *Bulletin* No. 8-70, Part Two, Ch. I, sec. 14.

³ Association sans but lucratif.

⁴ *Journal officiel* No. L 153, 14 July 1970; *Bulletin* No. 8-70, Part Two, Ch. I, sec. 12.

⁵ International Standards Organization.

⁶ *Journal officiel* No. C 75, 29 July 1968; *Bulletin* No. 9/10-68, Ch. II, sec. 4.

⁷ *Journal officiel* No. L 10, 13 January 1971; *Bulletin* No. 2-71, Part Two, Ch. I.

effect sole trading rights, made a practice of carrying out a yearly overall equalization of the amount of all sales both inside and outside the Common Market. Following the Commission's intervention, the agreement was amended so as to ensure that Supexie would henceforth not undertake joint selling of single superphosphates except in non-Community countries.

A fifth decision in favour was the exemption from Article 85(1) granted on 28 October 1970 to Omega¹ in respect of its selective distribution system for the sale of its watches in the Common Market. The Commission took the view that the limiting of the number of approved resellers, though appreciably restricting competition at the distribution stage, could be authorized in this instance on grounds of objective necessity. Moreover, Omega distributors in the Common Market were free to obtain their supplies from any of the five sole importers, and to sell to the other EEC countries; there was, therefore, sufficient competition in distribution.

27. The first unfavourable decision, handed down on 28 October in the Julien and Van Katwijk case,¹ forbade a market-sharing agreement between the Belgian SA Tuberies Louis Julien and the Dutch Van Katwijk's Industrieën NV, whereby the former undertook to limit its shipments of cardboard tubes to the Netherlands and the latter to sell no paper tubes at all in Belgium. The two firms had been required by the Dutch courts to abide by these undertakings pending the Commission's ruling on the agreement.

By a decision of 28 December 1970 the Commission declined to grant exemption to an arrangement whereby the Interessengemeinschaft der deutschen Wand- und Bodenfliesenwerke,² a German trade association of manufacturers of wall and floor tiles, planned to operate an aggregated rebate system based on purchases from German producers only, which would have resulted in a concentration of orders at the expense of suppliers of competing products in other member countries. The Commission found that this case did not qualify for exemption, since the benefits which might accrue as regards range and variety of dealers and specialization of manufacturing plants were not sufficient to offset the grave impairment of intra-Community competition.

¹ *Journal officiel* No. L 242, 5 November 1970; *Bulletin* No. 12-70.

² *Journal officiel* No. L 10, 13 January 1971; *Bulletin* No. 2-71, Part Two, Ch. I.

Cases disposed of without a formal decision

28. A large number of other cases were settled amicably and closed inasmuch as the agreements concerned had been terminated or amended while the Commission's investigations were in progress or after the parties had been informed of the objections. Among these cases¹ were:

- (a) The general conditions of sale applied by photographic supplies firms such as Agfa-Gevaert and Zeiss Ikon-Voigtländer.² Like Kodak (see sec. 26 above), these companies have introduced as from 1 January 1970 conditions of sale which no longer place restrictions on the export or re-import of their products within the Common Market, and have also scrapped resale price maintenance in Germany;
- (b) The agreements of the Dutch association De Rijwiel- en Automobiel-Industrie and the Belgian Chambre syndicale du commerce automobile de Belgique.³ These associations of dealers and importers of car parts and accessories have released their respective members from obligations which afforded absolute territorial protection through individual exclusive dealing contracts with suppliers abroad. They have also terminated their agreement barring their members from shipping to the other country any product for which a member of the sister association was sole concessionaire;
- (c) A number of agreements and concerted practices in the flat glass industry,⁴ which have been terminated by the parties where not already scrapped completely or in part. These include:
 - (i) an agreement adhered to by the majority of European producers, requiring them to respect members' home markets and established positions in export markets;
 - (ii) a series of agreements between these European producers and producers outside the Community, requiring the latter not to export to the Common Market;
 - (iii) a special agreement between the producers in one Member State and a producer in another Member State whereby all the latter producer's deliveries to the home market of the others were to be by way of assignment to them under a fixed quota;

¹ Other cases are recorded in various issues of *Bulletin of the European Communities*.

² *Bulletin* No. 2-70, Part Two, Ch. I, sec. 6.

³ *Ibid.* No. 7-70, Part Two, Ch. I, sec. 6.

⁴ *Ibid.* No. 8-70, Part Two, Ch. I, sec. 8.

- (iv) an agreement between two producers in two Member States, both operating under licence from one non-Community enterprise, to harmonize their sales policy in the area covered by both licence agreements;
- (d) Concerted practices among makers of window glass¹ in Germany and Italy, who have undertaken to refrain in future from all restrictive action with regard to their shipments to the other country. Trade between the two States had been restricted by both parties' adjustment to the conditions of sale obtaining in one another's markets, and the conclusion of sales agreements tacitly barring all direct exports;
- (e) The Association belge du superphosphate,² which has been dissolved by the enterprises belonging to it. Its rules laid down sales quotas for each member's operations within Belgium and in the export trade, and it also each year equalized prices in respect of all sales by each member and by the association, so that in the upshot each affiliated firm was paid the same *pro rata* price;
- (f) An agreement and concerted practices among makers of sanitary fittings³ in two Member States, whereby they standardized their prices and conditions of sale, sold as a rule only to a particular group of wholesalers in each of the two countries, allowed these wholesalers an aggregated rebate system, and acted in concert in face of quotations from elsewhere at competitive prices. Following the Commission's intervention the firms in question terminated the agreements and returned to unrestricted operation in the markets concerned.

Some of the above agreements were never notified to the Commission and so did not qualify to rate, as notification would have entitled them to rate, as valid *pro tempore*. However, since the offending arrangements had been voluntarily discontinued and proper conditions of competition quickly restored in intra-Community trade in the products concerned, the Commission considered there was no need to fine the enterprises for their past infringements.

Articles 65 and 66 of the ECSC Treaty

29. With Community steel production being expanded and rapid organizational changes in progress, the Commission has felt it necessary to for-

¹ *Bulletin* No. 8-70, Part Two, Ch. I, sec. 9.

² *Ibid.*, No. sec. 10.

³ *Ibid.*, No. sec. 11.

multate the outlines of a competition policy with regard to the structure of the steel industry.¹

Movement towards an eventual pattern in which there would be some ten major groups or enterprises, the largest of them accounting each for about 13 % of Community crude-steel production, would accord with the Commission's view that the aim must be to preserve effective competition in the Common Market while at the same time helping to keep steelmaking competitive.

The main decisions in this connection in 1970 were as follows:

- (a) Under Article 65, the Commission fined 25 German steel enterprises a total of 189 000 units of account for operating over several years a system of agreed quotas and prices for purchases of scrap;²
- (b) Under Article 66, it authorized the acquisition of rolling installations by August Thyssen-Hütte AG from Mannesmann AG, the joint formation by the two groups of Mannesmannröhrenwerke AG as a combination of the tube-making and assembly plants of both, and their acquisition of blocks of one another's shares in tube-producing enterprises.

This project being primarily concerned with production of steel tubes, which do not come under the ECSC Treaty, its implications for competition in this sector were examined to see whether it was of the kind prohibited by Article 86 of the EEC Treaty, i.e. whether the Thyssen-Mannesmann link-up on tubes constituted abuse of a dominant position. The Commission concluded, however, that this was not the case.³

General measures

30. In order to delimit the scope of Article 85 of the EEC Treaty more satisfactorily and facilitate inter-enterprise cooperation in the Common Market, the Commission decided, firstly, to publish its communication of 27 May 1970 on minor-scale agreements not coming under Article 85(1),⁴ and secondly, to propose to the Council:

¹ *Journal officiel* No. C 12, 30 January 1970, pp. 5 *et seq.*

² *Ibid.* No. L 29, 6 February 1970.

³ *Bulletin* No. 3-70, Part Two, Ch. I, sec. 5.

⁴ *Journal officiel* No. C 64, 2 June 1970.

- (a) A regulation amending Regulation No. 17, of 6 February 1962,¹ to extend the exemption from compulsory notification allowed by Article 4(2) to all joint research and development agreements, and to specialization agreements where the turnover on the products concerned does not exceed 10 % of the market therefor;
- (b) A regulation empowering the Commission to make regulations for the block exemption of agreements under Article 85(3),¹ the Commission's idea being that it should thus be authorized to exempt from the prohibition on restrictive agreements whole classes of agreements on application of standards and types, on research and development and the utilization of the results, on specialization, and on joint buying and joint selling.

31. To allow enterprises in the coal and steel sector to adjust more flexibly to the actual conditions in their respective markets than they are able to do under the present implementing decisions on Article 60 of the ECSC Treaty, the Commission is revising the terms of these decisions.

32. The Court of Justice delivered a number of judgments concerning application of the rules of competition which should be mentioned briefly in this connection. In Case 43-69,² the Court ruled that the "authorities of the Member States" referred to in Article 9(3) of Regulation No. 17 included the national courts, which were entitled to apply Article 85(1&2) immediately to non-notifiable agreements which had in fact not been notified.

In Case 1-70,³ the Court held that agreements which were patterned on a standard contract concluded before Regulation No. 17 came into force ("old agreements") and duly notified as such qualified for *pro tempore* validity, and that a standard contract, even if part of a network of parallel arrangements, rated for the purposes of Article 5 of Regulation No. 17 as an agreement between two enterprises only.

The Court's judgments in Cases 41-69,⁴ 44-69⁵ and 45-69⁶ are of particular relevance to the competition policy of the Community. In the

¹ *Journal officiel* No. C 92, 20 July 1970.

² *Bilger v. Jehle*.

³ *Rochas v. Bitsch*.

⁴ *Chemiefarma v. Commission*.

⁵ *Buchler v. Commission*.

⁶ *Boehringer v. Commission*.

main, they confirm the first penalizing decision whereby the Commission fined Common Market firms belonging to the quinine agreement. The Court recognized the Commission's right to impose large fines in cases of major infringement of the prohibition on agreements, and also its right to publish penalizing decisions although Regulation No. 17 does not actually require it to do so.¹

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

33. The Commission has followed with close attention the reactions of the Governments in the various Member States to the recommendations it addressed to them concerning monopolies and other arrangements coming under Article 37.²

With regard to the French and Italian manufactured tobacco monopolies, the Council did not adopt the Commission's proposal of 19 July 1969.³ It did, however, at its 102nd session adopt a resolution whereby the French and Italian Governments undertook to take all necessary steps to do away with discrimination arising out of the State trading monopolies and to abolish sole import and wholesale rights by not later than 1 January 1976.⁴ The Council noted at the same time that the resolution was not to be taken as in any way affecting the application or otherwise of Article 37 of the EEC Treaty.

The Commission wrote to the two Governments on 4 August indicating in which respects it considered the present arrangements to require alteration. It should be added that, following the Council's resolution, from 1 January 1971 the French State monopoly will market all brands of manufactured tobacco from the other Member States.

In the case of the spirits monopoly, the French Government has announced its willingness to change the import surcharge system, which involves discrimination against spirits from the other Member States, and the German Government is also ready to abolish the quantitative restric-

¹ *Chemicfarma v. Commission.*

² *Third General Report*, secs. 40 and 41.

³ *Ibid.*, secs. 51 and 174.

⁴ The resolution was formally and finally adopted by the Council on 21 April 1970; see *Journal officiel* No. C 50 of 28 April 1970, p. 2.

tions still remaining; neither Government, however, is prepared to adjust its monopoly on non-agriculturally derived spirits so long as there is no common organization of the market in spirits of agricultural origin.

Regarding the French monopolies on matches, on gunpowder and explosives and on petroleum products, the French Government has informed the Commission that it is preparing statutory provisions to modify these in accordance with the Commission's recommendations; the definitive remodelling of the potash and basic slag monopolies, however, poses problems, inasmuch as it is through them that fertilizers are sold at the same prices throughout France. With regard to oil, clauses in certain recent French Government decrees¹ represent an active response to the recommendation of 22 December 1969 on the adjustment of the French arrangements concerning the importation of petroleum products.

The Italian Government forwarded to the Commission a draft law to abolish the sole import, export and wholesale rights of the monopoly on pipe and cigarette lighters. With regard to the other monopolies, it informed the Commission that it was planning to act on the recommendations; some difficulties remained, however, in the case of cooking and table salt, which for social reasons is sold at identical prices throughout the country.

TREATY RULES ON AID

*Aids to specific industries*²

34. As was noted in the 1969 General Report, several Member States have felt obliged in view of the Community textile industry's current difficulties to make or consider making arrangements to provide assistance.

The outstanding example in the year under review was an Italian draft law to furnish aids for the restructuring, reorganization and conversion of the textile industry, concerning which the Commission on 27 May took a first partial decision requiring the draft to be amended in a number of respects. The final full decision, however, cannot be taken until the Italian Govern-

¹ Decree No. 70-839 and Decree No. 70-840 of 28 August 1970.

² For aids to agriculture, see Ch. II, Part Two, 1.

ment has formulated and notified to the Commission the criteria for granting the aids envisaged.

The Commission is anxious that the various State aids for the textile sector should be more effective, while at the same time they should not distort competition and trade in a manner injurious to the common interest. Assistance to the industry must not be allowed to escalate. Accordingly, the Commission has consulted the Member States with a view to taking steps, should it be necessary, to coordinate at Community level the different national aids which may be provided in this connection.

In June the Court of Justice delivered its judgment on Case 47-69, an appeal by the French Government against the Commission's decision of July 1969¹ that the financing of French aid to the textile industry by means of a para-fiscal charge must be terminated or modified. The Court dismissed the action, upholding the Commission's view that the aid thus financed by a para-fiscal charge on both home production and the products of the other Member States had a protective effect going beyond that of the aid arrangements proper.

The Commission called upon the Member States, having regard to the case law of the Court, to modify like machinery in their own countries so as to make it compatible with the EEC Treaty.

Concerning aids to the film industry, the Commission devoted its attention during the period under review more especially to aids to production. These are given both because the Governments consider the industry to fulfil a very important and valuable cultural function, and because it is finding itself in difficulties by reason of keen competition from the film production of non-member countries and from other forms of entertainment.

The Commission is now concentrating not, as formerly, on ironing out the main disparities between the different national aid arrangements, but on a progressive extension of the Member States' aids to one another's film production. This would further the growth of intra-Community cooperation.

Accordingly, practical proposals under Article 93(1) of the EEC Treaty for the institution of Community arrangements were submitted by the Commission to the Member States in September; these are shortly to be discussed bilaterally between Commission and national officials.

¹ *Third General Report*, sec. 42.

With regard to sulphur, the Commission decided on 1 July not to oppose the projected Italian aid to make up the operating losses of the Sicilian sulphur mines, on condition that the Italian Government:

- (a) took steps, in view of the steadily growing losses being incurred (now some Lit. 12-15 000 million a year), to close the loss-making mines in advance of the original schedule;
- (b) supplied particulars of the measures to set up successor industries to which it intended to give first preference, these industries to be of the kind best calculated to absorb the workers becoming redundant.

The Commission took this line because, firstly, the nature of the deposits is such that there is little prospect of the mines ever becoming satisfactorily competitive, and secondly, because sulphur mining is the only industrial activity in the areas concerned and needs perforce to be kept going by State aid pending the establishment of successor industries which will pay their way.

General aid schemes

35. In July 1969, the Commission decided to introduce an alternative to the condition it had posed a year earlier for passing major aid schemes as compatible with the Common Market: where previously it had insisted that it be informed in advance of notable individual instances, in accordance with Article 93(3) of the EEC Treaty, it now lays down that, alternatively, schemes should be adjusted to give them more transparency and a more definite concern with specific regions or specific industries, so that the Commission is able to establish whether they are or are not compatible with the Common Market.¹

The Commission thus showed itself willing to explore the practical possibilities of the two ways of making a prior assessment of the main general aid schemes, without altering its basic stance: it is not here concerned to select one particular way of going about this, but to stop the leaping of aid and secure proper implementation of the Treaty.

With this end in view, it has continued its work with the various Government experts to hammer out a procedure for the prior examination of the main general aid schemes designed to benefit regions; at a series of

¹ *Third General Report*, sec. 43.

meetings, the experts have sought to evolve a common technique for appraising the aid arrangements, and have studied the problems entailed in adjusting them.

In the light of their findings, and of the conclusions reached by the national directors-general at a multilateral meeting which was arranged by the Commission in December 1970, it should be possible in the months ahead to settle how the pre-examination of the aid schemes concerned is in future to be conducted. Whatever method is finally adopted, the great thing is that it should lead to some measure of harmonization in the volumes of regional aid furnished in the Community, as well as rendering the aid schemes sufficiently transparent for the Commission to ascertain whether they are compatible with the Common Market.

36. Meantime the Commission has also reacted to recent regional development moves by the Dutch, German and Belgian authorities.

As regards the Netherlands, the Government has stated that in the event of particularly serious unemployment it plans to take the same action outside the scheduled development and redevelopment areas as it is already doing under the IPR investment grant scheme (*investeringspremieregeling*).

This being an extension of the existing scheme concerning which the Dutch Government had undertaken to supply all necessary particulars to the Commission in advance, the Commission decided that the procedure initiated by it in respect of the original scheme under Article 93(2) of the EEC Treaty¹ should also apply to the new arrangements.

As regards Germany, the period of entitlement to investment grants under section 32 of the Coalmines Adaptation and Reorganization Law of 15 May 1968 has been extended for two years, the expiry date being put back from 1 January 1970 to 1 January 1972, following a move by members of the Federal Parliament.

The Commission, however, takes the view that, considering the greater stability in the coal sector and the satisfactory trend in the economy of Land North Rhine/Westphalia, it is not compatible with the Common Market to continue providing non-selective investment grants to the colliery areas of the Land: the grants must be definitely selective, designed to meet the actual or foreseeable difficulties of particular areas, and based

¹ *Second General Report*, sec. 47.

on up-to-date regional and structural data and on detailed information as to the place, date and scale of intended colliery closures and of the lay-offs resulting.

As this was not the case here, the Commission asked the German Government to see to it that no more grants were made in North Rhine/Westphalia from 1 December 1970. To this end, it decided to initiate the procedure laid down in Article 93(2) of the EEC Treaty in respect of the measure in question.

It also went ahead with its investigation of the German measures connected with the remodelling of regional policy concerning which it had initiated the Article 93(2) procedure in January 1970.¹ Having studied the additional particulars supplied, it came to the conclusion that the principle of regional action programmes was to be approved inasmuch as the adoption of this new style of development programme was a step towards a coordinated regional policy, to be framed jointly by the Federal and Land authorities; however, in order to make its final appraisal, it asked the Federal Government, as part of the same procedure, to indicate the criteria employed to determine enlargements of the development areas which are covered by the twelve existing action programmes.

With regard to the Belgian draft Economic Expansion Law, which is to supersede the regional aid laws at present in force, the Commission is waiting to see the draft implementing decrees establishing which areas are to be entitled to the regional aids and what criteria and procedure are to be adopted for the aids to industries, before it gives its ruling. Meantime it is initiating the Article 93(2) procedure in respect of the draft Law.

37. Concerning export aids, the Commission requested the Italian Government to do away with the State assistance given to Italian exporters in the form of a preferential rate for the financing of medium-term credits for intra-Community trade: with the customs union already in being since 1968, this arrangement is incompatible with the Common Market and not entitled to exemption.

The Commission's view was borne out by the judgment of the Court of Justice in consolidated Cases 6/69 and 11/69 concerning preferential rediscount rates in France. The Commission accordingly decided to initiate the Article 93(2) procedure against the Italian arrangements in question.

¹ *Third General Report*, sec. 44.

INFORMING AND PROTECTING THE CONSUMER

38. During 1970 the Commission continued its work to ensure better consumer information and consumer protection.

With regard to general consumer information, it arranged an initial fact-pooling meeting of organizers of television programmes on consumer matters in the different member countries.

With regard to consumer protection, one matter it has been considering with the Member States is hire purchase—a field in which the consumer is sometimes liable to come to grief from inexperience or ignorance, more especially concerning the real rate of interest charged and the actual amount of the expenses incurred, and also the risk of impulse buying in the case of door-to-door sales. Quite a number of the Commission's other activities are contributing to consumer protection, including, for instance, much of its work to eliminate technical obstacles to trade, in which matters connected with the labelling and packaging of goods are very much to the fore.

The increasing importance of consumer problems is also reflected in the work of other international organizations. The Commission has been taking an active part in these efforts, notably those of the Council of Europe, which is studying the protection of the consumer against publicity and the need for consumer education, and also of OECD, whose provisional Committee on Consumer Policy, set up in November 1969, held two plenary sessions in 1970.

3. Taxation policy

ELIMINATION OF TAX DISCRIMINATION

The Commission continued its examination of legislation in the Member States with a view to checking conformity to the EEC Treaty, in particular Articles 95 to 97.

Turnover taxes

39. The Member States—Belgium and Italy—which had not yet adopted the common system of value-added tax gave an undertaking, by an agreement among the Member States concluded in the Council on 9 December 1969, following the decision to postpone the date of introducing this system until 1 January 1972, to reduce from 1 April 1970, in accordance with a given scale, the average rates of countervailing charges on imports and refunds on exports which were in force on 1 October 1969 and exceeded 100 % of the general rate of turnover tax.¹ This agreement contained an escape clause. A Member State which provided specific proof that for certain products the linear reduction distorted, with reference to the most highly integrated producer, the tax neutrality determined on the basis of the common method of calculation set out in the Council directive of 30 April 1968, could be authorized by the Commission to maintain the average rates in force. Paragraph 5 of the agreement in question invited the Commission to report to the Council by 1 June 1970 on the action taken in respect of the commitments it contained.

Italy complied with the terms of the agreement by the date laid down without invoking the escape clause.

Belgium had confined itself to carrying out the linear reduction on 1 April for 19 products, invoking the escape clause for a very large number. On 2 June, in the report requested, the Commission indicated to the Council that it was unable to take a decision on the Belgian request for application of the escape clause, owing to disagreement which had arisen as to its interpretation. Subsequently, the Belgian Government reduced the rate levied on imports for a further 50 products and on 9 November 1970 submitted fresh proof for the remaining products in order to obtain autho-

¹ *Third General Report*, sec. 50.

rization to apply the escape clause. In the light of these new data, the Commission approved the Belgian Government's proposals and reported to the Council on the matter on 10 December 1970.

40. The Commission continued to examine certain *special cases* of discrimination in the light of Articles 95 and 97 of the Treaty, in particular:

Belgium: The Commission had initiated the procedure under Article 169 against Belgium after ascertaining that there was discriminatory treatment of purchases of imported products sold directly to private individuals. On 19 March 1970, Belgium amended its legislation, thus putting an end to the discrimination in question. As regards the different tax arrangements applied to imported wood,¹ the Court handed down its judgment on 5 May 1970 noting, in support of the Commission's arguments, that Belgium had failed to meet the obligations laid down in Article 95 of the Treaty.

Italy: On 11 February 1969 the Commission had addressed a directive to Italy under Article 97 of the Treaty concerning the average rates of refunds on exports and countervailing charges on imports of refined seed oils. Since Italy lowered these rates as a result of the agreement of 9 December 1969, the Commission decided not to go ahead with the procedure under Article 169 of the EEC Treaty which it had initiated meantime for non-observance of the directive. Furthermore, the Commission had referred to the Court of Justice the two sets of tax arrangements for imports of wool products. In the course of this case the Italian Government had amended its legislation by decree-law of 2 July 1969 to bring it into line with Article 95 of the Treaty. The Court of Justice, by its judgment of 10 March 1970, ruled that as regards the effects of the above decree-law, fresh procedure under Article 169 would possibly be necessary since the object of the controversy had been modified in the course of the procedure.

Indirect taxes other than turnover taxes

41. The Commission established contact with the Italian Government in connection with execution of the judgment handed down by the Court

¹ *Third General Report*, sec. 47.

on 19 November 1969¹ relating to certain aspects of Italian law No. 639 concerning drawback on engineering products.

Italy is planning to amend the law in question, as regards drawback to be granted vis-à-vis the Member States, on the basis of a new method of calculation which should eliminate the offending points noted by the Court.

Excise duties

42. At legislative level, Italy adopted the measures which had previously been taken at administrative level² to eliminate the discrimination existing in sugar taxation.

By decree-law of 27 October 1970, the Italian Government complied with the Court of Justice's judgment of 15 October 1969: imported spirits will henceforth be taxed according to their real alcoholic content and no longer on the basis of a standard alcoholic strength.

The Commission is continuing its examination of the other examples of discrimination still existing in connection with the taxation of matured wine spirits, marc brandy, vermouth and wines exceeding 12° imported into Italy. Concerning the latter two products, an agreement was reached whereby Italy undertakes to apply to imported products the legislation governing domestic products.

At the Commission's request, Italy abolished by decree-law of 27 October 1970 the discrimination affecting foreign motor vehicles on trial, which were taxed at the full rate of road tax whereas domestic vehicles of the same nature enjoyed a reduction.

The Commission had instituted the procedure under Article 169² against Germany because of the excise duty arrangements for acetic acid imports. As the German Government recognized the validity of the Commission's case, a draft law has been submitted to the Federal Parliament for the purpose of eliminating the discrimination in question.

The Commission is now examining two cases at issue concerning the duty on coffee in Germany and France.

¹ *Third General Report*, sec. 48.

² *Ibid.*, sec. 49.

Duty-free entry for travellers

43. The Commission noted that Belgium, France and Luxembourg have interpreted in restrictive fashion the term "traveller" as used in Council Directive 69/169/EEC of 28 May 1969¹ on the harmonization of laws and regulations relating to exemption from turnover taxes and excise duty on goods imported in passengers' luggage. The Member States in question have limited the grant of such exemption to a minimum stay of 24 hours by means of the "24-hour clause". The Commission decided to initiate the procedure under Article 169 in respect of these countries.

APPROXIMATION OF MEASURES CONCERNING INDIRECT TAXES

44. The draft resolution passed on to the Council by the Commission following the report drawn up by the Werner Working Party² requires that in the course of a first stage of three years counting from 1 January 1971, the Council, on a Commission proposal, should adopt measures making it possible to lower the tax barriers in the Community by aligning the rates and basis of assessment of VAT and excise duties.

In the course of the same period and by the same procedure, measures are to be adopted to abolish all checks on individuals at intra-Community frontiers.

This resolution is exactly in line with the policy followed by the Commission so far on harmonization of indirect taxation, and its adoption will help to speed up the pace of the work in progress.

Turnover taxes

VAT

45. Four countries of the Community were already applying the common system of value-added tax and were joined by Belgium on 1 January 1971. In Italy it is due to come into force on 1 January 1972, the deadline fixed

¹ *Third General Report*, sec. 50.

² *Bulletin* No. 11-70, Part One, Ch. II.

by the third directive of 9 December 1969¹ for the setting-up of VAT in all Member States.

However, the application in the six countries of the common rules set out in the first two VAT directives, while bringing about an appreciable improvement by comparison with the former taxation systems of the Member States, will not make it possible to eliminate, for the purpose of creating an economic and monetary union, the difficulties resulting from the maintenance of tax frontiers within the Community.

This is why Article 4 of the first directive, confirmed by the Council resolution adopted on 9 December 1969² at the same time as the third directive referred to above, instructs the Commission to submit to the Council proposals to abolish drawback on exports and charges on imports for trade among the Member States; and it is why Article 19 of the second directive requires the Council to adopt when the time comes, on a Commission proposal, appropriate measures in order to supplement the common VAT system and to restrict or abolish any steps taken by the Member States out of line with the system so as to arrive at the convergence of domestic VAT systems necessary for the implementation of Article 4 of the first directive.

Furthermore, the Council decision of 21 April 1970 on the replacement of the Member States' financial contributions by the Communities' own resources³ lays down that part of these resources will be provided from 1 January 1975 by the value-added tax and obtained by the application of a maximum rate of 1% on a basis determined uniformly throughout the Member States in accordance with Community rules.

Since aligning the basis of VAT, for the purposes of providing the Communities' own resources, consists in deciding on a common field of application of the tax—for example, who is liable to the tax, which operations are taxable and which exempt, special arrangements, and methods of establishing the bases of assessment—the drawing up of Community rules in this respect fits in neatly with the harmonization of the domestic VAT systems in order to abolish tax frontiers.

Consequently, the Commission has actively pursued its work on the standardization of the basis of assessment, the harmonization of the other structures of value-added tax and the gradual alignment of the domestic

¹ *Third General Report*, sec. 50.

² *Journal officiel* No. L 320, 20 December 1969.

³ *Ibid.* No. L 94, 28 April 1970.

rates of this tax in order to do away with charges levied on imports and drawback on exports for trade among the Member States. As such reorganization measures are likely to involve budgetary, economic and social consequences for the Member States, the Commission has already undertaken, with the collaboration of government experts, the necessary research in an attempt to quantify these consequences. The Commission believes that the initial results of this research will be in its possession in the course of next year.

46. In this context, it should be pointed out that the Commission has noted with concern a tendency in certain countries to use the VAT system in order to favour or disfavour certain products or persons liable to the tax, which is contrary to the goals of tax harmonization.

Duty-free entry for travellers

47. Article 6 of the directive on duty-free entry for goods imported in travellers' luggage of 28 May 1969¹ stipulating a ban on drawback for goods qualifying for the exemption from duty in question has given rise to implementing difficulties. The Committee of Permanent Representatives has therefore invited the Commission to undertake a thorough examination of the matter and to make any necessary proposals.

In the near future the Commission intends to submit a second directive on duty-free entry for travellers to enable Article 6 of the first directive to be implemented at Community level and to settle the matter of drawback for exports.

Excise duties

48. The Commission is examining the possibility of referring to the Council a proposal listing excise duties to be maintained and harmonized and the conditions in which other taxes on products—apart from value-added tax—can be levied after the date fixed for the abolition of tax frontiers.

¹ *Journal officiel* No. L 135, 4 June 1969; see also sec. 43 above.

As regards the harmonization of excise duties on manufactured tobacco, the Council has not reached an agreement on the basis of the proposed regulation submitted on 4 July 1967 by the Commission. For this reason, the Council adopted a resolution on the subject on 21 April,¹ on the basis of which the Commission drew up an amended proposal for a directive on the harmonization of these excise duties and transmitted it to the Council on 20 November 1970.

For the beverages sector, the Commission has completed its work preparatory to drawing up proposed directives for the harmonization of the excise duties on these products.

Work on the harmonization of excise duties on mineral oils has been continued with reference to the links between these duties and the energy and transport policies. A proposed directive on harmonization of excise duties on oil and natural gas utilized as fuel was forwarded to the Council on 28 December 1970.

Other indirect taxes

49. In connection with Article 7(2) of the Council directive of 17 July 1969 concerning indirect taxes imposed on the raising of capital,² the Commission drew up a proposed directive on the fixing of common rates for capital duty. This proposal will be submitted by the Commission to the Council in the very near future.

For indirect taxes on transactions in securities, the Commission has completed the necessary preparatory work and a draft directive has been drawn up.

Work in the field of indirect taxes on bills of exchange and cheques has been continued and considerable progress made, which will facilitate the drafting of a proposed directive on the subject.

Work has been resumed on indirect taxes applied to insurance contracts.³ The Commission and all the government experts, except one

¹ *Journal officiel* No. C 50, 28 April 1970.

² *Ibid.* No. L 249, 3 October 1969.

³ *Tenth (EEC) General Report*, sec. 83.

delegation which reserved its position, were against incorporating insurance operations in the scope of Community VAT. This established the principle of maintaining a special tax on insurance contracts and a draft directive on the harmonization of the structures and rates of this tax was prepared.

APPROXIMATION OF MEASURES CONCERNING DIRECT TAXES

50. The Commission's main concern in 1970 continued to be the elimination of obstacles to amalgamation of companies in different Member States in the form of mergers and acquisitions of holdings, and to capital movements.

It is in a third field, however, that of the Statute of the European Company, that formal proposals were submitted. The proposed regulation concerning this Statute does not, for tax neutrality reasons, lay down a special tax system for European companies, but it does settle a number of points, e.g. :

- (a) how to establish the tax domicile of a European Company;
- (b) the possibility of tax-free transfer of this tax domicile from one Member State to another;
- (c) the possibility afforded a European Company of taking into account, in the country of tax domicile, the losses suffered by its fixed establishments situated in other Member States and, in certain cases, even those suffered by its subsidiaries.

The two proposed directives on industrial combination¹ submitted by the Commission in 1969 are now being examined by the Council. In spite of the favourable Opinions of the European Parliament and the Economic and Social Committee and despite the Commission's efforts, the Council has not yet taken any decision on these proposals.

The draft resolution on capital movements forwarded to the Council following the Werner Report proposes that the tax arrangements for interest on bonds and dividends should be harmonized in an initial 3-year stage beginning on 1 January 1971.

¹ *Third General Report*, sec. 53.

More precisely, the essential points are:

- (a) for interest accruing from fixed-interest securities:
 - to harmonize withholding tax arrangements;
- (b) for dividends:
 - to settle the problems stemming from the diversity of systems in the Member States in order to lighten the double tax burden on dividends, which are taxed first at company level and then at the shareholder's level;
 - to harmonize withholding tax arrangements.

4. Right of establishment, freedom to supply services and approximation of legislation on professions, trades and crafts and on company law

REMARKS

51. The fact that the transitional period is over does not mean that the Commission can no longer propose directives to the Council in connection with the introduction of freedom of establishment and freedom to supply services.¹ In the case of a great many activities the removal of restrictions and enactment of transitional measures has to be accompanied or followed up by further measures to ensure mutual recognition of degrees and diplomas and coordination of occupational regulations. This work is among the matters which the Commission considers should be given priority rating to promote balanced economic and social development in the Community.²

PROFESSIONS

52. During the period under review, the Council adopted Directive 70/451/CEE of 29 September 1970³ on freedom of establishment and freedom to supply services for self-employed activities in film production.

53. The Commission laid before the Council the following five proposed directives:

Veterinary surgeons: three proposed directives, on removal of restrictions on freedom of establishment and freedom to supply services, on mutual recognition of degrees and diplomas, and on coordination of occupational regulations;

Chartered accountants and financial and business consultants: two proposed directives, on removal of restrictions on freedom of establishment and freedom to supply services, and on transitional measures in respect of access to and pursuit of these activities.

The Commission also submitted to the Council two further draft recommendations, on the lines of those already put forward for a number

¹ *Third General Report*, sec. 56.

² Draft Third Medium-term Economic Policy Programme, submitted to the Council on 21 October 1970.

³ *Journal officiel* No. L 218, 3 October 1970.

of other professions,¹ concerning Luxembourg nationals holding certain degrees and diplomas awarded in non-member countries.

The following developments occurred during the period with regard to certain proposed directives already before the Council:

Engineers,² doctors, dentists,³ male nurses,⁴ midwives⁵: the European Parliament and the Economic and Social Committee formulated Opinions on the proposals;

Lawyers,⁶ pharmacists⁶: the Economic and Social Committee formulated Opinions on the proposals.

Generally speaking the Parliament's and the Economic and Social Committee's Opinions were in favour.

INDUSTRY, COMMERCE, CRAFTS

54. For the bulk of self-employed activities in industry, commerce and crafts, restrictions on freedom of establishment and freedom to supply services were removed before the Common Market entered upon its final stage.⁷ 29 of the 34 directives to this effect which were adopted by the Council related to these activities. Freedom of establishment and freedom to supply services have thus now been achieved for approximately 75 % of self-employed activities in industry, commerce and the crafts.

During the period under review the Council adopted three directives:

Coal wholesalers and middlemen: Directives 70/522/CEE and 70/523/CEE of 30 November 1970,⁸ removing restrictions on freedom of establishment and freedom to supply services, and laying down the transitional measures on access to and pursuit of these activities.

The European Parliament and the Economic and Social Committee formulated Opinions in favour.⁹

¹ *Third General Report*, sec. 54.

² *Journal officiel* No. C 51, 29 April 1970, and No. C 108, 26 August 1970.

³ *Ibid.* No. C 101, 4 August 1970, and No. C 36, 28 March 1970.

⁴ *Ibid.* No. C 65, 5 June 1970, and No. C 108, 26 August 1970.

⁵ *Ibid.* No. C 101, 4 August 1970.

⁶ *Ibid.* No. C 36, 28 March 1970.

⁷ *Third General Report*, sec. 55.

⁸ *Journal officiel* No. L 267, 10 December 1970.

⁹ *Ibid.* No. C 51, 25 April 1970, and No. C 108, 26 August 1970.

Ancillary agricultural and horticultural activities: Directive 71/18/CEE of 16 December 1970,¹ laying down procedures for the introduction of freedom of establishment.

The European Parliament and the Economic and Social Committee formulated Opinions in favour.²

The Commission submitted to the Council five proposed directives, on:

Self-employed itinerant activities: two proposed directives (removal of restrictions, transitional measures);

Transport: three proposed directives (removal of restrictions), concerning self-employed haulage of goods by road, self-employed carriage of passengers by road, and self-employed carriage of goods and passengers by inland waterway. These proposals link up with three proposed regulations on coordination of conditions of access to transport activities laid before the Council earlier.

The Commission continued, and in part completed, the drafting of proposed directives on a number of other activities not yet liberalized. In the matter of removing restrictions on freedom of establishment in deep-sea fishing, there is a special problem with regard to the national law of the flag, and the Commission has thought it well to have a study conducted on this before drawing up proposals.

During the period under review the European Parliament and the Economic and Social Committee formulated Opinions in favour of the proposed directive covering a variety of self-employed activities on which Council directives have not yet been adopted (the "comprehensive directive").³

BANKING AND INSURANCE

55. The Commission on 24 June submitted to the Council a proposed directive abolishing frontier checking of international insurance cards (the "green card") for vehicles having their home base in the Community.⁴ The directive provides that insurance against tortious liability should be made compulsory for motor vehicles in all Member States, and also that policies should cover damage caused on the territory of the different Member States in the manner and measure required by their respective laws. The

¹ *Journal officiel* No. L 8, 11 January 1971.

² *Ibid.* No. C 139, 28 October 1969, and No. C 10, 27 January 1970.

³ *Ibid.* No. C 101, 4 August 1970, and No. C 146, 11 December 1970.

⁴ *Ibid.* No. C 105, 15 August 1970.

green cards of the vehicles concerned will no longer be checked either at the internal or at the external frontiers of the Community. The green card will not be abolished as such: under the system of national compulsory insurance papers, which will remain in force, it will still be necessary evidence of the vehicle's being properly insured. All Member States must, however, recognize one another's insurance papers, and each Member State must have an official body to which injured parties may apply for redress should the vehicle which caused the damage not be covered by compulsory insurance.

56. On 4 December 1970 the Commission submitted to the Council two further directives concerning insurance, for the liberalization of access to the occupations of insurance agent and insurance broker, the first making provision for the removal of restrictions on freedom of establishment and the second laying down the transitional measures to facilitate the liberalization process.

57. Under the programme adopted by the Council in 1961 for the removal of restrictions on freedom of establishment, freedom of establishment for administrators of insurance should have been introduced by the end of 1965. This would have meant, however, that conditions of access to activities in direct insurance, other than life insurance, also had to be coordinated by that date. Two proposed directives in this connection were submitted to the Council, in June 1966 and February 1967: that of freedom of establishment raised no problems, but in that on coordination some points have still to be settled. When the Council does adopt these directives, freedom to supply services in the capacity of insurance administrator will present a decidedly thorny problem in view of the terms of the general programme of 1961. Coordination of the laws and regulations governing insurance contracts, where they contain differences prejudicial to insured persons and third parties, is a *sine qua non*. At the same time the programme requires that the question be considered "whether the removal of restrictions on freedom to supply services should be preceded, accompanied or followed by the coordination of the laws and regulations concerning those services".

58. These matters were carefully gone into during the period under review.

It emerged that differences in conditions of access and pursuit do indeed hamper, limit and distort Community competition among insurance firms. The contracts have to be drawn up exclusively in accordance with

the law of the country in which the insurance company has its registered offices, and may cover only risks in that country. Those taking out insurance are not permitted to sign contracts drawn up under the law of another Member State, but are tied to the particular national market in question. In practice, neither in supply nor in demand is there any interpenetration or progressive integration of the markets. In the Commission's view, now that the transitional period is over it is unthinkable that freedom of establishment and freedom to supply services should be confined to non-discrimination in respect of foreign insurers in the different national markets. To establish without delay a genuine common market in insurance with operating conditions similar to those in a national market, in place of the existing compartmented national markets, it will be necessary, simultaneously with the introduction of freedom to supply services, to sweep away all factors arising out of the Member States' laws and regulations which manifestly distort competition at Community level.

Basing itself on these conclusions, the Commission is now engaged in the preparation of various directives—on coordination of control of insurance firms, on harmonization of tax structures and rates of taxes with respect to insurance contracts, on coordination of provisions concerning statutory minimum reserves, on coordination of mandatory provisions of private law relating to insurance contracts, where these result in the terms of the contracts differing from one Member State to another, and on harmonization of the arrangements for affording cover to insured persons in the event of their insurance company going out of business.

59. The proposed directive on removal of restrictions on freedom of establishment and freedom to supply services in respect of self-employed activities in banks and other financial establishments, which was laid before the Council on 30 July 1965, failed to win adoption in 1970. Over and above certain technical difficulties, the monetary problems which several Member States consider would arise from freedom to supply services in connection with movements of capital were still felt to be insuperable. On 9 June the Council decided to refer these problems to the Monetary Committee.

COMPANIES

National company law

60. Two proposed directives dealing with coordination of company law were submitted to the Council by the Commission in 1970.

The first, of 9 March 1970, concerns the formation of joint stock companies (*société anonymes*) and the maintenance and variation of their capital. It seeks in the first place to ensure that all interested parties can obtain particulars of the manner in which the companies are being formed. In addition, it is designed to ensure that the registered capital is fully preserved. In the event of a capital increase, shareholders will have a right of subscription proportionate to their holding; the provisions on capital reductions require that the rights of creditors be specially safeguarded.

The other is the proposed third directive, of 16 June 1970, on mergers of such companies within one and the same Member State. Those Member States where mergers have hitherto been unknown will be required to make legal provision for them. Adequate information must be furnished to all interested parties on all the main features of the merger, *inter alia* by publication of the draft of the terms of merger and of the final terms themselves. The shareholders' rights are to be safeguarded by notification to them of the opinion to be obtained from outside experts as to whether the proposed ratio of share exchange is a fair one. The employees of the firms concerned must be informed of the merger's implications for them, and creditors are to be afforded special guarantees safeguarding them against any infringement of their rights.

This directive on "national" mergers is an important prerequisite to the introduction of rules for "transnational" or cross-frontier mergers. Work has continued meantime under Article 220, paragraph 3 of the Treaty of Rome, on the preparation of a convention on transnational mergers, and the group of government experts hopes to submit a first draft to the Council and Commission some time in 1971.

61. Further work has been begun with a view to promoting cooperation among enterprises by the ordinary processes of company law. The Commission is aware what a useful step it would be to institute means to encourage intra-Community cooperation, notably among small and medium-sized enterprises, and is studying in particular whether the *groupement d'action économique* which has been successfully tried out in France could suitably be taken as a model.

European company

62. On 24 June 1970 the Commission adopted a proposed regulation on the statutes of European companies, which it submitted to the Council

on 30 June. The Council thereupon referred the draft to the Parliament and the Economic and Social Committee for their opinion.

The object of the proposal is to institute a European system of law on companies of the *société anonyme* type, that is, to make it possible to form companies of this kind governed by Community law, whose legal relationships are based on a uniform statute valid throughout the Community.

The proposal is put forward under Article 235 of the EEC Treaty ("cases not provided for"). The operation of the Common Market and its development into an economic and monetary union demand that there should be a specifically Community form of enterprise meeting specifically Community requirements, which, inasmuch as it will have to surmount the legal and psychological divisions within the Common Market, must be independent of the national systems of law. The Treaty does not expressly provide for this, but it does regard company law as a necessary means to the achievement of the aims of the Common Market: consequently it has been felt both right and necessary to invoke Article 235 for this purpose.

The proposed regulation provides that a European company may be formed only by way of merger or of the setting-up of joint holding companies or subsidiaries by two or more enterprises already existing as *sociétés anonymes* under national law—meaning in effect under the national law of two or more different countries—and not simply by national-law companies "going European." Arrangements for workers' participation are to consist in the establishment of a European works council, and the allocation of one-third of the seats on the company's supervisory board (or more if the statute so provides) to the workers' representatives. The workers' terms of employment may be settled by collective-bargaining agreement between the company and the trade unions whose members are employed at its plants. In view of the great economic importance of the mergers of enterprises, it has been felt necessary also to regulate the law on groups of companies. In particular the proposed regulation makes provision for the protection of the shareholders and the creditors of enterprises controlled by such a group.¹

IMPLEMENTATION OF DIRECTIVES ADOPTED

63. At the stage now reached in the introduction of freedom of establishment and freedom to supply services, the Commission's task under

¹ For the tax aspects of the proposed regulation, see sec. 50 above.

Article 155 of the EEC Treaty, of ensuring compliance with Community law, extends to the laws and regulations enacted by the Member States in implementation of directives, their observance of the standstill provisions, the supervision of administrative practice, and case law in this connection.

The Commission submitted on 18 June to the Council, and on 26 June to the Parliament, a progress report on the implementation of Council directives for the introduction of freedom of establishment and freedom to supply services in the Member States,¹ recording the implementing action taken in the different countries and indicating that, although a good deal of delay had occurred in giving official effect to the directives adopted to date, by and large the Member States had discharged their obligations satisfactorily. Where directives had not been embodied in national law, or not in the proper manner, or fresh restrictions had been introduced by national measures, the Commission availed itself of its power under Articles 155 and 169 of the EEC Treaty. During 1970, in two of the nine cases of infringement in hand proceedings were dropped, and in four others the Member States concerned expressed willingness to fall in with the Commission's requirements; in the remainder, the proceedings continue.

¹ Commission Doc. SEC(70)277.

TABLE 3

The table in Section 81 of the First General Report (amended by Table 3 of the Second and Table 12 of the Third General Report), which showed the progress made in removing restrictions on freedom of establishment and freedom to supply services affecting the nationals of other Member States, should be amended or amplified as follows:

Subject	Legal basis	Legal nature of the measure and reference
2. <i>Production activities</i> <i>Agriculture</i> (i) Ancillary agricultural and horticultural activities	Art. 54	dir. 71/18 ad. 16.12.70 JO L 8, 71

Subject	Legal basis	Legal nature of the measure and reference
5. <i>Wholesale and retail trade</i>		
Wholesale trade in coal	Arts. 54, 63	dir. 70/522 ad. 30.11.70 JO L 267/14, 70
Itinerant activities	Arts. 54, 63	pro. dir. sub. 30.6.70 JO C 89/12, 70
6. <i>Services</i>		
<i>Cinema</i>		
Film production	Arts. 54, 63	dir. 70/451 ad. 29.9.70 JO L 218/37, 70
7. <i>Professions</i>		
(b) <i>Medical, paramedical and pharmaceutical professions</i>		
Veterinary surgeons	Arts. 54, 63	pro. dir. sub. 1.6.70 JO C 92/18 <i>et seq.</i> , 70
(c) <i>Legal professions</i>		
Chartered accountants and financial and business consultants	Arts. 54, 63	pro. dir. sub. 6.7.70 JO C 115/1 <i>et seq.</i> , 70
8. <i>Transport</i>		
Road haulage	Art. 54	pro. dir. sub. 31.3.70 JO C 72/10, 70
Carriage of passengers by road	Art. 54	pro. dir. sub. 31.3.70 JO C 72/12, 70
Carriage of goods and passengers by inland waterway	Art. 54	pro. dir. 31.3.70 JO C 72/15, 70
9. <i>Company law</i>		
Publication of particulars, validity of commitments, nullity of association	Art. 54	dir. 68/151 ad. 9.3.68 JO L 65/8, 68
Constitution and capital of limited companies	Art. 54	pro. dir. sub. 9.3.70 JO C 48/8, 70
Company mergers	Art. 54	pro. dir. sub. 16.6.70 JO C 89/20, 70

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

GENERAL

64. Table 4 gives a picture of the work done during the period under review on the approximation of legislation.

With a view to simplification, the table has been made less inclusive in scope than its counterparts in previous General Reports.¹ It shows only measures which have actually appeared in the official gazette, and not drafts still in preparation in the departments. Also, it includes no regulations, since these go beyond merely harmonizing domestic laws: thus it does not record the draft regulation on the statute of the European company, but does record the draft directives harmonizing municipal company law.

A fresh recapitulatory table of work carried out between 1 January 1958 and 31 December 1969 was drawn up on this new basis some months ago, and published.²

Table 4 updates this to the end of 1970, and shows that during 1970 a total of 22 directives, one decision and one resolution were adopted with respect to approximation of legislation, while 33 proposed directives were submitted to the Council.

Between the entry into force of the Treaty of Rome and 31 December 1970, 88 directives³ (including four Commission directives), 10 decisions,⁴ 22 recommendations and three resolutions were adopted harmonizing laws of Member States. In addition, two conventions were signed in the Council.⁵

¹ *First General Report*, sec. 85; *Second General Report*, sec. 75; *Third General Report*, sec. 63.

² It was issued in June 1970 as a brochure, entitled *Approximation of Legislation, Community Measures (1958-1969)*, Supplement to *Bulletin 6-1970 of the European Communities*.

³ Actually, 90 directives were adopted, but this figure should be reduced by two, as one repealed another outright. It should be noted that directives *amending* other directives are counted as new measures.

⁴ This does not include a number of decisions granting waivers or special authorizations to certain Member States in agricultural matters, although these decisions were shown in the recapitulatory table for 1958-69.

⁵ Totals calculated on the new basis adopted.

TABLE 4

Approximation of legislation

Subject	Legal basis	Legal nature of approximation measure and state of progress
I — CUSTOMS LEGISLATION, EXTERNAL TRADE		
Inward processing traffic in certain products under CCT headings 18.06 and 21.07	dir. 69/73	rep. dir. 70/538 ad. 15.12.70 JO L 276/70, p. 29
Routine handling likely to occur at bonded warehouses and in free zones	Art. 100	pro. dir. sub. 22.10.70 JO C 141/70, p. 23
Standard form of credit insurance policy for medium- and longterm transactions with institutional purchasers	Art. 113	dir. 70/509 ad. 27.10.70 JO L 254/70, p. 1
Standard form of credit insurance policy for medium- and longterm transactions with private purchasers	Art. 113	dir. 70/510 ad. 27.10.70 JO L 254/70, p. 26
III — ESTABLISHMENT AND SERVICES		
<i>2. Access to and pursuit of activities in trade and industry</i>		
Itinerant trading activities (transitional measures)	Arts. 54(2), 57(1), 63(2) and 66	pro. dir. sub. 4.6.70 JO C 89/70, p. 16
Activities of chartered accountants and financial and business consultants (transitional measures)	Arts. 54(2), 57(1), 63(2) and 66	JO C 115/70, p. 5
Wholesale trade in coal (transitional measures)	Arts. 54(2), 57(1), 63(2) and 66	dir. 70/523 ad. 30.11.70 JO L 267/70, p. 18
<i>4. Access to and pursuit of the professions</i>		
Medical professions		
— Midwives		
Recognition of qualifications	Arts. 57(1) and 66	pro. dir. sub. 22.12.69 JO C 18/70, p. 4
Coordination	Arts. 57 (2,3) and 66	pro. dir. sub. 12.12.69 JO C 18/70, p. 6

Subject	Legal basis	Legal nature of approximation measure and state of progress
— Veterinary surgeons Recognition of qualifications Coordination	Arts. 57(1) and 66 Arts. 57(2,3) and 66	pro. dir. sub. 1.6.70 JO C 92/70, p. 21 pro. dir. sub. 1.6.70 JO C 92/70, p. 24
5. <i>Guarantees required of companies</i>		
Sociétés anonymes, sociétés à responsabilité limitée and sociétés en commandite par actions		
— Constitution of société anonyme, maintenance and alteration of capital	Art. 54(3g)	pro. dir. sub. 9.3.70 JO C 48/70, p. 8
— Mergers of sociétés anonymes	Art. 54(3g)	pro. dir. sub. 15.6.70 JO C 89/70, p. 20
V — COMPETITION AND FREE MOVEMENT OF GOODS		
1. <i>Technical obstacles to trade</i>		
Motor vehicles		
— Horns	Art. 100	dir. 70/388 ad. 27.7.70 JO L 176/70, p. 12
— Acceptance	Art. 100	dir. 70/156 ad. 6.2.70 JO L 42/70, p. 1
— Noise level	Art. 100	dir. 70/157 ad. 6.2.70 JO L 42/70, p. 16
— Ease of access and exit (doors, running-boards, etc.)	Art. 100	dir. 70/387 ad. 27.7.70
— Steering systems	Art. 100	dir. 70/311 ad. 8.6.70 JO L 133/70, p. 10
— Noxious gases from spark-ignition engines fitted in motor vehicles	Art. 100	dir. 70/220 ad. 20.3.70 JO L 76/70, p. 1
— Rear registration plates	Art. 100	dir. 70/222 ad. 20.3.70 JO L 76/70, p. 25
— Liquid fuel tanks and rear bumpers	Art. 100	dir. 70/221 ad. 20.3.70 JO L 76/70, p. 23

Subject	Legal basis	Legal nature of approximation measure and state of progress
Electrical equipment for use in explosive atmospheres	Art. 100	pro. dir. sub. 19.10.70 JO C 141/70, p. 20
Standard provisions on measuring instruments and metrological verification methods	Art. 100	pro. dir. sub. 19.10.70 JO C 115/70, p. 11
Third-party insurance in connection with use of motor vehicles, and checking thereon at frontiers	Art. 100	pro. dir. sub. 24.6.70 JO C 105/70, p. 14
6. Patent law		
— European system for grant of patents		preliminary draft of convention, Community Publications Office, Luxembourg, 1970
— European patent for the Common Market		preliminary draft of convention, do., 1970
14. Tax law		
Taxes, other than turnover tax, on consumption of manufactured tobaccos		Council resolution, 21.4.70 JO C 50/70, p. 1
VI — SOCIAL LAW		
3. Industrial safety (protection against accidents)		
Dangerous substances and preparations		
— Classification, labelling and packaging (substances)	Art. 100	dir. (amdt.) 70/189 ad. 6.3.70 JO L 59/70, p. 33
VII — AGRICULTURE		
1. Food legislation		
Colouring matters	Arts. 100, 227(2)	dir. (amdt.) 70/358 ad. 13.7.70 JO L 157/70, p. 36

Subject	Legal basis	Legal nature of approximation measure and state of progress
Preservatives	Art. 100	dir. (amdt.) 70/359 ad. 13.7.70 JO L 157/70, p. 38
Antioxidants	Art. 100	pro. dir. (amdt.) sub. 13.7.70 dir. 70/357 ad. 13.7.70 JO L 157/70, p. 31
Mayonnaise	Art. 100	pro. dir. sub. 23.12.69 JO C 18/70, p. 9
Cascins and caseinates	Art. 100	pro. dir. sub. 13.1.70 JO C 18/70, p. 17
Low-sodium dietary foods	Art. 100	pro. dir. sub. 19.1.70 JO C 20/70, p. 11
Non-alcoholic beverages	Art. 100	pro. dir. sub. 10.4.70 JO C 55/70, p. 1
Natural mineral waters	Art. 100	pro. dir. sub. 11.5.70 JO C 69/70, p. 14
Beers	Art. 100	pro. dir. sub. 26.6.70 JO C 105/70, p. 17
Ice cream and similar edible products	Art. 100	pro. dir. sub. 10.9.70 JO C 125/70, p. 8
<i>2. Veterinary legislation</i>		
Health requirements in intra-Community trade in cattle and pigs	Arts. 43, 100	dir. (amdt.) 70/360 ad. 13.7.70 JO L 157/70, p. 40
Health problems of trade in fresh meat	Arts. 43, 100	dir. (amdt.) 70/486 ad. 27.10.70 JO L 239/70, p. 42
<i>4. Legislation on seeds and seedlings</i>		
Marketing of beet seed	Art. 43	pro. dir. (amdt.) sub. 26.5.70 JO C 74/70, p. 1
Marketing of herbage seed	Art. 43	pro. dir. (amdt.) sub. 26.5.70 JO C 74/70, p. 1
Marketing of cereal seed	Art. 43	pro. dir. (amdt.) sub. 26.5.70 JO C 74/70, p. 1
Marketing of seed potatoes	Art. 43	pro. dir. (amdt.) sub. 26.5.70 JO C 74/70, p. 1
Marketing of vine stocks and seedlings	Art. 43	pro. dir. (amdt.) sub. 30.7.70 JO C 125/70, p. 3
Marketing of vegetable seeds	Arts. 43, 100	dir. 70/458 ad. 29.9.70 JO L 225/70, p. 7
Marketing of seeds of oleaginous and fibre plants	Art. 43	pro. dir. (amdt.) sub. 26.5.70 JO C 74/70, p. 1

Subject	Legal basis	Legal nature of approximation measure and state of progress
EEC catalogue of varieties of agricultural plants	Arts. 43, 100	dir. 70/457 ad. 29.9.70 JO L 225/70, p. 1
<i>6. Animal feed legislation</i>		
Establishment of a Feed Committee		dec. 70/372 ad. 20.7.70 JO L 170/70, p. 1
Additives in feed	Arts. 43, 100	dir. 70/524 ad. 23.11.70 JO L 270/70, p. 1
Community methods of sampling and analysis for the official control of feed	Arts. 43, 100	dir. 70/373 ad. 20.7.70 JO L 170/70, p. 2
<i>7. Reform of agriculture</i>		
Modernization of holdings	Art. 43	pro. dir. sub. 5.5.70 JO C 70/70, p. 1
Encouragement to give up farming, and making-over of area for structural improvement	Art. 43	pro. dir. sub. 5.5.70 JO C 70/70, p. 8
Social and economic information and vocational training	Art. 43	pro. dir. sub. 5.5.70 JO C 70/70, p. 14
Limitation of area	Art. 43	pro. dir. sub. 5.5.70 JO C 70/70, p. 20
Additional provisions	Art. 43	pro. dir. sub. 5.5.70 JO C 70/70, p. 26
<i>8. Miscellaneous</i>		
Financing of publicity campaigns on growing plants and products of floriculture	Art. 43	pro. dir. sub. 22.9.70 JO C 139/70, p. 14
Surveys to be conducted by Member States on production potential of orchards	Art. 43	pro. dir. sub. 28.9.70 JO C 139/70, p. 15

Abbreviations

ad. = adopted on...
amdt. = amendment
Art.(s) = Article(s) of the Treaty of Rome
dec. = Council decision
dir. = directive

JO = official gazette of the European Communities (number-year, page)
pro. = proposal
rep. = repeal
sub. = submitted to the Council by the Commission on...

PUBLIC LAW

Public works contracts

65. In the course of three successive Council meetings, in March, April and May, the basic problems with regard to the proposed directive on coordinating procedures for awarding public works contracts¹ were overcome. The problem of concessions, however, has still not been settled. The concession system is employed in two countries for a certain class of civil engineering operations, more especially motorway construction: in one the concessions go to consortia, made up of banks and finance houses in association with firms of contractors, which themselves finance, carry out and manage the schemes, and in the other usually to bodies which as a rule farm out the operations, allotting a given percentage to small and medium-sized firms. The Council is still not agreed on this last point.

Public supply contracts

66. By reason of the difficulties over the directive on public works contracts, the Commission has not been able to lay before the Council a twin directive on coordinating procedures for awarding public supply contracts; it will, however, be doing so in any case early in 1971.

Pharmaceutical products

67. On 12 February 1970 the Commission submitted to the Council a proposed directive concerning approximation of Member States' legislation on standards and procedures for the analysis and pharmaco-toxicological and clinical testing of branded pharmaceuticals. This supplements earlier harmonization moves by itemizing the factual details to be supplied on the properties of products and laying down agreed principles for testing them and for appraising applications for permission to market them. It is designed to help prevent differing appraisals by the different national authorities, and so facilitate free movement of branded pharmaceuticals; it will also ensure that manufacturers only have one set of particulars to assemble and can thus devote themselves entirely to the testing programme selected.

¹ *Third General Report*, sec. 64.

Work is proceeding on the approximation of legislation concerning drugs for veterinary purposes, and on further steps towards international cooperation in requiring certain drugs to be supplied only on prescription.

Postal services

68. A panel of senior officials in the postal services of the six countries was convened at the instance of the Commission to set matters moving again on this front. Agreement was reached on a programme and timetable. Attention is being concentrated in the first place on the decisions taken at the recent congress of the Universal Postal Union in Tokyo, with the aim of enabling the measures the Member States are to introduce pursuant to these decisions to be coordinated; whether the work is continued thereafter will depend on the outcome in this particular matter. A technical working party is meeting regularly to supervise implementation of the programme.

Administrative law

69. The Commission has had a great deal of work done in connection with legal scrutiny, on the basis of national law, of major administrative acts in the economic field. The upshot is that it is both necessary and feasible to effect certain harmonizations in particular sectors of the law governing procedure in administrative cases. Committees of the European Parliament have several times drawn attention to the need to approximate legislation on the legal protection of the individual in face of decisions by national authorities in matters of economic law. Needless to say, the Commission fully intends to do all it can in this direction.

PRIVATE LAW

European patent

70. The first draft for a convention introducing a European system for the issuing of patents was made public by the Intergovernmental Conference of seventeen European States meeting on this subject.¹

¹ *Third General Report*, sec. 67.

Meantime the experts of the Community countries have prepared a preliminary draft, also made public, for a convention on the European patent for the Common Market, instituting uniform legal arrangements to apply throughout the Community to the European patent when issued.¹ The experts were careful to ensure that the projected European patent law dovetails with the broader Patent Cooperation Treaty signed in Washington on 19 June following a diplomatic conference at which the Commission was represented.

The work on these exceptionally intricate matters is going ahead actively.

Private international law

71. On the completion of the Commission's studies on disparities in private international law within the Community, a panel of government experts was set up to prepare a draft convention unifying the rules on the choice of law. It is intended that this should cover the law on movable and immovable property, on contracts and quasi-contracts, on formal requirements for legal transactions, on evidence, and on the more general matters of *renvoi*, classification, application of foreign law, vested rights, public policy, capacity and disabilities.

The panel is working, with Commission assistance, by the same procedure as was adopted for conventions under Article 220 of the EEC Treaty. Its meetings to date have produced a preliminary draft on the law with respect to contracts and quasi-contracts, and it is meantime also at work on the various general matters.

LAW RELATING TO ECONOMIC ACTIVITIES

Law relating directly to economic activities as such

72. Some years ago, in 1964, the Commission set up a panel of experts to prepare a memorandum on economic policy and competition in EEC and in the Member States; this document, the Zijlstra Report,² examined the

¹ The drafts are available in published form from the Office for Official Publications of the European Communities in Luxembourg.

² *Ninth (EEC) General Report*, sec. 44.

Member States' respective stances on economic policy and how these were likely to be affected by the future course of Community development. To supplement and update its findings in the present context of the projected advance to economic union, it is now proving necessary to establish what legal factors, if any, are responsible for clashes between national economic policies, and how the armoury of economic law differs from Member State to Member State.

Accordingly, studies in comparative law have been carried out in order to compile as full a list as possible of national laws and regulations in the economic field. A list is also to be prepared of the general and specific issues arising, to enable action to be taken to adjust and extend earlier harmonizations. A panel of outside experts has been set up to report on this subject.

Specific cases involving distortions of competition

73. 1970 saw the completion of investigations into a number of cases suspected of falling under Article 101, the Commission ruling in eight instances that distortion was not involved.¹

An Italian private member's bill on land leases was also examined for possible distortion within the meaning of Article 102, but the Commission concluded that this was not present.

Price legislation

74. Cooperation in this field between the Member States and the Commission went ahead further. The Member States are keenly anxious to be as fully informed as possible on the state of the law in all sectors and to be notified in good time of any changes in price legislation, and the planned arrangements for ensuring this, the general principles of which were agreed in 1969, have now been finalized: from Member States' twice-yearly reports, a full picture is to be drawn up of the position at 1 January and 1 July of each year. The Commission also intends to keep the author-

¹ See Table 5.

ities concerned (official boards and departments, employers' federations and trade unions) abreast of developments, by procedures which have still to be worked out.

Member States are also desirous that the possible economic implications for the Common Market of the differences in national price legislation should be more thoroughly explored.

Legislation on water pollution

75. The Commission has had further work done in this connection. As part of a broader concern with conservation generally, it had an itemized schedule drawn up, with the help of a specialized research institute, of laws and regulations in force on matters to do with water resources, and more particularly with the pollution problem.¹

Each Member State has statutory provisions on this subject, but they differ as to the requirements laid down, the manner of their application, and, especially, the allocation of financial burdens involved. Most of the legislation is of recent date; in some cases the provisions concerned are contained in different enactments.

There are to the Commission's knowledge major legal differences, both of form and of substance, between State and State; these are particularly outstanding with regard to insistence on prior licensing for projects to make use of river or lake water, factors considered in granting or withholding such licences, and degree of liability for the costs involved. Any move for the approximation of legislation (a working programme for this purpose is in preparation) would need to be in the direction of arrangements affording maximum protection against water pollution while preserving a fair balance between action by the public authorities and the operations of private enterprise.

In any case, in the field of water conservation, and environmental conservation generally, the legal aspects are very closely bound up with matters of economic, technological and public health policy. The whole subject needs to be gone into without delay; also, each individual measure contemplated will have to be fitted into an overall medium-term approach.

¹ See also sec. 159 below.

TABLE 5

Distortion of competition in specific cases

Germany: Law on minimum stocks of petroleum products	Art. 101	Examination completed; no distortion
Member States: arrangements for stockpiling of crude petroleum and petroleum products	Art. 101	Examination completed; no distortion
Germany: Law on salt tax of 23 December 1938	Art. 101	Examination completed; no distortion
Germany: 17th Law amending the turnover tax law of 23 December 1966	Art. 101	Examination completed; no distortion
Netherlands: Decree of 1 January 1968 on tax compensation at frontiers	Art. 101	Examination completed; no distortion
Member States: legislation on publication of fuel oil prices	Art. 101	Examination completed; no distortion
France: Order No. 24873 of 12 September 1963 on producer prices	Art. 101	Examination completed; no distortion
France: Decree No. 25013 of 20 January 1965 exempting French producers from pegging of profit margins	Art. 101	Examination completed; no distortion
Italy: private member's bill 37/313 on land leases	Art. 102	No risk of distortion

CHAPTER II

TOWARDS ECONOMIC AND MONETARY UNION

PART ONE

OVERALL POLICIES AND POLICIES FOR INDIVIDUAL SECTORS

1. **General economic policy**

THE OVERALL STRATEGY

Efforts towards economic and monetary union

76. On 1 and 2 December 1969 the Heads of State or Government, meeting in The Hague, considered that further progress should be made in strengthening economic and monetary links within the Community. This desire was expressed in point 8 of the final communiqué of the conference. This provided a mandate for the Community institutions, which were instructed to draw up in 1970, on the basis of the Commission memorandum of 12 February 1969, a plan for the establishment by stages of economic and monetary union.

Various suggestions were made early in 1970, and on 4 March the Commission submitted to the Council a memorandum on the preparation of a plan for the establishment by stages of economic and monetary union, in which it laid down the principles which it considered fundamental and the outlines of the possible stages.¹ A summary of these would perhaps not be misplaced.

¹ The complete text of this document appears in the supplement to the *Bulletin of the European Communities* 3-70.

From the outset it was clear that a Community solidarity should be built up on the basis of common policies and that it should allow risks to be tackled jointly. Accordingly, the measures to be adopted would have to be decided in the light of a concept of common interest combining and going further than the mere juxtaposition of national interests; the Member States would no longer be in a position to assume alone the responsibility for the cohesion of the Community.

Great care would also have to be taken to see that the various measures planned were mutually consistent; this means essentially that work in the economic field and in the monetary field should be carried out in parallel, a policy which would ensure both the convergence of economic policies and the strengthening of monetary solidarity. The overall action could not remain isolated but would have to be supported by a policy aimed at reducing structural disparities among the member countries.

The process would have to be gradual. The time-table should not leave too much uncertainty about the length of these stages, yet should remain flexible enough to allow it to be effectively adapted to the requirements of the plan.

In order to ensure that the various economic and social organizations in the member countries would contribute to the successful conclusion of the task, arrangements had to be made for consultations between these organizations and the Community institutions.

In addition to these principles, the Commission listed certain steps which it felt to be the most important:

- (a) Increased coordination of economic policies;
- (b) Gradual development of the Community capital market;
- (c) Harmonization of taxation as far as is necessary for the economic and monetary union to function successfully;
- (d) The strengthening of monetary solidarity in order to make the Community a single organized unit within the international monetary system.

77. On 6 March 1970 the Council noted the Commission's memorandum and the suggestions made by various bodies, and invited the chairmen of the Monetary Committee, the Committee of Governors of Central Banks, the Medium-term Economic Policy Committee, the Short-term Economic Policy Committee and the Budget Policy Committee, as well as a Commission representative, to meet under the chairmanship of Mr Pierre Werner, the Luxembourg Prime Minister and Minister of Finance, and to draw up

a report which would enable the fundamental choices to be made for the establishment by stages of the economic and monetary union of the Community. This working party submitted an interim report, the joint conclusions of which the Council endorsed on 8 and 9 June, and a final report on 8 October 1970.¹ The final report sought to develop a coherent view of all the problems and to make detailed suggestions, in particular for the first stage.

After describing the starting point and pointing out where it felt there were gaps in the existing procedures, the report defined the elements without which economic and monetary union could not exist; it considered that these elements could be introduced during the present decade. Many proposals were put forward for the first stage in connection with coordination of economic policies, opening of capital markets, strengthening monetary solidarity within the Community, cooperation on external monetary policy, negotiation of agreements with the two sides of industry, and taxation policy. Finally the report touched on the institutional arrangements that would be involved in the establishment of economic and monetary union.

On many points, the principles adopted by the Commission in its memorandum of 4 March 1970 were taken over: work along parallel lines in the economic and the monetary fields, the contents of the first stage, the need to replace national instruments by Community instruments, negotiation of agreements with the two sides of industry, flexibility of the time-table etc. On one point, however, the views contained in the report seemed to differ from those of the Commission: the working party under the chairmanship of Mr Pierre Werner did not feel that the Commission was justified in considering regional and structural policies to be fundamental to the success of the undertaking. But all in all the Commission shared the report's opinions on the elements which were indispensable for the existence of economic and monetary union and on the economic consequences involved in such a union; it accordingly based itself largely on the Werner Report in the memorandum and proposals which it submitted to the Council on 29 October 1970.

78. In its memorandum to the Council the Commission set out the reasons and reflections behind its proposal that the Council should adopt a resolution and a number of decisions.² The resolution dealt first with

¹ These reports were published as supplements to *Bulletin* Nos. 7 and 11-70.

² *Bulletin* No. 11-70, Ch. II.

the basic objectives to be achieved within ten years and then proceeded to describe in detail the measures to be taken in the first stage lasting three years. These measures include: more active coordination of economic policies, in particular by intensifying prior and compulsory consultation; procedures which make it possible for the Council to lay down three times a year, after prior consultation of the two sides of industry, the broad lines of economic policy at Community level, including the main elements of the public budgets; a gradual harmonization of national instruments of economic policy, including synchronization of the arrangement, for preparing national budgets; a series of proposals to be adopted on tax harmonization; measures aimed at settling the detailed rules for a gradual opening of capital markets; steps in the field of regional and structural policy; an intensification of prior and compulsory consultations on monetary policy and the laying down of guidelines in this field; a strengthening of solidarity on rates of exchange within the Community and in dealings with non-member countries; a study of the possibilities of creating a European fund for monetary cooperation. In preparation for the changeover to the following stage, the Commission undertook to submit to the Council before 1 May 1973 a memorandum on the progress already achieved in establishing economic and monetary union and on the further steps to be taken to complete the process; in the case of those steps which cannot be taken under the present provisions of the Treaty, the Commission is also committed to submitting a project under Article 236.

This is the outline of a plan by stages which includes concrete steps for the first three years, a broadly defined final objective and a procedure which makes further progress possible. At the Council session of 14 December 1970, when these proposals were considered, the complex nature of the plan prevented a final agreement being reached on all its points and the Council agreed to continue work on it early in the new year.

Objectives of economic and monetary union

79. The objectives of economic and monetary union are economic and social, but its establishment will also involve developments at institutional and political level which cannot be disregarded.

In order to establish economic and monetary union in its final form, in accordance with the wishes expressed in The Hague, the Member States will gradually have to combine their economic policies to the point where they can abandon for ever restrictive measures within the Community and changes in the relationships between the parities of their currencies. The

purpose of introducing such a union is to produce a lasting improvement in well-being within the Community and strengthen the Community's contribution to economic and monetary stability in the world.

Within the area created by the establishment of economic and monetary union, goods and services, people and capital will be able to move freely and without distorting competition, thus creating an industrial infrastructure and an internal market of European dimensions. The Community will then be one economic unit, gradually replacing the national economic and monetary areas, and providing all transactors with a new basis of reference for their decisions.

In order to establish economic and monetary union it will be necessary to improve the coordination not only of short-term economic policies but also to work out compatible medium-term objectives. Furthermore, a great deal of effort should be devoted to measures in the structural and regional fields aimed in particular at reducing tensions which might jeopardize completion of economic and monetary union. If this union is to come into being, excessive disparities must not occur in income trends in the various member countries; income trends should therefore be watched and discussed at Community level with the two sides of industry, which should in general be closely associated with the implementation and the elaboration of Community policy in order to increase the chances of success of the work they undertake jointly.

80. Furthermore, the establishment and the running of the economic and monetary union will necessitate the transfer to the Community of certain powers previously exercised at a national level. The transfer, however, must be limited to what is necessary for the cohesion of the union and for the effectiveness of Community action; policies adopted at Community level must be subject to democratic control by the European Parliament.

Balanced economic growth and a just social development depend heavily on each other; if economic and monetary union is to be established, efforts must be made to foster a greater awareness of the exigencies springing from this interdependence, as they constitute social factors which must be taken into account:

- (a) The satisfaction of public needs, in particular in education, health and housing, should be improved so that balanced progress may be achieved and goods and services, income and property fairly divided;
- (b) Social welfare should be adapted to the requirements of the modern world and to those of its structural and technological changes;

- (c) The fight against pollution of the environment should be intensified by accepting the economic cost of its protection.

These objectives require a comprehensive strategy which recognizes the reciprocal effects between the economies of the member countries, between economic and social affairs and between domestic aspirations and international responsibilities; it should also take into account the fact that the countries differ as to their economic, social and political structures, their powers and institutions and their priorities.

OVERALL POLICIES

The international scene

81. In most industrialized countries a feature of the past year was the severe and persistent strain on the goods and services market, the labour market and the monetary and financial markets.

Inflationary tendencies were widespread, against a background of expansion which varied greatly from one country to another; economic growth was practically nil in the United States and little higher in the United Kingdom, at least during the first six months of the year. It remained vigorous, however, in the Community and in Japan. These differences were reflected in the development and the structure of the balance of payments in these groups of countries.

The year 1970 saw a marked recovery in the United States current balance of payments (not including transfers), after a period in which the surplus had fallen heavily. The expected surplus for this year, however, will not reach the high levels recorded between 1960 and 1965.

The United Kingdom also recorded an appreciable surplus on current operations. But if the pressure of overall demand was largely contained by a strict monetary and budget policy, cost-push inflation, after slackening briefly, again advanced at a disturbing rate in 1970. It now remains to be seen whether or not there will be a tendency for the present surplus, which had already begun to diminish appreciably in the second quarter of the year, to diminish even more, and to an extent which would conflict with the government's objectives in this field.

The surplus on current operations of the Community as a whole fell in 1970. Despite this overall trend, differences exist at national level; there was a considerable improvement in France and to a lesser extent in

Belgium, while the situation in the other member countries deteriorated, especially in Italy, and also in Germany where it was mainly services and transfers which were affected.

82. In the field of capital movements, the 1969 trend was reversed in 1970. For the severe restrictions in the United States' credit policy in 1969 made American banks take steps to raise funds abroad, especially on the Eurodollar market. Since the beginning of 1970, with the gradual relaxing of this policy, a notable change has occurred in the flow of capital; after a substantial outflow of short- and long-term capital in 1969, the United States' balance has shown a movement in the opposite direction.

The repayment of loans raised by American banks on the Eurodollar market, one factor in the above trend, was among the main reasons for a fall in the rates of interest on the market. The rate for three-month deposits, which rose to a record level of about 11 % at the end of 1969, fell to about 7 % at the end of December 1970. This rate might have fallen even further if it had not been for demands for credit in the Community, in particular from the non-banking sector in Germany, which was eager to make the most of the lower rates to increase its holdings on the Eurodollar market. The trend in capital movements was therefore reversed in Germany: net exports of DM 16 500 million in 1969 gave way to imports of a similar amount in 1970. The inflow of liquid funds from abroad did much to offset the basically restrictive monetary policy adopted in order to combat inflationary developments.

The considerable effects elsewhere of the economic policy pursued by the United States in the light of circumstances, which are peculiar to that country, place the Member States of the Community before problems to which individually they are not in a position to find effective solutions. In 1969, for instance, large sums of liquid money were withdrawn owing to the restrictive monetary policy applied by the "Federal reserve system" as part of the anti-inflationary policy which the Nixon Administration had pursued since its accession to power. This movement disrupted the balance of payments and/or the credit situation of various European countries; some resorted to exchange control measures in order to mitigate the undesirable consequences for their balance of payments; most had to combat rises in interest rates which were steep enough to make application of the monetary policy far more difficult. When the changes described above occurred in 1970, the monetary authorities were again compelled to take factors of external origin largely into account in their policy (inflow of liquid funds and the need for central banks to finance burdensome external

surpluses). It seems that in 1971, in view of the improvement in demand in the United States, most European countries will encounter further difficulties in solving the problem posed by inflationary pressures coming from abroad while they are trying to control excess demand arising sometimes from internal, sometimes from external sources.

83. Several important events in the field of international monetary relations occurred during the year.

In October 1969 at the General Assembly of the International Monetary Fund, the decision was taken to issue an initial tranche of special drawing rights amounting to \$9 500 million spread over three years (1970-72). In accordance with this decision a sum of \$3 400 million was granted to the member countries of the Fund on 1 January 1970. Furthermore, the quotas of the IMF member countries rose in their five-year revision from \$21 300 million to 28 900 million. This increase took effect on 30 October 1970.

At the meeting in Copenhagen in September 1970 a general exchange of views was held on the problems of increasing the flexibility of the present system of international payments. There was general agreement that flexibility should not be pushed beyond the limits of the following moderate suggestions: more frequent adjustments of parities, a limited widening of fluctuation margins and a temporary system of floating exchange rates under closely specified circumstances. Distinct misgivings were expressed about these possibilities of relaxing the present system, but as a more detailed examination of the subject was to be made, no decision of substance was taken.

In this context, however, it should be pointed out that at the Council meeting of 8 and 9 June 1970 the member countries of the Community decided that in exchange relations with each other they would not make use of any provisions which might be adopted to make the international exchange system more flexible.

Short-term economic policy

Objectives

84. In 1970 the short-term economic policies of the member countries failed in varying degree to attain the objectives set out in Article 104 of

the Treaty of Rome. While figures for employment growth, standard of living and balance of payments were generally satisfactory, there was an unusual upsurge in price levels and pronounced strains were again a feature of the labour market in several countries.

In spite of the fact that a very large proportion of productive capacity was in use at the beginning of the year, there was still substantial economic growth in 1970; the gross Community product was about 5.5% above the level of the previous year, after increasing by more than 7% from 1968 to 1969.¹ The growth of gross national product was, incidentally, fairly uniform from one member country to another: Belgium 5.3%, Germany 4.7%, Netherlands 5.8%, and France 5.9%. The countries whose growth rates appeared at the two extremes were Italy and Luxembourg: despite industrial stoppages, the growth rate in Italy was almost 6%, while in Luxembourg, where the slackening of demand for steel seriously affected the pace of domestic production, the figure was 4.0%.

Despite these increases over the previous year, a substantial margin existed for the greater part of the year between internal production in the Community and overall demand, for the only moderating influence on the trend of demand was the figure for stockbuilding. The growth of final demand was much the same as in 1969; a considerable stimulus was provided by gross fixed asset formation, and consumer spending again increased slightly faster than in 1969. Furthermore, the weakness of the economic situation in the United States and the United Kingdom did not prevent exports of goods from the Community to non-member countries from expanding in value at a faster rate than in the previous year.

Only in the second half of the year were there signs of a let-up in the severe strains in the economic situation; the joint reasons for this were a slower expansion of overall demand and an increased elasticity in supply resulting from progress in major investment programmes which were already under way.

85. The labour market in several countries remained unbalanced throughout the year, as was shown by the acute manpower shortages which beset a number of important industries and regions. Although at Community level the number of people in paid employment increased at the same pace as in the previous year (2%), the number of unfilled vacancies continued to grow for several months and only began to fall later in 1970.

¹ The figures quoted in this paragraph are provisional estimates.

At the end of 1969 unemployment had fallen to practically irreducible levels, with the result that for most of the year this source of labour could be tapped only to a limited extent. The gap between the number of unemployed and the number of unfilled vacancies widened in the first six months; this trend was interrupted in the second half of the year on account of a certain reduction in unfilled vacancies, especially in Germany, and of a very slow increase of unemployment in some member countries. The development of the labour market in France was somewhat different. The number of people seeking employment increased throughout the year; this was, however, partly due to an improvement in the statistical methods for recording the number of people seeking employment and partly to the rise in the activity rate.

All in all, and apart from the slight drop in average unemployment in the Community, immigrant foreign workers—from non-member countries—and the increase in the total labour force were the main sources for the increase in employment.

86. To judge from the trends in consumption by households, the standard of living improved substantially in 1970. The volume of private consumption per head of population increased by 6% from 1969 to 1970, as it had done in the previous year. The most appreciable advances in the standard of living occurred in Italy, following substantial pay rises negotiated at the end of 1969, in Luxembourg, the Netherlands and Germany. On the other hand the increase in private consumption was below the Community average in France, where 1968 and 1969 had been exceptional years in this respect, and in Belgium. In several countries there was also a tendency for the working week to be reduced in collective agreements.

87. But these improvements in the standard of living were achieved in a climate of extremely serious inflationary strains. There was an unusually rapid increase in prices: never since the Treaty of Rome came into force has the cost of living risen so much in a single year. During the first six months price increases resulted basically from the pressure of demand on a supply which had become very inelastic, but in the second half of the year it was more the increase of production costs which was the decisive factor.

From the middle of the year prices in the Community for raw materials and semi-manufactures tended to become more stable. The trend was linked with the weakening in world prices. But this relative lull at

the level of wholesale prices has not yet had any appreciable impact at the level of retail trade and the consumer.

88. The external equilibrium of the member countries was much less disturbed than in 1969, partly because of the favourable effect of the decisions taken in the previous year to change the parities of the French franc and the German mark.

The balance on current account in France recovered spectacularly; the improvement in the leads and lags situation, the outflow of speculative capital and the appearance of a wave of long-term capital imports helped to provide the substantial surplus on the overall balance of payments. The German current account, which had shown a considerable surplus in 1969, was roughly in balance in 1970. The large surplus on the overall balance was basically the result of the inflow of short-term capital. While in Italy the many industrial stoppages which slowed down export reduced the surplus on current account, the figures for the overall balance will be considerably better in 1970 than in 1969 following a substantial reduction in the outflows of capital. The current account in the Netherlands suffered a distinct setback, but the inflow of capital brought the overall figures into balance. Growing surpluses were recorded on the current balance of payments in Belgium; imports of capital slowed down, but on the whole an increase in the net reserves of gold and foreign currencies was nevertheless clearly discernible.

At Community level, the trade balance (cif-fob) continued to deteriorate, in particular as a result of the growing tendency to import in order to help supply meet demand; the final figures will probably show a deficit of more than \$1 000 million. Consequently there was a drop in the surplus on current account.

On the other hand the balance on capital account showed a considerable surplus, in sharp contrast with the serious deficit recorded in 1969. Outflows of long-term capital were lower than in 1969, and the main feature was a major inflow of short-term capital, due in part to the differences between the interest rates available in the Community and those on the main international markets.

Official gross gold and foreign exchange reserves increased by \$8 800 million in the first eleven months of 1970, after falling by almost \$200 million in the corresponding period of 1969. This increase should, however, be judged in the light of the appreciable setback in the net foreign exchange position of the commercial banks in the Community.

Short-term economic policy in 1970

89. In 1970 all the Member States were faced with the major short-term economic problem of overcoming inflationary trends.

Initiatives taken by Community institutions

90. On 22 December 1969 the Commission submitted a memorandum on the Community's short-term economic policy for 1970. After observing that the strains due to inflation were still severe, or had even grown worse, the Commission expressed the fear that should the strains persist at the same level of intensity, expansion might in the very near future be thrown into total disorder and extremely rigorous restrictive policies would have to be introduced. It therefore stressed the need for deflation and the advisability of rapid action. To this end, and in view of the difficulty of achieving a rapid increase in productive capacities, it proposed to resort mainly to instruments which would be likely to slow down expansion of domestic demand. The Commission supported the view that vigorous use should be made of financial policy to slow down the growth of demand, that the expansion of the volume of money and near-money should be strictly limited in 1970, that savings should be developed and competition be intensified. Finally it stressed the importance of active participation by both sides of industry in drawing up and implementing an overall policy, and the advisability of a joint examination of the chances of increasing the various types of income and the implications such increases would have on price trends.

These main guidelines for economic policy in 1970 were approved by the Council at its meeting on 26 January 1970.

91. In a second memorandum on the Community's economic situation which it submitted to the Council on 7 July 1970, the Commission had to observe that apart from some limited improvements, the action which the Member States had decided to undertake jointly to obtain balanced growth had not achieved the results which might have been expected. Furthermore, cost-push inflation was liable to raise serious problems, especially if the rate of expansion in some member countries slowed down at the same time. The instability of the world economic situation, the danger that inflationary pressures might spiral, the risk of a serious deterioration in the competitive position of Community industries and the social consequences of a persistent rise in consumer prices were looked on by the Commission as valid reasons for maintaining a policy of inducing

greater calm in the economic situation. It was still indispensable to press ahead with steps that could gradually redress the basic balances, if the Community was to avoid having to regain stability at the cost of a reversal of the situation which would affect the level of employment.

The Commission noted that credit policy, which until then had been the principal prop of the process for regulating economic activity, seemed to have reached the limits of its usefulness and that its effects were liable to be undermined by an inflow of capital from abroad; it therefore stressed the importance of keeping down the growth of government expenditure. It did not rule out the possibility of an increase in revenue from taxation in order to slow down the boom in consumption and private investment and insisted that the extra revenue be used in such a way that it would tend to reduce internal liquidity. The Commission also felt that financial austerity would have to be maintained in the 1971 budgets and stressed in particular the harmful psychological consequences of an unduly mild budget policy, as this would be liable to encourage or renew the inflationary behaviour of some manufacturers, dealers or consumers. Finally the Commission felt bound to reiterate the need for governments and the two sides of industry to collaborate closely both to ensure that the trend in the various types of income is more consistent with the chances of expanding production, encouraging savings and intensifying competition, and also to pursue an active employment policy.

92. At its meeting on 20 July 1970 the Council endorsed the guidelines laid down by the Commission and instructed the Member States to follow them when implementing their short-term economic policies in the coming months.

The economic trends visible since mid-1970 show that progress has been made towards restoring overall equilibrium, while the boom has passed its peak and the growth of economic activity has slowed down. This progress must be consolidated to ease the transition towards more balanced growth.

The Commission proposes to submit its views on these problems to the Council at the beginning of 1971.

Action taken in the Member States

93. The persistence of a marked rise in costs and prices was the major worry of all Member States in 1970. Each of them strengthened the restrictive nature of its short-term economic policy. However, their efforts

in this matter did not enjoy complete success, one of the reasons no doubt being that, in all the member countries and more generally at world level, the pace of inflation had been exceptionally rapid since 1969. The distortions thus created gave rise to urgent political and social problems which limited the governments' margin for manoeuvre. In general the measures taken by public authorities followed the overall guidelines set out in the Commission's memoranda of 22 December 1969 and 7 July 1970 and approved by the Council. In this report it is possible to analyse only the main features of the policies pursued in the Member States to regulate overall demand. The quarterly surveys on "The economic situation in the Community" published by the Commission contain a more detailed analysis and, since the beginning of 1970, provide a list of the main economic policy decisions taken in the various Member States.

94. In the credit field the monetary authorities retained in 1970 the restrictive lines which they had adopted for their monetary policy in the previous year. Short-term interest rates available within the Community had however to be gradually brought into line with the reductions made during the year on the main capital markets, in particular that of the Eurodollar. This meant that several times in the second half of the year most of the Community's central banks were forced to lower their discount rates and their rates for advances on securities. Nevertheless they were careful not to allow bank liquidity to increase too sharply. In accordance with this policy, the Bundesbank on several occasions raised the level of the banks' compulsory reserves in order to offset the effects which the inflow of capital from abroad was having on liquidity.

In France the quantitative restrictions on credit which were introduced in November 1968 were maintained until mid-1970; after being eased in July, they were to a very large extent removed at the end of October. At the same time it was, however, decided to increase the compulsory reserves and to calculate them on different bases. In Italy the restrictive conditions for credit which were introduced mainly in September 1969 were maintained during most of 1970, and the policy of the Central Bank was to keep interest rates relatively high. Only in October 1970 did the provisions on compulsory reserves begin to be eased in order to strengthen credit potential, in particular for the specialized institutions on which small and medium-sized undertakings depend to a large extent for their financing.

In the Netherlands, the measures for limiting credit carried over from the previous year were strengthened on several occasions in 1970.

Belgium likewise maintained its control over credit throughout the year. The inflow of liquid funds from abroad was the main reason why the authorized margins were not, however, entirely used up in the first half of the year. Although it was decided in September 1970 to extend the restrictions, the margins were widened to be distinctly larger than in 1969. Consumer credit, however, which had already been subject to relatively stricter selective measures, was to remain at its September level until the end of 1970.

95. In the field of public finance, the budgets for 1970 generally contained growth rates for expenditure which were lower than in 1969. According to provisional results for 1970, however, these rates were exceeded in most cases. Most of the Member States benefited from large surpluses on revenue from taxes, with the result that the deficits to be made up were not appreciably different from the original forecasts.

The French and German administrations managed to keep the State budgets almost in balance. In the other Member States, with the exception of Italy, the deficits could be financed almost entirely from non-monetary sources, unlike the 1969 situation, when these sources played a major role.

In 1970 all the Member States took special steps to limit the stimulus provided by public finance under the current budget or adopted a more restrictive policy for the 1971 budget.

In Germany the legislative chambers approved in July a stabilization programme proposed by the Government which provides in particular for the temporary suspension, until 31 January 1971, of diminishing balance depreciation, a 10% counter-cyclical increase in income tax for the period from 1 August 1970 to 30 June 1971 and the postponement to a later date of certain tax relief measures which had already been planned for some time. In Italy two decree laws, passed at the end of August and at the end of October, introduced increases in direct and indirect taxation in order to produce further funds to put the sickness insurance scheme back in a strong financial position and to improve the national health system. Furthermore, under a law adopted at the end of October, a series of tax relief measures of a social nature will come into force at the beginning of 1971; they will be financed by increased contributions from other classes of taxpayers. In September, the Dutch Government recommended in its 1971 budget proposals that there should be a counter-cyclical increase of 3% on income tax and corporation tax, and increases in the special tax on cars and in the excise duty on petrol. The draft

Luxembourg budget also contains heavier taxation measures: a counter-cyclical surcharge on company income, institution of a special excise duty on liquid fuels, increase in the rates of value added tax.

During the year Belgium declined to make use of the contingency appropriation provided for in the extraordinary budget of 1971. On the other hand, France released some budgetary credits which had been frozen in a counter-cyclical action fund.

96. Several member countries adopted new measures to promote savings. The most notable were the passing in Germany of a third law on profit sharing schemes for workers, which provides in particular for an increase in savings bonuses; various measures adopted in France, containing tax exemptions and state subsidies to encourage saving to buy a home; in Belgium the raising of the tax-free ceiling on income paid into a savings book; and in the Netherlands the introduction of a "save as you earn" scheme in several industries.

Finally, an important point to bear in mind is that in view of its improved external position, France gradually eased during the year some of the exchange restrictions which were introduced in November 1968, in particular those on foreign currency allowances for tourists.

Instruments for coordinating short-term economic policies

97. In 1970 it was possible to strengthen the instruments for coordinating short-term economic policies as a result of various Council decisions, taken on the basis of Commission proposals which were made as part of the programme proposed in its memorandum of 12 February 1969 on the coordination of economic policies and monetary cooperation in the Community.¹

At its session of 17 February 1970 the Council adopted a decision on the appropriate procedure for the consultations provided for in the Council decision of 17 July 1969.² This new decision fixes the procedural method to be followed when there is not sufficient time for each of the Committees having responsibilities in the matter to be consulted. It specifies that

¹ *Third General Report*, secs. 96 *et seq.*

² Decision on the coordination of the Member States' short-term economic policies No. 69/227/EEC. *Journal officiel* No. L 183, 25 July 1969.

when a Member State or the Commission requests that consultation should take place in the Council, this shall be preceded by a meeting of the responsible committee or committees except in an emergency. In addition, the decision expressly provides that in these consultations the members of the committees shall act as representatives of Member States. Finally, it settles the question of the appointment of the committee responsible for undertaking an examination of the economic situation of a country making use of the system of short-term monetary support. This examination shall be carried out by the Monetary Committee; if necessary, the other committees (Short-term Economic Policy Committee and the Budget Policy Committee) can be consulted later.

The prior consultations introduced by the Council's decisions of 17 July 1969 and 17 February 1970 have, indeed, taken place on numerous occasions. Since mid-1969, eleven requests for prior consultations on important measures or decisions were submitted to the Short-term Economic Policy Committee and the Budget Policy Committee in accordance with Article 1 of the Council decision of 17 July 1969.

98. Following the Council's approval on 17 July 1969 of the idea of creating a system of short-term monetary support in the Community, the Governors of the Central Banks of the Member States signed an agreement establishing such a system on 9 February; the agreement came into force on the same day.

99. At the end of 1970 the Council had still taken no action on the proposal for a decision which the Commission had submitted on 10 June 1970 and which concerned the establishment of machinery for medium-term financial support; the examination of this proposal has, however, reached an advanced stage.

100. During the year further provisions were adopted to improve the material instruments of coordination. In the field of information, for instance, the Council of Ministers agreed to the organization of a survey among consumers, beginning for an experimental period in 1971; this will be complementary to the surveys of the Community's economic situation which are already undertaken regularly. For its part, the Commission submitted to the Council a draft directive on the improvement of statistics on the economic situation. Work also continued on drawing up an overall econometric model for the Community describing in quantitative terms the economic and financial relations between the member countries.

Budget policy

101. The decision taken in The Hague by the Heads of State or Government of the Member States to steer the process of European integration towards the transformation of the Community into an economic and monetary union has opened up a fresh aspect of budget policy. A concrete sign of this new aspect is the fact that in future the periodical examinations of the Member States' budgets must be coordinated with the dates of the Council meeting attended by the Ministers of Economic Affairs and Finance of the Community countries. This has made it necessary to recast the Budget Policy Committee's work programme. Incidentally, the Committee has made a suggestion for harmonizing the budgetary methods of the Member States so that decisions in this field can be taken simultaneously.

102. On the basis of the Council decisions of 17 July 1969 and 16 January 1970, and at the request of the members of the Budget Policy Committee, several prior consultations on budgetary measures have taken place. The first consultation was held at the beginning of the year; it dealt with the German programme for stabilizing the business situation, which was made up essentially of budget-related measures. The second consultation was concerned with measures likely to have an immediate impact, which were taken by the Italian Government with a view to rapidly restoring balanced economic development. The third and final consultation took place in October; the subject was a series of measures, essentially fiscal in character, included by the Luxembourg authorities in the draft budget for 1971. At this meeting, the Dutch member of the Committee outlined the measures for a stricter budget policy proposed by the Dutch authorities when submitting their draft budget.

As they had already agreed,¹ the members of the Committee also held regular discussions on the major problems of budget affairs; this enabled them to comment on measures already taken or planned in their own countries and to sketch a picture of budgetary trends.

103. The Committee also considered the part of the preliminary draft of the Third Medium-term Economic Policy Programme drawn up by the Commission's department which deals with budget policy and fixes the basic conditions for avoiding clashes between the economic developments in the member countries. A few words should also be said here about

¹ *Third General Report*, sec. 112.

the activities of the working party on public finance projections, which in the autumn submitted to the Budget Policy Committee and the Medium-term Economic Policy Committee an interim report on the public finance projections of the Member States for the period from 1970 to 1975. The discussions showed the need for examining some problems in greater detail and for pursuing the projection studies as a whole.

On the basis of a report drawn up by the deputy members, the Committee studied in greater detail questions arising from the introduction in public administrations of planning and programming of budget systems. In view of the importance of this problem, the Committee decided to hold a colloquium in the spring of 1971, for which certain preliminary studies are already in progress.

On the basis of working documents drawn up by the Commission's departments, the Committee continued the detailed study of how the budget can be used as an instrument of short-term economic policy. In this context the discussions mentioned in the Third General Report¹ on a short-term indicator to gauge the impact of public revenue and expenditure on the economic situation were concluded.

At the periodical examination of the draft budgets of the Member States in autumn 1970, the method for calculating the pressure behind domestic demand was employed for the first time. This enabled the Committee to intensify an essential part of its regular work. In the summer the Committee also examined the main lines of the budget policy of the Member States for 1971.

In accordance with the Council decision of 21 April 1970, laying down that the Commission shall each year draw up estimates of Community expenditure for the three following financial years, the Committee examined at the end of the year the estimates for 1971-73, including the draft budget of the Communities for 1971.

In the spring the Working Party for Comparison of the Budgets of Member States submitted to the Medium-term Economic Policy Committee its report on financial aid to enterprises and its distribution according to economic activities for the period from 1965 to 1968. The Working Party also continued its comparison of budgets and began to examine the problems arising from the application of the European system of integrated economic accounts to the sector of public administration; the first step taken was to define the limits of the State sector.

¹ *Third General Report*, sec. 112.

The Third Medium-term Economic Policy Programme

104. The Medium-term Economic Policy Committee, which contains two members of the Commission, drew up the preliminary draft of the Third Programme, covering the period 1971-75. It submitted this draft to the Commission, which adopted it without amendment and then submitted it to the Council on 23 October 1970 with an introduction explaining the reasons behind the proposals. This Third Programme is very different from the first two.

As economic integration has advanced, the interaction of economic policy decisions has become such that it is now clear that the cohesion of the Community can be safeguarded only by a genuine coordination of national economic policies on the basis of concrete steps to concert the most important economic objectives. The Commission therefore proposed in a memorandum to the Council on 15 December 1969 that medium-term guide figures should be laid down for the period from 1971 to 1975. After examining this memorandum, the Council requested on 26 January 1970 that the draft of the Third Programme should contain guide figures for the period 1971-75 and that it should set out the main structural schemes which will have to be carried out to this end either at national or at Community level.

Balanced economic development in the service of man

105. The central theme running through the Programme is the balanced development of the Community. The increase in available resources should allow the expanding pressure of needs, especially public ones, to be met: it should fulfil the desire to achieve full employment; it is a condition for the social reforms demanded by large sectors of opinion; it also stems from the need to contribute effectively to development tasks in the Third World.

But the Community's economic policy cannot be limited to the joint objectives of growth and stability. Its purpose can be found in the contribution it makes to better conditions of existence: it must be concerned both with raising the standard of living and improving the quality of life; it must also contribute to greater solidarity to the advantage of the less favoured social classes.

Under the Third Programme, with the approach of economic and monetary union, the general objectives of social development which are

at present the ambition of national policies will gradually become those of Community policy. But even now it is important to pick out the general objectives which are considered to be most pressing in all the member countries:

- (i) Better satisfaction of public needs;
- (ii) The intensification of the struggle against the harmful effects of growth on the environment;
- (iii) Achievement of greater equality in the chances offered to individuals when starting out in life, thanks to improvements in the policy on education and training;
- (iv) Better distribution of incomes and property;
- (v) Adjustment of social protection to the requirements of the modern world.

The Programme cannot, of course, set out all the means for meeting these ambitious but necessary objectives. Its basic task is to make their attainment easier by sketching out guidelines for the economic policy of the Community and of the member countries.

Mutually compatible guide figures for overall economic developments

106. Owing to a lack of adequate economic cohesion between the Member States, the potential advantages offered by the common market have not so far been fully exploited. This is most evident in the striking disparity between completion of the customs union and the limited advances made in the common policies. Progress has been much more rapid in creating interdependence between the member countries than in aligning their behaviour, objectives and policies. Consequently they have all been faced with increasing difficulties in adjusting their own development to the rest of the world.

If these difficulties are to be overcome there must be an initial reconciling of national objectives. Compatibility of overall trends will mean that better use can be made of the opportunities afforded by the Community.

The adjustment needed to bring into line national economies developing at different rates and from different starting levels are usually obtained through the relative trend of domestic prices, through movements of capital and labour and, in the case of fundamental imbalance, through

changes of parity. But in the European Economic Community care must be taken to see that these adjustments can be made without resorting to protectionist measures or parity changes in intra-Community relations.

With the gradual elimination of these methods the adjustment process in the Community is beginning to follow a precise line. The member countries must now look further than simply finding better ways for adapting independently the expansion of domestic demand to increases in employment and growth capacities. Each now has the task of harmonizing the conditions governing its development with those of its partners so as to lead the economies and above all prices within the Community to develop along more convergent lines, and so to limit the factors that can cause disturbance. For this requirement to be met, the overall guidelines for economic policies must be reconciled in advance at Community level.

107. The basis for these guidelines will be the main indicators summarizing the results of overall economic policy. The guide figures chosen for these indicators have been arrived at by confronting national projections at Community level:

- (i) External equilibrium (in terms of the balance on current account: balance on transactions in goods and services and on factor incomes). The guide figures which the member countries have adopted in respect of the balance on external trade and payments are considered to be predetermined quantities. They indicate the net amount of the liabilities (transfers and capital movements) which the individual country will have to enter into with abroad and which it will have to meet by drawing on its real resources.
- (ii) Changes in the general price level (GNP deflator). The guide figures for prices are the linchpin of any strategies that are to be mutually consistent. For the period 1971-75, prices in the Community are assumed to go up at an annual rate of 2.5 to 3%, or slightly slower than the pace at which prices are expected to rise at international level. In choosing this rate the Community therefore expresses its determination to form an area of stability.
The guide figures fixed for the individual countries range around this average rate, with divergencies from the Community average mainly reflecting differences in the starting position.
- (iii) Economic growth (in terms of the rate of growth of the gross national product at constant prices). In 1970 the Community experienced

vigorous expansion of economic activity that began in 1967 and appears to have reached its peak in 1969 and 1970. Growth is likely to continue in the Community at an annual average of 5 to 5.5%.

- (iv) Degree of full employment (in terms of the unemployment rate). It would be a mistake to think that the guide figures for foreign trade, prices and growth imply an increase in unemployment. The work of the Medium-term Economic Policy Committee and the Study Group on Medium-term Economic Forecasts shows quite clearly that on the contrary the steps necessary to tackle the unemployment problem are, to judge from the present outlook, much sooner to be found in structural action than in an increase of overall demand. These employment indicators must by no means be considered as objectives; they rather show the level of employment that would reflect a satisfactory rhythm of activity. Owing to factors inherent in the economic and the structural situation, the form and intensity of unemployment problems vary from one country to another.

Conditions for completion of the Programme

108. In adopting the Programme the Community's institutions and the Governments of the Member States also declared their intention to achieve the guide figures in the fields of overall management of the economy and structural adaptation. The Programme also contains recommendations on conditions for effective coordination by improving and harmonizing economic policy instruments and by working together in preparing decisions.

It is clear that price developments will be the major obstacle to the attainment of the target of compatibility. Although price stability is an important objective in all the member countries, whether it is achieved will depend on a number of factors.

Priority must go to ensuring the success of the scheme for the management of overall demand and of policies to be followed in order to solve certain structural problems, by encouraging the necessary changes. Some countries will have to concentrate their medium-term priorities directly on the policies which are most likely to clear the blockages responsible for inflation and unemployment and to closely coordinate the possibilities of structural action and the requirements of fundamental balances.

In structural policy, the Community's task must consist in facilitating the establishment of a large unified market by outline measures designed to promote the free movement of goods, persons and capital, the right of establishment, freedom to supply services and the adjustment of firms to the wider market. Specific measures will also have to be taken to dismantle certain structural obstacles and to put the spontaneous forces of expansion at the service of the social objectives. These measures must be designed to promote new operations in the framework of town and country planning and regional development, and by an active employment policy. Lastly, there is a need to use the Community's financial action more efficiently with a view to facilitating the adjustment of economic and social structures.

Another factor governing the achievement of the objective of compatibility will be the international situation which could stimulate inflation. If trends towards price rises appeared on the international scene, this might provoke the risk of inconsistency in the Community unless it endeavoured to show its independence instead of adapting itself to the changes voluntarily. If the Community wants to attain economic and monetary union, it must ensure that its price trends conform with the objectives it sets itself; then it could, if necessary, hold itself aloof from international trends.

The contents of the overall and structural policies which are to direct development in coming years are still under discussion in all the member countries. The approval of the Third Programme by the Member States is a sign of their intention to take into account the guidelines which have just been set out, by making whatever adjustments are necessary when fixing their objectives and policies between now and the completion of their final plans or programmes for 1971-75.

It will be by no means easy to follow mutually compatible overall guidelines. Success will depend initially on the economic policies which are adopted. Another important factor will be the definition of suitable methods at institutional level; but in the main, success will depend on the political will which will be all the stronger for having behind it the support of public opinion and the participation in the proposed undertaking of the various groups active in economic life.

2. Regional policy

THE ORGANIZATION OF COMMUNITY INSTRUMENTS

109. In our societies, which are rapidly changing under the influence of technological, sociological and institutional developments, regional policy is a very important facet of public economic and social policy. The introduction of the customs union and the implementation of economic and monetary union involve growing Community responsibility for regional development.

It was in order to respond to these needs that the Commission, on 15 October 1969, submitted a proposal to the Council for a decision, based on Article 235 of the EEC Treaty, to furnish the Community with the appropriate instruments.

During the year under review, this proposal has been the subject of the consultations provided for by the Treaty, and the Council has begun the discussions with a view to a decision on the introduction of a regional policy at Community level.

An analysis of the Commission's proposal of 15 October 1969 is to be found in the Third General Report.¹

On 16 May 1970 the European Parliament gave the Opinion required by Article 235. The Parliament expressed its concern at the continuing regional disparities in the Community despite the measures taken by the Member States and approved the Commission's initiative. This aims at providing the Community with the instruments necessary to define urgent regional policy measures, to grant interest rate rebates or loan guarantees, to associate the European Investment Bank more closely in the implementation of regional policy, to achieve greater coordination of measures taken at national level and, finally, to improve information techniques where regional policy is concerned.²

The Economic and Social Committee also gave a favourable Opinion on the Commission's proposal.³ The Commission, has, in addition,

¹ *Third General Report*, secs. 298 to 302.

² *Journal officiel* No. C 65, 5 June 1970, p. 22.

³ *Ibid.* No. C 108, 26 August 1970.

obtained the views of the Medium-term Economic Policy Committee; the latter stressed the need for increased coordination between the regional policies being implemented in the Member States and the responsibility which must be exercised at Community level with regard to certain regional problems of common interest. Action at regional level was one of the priority subjects dealt with in the Third Medium-term Economic Policy Programme which the Commission recently submitted to the Council.

110. Having concluded its consultations, the Council, on 26 October 1970, held a thorough discussion on the principles and procedures for implementing Community action in the regional policy field.

The Council confirmed Community responsibility for ensuring harmonization of economic development throughout the Six: Community action in regional matters had become urgent at a time when the customs union, now completed, was exerting ever-increasing pressure on the orientation of activities, and when economic and monetary union urgently called for correction of the existing serious regional imbalances.

A large measure of agreement was reached on the main options put forward. As a result:

- (a) The Member States and the Commission will permanently consult each other on objectives, methods, procedures and experience gained in regional policy matters;
- (b) This consultation will lead to the defining of coordinated objectives, concerted action, and appropriate solutions to regional problems at Community level, particularly in matters of the following kinds (the priorities remain to be fixed):
 - (i) problems raised by regional action programmes planned or already in progress in the Member States,
 - (ii) the impact of the common policies on regional development,
 - (iii) problems which, because of their size, nature and urgency are of common interest, especially in the peripheral regions of the Community (cf. for example, the Protocol concerning Italy);
- (c) A common attitude will be defined with regard to aid specifically aimed at or affecting the regions:
 - (i) by intensifying the work undertaken under Articles 92 and 94,
 - (ii) without prejudice to the above, by confronting and comparing the different aid systems, so as to achieve harmonization which shall take into account the intensity and urgency of the problems of regional development;

- (d) Better use will be made of the Community's financial mechanisms to solve regional problems. This involves:
- (i) the European Investment Bank,
 - (ii) the Guidance Section of the EAGGF,
 - (iii) the Social Fund,
 - (iv) the funds available under Articles 54 and 56 of the ECSC Treaty.

The creation of new Community resources for financing regional development is to be studied.

It was felt that the Community's own action should be concentrated on a limited number of priority regions, such as the large peripheral regions, frontier regions and regions in decline, even if the geographical area of the latter is limited. Generally speaking, priority in Community action should be given to regions whose problems are aggravated by the common market or are, in fact, really common problems.

The setting up of a Standing Regional Development Committee was recognized as necessary, but its institutional form remains to be defined.

In the light of the views thus expressed by the Council working on the Commission's proposals, the Committee of Permanent Representatives will, as early as possible, submit a report to the Council on the basis of which it will be able to take decisions.

111. With this aim in view, the Commission, on 5 December 1970, submitted to the Committee of Permanent Representatives a working document on the possibilities offered by the existing financial resources to further the solution of the problems of regional development.

This document shows that the existing resources are neither quantitatively nor qualitatively adequate to enable the Community to give appropriate help in the implementation of the measures necessary to solve regional problems.

These resources, whether provided by the EAGGF, the Social Fund, or under Articles 54 and 56 of the Treaty of Paris, may not be diverted from their own specific objectives. They can make a contribution to regional development when the action they finance in their relevant sectors or fields is in line with the development requirements of all the socio-economic sectors of the region in the setting of the Common Market. But, with the exception of EIB resources the specific aims of the sectors or

fields covered by these financing mechanisms necessarily mean that all the requirements of regional development, which itself is a geographical dimension of general economic development, cannot be included.

The resources which the EIB can at present mobilize are quantitatively inadequate as a response to these same requirements.

112. Parallel with these developments of the Commission proposal, the Third Medium-term Economic Policy Programme stresses the need to plan regional policies on a Community scale so as to be able to cope effectively with the problems of the coordinating of infrastructures, sectoral policies, and competition between different aids. Apart from the concertation and coordination of regional policies at national level, the Community's balanced development requires that Community responsibility be added to that of the Member States in dealing with certain regional problems of common interest.

Similarly, in its proposal to the Council on 29 October 1970 on monetary and economic union, the Commission emphasized the importance of action in the structural and regional field in order to provide the bases for overall control of the economy.

The report to the Council and Commission concerning the introduction by stages of economic and monetary union had itself stressed the fact that the achievement of overall economic balance may be endangered by structural differences and concluded that structural and regional policies should include, over and above measures which concern national budgets, compensatory financial measures at Community level.

Hence one can see progressively emerging all the factors which, in the essential fields of economic and social life, will constitute the bases for coordinated action by Member States and the Community each in their own fields, to ensure harmonious development throughout the Community.

REGIONAL DEVELOPMENT STUDIES

Study of regional development in the Community

113. The Commission has continued the study of changing regional structures within the Community. Special attention has been paid to changes in national product and incomes in the various regions and to the problems posed by the lack of homogeneous data on the Community

plane. In order to respond to the needs for promotion and support at Community level, the aim of the studies has been to indicate the guidelines and concrete objectives needed to define priorities. For example:

Discussions have begun with the Member States on a set of regional accounts and indicators, and this should serve as a basis upon which to prepare harmonized statistics permitting comparisons between Community regions and countries;

A preliminary study has been made of the different types of regional data banks already in operation in the Member States and of the experience gained from them. Further coordination and harmonization, particularly as regards the software used, seems to be necessary if there is to be an exchange of data and a rational use of the systems at Community level.

General studies

114. Under the research programme to define the guidelines to be followed in certain fields of particular importance for regional policy, the consultations between national experts on the conclusions of the report on points of entry and exit by sea have begun. It has been seen that these consultations—like those on other general studies undertaken at the Commission's initiative—would fit well within the compass of work which might be carried out by the Standing Regional Development Committee which the Commission has proposed should be set up.

In addition, the Commission has decided, as part of the policy for reforming agricultural structures, to have a study carried out on relaxation and health requirements as a factor in regional development: creating jobs, putting agricultural land to new uses, etc.

Special studies

115. These are undertaken at the request of Member Governments. Besides those already in hand, the Commission decided upon two further studies in 1970.

On the basis of the regional analysis of the Nantes-St. Nazaire conurbation, and after the selection of new activities which might be

introduced there to promote industrial development, the Institute commissioned to carry out the research has submitted its field findings on the feasibility studies and on the setting up of an industrial maintenance corporation.

The institutes commissioned to carry out a survey of the development of the Westmünsterland/Grafschaft Bentheim/Twente/Oost-Gelderland frontier region have completed the report analysing the situation, trends and development problems. The work should be finished in 1971 with the definition of a strategy for improved coordination in developing this part of Europe as a whole.

The study on the Friuli-Venezia Giulia region, which aims not only at contributing to the solution of the problems of this region, but also at providing guidelines for the peripheral areas is almost finished.

Phase 3 of the study on the economic development of southern Belgium has been put in hand; the aim is to hammer out concrete measures for the creation of poles of growth.

The Commission has decided to take part in a study on the economic development of northern Belgium and another on the development of the Aquitaine region of France.

The Committee for the Liège/Belgian Limburg/Dutch Limburg/Aachen frontier region, set up at the end of 1969 to propose precise coordination measures calculated to promote the development of the whole region, has surveyed the first fields included in its programme: infrastructures and employment. Early in 1971 it will submit to the competent authorities its proposals on road, rail and inland waterway transport infrastructures. The Committee has also continued its work on the labour market forecasts for 1980.

The institutes commissioned to carry out studies on promoting the tourist industry in Calabria have drawn up projects for developing the areas to be included. Their reports were submitted to the Italian Government and the Commission at the end of December 1970. In some of the areas chosen the Italian authorities have begun the promotion work on the basis of the proposals made by the institutes.

116. Under Article 46(4) of the ECSC Treaty, the Commission has made its contribution towards studies to facilitate the industrial conversion work

undertaken by the French authorities in the Centre-Midi coalmining areas:¹

- (i) The organization of a new industrial area of 200 hectares in the Sainte-Etienne (Loire) region;
- (ii) The provision of new industrial activities to replace those of the Cévennes collieries in the Alès (Gard) region;
- (iii) Surveys to create new jobs and technologically advanced services in the Albi-Carmaux region (Tarn).

HARMONIZATION OF NATIONAL AND COMMON POLICIES

Sector changes and regional problems

117. The Community's main activities in this field during 1970 were as follows:

On 19 October 1970 the Commission submitted to the Council a document on the Community aid system in the Member States on behalf of the coalmining industry. This system will replace that embodied in Decision 3/65 of 17 February 1965², which expires on 31 December 1970³. Articles 2 and 3 of the new decision aim at creating a more direct link between the authorization granted for financial aid by the Member States and regional development prospects and programmes. The Commission must be able to exercise its right of authorization with full cognizance of the measures the Member Governments intend to take, especially in their regional context. Accordingly, Article 2(1.5) of the decision obliges Member States to take into account regional development forecasts when supplying the Commission with data on financial intervention.

Under the terms of Article 70 of the ECSC Treaty, the Commission has authorized the application until 31 December 1975 of a certain number of special rail tariffs for the transport of ECSC products from the Cévennes, Auvergne and Dauphiné coalmining areas.⁴

¹ Sec. 120 of this Report.

² *Journal officiel* No. 31, 25 February 1965, p. 480.

³ See also sec. 267 of this Report.

⁴ ECSC Decision No. 70/305 (*Journal officiel* No. L 129, 13 June 1970, p. 21) and ECSC Decision No. 70/403 (*Journal officiel* No. L 189, 25 August 1970, p. 15).

Relations between regional policy and social policy

118. From the regional policy angle, the reformed Social Fund offers substantial possibilities for contributing to the solution of regional development problems, in particular where training and retraining of workers are concerned.

CREATION OF NEW ACTIVITIES AND MEANS
OF REGIONAL DEVELOPMENT*Redevelopment*

119. Following endorsement by the Council, the Commission formally approved 15 schemes for which loans totalling more than 15 million units of account had been requested.¹ The loans in question will facilitate investments aggregating more than 220 million u.a. These schemes will make it possible to provide new jobs for some 11 680 workers.

Approval was given in principle to seven other schemes, for which loans totalling 7.8 million u.a. had been requested. These loans will help investments totalling some 43 million u.a. The Commission has asked the Council to endorse the grant of the loans.

Government applications have been made to the Commission for 24 schemes. The loans involved will facilitate investments totalling close on 273 million u.a.

120. In Germany the intensive industrial activity and the strains on the labour market must not be allowed to lead to a slowing down of the industrial diversification necessary to respond to the changes in progress in the different sectors.

In France the plans for industrial redevelopment begun in 1967 as part of the objectives fixed by the French Government for the *Charbonnages de France*, were continued and extended during last year. In the Nord and Lorraine regions, where the number of redundancies in the next few years will still be very high, the task of creating new jobs has been

¹ For four of these schemes, the figures given in the total includes only a first instalment of 7.9 million u.a. of a total figure of 25.9 million u.a. decided upon by the Commission on 17 December 1969 and 20 April 1970.

TABLE 6

**Redevelopment schemes scheduled for
Community financial aid in 1970**

Location	Amount of loan		Estimated number of new jobs
	National currency ('000)	u.a. ('000) (rounded figures)	
<i>North Rhine-Westphalia</i>	DM		
Dinslaken	2 100	525	180
Huckingen	8 400	2 200	635
Hagen	5 000	1 366	350
Homberg	2 000	500	50
	17 500	4 591	1 215
<i>Lower Saxony</i>	DM		
Salzgitter	4 000	1 100	60
<i>Lorraine</i>	Ffr		
Metz	22 200	4 000	4 200
<i>Nord</i>	Ffr		
Maubeuge	8 325	1 500	850
Bouchain	5 550	1 000	4 000
Douai	4 000	721	200
Carvin	3 000	540	500
	20 875	3 761	5 550
<i>Dutch Limburg</i>	Fl		
Spekholzerheide-Kerkrade	537	148	80
Spekholzerheide-Kerkrade	2 212	611	200
Maastricht	1 000	276	185
Maastricht	800	221	140
Heerlen	2 200	600	50
	6 749	1 856	655
		15 308	11 680

made easier, with a tendency for engineering to predominate in the Nord, and engineering and coalchemistry in Lorraine. In the Centre-Midi, where there is a relatively large number of miners to be redeployed, the creation of new jobs gradually speeded up over the course of the year. Amongst the new activities which have been decided upon or which are to be introduced, the electronics industry is particularly important in the Centre-Midi region.

In Belgium the reduction in the number of mineworkers continues in the Limburg, Hainaut and Liège regions. The Belgian Government's work of industrial redevelopment has been backed by the Commission, especially by providing finance for the necessary infrastructures.¹

The Commission has made a provisional assessment in a report of industrial redevelopment in Dutch Limburg. This redevelopment has followed very closely the guidelines on which the Community and the Member Governments had agreed for operations of this nature. The report has been submitted to the Council and is to appear as a publication.² Similar assessments will be made for most of the Community's coalfields and will also be published. A study decided upon in December 1970 by the Commission will estimate the cost-benefit of the industrial redevelopment operations, particularly for the populations and workers concerned, using as its basis several of the assessments referred to above.

The Commission has received a study on Italy which it had commissioned from the ISVET (Istituto per gli Studi sullo Sviluppo ed il Progresso Tecnico) giving practical indications based on the experience of Community countries, on the setting up and administration of industrial estates. This study, which is intended to provide information for the organizers and promoters of regional development and for firms thinking of setting up factories in new industrial estates, will also shortly appear in print. It is a complement to the theoretical work already carried out on the concept and design of industrial estates.³

EIB loans to regions in difficulties or backward

121. In 1970 the Commission endorsed 49 schemes, representing a total investment of 1 787 million u.a. The number of schemes which the Bank

¹ *Second General Report*, secs. 348 and 349.

² Collection „Études”, série „Politique régionale”, cahier No. 3, Office des publications officielles des Communautés européennes.

³ *Second General Report*, sec. 365.

submitted to the Commission during 1970 was up 100% on the previous year.

The second means of intervention available to the European Investment Bank, the provision of guarantees, was used this year for the first time, to enable three schemes to be carried out.¹

The following schemes, by region, are those upon which the Commission was asked to give its opinion (Table 7).

¹ For further details on the EIB's activities see Ch. IV, 2 of this Report.

TABLE 7

Country or region	Number of schemes	Total investment involved (in million u.a.)
Liège	1	252.00
<i>Total for Belgium</i>	1	252.00
Saar	2	37.18
Hesse	2	30.20
Bavaria	2	8.30
Lower Saxony	1	34.40
North Rhine-Westphalia	2	140.48
Baden	1	17.70
(Industriekreditbank total loan)	1	10.00
<i>Total for the Federal Republic of Germany</i>	11	278.26
Franche-Comté ¹	2	54.00
Paris region	1	6.30
Alsace	2	16.30
Nord	1	9.90
Limousin	1	3.60
Upper Normandy	1	33.00
Provence/Côte d'Azur	1	143.00
Rhône-Alpes	1	28.80
Brittany	1	4.00
Loire valley area	1	4.00
<i>Total for France</i>	12	302.90

Country or region	Number of schemes	Total investment involved (in million u.a.)
Sardinia	1	5.10
Apulia	6	152.60
Calabria	1	19.00
Marches	2	25.40
Abruzzi ²	2	48.50
Latium	2	21.10
Sicily	1	5.00
Campania ³	3	176.20
Liguria ³	1	163.00
Friuli-Venezia-Giulia	1	6.40
Trentino-Alto Adige ³	1	278.00
Southern Italy (excluding the islands)	1	30.40
Campania-Abruzzi	1	13.00
<i>Total for Italy</i>	23	943.70
Luxembourg	1	7.26
<i>Total for Grand Duchy of Luxembourg</i>	1	7.26
Gelderland	1	7.10
<i>Total for Netherlands</i>	1	7.10
Overall total	49 schemes	1 787.22 million units of account

¹ Including the grant of a guarantee for an investment of 42.30 million u.a.

² Including the grant of a guarantee for an amount of 43.20 million u.a.

³ Including the grant of a guarantee for an amount of 133 million u.a.

⁴ Including the grant of a guarantee for an amount of 163 million u.a.

⁵ Including the grant of a guarantee for an amount of 278 million u.

3. Social policy

General

122. A number of solid results accrued in 1970 from the Commission's persevering work in the social field. They included the Council's agreement in principle to the revised regulation on social security for workers and workers' families moving within the Community, its adoption of a recommendation concerning the use of a European career brief, the first of its kind, on the training of skilled machine-tool operators, and the adoption by the Commission itself of a regulation on the right of workers to remain in a Member State after having been employed there. In addition to these important practical measures, Community social policy was marked by numerous moves and developments in line with the Commission's concentration in recent years on employment. Thus, the opinion put forward by the Commission on the future form of the European Social Fund, which devotes a good deal of attention to security and growth of employment, afforded the basis on which the Council was able to agree on the main lines to be followed in the remodelling of the Fund to increase its effectiveness in the sectors and regions where labour redeployment is causing difficulties. Employment as such was also a prime concern of the Commission's, which it took up both with the two sides of industry and with the Council, organizing a Conference on Employment Problems and setting up a Standing Committee on Employment to promote cooperation in this regard as a means to ascertaining the scope for Community action. To enable European social policy to assume its rightful proportions, and to put fresh edge on it for that purpose, the Commission stressed in several basic documents that the economic and the social are the two faces of a single reality, thus opening up a wide field for action, the particular possibilities of which will be worked out in more detail with those concerned.

Meantime the Commission also, needless to say, did its utmost to bring the two sides of industry into closer association with Community policy, arranging more frequent meetings and consulting them on a wider range of matters. The establishment of the Advisory Committee on Social Security for Migrant Workers and the Standing Committee on Employment is a further milestone in the Community's relations with management and labour.

Social aspects of the common policies

123. The Commission duly submitted to the Council its second report, referred to in last year's General Report,¹ on the correlation between social policy and the other Community policies, which gives an overall picture of the Community's manifold economic activities with social implications, and the work being done in regard to them. This included, in 1970, work on possible ways of harmonizing collective-bargaining provisions concerning agricultural working hours and wages, on the social aims of the common fisheries policy, and, above all, on working conditions and terms of employment in the transport sector, in all three modes of transport, road, rail and inland waterway: for the latter a regulation is in preparation, while for road haulage a draft second regulation on the harmonization of various social provisions has been drawn up and a regulation on the installation of recording tachometers in road vehicles was adopted by the Council on 20 July. The social aspects were also given prominence in the Memorandum on Industrial Policy, more especially those connected with employment and with the adjustment of labour to structural change, and there was a similar emphasis in regional policy and the different sectoral policies, notably that for the textile industry. The social problems of the coal and steel industries continued to receive attention under a variety of heads, noted at the appropriate points in the following pages. The policy correlation report brings out, in addition, the social elements in the short-term economic policy pursued in 1970, which sought to encourage mobility of labour, active participation by the two sides of industry, and incentives to wage-earners to engage in personal asset formation of one kind or another. The general medium-term guidelines for economic policy in the Community (1971 to 1975) are aimed at accentuating the convergence of the Member States' economic and social policies, and the Third Medium-term Economic Policy Programme, in which the theme of employment figures prominently, lays down an overall strategy designed "to fulfil the economic, social and political purposes of European unification and secure lasting betterment of the welfare of the Community's citizens".¹ In the matter of the arrangements to be made in the statute of the European company for workers' representation, special provisions were incorporated, after consultation with the two sides of industry, in the draft regulation submitted by the Commission to the Council.

¹ *Third General Report*, sec. 316.

² Sec. 104 *et seq* above.

Fuller particulars of activities undertaken in connection with the different common and Community policies are given under the relevant heads in the pages which follow.

ACTIVITIES IN CONNECTION WITH EMPLOYMENT

124. The importance attached to matters of employment by the Governments, the Community authorities and the two sides of industry alike was brought out at the Conference on Employment Problems held in Luxembourg on 27-28 April. The Commission played a prominent part, outlining what it is trying to do in order to achieve a genuine European employment policy, and furnishing a wealth of documentation, including studies on methods of placement, the use of computers and the forecasting of manpower trends, on developments in the labour markets of the Member States, and on Community-level action to channel information on the employment situation and bring the labour market into balance quantitatively and qualitatively.

The Commission welcomed the Conference's call for the establishment of a Standing Committee on Employment, and took an active share in the working-out of the organizational basis for the latter, putting forward many proposals on such points as the appointment of the employers' and workers' representatives and its own role in the preparation of the meetings.

The new Committee's terms of reference, and the number of seats each of the bodies concerned would have on it, were settled by the Council on 26 November. This is undoubtedly a most important move now that the advance towards economic and monetary union, with all its social implications, is putting the whole subject of employment in a new perspective. The various economic policies, overall, sectoral and regional, cannot be pursued separately from the policy on employment, whether focused on the traditional concept of "full employment" or the more modern one now emerging of "better employment." The great object must be to make possible personal self-fulfilment at work, social betterment and optimum economic efficiency, by ensuring really good vocational guidance, ongoing training and orderly handling of the changes accompanying technological progress. Only so will change come to be seen no longer as a bane but as an opening towards better things both individually and generally.

With regard to employment statistics, the Council decided, on 26 November, that another of the Community's sample surveys on labour

forces should be carried out. The findings of that conducted in 1968 were published by the Statistical Office during the period under review, and those of the 1969 survey will be forthcoming in the early part of 1971.

125. Also with the growth of employment in mind, the Commission prepared a number of reports and studies on different aspects of the operation of the labour market, with indications, which the Council endorsed, as to the measures which should be taken, both at national and at Community level, to ensure closer cooperation among the departments concerned, in the matter of placement, in-service training, training for employment exchange officials, and so on. The use of new techniques for the purpose, in particular, of enabling placement services to operate more effectively continued to engage the attention of the Commission, which organized a further period of in-service training in France on the use of computers.

The Commission submitted to the Council its eleventh annual report on manpower problems. This gave a fuller account than its predecessors of sectoral and regional trends in the labour market, and also provided a tabulated conspectus of the various measures taken and planned by the Member States and at Community level in the employment field.

The Commission also laid before the Council a report on employment forecasting, drawn up in connection with a programme for promoting and preparing practical steps in this direction.

It will, in addition, shortly be submitting a study on female employment and related problems in the Community countries, with practical proposals concerning possibilities for the better integration of women into the economy, especially of mothers wishing to take jobs outside the home.

ACTIVITIES IN CONNECTION WITH VOCATIONAL GUIDANCE AND TRAINING

126. The second report on vocational guidance activities,¹ issued in 1969, was discussed on 25 and 26 May 1970 by the Council, and practical conclusions drawn which will enable the interchange of information between the Member States to be stepped up. The third report has meantime been completed. A further short in-service course for officials of the public departments concerned was held in Italy on 19-21 October.

With regard to vocational training, the Council on 29 September, at the Commission's proposal, sent the Member States a recommendation on

¹ *Third General Report*, sec. 318.

the use of the European career brief on the training of skilled machine-tool operators.¹ The Commission, after obtaining the opinion of the Advisory Committee on Vocational Training, forwarded to the Council a draft Council directive on the minimum level of training for drivers of goods and passenger vehicles.¹

On 26 November the Council made known its reactions to the conclusions and suggestions submitted to it by the Commission in April following the discussion in November 1969 on adult training.¹ It accepted a number of practical conclusions concerning action to be taken at national level at the instance of the Governments, and action on a Community basis.

To make for clearer knowledge of the position in the different member countries, the Statistical Office began the compilation of Community adult training statistics showing expenditure, facilities and staffing.

In cooperation with the Advisory Committee, the Commission went ahead with its activities, concentrating primarily on four main matters, the passage from general education to vocational training and the integration of the latter into an ongoing tuition process, the adaptation of training arrangements to technical, economic and social trends, the harmonization of training, and the promotion of modern teaching methods. Particular aspects dealt with included the state of the law on training, a study on which is nearing completion; the future of training generally; researches into job and training trends, a field in which the Commission intends to promote some measure of Community-level coordination; multi-skills training-pilot ventures in the Member States were described in a report adopted by the Advisory Committee in November; the position with regard to programmed instruction, also the subject of a report to the Advisory Committee; teaching methods and syllabuses used, on which a report has just been completed; and correspondence courses, on which the Advisory Committee has held a preliminary discussion.

With regard to instructor training, the Commission continued the work begun last year in cooperation with the Advanced Technical Training Centre in Turin.¹ Two further seminars for training cadres were held, one for those in charge of training in agriculture and rural occupations, in October, and the other for their opposite numbers in industry, in December. A fourth seminar for African and Latin American executives on enterprise training policy, arrangements and management was also organized in cooperation with the Centre in June-July. "Documentation pédagogique", the bulletin on training, continued to appear quarterly.

¹ *Third General Report*, sec. 319.

On the ECSC side, the third volume of the Commission-sponsored training manual on new processes in iron and steel production was completed and is to appear in 1971; work on the fourth and last volume is well advanced.

In November, Commission and British Steel Corporation representatives met at a session of the Steel Committee of the Commission/U.K. Council of Association, to compare notes on basic and advanced training and retraining for adult steelworkers.

127. On 31 July the Commission sent the six Governments a set of suggested amendments to the first joint programme for the exchange of young workers in the Community, to keep the programme an effective means of promoting youth exchanges; it had been asked to do so by the Governments' representatives at their seventh meeting on the implementation of the programme. From the launching of the programme on 1 January 1965 down to 31 December 1969, exchanges totalled 13 482, the figure for 1969 being 4 772.

THE SOCIAL FUND, READAPTATION AND REDEVELOPMENT

The European Social Fund

128. Refunds by the European Social Fund in 1970 totalled just over 37 million units of account, broken down as shown in Table 8.

At the end of the financial year, settlement of the Member States' accounts with the Social Fund involved transfer of approximately 11 million u.a., of which 7.1 million went to Italy and 3.9 million to Germany.¹

The total amount applied for in 1970 was about 46.2 million u.a., Germany asking in all 19.5 million, Belgium 2 million, France 5.2 million, Italy 17.9 million and the Netherlands 1.6 million; no applications were received from Luxembourg. Only 770 078 u.a. was applied for in respect of resettlement projects.

The estimates submitted by the Member States of the amount of aid they expect to apply for during the financial year 1971 work out altogether at 55 million u.a.

¹ Application of Articles 16 and 17 of the Financial Regulation on the methods and procedure whereby the Member States' contributions are made available to the Commission: *Journal officiel* No. 22, 30 March 1961.

TABLE 8
Aid from the Social Fund in 1970

	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)	15 604 996	27 767	173 806	13 684	15 778 802	41 451
Belgium	1 426 930	1 775	—	—	1 426 930	1 775
France	3 925 727	3 738	236 693	4 588	4 162 421	8 326
Italy	14 283 477	99 406	238 741	15 163	14 522 218	114 569
Luxembourg	—	—	—	—	—	—
Netherlands	1 149 780	901	1 550	14	1 151 330	915
Community	36 390 900	133 587	650 791	33 449	37 041 701	167 036 ¹

¹ In this total some 20 000 workers figure twice over, money having been spent on them by two countries (resettlement) or two bodies (retraining), both of which applied for refunds.

129. A breakthrough was achieved in the matter of the long-urged reform of the European Social Fund: the Council, after taking cognizance of the opinion put forward by the Commission in accordance with Article 126 of the Treaty¹ and consulting the Parliament² and the Economic and Social Committee,³ agreed on the principles of the reform on 27 July⁴ and adopted the final instrument at its meeting on 26 November.

There is no need to restate here the substance of the decision, which has been given in detail elsewhere,⁴ but one important point should be mentioned. The two separate functions now assigned to the Fund, initially at any rate, with separate implementing arrangements, represent a compromise by the Council between the different schools of thought which emerged in the discussions: on the one hand the Fund is to facilitate the

¹ *Journal officiel* No. C 131, 13 October 1969, and *Bulletin* No. 8-69, Part One, Ch. III.

² *Ibid.* No. C 2, 8 January 1970.

³ *Ibid.* No. C 26, 4 March 1970.

⁴ *Bulletin* No. 9/10-70, Part One, Ch. III.

carrying-out of the Community policies, and in this connection will operate on the basis of *ad hoc* Council decisions adopted on proposal by the Commission as the need arises, while on the other hand it is to help overcome current difficulties hindering the smooth development of the Community and requiring to be tackled by a course of action over a considerable period, and here will operate on the basis of pre-established principles. In the initial period, to last not more than five years, at least 50% of the money in the Fund will be employed for purposes of the second type, it being understood that later on the major share is to go to projects of the first type.

One large question-mark remains, namely how much money the Fund is to have. This point was not discussed by the Council of Ministers of Labour: it will be considered in due course in the debate on the general budget of the Communities, of which the Social Fund budget is an integral part.

It now remains to frame the implementing measures for putting the Council's decision into effect. The Commission is at work on these, and hopes in the near future, when it has consulted the Fund Committee, to submit to the Council a preliminary draft for a regulation laying down the general rules of operation of the Fund; another draft regulation on the types of aid to which the Fund may contribute is also in preparation.

The Council has taken steps to ensure that there is no hiatus between the operations of the present and of the future Fund. The statutes of the Committee will also be reviewed in the light of the new functions and responsibilities to be assigned to the reformed Fund.

130. As regards Community aid for redundant Italian sulphur miners,¹ the Commission made available to the Italian Government in 1970 a further 514 511 u.a., bringing the total so provided to 2 148 240 u.a., out of the appropriation of 4.2 million authorized by the Council to go towards the reorganization of this industry.

The reorganization process, begun some years back, is now, however, encountering such difficulties that the Italian authorities are planning to close the mines outright as and when alternative employment opportunities are created.

¹ *Third General Report*, sec. 325.

Re-employment and readaptation of workers

131. As 1970 proved a very good business year, there was a slowdown in the rate of redundancies in the coal and steel industries, but no appreciable decrease in the flow of applications to the Commission for readaptation aid and redevelopment loans. At most the trend may have affected the breakdown by countries or by types of area of the aid given under Article 56 of the ECSC Treaty.

Thus, readaptation operations approved were located to a greater extent than previously in areas where labour is being laid off by reason of the longer-term outlook (France, Netherlands). As regards industrial redevelopment, the slackening-off in closures and, in particular, the general tightness in the labour markets may in some places have adversely affected the creation of new jobs, as for instance in Dutch Limburg, where the manpower shortage took a sharp turn for the worse as large numbers of workers took to cross-frontier commuting into Germany, and even into Belgium. In some cases in Germany, though admittedly exceptional ones, there were no redundant workers to reabsorb at all, with the result that investment projects which had originally been supposed to qualify for aid under Article 56 did not in the end receive funds from ECSC after all.

Nevertheless, as is apparent from the overall figures for the readaptation aid and industrial loans extended, the shift in pattern and stricter selection have not really resulted in the Community's contributing any less than in previous years. On the contrary, thanks to ECSC aid and loans, enterprises in difficulties have been able to continue shedding their surplus labour and the redevelopment of their areas has also proceeded at a good pace.

Readaptation operations

132. Readaptation operations in 1970 were, as in 1969, on a particularly large scale, a total amount of 25 217 008.05 u.a. being earmarked between 1 January and 31 December for assistance to 21 747 workers.

Table 9 shows the breakdown by countries and sectors of the foreseeable number of workers qualifying for readaptation aid and the amounts of money made available. Again, as in previous years, the bulk of the aid was to the coal industry; the sums furnished and numbers affected indicate that the colliery reorganization programmes are duly going forward, though in some countries the production curve is showing signs of flattening out.

TABLE 9

Readaptation assistance approved under Article 56(2) of the ECSC Treaty
(1 January-31 December 1970)

	Coal industry		Iron and steel industry		Iron-ore mines		Total	
	Workers aided	Amount furnished (in u.a.)	Workers aided	Amount furnished (in u.a.)	Workers aided	Amount furnished (in u.a.)	Workers aided	Amount furnished (in u.a.)
Germany (FR)	1 594	1 176 229.50	—	—	—	150 273.22	1 594	1 326 502.72
Belgium	2 766	1 605 000.00	—	360 000.00	—	—	2 766	1 565 000.00
France	8 177	14 230 697.91	—	—	—	90 922.34	8 177	14 321 620.25
Italy	—	—	—	7 200.00	—	—	—	7 200.00
Luxembourg	—	—	—	—	—	—	—	—
Netherlands	9 210	7 596 685.08	—	—	—	—	9 210	7 596 685.08
Community	21 747	24 608 612.49	—	367 200.00	—	241 195.56	21 747	25 217 008.05

In Germany the result of this stabilization of production has been to reduce the number of workers rendered redundant by closures, at any rate temporarily.

In France the 1968-75 reorganization programme is going according to plan. The funds provided in 1970 relate to the period 1968-70, during which over 8000 workers received readaptation assistance; they also take account of the new flat-rate aids agreed between the French Government and the Commission at the end of 1969.

In the Netherlands, over half the colliery labour force has left the industry, and the Government has decided to discontinue coal production altogether by 1975. Although, given the state of the labour market, it would in fact have been possible to advance the date for general shutdown, the closure and rundown plan went ahead as scheduled, so as to let the oldest men with the smallest chances of re-employment reach pensionable age and the remainder take up in due course the new jobs created or to be created.

The rising trend in readaptation operations in the steel industry which set in in 1968 and became more noticeable in 1969 disappeared in 1970. The two appropriations made, one for Belgium and one for Italy, were boosters for aids provided in 1968.

In the iron-ore industry there were no applications in 1970 for aid under Article 56; such funds as were appropriated were also intended to step up assistance granted earlier.

133. The agreements on readaptation procedures underwent no changes to speak of in 1970. They were duly adapted to any alterations in labour conditions in the countries concerned, and were simplified administratively, more especially in the case of France and Belgium, where the management of readaptation assistance is shortly to be computerized, as it already has been in the Netherlands.

Redevelopment and re-employment

134. By assisting 15 investment projects with redevelopment loans, the Community helped in 1970 to create some 11 680 jobs in various coal- and steel-producing areas, about 3 500 of them to go on a priority basis to former miners and steelworkers by the terms of undertakings given by the borrower enterprises to recruit these men. For a breakdown of the amounts furnished, and the locations of the projects, see Table 6 in the chapter on regional policy.

To ensure that the development loans operate to fullest effect from the point of view of employment, including employment in areas where there are for the moment more vacancies than applicants, the Commission is continuing to stress the need for care and method in arranging transfers of labour. This aim is variously pursued by direct communication between the old and the new enterprises, by close cooperation between employment exchanges, and even, in some countries, by having advisory or other bodies exercise surveillance over reabsorption processes.

The combined summary report on the survey which was conducted on the reabsorption of workers leaving the land¹ has now been completed, and will appear early in 1971.

FREE MOVEMENT OF WORKERS

135. After consulting the European Parliament and the Economic and Social Committee,² the Commission adopted Regulation No. 1251/70 on the right of workers to remain in a Member State after having been employed there.³ This instrument, adopted under Article 48 of the EEC Treaty, entitles the worker to stay on in the country where he is living when he finally ceases to follow an occupation and to rank as a gainfully-employed person; the arrangement is that the residence permit he held when in paid employment is automatically renewed. Relatives living with him are also entitled to stay on, even after he himself has died.

In its 1970 report on free movement of workers and the state of the labour markets in EEC, the Commission examines the inflows of non-national workers, broken down by origin and occupation, and the application in 1969 of the principle of priority employment of Community nationals. Emphasis is laid in the conclusions on the need for coordination of Member States' policies on migration.

To enable the Community to compare notes on recruitment policies, as urged by the Council in its findings of 13 March 1969, the Commission submitted to the Council a preliminary study on the reasons for the rising intake of non-Community labour at a time when workers are out of a job within the Community.

A working party on conflict of laws, set up by the Advisory Committee on Freedom of Movement for Workers and consisting of

¹ *Third General Report*, sec. 330.

² *Ibid.* sec. 331.

³ *Journal officiel* No. L 142, 30 June 1970, p. 24.

representatives of the Governments and the two sides of industry, met to consider the rules the Commission is intending to propose to the Council for determining which codes of labour law apply in the case of workers moving from one country to another within the Community. It is also planned to submit proposals for doing away with discrimination concerning the holding of trade union office.

The Technical Committee went ahead with its work¹ for the harmonization of statistics on foreign manpower and movements of foreign workers. Its working party on the register of occupations roughed out a draft set of standardized arrangements for the dissemination of particulars with respect to vacancies and application for international clearance supplied by the various branches of industry.

HARMONIZATION OF SOCIAL SECURITY ARRANGEMENTS

General problems concerning social security

136. The social security indicators (typical figures and symptomatic relative values in the social security field) and the information memoranda concerning occupational diseases on the European list, provided for in the Commission's recommendation of 20 July 1966,² will shortly be published. Work is continuing on the memoranda concerning diseases on the list annexed to the European list.

Studies on relations between the medical profession and the social security system, on consumption of pharmaceuticals under social security arrangements, and on special social security schemes will be completed during 1971.

Two new studies are about to be undertaken, the first on the cost of hospital treatment under social security, and the second on trends in social security (convergent, divergent and general) since the inception of the European Economic Community).

137. Having completed the study on financial problems of social security giving projections of social security revenues and expenditures in the Member States for 1965-70, the Commission went on to tackle the next instalment, giving projections for 1971-75.

¹ *Third General Report*, sec. 331.

² *Journal officiel* No. 147, 9 August 1966.

138. A study was begun on medium-term social security programming and forecasting in the Member States, of the kind employed in the French and German "social budgets", and will serve as a basis, following the Council's decision of 26 November 1970, for the phased preparation of a "European social budget". This will set out for each Member State the revenue and expenditure figures for the different headings of social policy, in respect both of past years and of years immediately ahead; the medium-term forecasts given will be based on economic hypotheses, namely population trends, wages, prices, national income and gross national product.

The social accounts, which the Council has decided are to be used in working out the European social budget, have been reissued in a detailed breakdown. It has been decided that they are to be updated more promptly and also extend to cover expenditure on accommodation and adult vocational training; in addition they are in future to include a capital transactions account.

139. As in previous years,¹ the financial aid furnished by Member States in 1970 to help meet the claims on the social security schemes in the coalmining industry were 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 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 9% in 1969 and 8.10% in 1970.

At the request of the Joint Committee on Harmonization of Terms of Employment (Coal), the two statements adopted by it at its meeting on 9 July 1969¹ were forwarded by the Commission to the Governments of the Member States, most of which have since responded by giving particulars of the current position and outlook in the matters concerned.

Social security for migrant workers

140. On 25 May the Council of Ministers for Social Affairs adopted a revised regulation on social security arrangements for paid workers and their families moving from one Community country to another, which will

¹ *Third General Report*, sec. 333.

supersede the present Regulation No. 3. The main points of the new text have been analysed in the Bulletin of the European Communities.¹ It should be noted that a tripartite government-union-employer advisory committee is to be set up. These arrangements will come into force in the seventh month from the issue of the implementing regulation. At the time of going to press the regulation on the annexes to the new instrument was still before the Council.

141. The Court of Justice in 1970 delivered four judgments on the interpretation of provisions concerning social security for migrant workers.² The Administrative Committee on Social Security for Migrant Workers concerned itself mainly with the amendments to the draft of the revised implementing regulation³ which were necessitated by the substantial changes the Council had made to the revised basic regulation itself as originally proposed by the Commission. The Committee's audit board continued its investigations into the causes of the increase in sickness insurance costs in the different Member States, the effect of which comes out at Community level wherever benefits are forthcoming from the social security institutions in one Member State for the account of their opposite numbers in others. The board is also continuing its study of possible ways of improving the clearing and payment of migrant workers' pensions.

Beneficiaries under the Community social security regulations in 1968 totalled approximately 2 150 000 (paid workers in all sectors, pensioners and survivors, persons admitted to medical and health care, including holidays, children entitling to family allowances, etc.). Transfers of funds between Member States in consequence of these regulations amounted to some 150 million units of account.

Wages and terms of employment

142. As concerns wages, the Commission submitted to the Council its fifth progress report on equal pay for equal work in the Community (Article 119 of the EEC Treaty). This report for the first time incorporated the results of a Community survey on the structure and breakdown of wages. The Commission also submitted its own conclusions from the study on wage drift and the study on incomes and assets in the six countries, putting

¹ *Bulletin* No. 1-70, Part One, Ch. IV.

² Cases 68-69, 3-70, 32-70 and 35-70.

³ Regulation No. 4, containing implementing provisions on administration and finance.

forward practical proposals for obtaining a fuller statistical picture of levels and trends in contractual and actual wage rates, in incomes not classed as wages, and in savings, and asset formation if any, by private households.

The Statistical Office of the Communities published the regular twice-yearly figures on hourly wages and the working week in industry (for October 1969 and April 1970),¹ the full results of the October 1966 survey on the structure and breakdown of industrial wages,² and the results of the first (1967) Community survey on labour costs in the road haulage sector.³ Progress was also made in the matter of yearly updating of the results of the three-yearly surveys on labour costs.

The report on experience gained in the pilot assembly and evaluation of collective-bargaining agreements in two industries⁴ was favourably received by representatives of the competent authorities in the member countries and experts from the employers' and workers' organizations. To make for better knowledge of developments in the social field, the Commission has prepared, on the basis of this report, proposals for the systematic evaluation of all collective-bargaining agreements in the Community.

143. In connection with the comparative studies on labour law, a study on the prevention and settlement of group labour disputes was completed, and will be issued in 1971.

Two other studies made under Articles 117 and 118 of the Treaty, the one on trends in social welfare law in the Community countries and the other on provisions for the benefit of workers in the event of dismissal (individual and collective), were laid before the Council, together with the Commission's conclusions.

Harmonized tables showing the working day and working week, annual holidays and paid off-days in 10 selected EEC industries and the two ECSC industries were drawn up for the first time. Two surveys were begun on particular matters, working hours in continuously-operating services and certain technical aspects of working hours (exemptions, time off in lieu, time on). Another survey, on Sunday work in the glass industry, was completed.

¹ *Statistiques sociales*, Nos. 2 and 5/1970.

² *Ibid.*, special series Nos. 1-8.

³ *Ibid.*, No. 1/1970.

⁴ *Third General Report*, sec. 338.

144. The Joint Advisory Committee on Social Problems of Paid Agricultural Workers was consulted by the Commission concerning the social aspects of the draft directives on the reform of agriculture. The Committee was insistent that favourable conditions should be created for the reabsorption of workers having to leave the land, and also urged that conditions both on and off the job in agriculture be harmonized by means of collective-bargaining agreements or European recommendations to be negotiated between the appropriate employers' and workers' organizations; it is currently considering the main points for such negotiation. At the same time, the Committee is continuing its work, in close cooperation with Commission officials, on the prevention of occupational accidents and diseases. In the opinion which it rendered, it pressed for a dialogue between the employers and workers, the Commission and the Governments.

On 30 June the Commission set up the Joint Advisory Committee on Social Problems in the Sea-fishing Industry, which it then asked for an opinion as to the ways to achieve the social aims of the common fisheries policy and the priorities to be adopted.

With regard to road haulage, it should be recalled that Council Regulation No. 643/69 of 25 March 1969, on the harmonization of certain social provisions in this sector, has since 1 October 1970 applied to all haulage, both cross-frontier and internal. In implementation of the regulation, the Council on 20 July adopted, on proposal by the Commission, Regulation (EEC) 1463/70 requiring the fitting of all vehicles with recording tachometers between 1 January 1975 and 1 January 1978. The Commission also went ahead with the preparation of a draft regulation to harmonize other social provisions (2nd regulation), and in this connection in the course of the year obtained the opinion of the Joint Advisory Committee on Social Problems in Road Haulage.

The Commission continued its work on the preparation of a draft regulation to harmonize certain social provisions in the inland water transport sector; the Joint Advisory Committee on Social Problems in Inland Water Transport rendered its opinion, covering both carriage of the traditional type and semi-continuous and continuous carriage. Preparations went forward for the establishment of a Joint Advisory Committee on Social Problems in Rail Transport.

The Joint Committee on Harmonization of Terms of Employment (Coal) adopted two reports, one on statutory and contractual readaptation and re-employment arrangements for miners in the Community countries (position at 31 March 1969) and the other on occupational retraining of

workers leaving the coal industry (position at 31 December 1968); both will probably be published during 1971. The Joint Committee on Harmonization of Terms of Employment (Steel) issued two studies relating to the social repercussions of structural and business developments in the steel industry, the first a combined summary report on the turnover of manpower in the industry, and the second an account of action taken in the member countries to cope with the adverse social effects of the structural trend.

The two corresponding committees on the terms of employment of non-manual workers in the coal and steel sectors continued their examination of questions in connection with the grading of these men; the committee on the steel side also discussed the enterprise-level representation of non-manual employees, and that on the coal side the position in regard to working hours.

Industrial relations

145. The Commission took steps to broaden and intensify its contacts with all trade unions, employers' federations and trade associations, at both occupation and sector level.

A series of meetings were held to obtain the views of these bodies' representatives on specific subjects such as industrial policy and the draft statute of the European company. In advance of the meetings, the whole range of the Commission's activities and efforts was discussed in detail on 12 February with the executives of the European Confederation of Free Trade Unions and the World Confederation of Labour, European branch.

At occupation level, closer contact was established with the Union of Master-Craftsmen of the EEC (UACEE) and the European Trade Union Committee of Teachers. Meetings were arranged to go carefully into the specific social problems of these organizations and ascertain their views on certain aspects of the Commission's policy and efforts in the social field. The third meeting of the EEC/International Confederation of Executive Staffs contact group set up in March 1969¹ was devoted to consideration of the Memorandum on Industrial Policy.

¹ *Third General Report*, sec. 343.

At sector level, contact was made with the European builders' and building workers' associations with a view to organizing a one-day seminar on the specific problems of the building trade.

HOUSING

146. A recapitulation of assistance given over the years down to 31 December 1970 to the building of houses for workers in the ECSC industries shows that in all 113 029 dwellings had been part-financed by that date under the two experimental schemes and the six major loan-aided schemes, 60% of them for renting and 40% for owner-occupation. Dwellings completed totalled 106 546.¹

147. The whole of the 20 million u.a. made available for Scheme VI (1966-68) has now been allocated. In France, Germany, Luxembourg and the Netherlands the Scheme VI funds had been fully committed since 1968 and have since been entirely used up; decisions were taken in 1970 by the Commission on those for Belgium and Italy.

The Commission has decided to provide a loan of Lit. 1 600 million at 1% for 25 years towards the building in Italy of some 700 dwellings for Finsider steelworkers; the Gestione Case per Lavoratori (Gescal) is also contributing an interest-free loan of Lit. 1 500 million, and the Finsider group itself a 4% loan of Lit. 1 463 million. The project will at the same time be an application of design studies carried out by Gescal to promote the use of steel in residential building.

In partial reallocation of the Scheme V appropriation for Belgium, the Commission granted to the Société nationale du logement, Brussels, against a Belgian State guarantee, a 12-year loan at 4.75% of Bfr. 65 million (made up partly from its own resources and partly from borrowings), which the Société nationale is to match with an equal contribution of its own. The money is to finance the first 200 or so of a total 436 dwellings to be built in Belgian Limburg for miners of the Campine collieries, with priority for migrant workers.

148. Following the Commission's decision of 22 October 1969 to launch a seventh scheme, with a first tranche of 10 million u.a. to come from

¹ See Tables 10 and 11, and Graph on p. 120.

ECSC subsidized housing financed and completed

Position at:

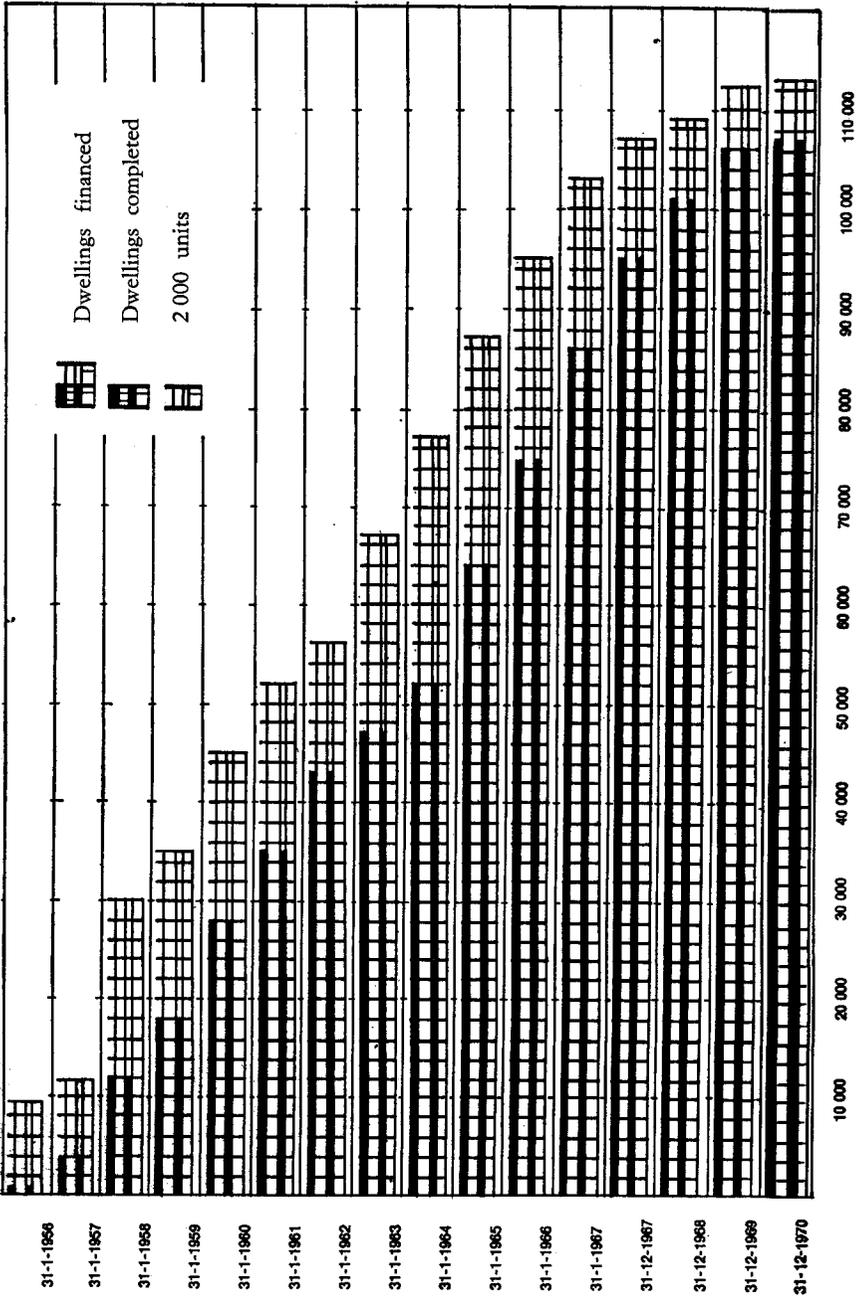


TABLE 10
**Operational position of Experimental Schemes I and II
 and loan-aided Schemes I-VI**
 (at 31 December 1970)

Country	Dwellings financed	of which :		
		in preparation	building	completed
Germany (FR)	77 959	1 898	1 919	74 142
Belgium	6 703	29	1 038	5 636
France	18 482	100	408	17 974
Italy	5 448	160	681	4 607
Luxembourg	823	18	21	784
Netherlands	3 595	154	38	3 403
Community	113 010	2 359	4 105	106 546

TABLE 11
**Financial position of Experimental Schemes I and II
 and loan-aided Schemes I-VI**
 (at 31 December 1969)

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	4.41	19.59	2.30	26.30	26.63	52.93
France	25.53	—	5.06	30.59	125.45	156.04
Italy	9.10	8.04	4.46	21.60	27.54	49.14
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	94.59	44.71	127.63	266.93	874.78	1 141.71

('000 000 u.a.)

the special reserve of the 1971-72 budgets,¹ it has received, from Governments and from within the ECSC industries, applications for loans in respect of some 23 700 dwellings, representing appropriations of over 43 million u.a. from the special reserve. Most of the building concerned is in connection with the installation or expansion of steelmaking capacity in coastal areas. Early in 1971 meetings are to be held in the member countries to obtain the views of the authorities, the industries and the unions on the projects to be given priority; the Commission will then allocate this first 10 million u.a. in accordance with availabilities.

The Scheme VII decision also provides for a new experimental scheme to help in tackling an urgent housing problem for ECSC workers and offer a contribution to knowledge in the housing field generally. On 30 June 1970 the Commission decided that the experimental scheme should deal with modernization of existing dwellings, and adopted general directives to be followed in conducting it. The object of the scheme is to devise new, industrial-type processes calculated to improve productivity, shorten the time taken to carry out modernization operations, save skilled labour and reduce costs.

A good deal of ECSC workers' housing is pre-1939; a survey conducted in 1959 showed that one-half of the men concerned and their families were occupying accommodation with no inside lavatory, no bathroom and no central heating. But modernization also poses a general problem of housing policy. To improve the state of affairs in this respect it will be necessary to modernize at a rate of something like 750 000 dwellings a year over a considerable period. Now the financial, technical, social and operational aspects of modernization are quite different from those of building from scratch, and have for the most part not yet been systematically studied. By using prefabricated components, planning carefully and economizing in highly skilled labour, it could be that modernization could be made a more economic process. The new experimental scheme is an effort to see how this can be done.

SOCIAL SERVICES AND FAMILY QUESTIONS

149. The Commission issued its second report on action taken to implement its recommendation on accommodation for workers and their families

¹ *Third General Report*, sec. 347.

moving from one Community country to another,¹ and its third on action to implement its recommendation on the social services' work for these people.² In addition, the Governments were asked to send their replies for the reports covering 1969 and 1970.

The tripartite working party on welfare and accommodation of migrant workers and their families³ set up by the Advisory Committee on Freedom of Movement for Workers held its first meeting, and agreed on its working methods and priority subjects, the latter to include information, family regrouping, housing, and schooling of migrant workers' children.

The Commission contributed assistance to the European seminar for young migrant workers held in Düsseldorf by the European Confederation of Free Trade Unions in the Community, which culminated in a resolution making numerous points and proposals. It also organized in Belgium, in cooperation with the Liège, Charleroi, Mons and Namur immigration and reception services for the respective provinces, a group in-service training course for welfare workers and leading local officials from some of the parts of Italy and Belgium between which contact is being formed as a result of free movement of workers, the aim being to study the social aspects of the process in the light of regional considerations.

The Commission convened a meeting of representatives of the Ministries responsible for family questions to discuss recent measures taken in Member States for the benefit of families, and more particularly to consider what has been done and what still needs to be done in the matter of welfare facilities and services (crèches, kindergartens, etc.) to help mothers who have to go out to work. The studies in hand on social problems of the elderly and on low-cost holidays for those of modest means ("social tourism") are approaching completion.

COMMON HEALTH AND SAFETY POLICY

150. The Commission drew up proposals with regard to the medical, occupational and social reabsorption of handicapped persons, providing for a Community plan of operations and indicating the fields in which a start could be made forthwith, at the same time it set forth its views on rehabilitation of the handicapped (coordination, research and develop-

¹ *Journal officiel* No. 137, 27 July 1965.

² *Ibid.* No. 75, 16 August 1962.

³ *Third General Report*, sec. 350.

ment). The Community is thus offered a first general objective in the matter of health, based on a practical conflation of the aims of the three Treaties,¹ in accordance with the Council's wish, expressed at its meeting on 13 March 1969, that the Commission should work out a plan of action in this connection.

Industrial health and medicine

151. On the social research side, the second programme of physiopathological and clinical studies on respiratory disease closed with a symposium at Wiesbaden on 2-4 June. On 13 October the Commission decided to make available a sum of 2.5 million units of account for a third programme,² on correlations between chronic respiratory disease and air pollution, and rehabilitation of sufferers from respiratory trouble. Work is also proceeding on the standardization of methods of diagnosis. 300 sets of X-rays illustrating the ILO international pneumoconioses classification were sent out in the Community to help harmonize the assessment of these diseases.

152. With regard to industrial accidents, the second programme on traumatology and rehabilitation was completed; the results are to be disseminated, and the Commission is now preparing a third programme. A survey was conducted in all Community steel enterprises to assemble detailed statistical data on the location and nature of injuries incurred at work. A second programme on human factors in safety (ergonomics) is in its final stage: the particulars obtained, in particular those concerning environmental conditions on the job, are being evaluated with a special eye to the work of the Mines Safety and Health Commission and the Steel Industry Safety Commission, and other preventive activities.

Industrial safety

153. Work continued on the drawing-up of agricultural safety rules.³ In cooperation with experts from the Member States, safety rules for the use of farm tractors and motorized equipment have now been finalized and are to be submitted to the Council to promote the introduction of

¹ *Second General Report*, sec. 430.

² *Ibid.*, sec. 432.

³ *Third General Report*, sec. 354.

measures on these lines in the Member States. Corresponding rules are being drafted for the use of other kinds of farm machinery.

The Commission gave its support to the prize contest organized by the Italian national institute for the prevention of accidents, ENPI, for safety devices on agricultural machinery; the board of judges this year included representatives of all the Member States, and the competition was open to industry in all six countries.

The programme of factory inspectorate traineeships instituted in 1965 was continued in 1970 in a new form,¹ some 30 officials each being given the chance to study in two Member States other than their own safety problems in connection either with metal scaffolding, or with dangerous substances and preparations, or with dangerous agricultural machinery. The object of the traineeships is to give the national experts who sit on the Commission's technical working parties a broader and fuller picture of the situation.

A number of the working parties concerned with the implementation of the Commission's general programme for the elimination of technical obstacles to trade devoted attention to the needs of industrial safety.

Special safety and health problems in the ECSC industries

Steel Industry Safety Commission

154. A symposium on the general theme of accident prevention was organized by the Commission on 21-23 October, the topics considered being those coming within the terms of reference of the Steel Industry Safety Commission. The occasion was attended by over 500 persons having to do with such matters in their work, from 17 countries. Much of the three days was devoted to accident prevention arrangements, safety training, workers, cooperation and cooperation among enterprises on safety.² A new panel of experts was set up to study safety in the use of explosives in blast-furnace operation. The Safety Commission adopted in their final form papers on shutoff and control devices of oxygen services, oxygen pipe connections, selection and training of travelling-crane drivers, isolation and degassing of gas pipes, the oxygen supply point and

¹ *Second General Report*, sec. 437.

² Cf. the Commission's recommendation of 20 July 1962 to Member States concerning industrial medicine in enterprises (*Journal officiel*, 31 August 1962).

oxygen lance for blast-furnace tapping, pig-iron solidification processes, and oxygen filters. The Safety Commission's first report on its activities was submitted to the European Parliament at the end of 1970.

The annual survey of accident rates in the steel industry was accompanied in 1970 by a survey of the location and nature of the injuries involved.

Industrial health

155. On 18 December the Commission approved the commitment of a total of 888 005 u.a. for eight research projects, the money to come from the appropriation of six million u.a. made in 1964 for the second programme on dust control in mines. The projects, some of which are to take two and some three years, will be carried out at four specialized coal research establishments. Research grants since the programme was begun amount in all to 5 590 352 u.a.

To enable research to continue on the same lines after the second programme ends, the Commission during 1970 had a third programme prepared, on health in mines, it being essential that progress in this respect should keep pace with progress in production methods.

International exchanges of experience gained in research on epidemiology, dust measurement, seam infusion and dust control in the use of winning and tunnelling machines were arranged by the Commission.

156. On 7 October the Commission approved the commitment of 428 002.73 u.a. for 13 research projects under the second programme on air pollution control in the steel industry, the total appropriation for which is four million u.a. The projects will be mounted by nine steel research centres and research bodies.

A project on de-dusting in the charging of preheated coal into coke ovens was adopted by the Commission on 11 December, with a grant of 63 015.50 u.a. Two projects are thus now in hand on the improvement of atmospheric conditions at coking-plants: the other, begun last year, relates to coke discharging and quenching operations.

157. With regard to mine safety, the two programmes on rescue of trapped miners by large-diameter boreholes and on trigger barriers are well advanced and yielding practical results. Three meetings of coordinating committees of experts were held in 1970.

Mines Safety and Health Commission

158. The Commission of the Communities in 1970 reappointed M. Coppé, Member of the Commission, to be chairman of the Mines Safety and Health Commission, in succession to M. Levi-Sandri, who had held the post from 7 December 1967.

On 26 June the MSHC approved its 1969 annual report¹, the contents of which included an itemized record as at 1 January 1970 of the action taken by Governments in response to its proposals. The report was forwarded to the Member States and laid before the European Parliament. The MSHC also took note of desiderata put forward by the Parliament, and considered the possibility of setting up additional working parties to deal with them. In addition, it studied the circumstances and causes of a firedamp explosion which occurred on 4 February at Fouquières-lez-Lens in France, with the loss of 16 lives, and continued its deliberations on other, earlier group accidents.

The MSHC adopted two recommendations and a statement of views on dust control equipment in underground workings, the specialized services in charge of this, and the design of winning and drivage machinery so as to reduce dust production; it also adopted a recommendation on the characteristics and protection of electric cables powering mobile machines, and formulated a number of opinions, on the use of polyurethane foam in underground workings, on the results of research to improve physiological conditions in breathing apparatus, and on a new way of building plaster stoppings by hydromechanical means.

The working party on combined accident statistics finished its studies in preparation for extension of the coverage to include minor accidents, location of injuries and place of occurrence.

The programme of Community safety campaigns is nearing completion.

Health and safety (Euratom)

159. In the field of radiation protection, the Commission went ahead with its activities on rulemaking and technical harmonization, and extended the scope of its research and study programme.

¹ *Seventh Report of the Mines Safety and Health Commission.*

As concerns the rulemaking side, a number of further provisions were instituted in France, Italy and the Netherlands, supplementing the radiation protection arrangements established in the Member States in implementation of the Euratom Basic Standards adopted by the Council of Ministers in 1959 and revised in 1962 and 1966. A draft decree was communicated to the Council by the Italian Government in accordance with Article 33 of the Euratom Treaty, and an opinion was given on it by the Commission.

The Commission is most anxious to complete the work on the proposal for the general revision of the Basic Standards. The present safety level in radiation protection can be held up as a model to other industries, and must certainly be maintained; for this reason the revision procedure has been undertaken with circumspection, with the object of improving the practical arrangements for radiation protection while leaving the fundamentals of the present Basic Standards intact.

As part of its regular cooperation with radiation protection specialists in the Member States, the Commission on 10 and 11 June held a restricted seminar in Rome on matters relating to the demarcation of the controlled area in medical and university facilities, in research laboratories, and in industry around sources used in industrial gamma-radiography.

The Commission-sponsored technical harmonization programme on dosimetry being carried out by specialized laboratories in the member countries led to appreciable improvements in the accuracy of dosimetric measurements. Meantime the Commission also continued with its research programme on personal dosimetry, and studied a number of new processes. Special studies were conducted on the advantages and disadvantages of the checks by the authorities on radioactive substances not subject to prior notification and authorization, and on problems with regard to the effective application of the Basic Standards to the transport of radioactive substances.

Documentation activities included the publication, in addition to the regular bibliographical bulletin on radiation protection, of the medical atlas of radionuclides used in medicine, biology, industry and agriculture, the findings of the comparative study on the procedures for prior notification and authorization of radioactive substances instituted by municipal legislation in implementation of the Basic Standards, and the proceedings of the seminar on external and internal medical decontamination.

Following the symposium held at the end of 1969 on information and training for radiation protection workers, steps were taken with a view to inventorizing and centralizing teaching material available in the Member States and information and training programmes for nuclear workers, to

enable this to be turned to better account for the benefit of radiation protection officers and workers.

At the wish of the European Parliament, work was begun on an analysis of the administrative regulations in force in the Member States on conventional pollution.

160. The recordings of ambient radioactivity regularly sent in to the Commission were evaluated and published in quarterly and yearly reports.

The report on the comparative study of radioactive contamination of the total diet of adolescents¹ duly appeared.

In order to update its card index of recording stations and sampling and measuring techniques for determining radioactive contamination of air and water, the Commission, in 1970, drew up questionnaires on the subject in cooperation with national experts, which are being sent to the member countries.

The Commission is keenly concerned with the subject of solid radioactive waste, and organized a restricted seminar of national experts to enumerate the health problems arising in connection with the storage of these residues; such problems are still at present only on a very small scale, there being comparatively few storage points in existence, but they will certainly increase with the growth of nuclear energy. The report on the seminar will appear in 1971.

A comparative study was published analysing international statutory and administrative provisions on irradiation of foodstuffs in relation to implications for health.

Research into the changes undergone by foodstuffs when irradiated for purposes of preservation was begun in 1967 and has already yielded useful results. The object is to devise techniques enabling checks to be readily effected for compliance with public health requirements. Two reports were published in 1970, and others will follow, on the methods of identification likely to work best in practice.

Generally speaking the research programme on biology and health protection went ahead in 1970 on the same lines and terms as in 1969, since in the absence of a longer-term programme spread over a number of years 1970 had to be treated as an extension of what had preceded it.

¹ *Third General Report*, sec. 361.

Special attention was nonetheless devoted to radiation toxicology, radioactive contamination of the environment, and acute and delayed effects of ionizing radiations. Despite material and human difficulties due to the comparative smallness of the funds and staff available, the targets were achieved, thanks to the understanding and keenness of the researchers and research centres under contract.

161. The Commission was consulted under Article 37 of the Euratom Treaty on three projects for disposal of radioactive waste by the plutonium fuel plant at Dessel (Mol, Belgium), the Central Bureau for Nuclear Measurements at Geel, and the WAK scheme at Karlsruhe. The Commission gave opinions on the first two projects, and asked for additional particulars on the third.

162. In cooperation with ENEA, the Commission organized a seminar on radiation protection problems in connection with transuranium elements. These artificial elements, now becoming available in increasing amounts, can be employed in a variety of fields, including research, technology, medicine, and even household purposes; on the other hand they have their dangers, which are not yet sufficiently well known. The object of the seminar was to take stock of possible applications and of experience to date, and to rough out future work to be done in this connection.

163. An international symposium was held in Toulouse on 3-6 November, in cooperation with Toulouse University, on radiation protection problems connected with the emission of parasitic X-rays by electronic apparatus. Debates between manufacturers of electronic equipment giving off soft X-rays and representatives of public health authorities brought to light a number of points which had not hitherto received the attention they deserved.

PART TWO

SECTORAL POLICIES

1. Common agricultural policy

GENERAL PROBLEMS

General introduction

164. Four events dominated the agricultural scene in 1970. They were:
- (a) the submission to the Council of the first proposals for directives to give effect to the Commission's Memorandum on the Reform of Agriculture in the European Economic Community;
 - (b) the adoption of four basic regulations which extend the common organization of markets to wine, fisheries, tobacco, and flax and hemp;
 - (c) the adoption of definitive arrangements for financing the common agricultural policy;
 - (d) the opening of negotiations with the four countries which have applied for membership of the Community.

Thanks to a fortunate combination of circumstances and considerable expenditure most existing surpluses were much reduced last year, notably milk, grain and sugar surpluses. Structurally, however, output of these products still exceeds demand at market prices and the restoration of equilibrium calls for a further sustained effort. A number of fruit—apples, pears and peaches—are now giving growing cause for concern on this score. In 1970 the chief problem was pears, with a bumper harvest well in excess of demand.

New problems are looming in yet another field. For the first time output of grain-based animal products increased to such an extent that demand was left far behind. As a result egg and poultrymeat prices fell to their lowest level for many years from time to time. The same is true of pigmeat; prices here are expected to touch bottom in the spring of 1971.

Because 1970 was a year in which general price levels rose sharply while farm prices fell or remained stationary, the economic situation of agriculture in the Community is giving even more cause for concern than before. Unless the Community can make substantial progress with its common agricultural policy—and more especially with social and structural reform—at an early date, it is to be feared that much of what has already been achieved will be put in jeopardy.

Price policy and market equilibrium

165. For various reasons a Council decision on the price proposals submitted by the Commission in June 1969¹ was delayed until 29 June 1970. The Council decided to keep prices for the 1970/71 marketing year at the level fixed for the year before (Table 12), its decision being influenced by the Commission's November 1969 memorandum on the balance of agricultural markets,² which the Council had begun to examine in January 1970 and on which the European Parliament rendered an Opinion.

¹ Doc. COM(69) 551.

² Doc. COM(69) 1200.

TABLE 12

Product	Type of price	Prices fixed (u.a./ton)
Durum wheat	Target price	125.00
	Basic intervention price	117.50
	Minimum price (wholesale) guaranteed to producer	145.00
Common wheat	Target price	106.25
	Basic intervention price	98.75

At the same time, the Council agreed that the Commission would not submit its price proposals for the 1971/72 marketing year until the autumn of 1970¹ after a general discussion of future price policy had taken place within the Council. This discussion was held on 1 and 14 December 1970 and ranged far beyond price policy to the general principles which should inspire the common agricultural policy, with particular reference to the incidence of structural and social policy on Community farming. At the time of going to press the Commission, following consultations with representatives of farmers' organizations in the Six, was preparing to submit proposals to the Council based on this general discussion. Since the marketing year for pigmeat and olive oil begins on 1 November, the Council did however fix prices for these two products. For olive oil, prices and aids to producers were kept at the same level as in the preceding year; the basic price for slaughtered pigs was increased to 77.25 u.a./100 kg, mainly as a sequel to the introduction of a new Community scale for grading half-carcases.

Financing the common agricultural policy

Definitive arrangements for Community financing

166. The early months of 1970 were largely devoted to putting the finishing touches to the important financial agreements reached on 22 December 1969. When the Council agreed on measures for the creation of own resources for the Community and on budgetary powers for the European Parliament on 21 April 1970, it also took the following three financing decisions:²

- (i) Regulation (EEC) No. 729/70³ on the financing of the common agricultural policy, which constitutes the basic text for the definitive arrangements;
- (ii) Regulation (EEC) No. 728/70³ which extends the arrangements of the transitional period until 31 December 1969;
- (iii) the "accumulation of expenditure" resolution on problems raised for Treasuries by the changeover from the reimbursement system to direct financing.

¹ The provisions of the basic regulations required the Council to take a decision on these proposals before 1 August 1970.

² See Ch. IV,1 (under "European Parliament"), Ch. IV,2 and Ch. V,1.

³ *Journal officiel* No. L 94, 28 April 1970.

Regulation (EEC) No. 729/70 follows the lines of the Commission's July 1969 proposal very closely. It introduces for the Guarantee Section a new system of advances to Member States for the account of disbursing services or agencies, followed by an annual settlement of accounts. A clearing system will no longer be used for the Community's budget; instead the necessary funds will be made directly available to disbursing agencies. This means that funds from the budget of the European Communities will replace those from national budgets, considerably strengthening the Community's financial responsibility. The new system enters into force on the same date as the new arrangements for own resources, namely 1 January 1971.

Regulation (EEC) No. 728/70 introduces interim arrangements for 1970. The old system of half-yearly payments on account financed in accordance with *ad hoc* scales of contributions is maintained, but the calendar year replaces the old accounting period which ran from 1 July to 30 June. However, the financing of old accounting periods combined with the introduction of new definitive arrangements might create problems for debtor Member States which could be further aggravated by delays in reimbursements from the Fund. These problems are settled by the "accumulation" resolution.

Regulation (EEC) No. 729/70 introduces a new concept for the Guidance Section, namely common programmes. The scope of structural improvement is now defined more broadly than before, but the Council reserves the right to adopt common programmes in this field, its decision covering not only the purpose of the programme, but also its duration, estimated cost and the proportion of expenditure to be met from Community funds. Pending the adoption of common programmes, the current system of financing schemes to improve the structure of agriculture will continue to apply. The budget of the Guidance Section is 285 million u.a. as before, but this figure may be revised if total annual expenditure on common programmes approved by the Council exceeds 285 million u.a.

Regulation (EEC) No. 729/70 also contains provisions which apply on a permanent basis to the Guarantee and Guidance Sections alike and are already in force. Of these the provisions of Articles 8 and 9 are worth mentioning. In line with the Commission's proposal, the Council defines Community responsibility in the matter of fraudulent practices for the first time and places on Member States the onus of combating such practices and keeping the Commission informed so that the Commission, in turn, can take more effective action and decide in what instances

irregular expenditure should be borne by Member States. Article 9 specifies the conditions under which Commission representatives may check expenditure.

Application of existing financing arrangements

Guarantee Section

167. Estimates of future expenditure occupied the Guarantee Section rather more than is usual because a supplementary budget for 1970 to cover the 18-month period from 1 July 1969 to 31 December 1970 had to be submitted to the Council. In addition to this transitional budget, estimates for 1971 had to be prepared and referred to the European Parliament; these were adopted by the Council on 15 December 1970. Work also had to begin on estimates for as far ahead as 1973 to comply with the Council's decision of 21 April 1970.

Some preparatory work was done to give effect to the provisions of Regulation (EEC) No. 729/70. The first proposal to be drafted was one for a Council regulation concerning the recovery of payments improperly made and the organization of an information system. This proposal, which is based on Article 8 of the above-mentioned regulation, was submitted to the Council in October 1970 and dealt with by the European Parliament on 2 December 1970. Details of the system of advances were then worked out, leading to the adoption by the Commission on 29 December 1970 of Regulation (EEC) No. 2697/70 on making Community funds available to the Member States under the Guarantee Section.

Legal and technical consolidation continued with the drafting, and the adoption by the Council in October, of a regulation by virtue of which all balances normally produced by intervention agencies at the end of the marketing year were postponed to 31 December 1970, and of two regulations adopted in November containing provisions for financing intervention expenditure for milk products and for beef and veal respectively.

168. The Commission took several decisions on payments on account, some involving considerable sums. These decisions were preceded by Commission regulations and *aides-mémoire* enabling Member States to lodge their claims. Some technical difficulties resulting from changes in financing arrangements and from gaps in implementing legislation had to be overcome.

The Commission took the following decisions:

- (i) A 75% payment on account for the second half of 1969 (1 103 079 507 u.a.) on 31 July 1970;
- (ii) A supplementary 15% payment on account in respect of expenditure imputable to the Fund for 1967/68 and 1968/69 (468 163 195 u.a.) on 23 October 1970;
- (iii) A 75% payment on account for the first half of 1970 (532 396 798 u.a.) on 28 December 1970;
- (iv) A further 75% payment on account for the second half of 1969 (121 070 871 u.a.). This supplementary payment on account was made under Regulation (EEC) No. 2367/70, which made expenditure incurred before 1 October 1970 in connection with operations prior to 1 January 1970 eligible for reimbursement. Payments on account under the Guarantee Section therefore totalled approximately 2 200 million u.a. in 1970.

A large proportion of this sum was paid in 1970 and it is hoped to pay the balance during the first quarter of 1971.

TABLE 13

**Half-yearly payments on account from the
Guarantee Section approved in 1970**

(million u.a.)

Member States	Refunds	Contributions	Debit balances	Credit balances
Belgium	141	202	61	—
Germany (FR)	551	654	103	—
France	742	574	—	195
Italy	448	564	116	—
Luxembourg	2	4	2	—
Netherlands	341	254	—	87
Community	2 225	2 225	282	282

169. Because of the work load described above, it proved impossible to close any accounts or to organize any on-the-spot audits. This means that all accounts from 1 July 1966 onwards are still provisional. Member States lodged claims in respect of 1966/67 in the autumn of 1969 and an initial examination of these has taken place. For 1967/68, 1968/69 and the second half of 1969, however, rules for submitting claims to the Commission have not yet been finalized. All these problems will have to be examined in 1971.

Guidance Section

170. In May 1970 the Commission submitted a number of common programmes within the meaning of Article 6 of Regulation (EEC) No. 729/70 to the Council. All of these were linked with the plan to reform agriculture.¹ In October 1970 the Commission submitted a further common programme, concerning the slaughtering of dairy cows and the withholding of milk and milk products from the market. It must be noted that the Council has not yet taken a concrete decision on any of these proposals, although it did, in November 1970, approve the principle of common programmes for fisheries.

The effects of this are twofold. First, the sums set aside for agricultural reform under Regulations (EEC) No. 2010/68, (EEC) No. 1534/69 and (EEC) No. 2591/70 will increase; these were originally estimated at 375 million u.a. for the 1969, 1970 and 1971 financial years. Secondly, the system actually in use is still the old one which places the emphasis on financing structural improvement schemes and allows only minor scope for special expenditures.

Since annual aid for structural improvement schemes now involves large sums, the Commission decided to make assistance for 1969 available in four instalments so as to shorten the time lag between the submission of claims and the decision to make assistance available. Following its decision on the first instalment in October 1969, the Commission allocated the remaining three instalments in March, July and October 1970. In all, 663 schemes were assisted with the 160 million u.a. earmarked for this purpose in the budget of the Guidance Section of the EAGGF. The breakdown of these funds is shown below:

¹ Sec. 184.

TABLE 14

**Aid from the Guidance Section of the EAGGF
1969**

(u.a.)

Member States	Schemes to improve the structure of production	Schemes to improve the structure of marketing	Mixed schemes	Total	
				u.a.	%
Belgium	6 510 614	5 252 014	63 871	11 826 499	7.39
Germany (FR)	30 110 129	14 990 752	—	45 100 881	28.19
France	25 318 119	8 822 647	1 520 114	35 660 880	22.29
Italy	35 212 321	11 675 950	7 415 367	54 303 638	33.94
Luxembourg	69 300	—	25 250	94 550	0.06
Netherlands	7 276 573	5 008 552	728 427	13 013 552	8.13
Total	104 497 056 (65.3 %)	45 749 915 (28.6 %)	9 753 029 (6.1 %)	160 000 000	100.0

Seven hundred new schemes were submitted for 1970. To these may be added about 130 schemes for which no funds were available in 1969 but which could be carried over to 1970. As before, 160 million u.a. have been earmarked for these schemes, the examination of which began last autumn.

171. On a proposal from the Commission, the Council adopted several regulations dealing with the Guidance Section of the Fund. One of them, Regulation (EEC) No. 2591/70, follows the pattern of identical regulations adopted in 1969 and 1970, and divides the 427.5 million u.a. provided for 1971¹ into 200 million u.a. for structural improvement schemes, a second sum for special expenditure and a third to cover special measures to be adopted in the structural field.

Under this same regulation, the deadline for lodging applications for assistance in respect of structural improvement schemes in 1971 is post-

¹ This represents a budget allocation for 18 months, the Guarantee Section having been given a transitional budget for 1970.

poned to 15 December 1970 in some cases and to 31 March 1971 in others. The Fund is also authorized to pay up to 45% of the investment cost in certain instances. The regulation alters the existing system in that it reduces the proportion of investment costs to be borne by the beneficiary to 20% in the case of schemes to improve the structure of production, and to 38% in the case of those to improve the structure of marketing.

Assistance is not actually paid until some time after the relevant decision has been taken; the interval can be fairly long, since it often takes several years to carry out a scheme. Because of this the number of payments made after supporting evidence had been checked increased sharply during the year.

From an initial 57 schemes financed by the Fund in 1965, the aggregate number rose through 408 in 1967 to 1 661 in 1970. The number of payments also increased, rising from 15 in 1966 through 42 in 1967, 106 in 1968 and 191 in 1969, to 325 in 1970.

As regards special appropriations from the Fund, the Commission decided to make 1 512 000 u.a. available for the pig survey, 7.5 million u.a. for agricultural reform in Luxembourg, 120 000 u.a. for control of swine fever in Italy, 32 million u.a. for fruit and vegetables in Italy, and 1.2 million u.a. for aid to fruit and vegetable producers' organizations. In some cases implementing regulations had to be adopted before aid could be made available under these special appropriations.

The Council also made three new types of special expenditure eligible for assistance from the Guidance Section; 50% of such expenditure incurred by Member States will be refunded. The relevant decisions are as follows:

- (i) Regulation (EEC) No. 2511/69 on special measures for improving the production and marketing of Community citrus fruit was adopted in December 1969.
- (ii) Regulation (EEC) No. 2517/69 defining certain measures for the rationalization of fruit production in the Community was also adopted in December 1969.
- (iii) In November 1970 it was decided, in connection with Regulation (EEC) No. 2142/70 on the common organization of the market in fishery products, that the Guidance Section should finance assistance to producers' organizations in the fisheries sector.

Special sections

172. Special sections will cease to exist after 1970. Under Regulation (EEC) No. 742/67, the Commission organized two sets of clearing arrangements for the compensatory payments deriving from the fall in grain prices since 1 July 1967 and payable to Germany, Italy and Luxembourg.

Food aid

173. Regulation (EEC) No. 2052/69 provides that fob refund expenditure is to be defrayed by the Guarantee Section of the Fund and that the value of the goods made available under Community programmes is to be refunded from a special section of the budget. It has not yet proved possible to implement the financial section of this regulation because of a number of technical difficulties which the Commission is now trying to resolve.

With this end in view the Commission submitted a proposed regulation to the Council in October 1970 under which transport costs would be paid directly by the Fund where the Council has signed an agreement with organizations such as Joint Church Aid or the Red Cross.

*Establishment of conditions permitting free competition**Aids*

174. In accordance with Article 93(1) of the Treaty of Rome, the Commission continued its review of certain existing aid arrangements which have a direct effect on prices and output of grain, fruit and vegetables, oils and fats, pigmeat, poultrymeat and eggs.

Having proposed appropriate measures within the meaning of Article 93(1) to Member States and considered their comments, the Commission made known its views on certain aids. In some cases it confirmed its position under Article 93(2), in others it extended the proposed measures to other types of aid in a number of the sectors concerned. Following adoption of the Council's regulation on the common organization of the market in flax and hemp,¹ the Commission also reviewed

¹ Regulation (EEC) No. 1308/70 of 29 June 1970; *Journal officiel* No. L 146, 4 July 1970.

with the Member States (within the Working Party on Conditions of Competition in Agriculture) national and regional aids of the kind mentioned in the preceding paragraph for those products.

175. The Council took note of a report on aids to fruit-growing during the 1969/70 marketing year, which the Commission had submitted at its request, and asked for a further report.

Basing itself on the guidelines suggested to the Council in the first report, the Commission proposed appropriate measures to Member States under Article 93(1) of the Treaty in connection with some sixty aids or systems of aid in force during the 1969/70 marketing year for fruit (excluding citrus) and preparations of fruit. The Commission suggested in particular that Member States should:

- (i) prohibit in principle any aid likely to increase output (with the exception, under certain conditions, of specific aids designed to make good damage caused by natural disasters);
- (ii) standardize the maximum rates of investment aid for fruit marketing and give priority to investment by producers' organizations (cf. Article 1 of Regulation (EEC) No. 159/66);
- (iii) authorize aids for market research, sales promotion and advertising, on condition that these are not confined to domestic produce.

All Member States have replied to the Commission's request for comments on the measures proposed.

176. The Council asked the Commission to submit reports similar to the one to be submitted for fruit for all the main agricultural products. The Commission therefore began a review, in cooperation with Member States, of certain national and regional aids to sugar production.

The Commission promised Member States that it would, at a later stage, review other existing aids (social aids, non-specific aids for mechanization, aids for the improvement of the structure of agriculture, for advisory services, etc.) which are not specific to fruit-growing or to any of the other branches of production on which the Council has asked the Commission to report.

177. During 1970 the Commission ruled on various aid measures notified by Member States in accordance with Article 93(3) of the Treaty.

It had no special comments to make on a draft Sicilian regional law to help mandarin growers in the province of Palermo, nor on the

retroactive aids introduced in Italy to cover expenditure incurred by cooperatives during the 1967/68 marketing year for the collective storage and handling of vegetable seed, fodder seed and hazelnuts. Two other matters on which the Commission had no special comments to make were a draft Trentino-Alto Adige law on additional investment aids for mountain areas, and the arrangement whereby German cereal growers had received compensation per tilled unit under grain during the 1969/70 marketing year in accordance with the Council's decision of December 1964.

Subject to a number of reservations, the Commission also abstained from special comments on a draft Sicilian law for extraordinary measures to promote farming and employment, on a draft Trentino-Alto Adige law providing additional subsidies for land improvement and reclamation, and on aids to dairy farms in Berlin.

For special reasons, the Commission did not object to the additional compensation paid in Germany for quantities of brewers' barley marketed during 1968/69,¹ nor to the German aid to offset the incidence of monetary policy on the egg, poultry, fruit and vegetable sectors (29 September to 31 December 1969), nor to the marketing bonuses paid in France during the 1969/70 marketing year for Golden Delicious apples. Similarly, subject to certain conditions regarding the amount and duration of the aids concerned, the Commission had no objection to the Netherlands introducing incentives for hail insurance. On the other hand, the Commission held that the additional compensation paid in Germany for brewers' barley marketed during 1969/70 was incompatible with the common market and initiated proceedings under Article 93(2) of the Treaty. At Germany's request, however, the Council decided,² under the third subparagraph of Article 93(2) of the Treaty, to authorize Germany to pay this compensation under certain conditions and in such a way as to allow for special circumstances. Once the aid machinery had been adjusted in the light of the Council's decision, the Commission withdrew its objections.

The Commission also considered those provisions of a draft Trentino-Alto Adige law which would increase the rates of irrigation subsidies for fruit growers to be incompatible with the common market and initiated proceedings under Article 93(2) of the Treaty. Subject to a number of reservations, the Commission did not object to other provisions of this draft irrigation law being applied. Nor did it object to another Trentino-

¹ *Third General Report*, sec. 179.

² Council Decision of 13 July 1970; *Journal officiel* No. L 157, 18 July 1970.

Alto Adige bill to increase the rates of investment aids to agricultural cooperatives.

After the German authorities amended their bill to offset the incidence of the DM revaluation on agriculture, thus bringing it into line with the provisions of Council Regulation (EEC) No. 2464/69¹ and with the Commission's observations under the first subparagraph of Article 93(2) of the Treaty, the Commission declared the matter closed but reserved the right to review its position on some of the aids proposed after it has seen the first report on the application of the German law.

Harmonization of legislation

Veterinary legislation

178. During 1970 the Commission submitted to the Council a proposal for a regulation on problems of health inspection in intra-Community trade in fresh meat.

On 13 July 1970, the Council adopted a directive on intra-Community trade in live cattle and pigs and on 27 October 1970 another directive amending the directive of June 1964 on health problems associated with intra-Community trade in fresh meat.

Food legislation

179. On 13 July 1970 the Council adopted a directive on the approximation of Member States' legislation on anti-oxidants approved for use in foodstuffs.²

On the same date the Council adopted two amendments to its directives on colouring matters and preservatives.² In future the procedure of the Standing Committee on Foodstuffs will be followed when provisions dealing with inspection are being adopted.

The Commission submitted harmonization proposals to the Council for low-sodium dietetic foods, preserved milk, sugar, glucose and dextrose syrups, honey and soft drinks.

The Commission also proposed several additions to the list of approved preservatives.

¹ *Journal officiel* No. L 312, 12 December 1969.

² *Ibid.* No. L 157, 18 July 1970.

Regulations concerning agricultural, horticultural and forestry seeds and seedlings

180. On 28 September 1970 the Council adopted directives on the establishment of a common catalogue of agricultural varieties and on the marketing of vegetable seeds.¹

The Commission submitted several proposals to the Council for directives to amend earlier Council texts, namely: the directives of 14 June 1966 on the marketing of beet seed, forage seed, seed grain and seed potatoes; the directive of 30 June 1969 on the marketing of seeds of oleaginous and fibrous plants; the directive of 9 April 1968 on the marketing of material for the asexual propagation of vines.

The Commission also adopted a number of decisions to implement the provisions of the above-mentioned directives (seed shortages, exemptions, etc.).

It also submitted to the Council two decisions on the equivalence of seeds and seedlings from non-member countries.

Animal feedingstuffs legislation

181. On 20 July 1970 the Council decided to set up a Standing Committee on Animal Feedingstuffs.² On the same date, it adopted a first directive on the introduction of Community methods of sampling and analysis for the official inspection of animal feedingstuffs; this directive also specifies the procedure to be followed by the Standing Committee.

On 23 November 1970 the Council adopted a directive on additives in animal feedingstuffs.³

Information for the common agricultural policy

182. The Council took note of the interim report on the operation of the EEC's information network on farm accounts. This report had been submitted by the Commission to the Council late in 1969 pursuant to Article 23 of Regulation (EEC) No. 79/65. The Council asked the Commission to submit the full report required by Article 23 before

¹ *Journal officiel* No. L 225, 12 October 1970.

² *Ibid.* No. L 170, 3 August 1970.

³ *Ibid.* No. L 270, 14 December 1970.

1 January 1972 and to give further thought to the subjects which should be covered by the information network.

During 1970 Member States were able to make good some of the preceding years' delays in furnishing information. At Community level, the year was mainly devoted to checking the accounting data and analysing them by computer. For this purpose data for the 1968 or 1968/69 financial year were used in a trial run.

The Commission should therefore be in a position to publish the first results produced by the information network some time in 1971.

Field work on the survey on the structure of agriculture was carried out in 1966/67 (Germany, Netherlands, Belgium and Luxembourg) and 1967/68 (France, Italy). Some of the basic data, which were put on punched cards or magnetic tape, have now been analysed by the Community on behalf of the Member States. It is hoped that a first selection of these data will be published during the first half of 1971.

Forestry problems

183. All Member States showed a growing interest in environmental problems in 1970. Because of this forestry administrations everywhere were given more powers and became more active in the field of recreation and leisure amenities, the fight against erosion and pollution, and conservation. A fruitful exchange of views on these matters took place within the Working Party on Member States' Forestry Policy.

Implementation of the June 1966 directive on forestry reproductive material raised a number of problems for intra-Community trade and imports of forestry seeds from outside the Community. The Commission organized visits by forestry experts to Austria, Switzerland, Denmark, Rumania, Czechoslovakia and Poland to study inspection arrangements for forestry seeds. Several of these countries are major Community suppliers.

The financing by the Guidance Section of the EAGGF of eleven schemes for the afforestation of land withdrawn from agriculture in Germany, France, Italy and Belgium was approved at a total cost of 2 700 000 u.a.

Finally, a proposal for a new regulation on common agricultural policy measures to be taken with regard to natural cork (a product listed in Annex II to the Treaty) is in course of preparation.

THE REFORM OF AGRICULTURE

Commission proposals

184. As a sequel to its December 1968 Memorandum on the Reform of Agriculture in the European Economic Community, the Commission submitted a first set of proposals to the Council on 5 May 1970 within the framework of the common agricultural policy to translate the outlines of the agricultural reform plan into practice and to give effect to its principles.¹ The proposals deal with farm modernization, incentives to leave farming and to use farmland to improve the structure of agriculture, socio-economic advisory services and vocational training for farmers, reduction of the area of farmland in use, incentives to encourage the formation of producers' organizations and unions of such organizations in the interests of improved marketing.

The Commission's main aim is to bring about a lasting improvement in farm incomes, a considerable improvement in their living conditions, and at the same time to restore structural equilibrium to agricultural markets. The Commission emphasized that these proposals only represent one facet of a much wider approach which would also embrace social and regional policy. The Commission feels that a reduction in the farming population—a precondition for greater flexibility in land tenure—will necessarily entail action in these fields. The group of interdependent measures proposed by the Commission should enable agriculture to become an economic sector like any other, capable of taking charge of its own destiny.

The Commission has been at pains to stress that farmers will be free to decide whether or not to avail themselves of the proposed measures. Their freedom of choice is the key to all the proposed reforms.

¹ Proposals for Council directives:

- (a) on farm modernization;
- (b) on incentives to leave farming and to use farmland to improve the structure of agriculture;
- (c) on socio-economic advisory services and vocational training for farmers;
- (d) on the reduction of the area of farmland in use;
- (e) supplementing the provisions of the Council's directives on farm modernization and on incentives to leave farming and to use farmland to improve the structure of agriculture.

Amended proposal for a Council Regulation on producers' organizations and unions of such organizations.

Journal officiel No. C 70, 12 June 1970.

The decision to embody these proposals in directives highlights the responsibility of the Member States. It will be for the Member States to choose the most appropriate means, to limit action to specified regions or to vary it from one region to another, without however departing from the comprehensive Community approach underlying the proposals.

The socio-structural policy proposed by the Commission is based then on the following principles: Community planning, national implementation with variations to meet local conditions, freedom of choice for individual farmers.

The Commission's proposals constitute common programmes within the meaning of Council Regulation (EEC) No. 729/70 on the financing of the common agricultural policy and as such will be eligible for Community financing. The Commission realizes that implementation of the proposed measures will involve heavy public expenditure. But it points out that some at least of the required funds are already available to finance national structural improvement schemes and would merely have to be redirected to finance the proposed Community programmes. The aim must be to make the best possible use of the funds available.

These proposals only deal with a first series of common programmes. They are to be followed by further proposals to round off the plan to reform agriculture in the EEC.

*Discussions in the Council, the European Parliament
and the Economic and Social Committee*

185. At its meeting on 25/26 May 1970, the Council asked the Special Committee on Agriculture to take a first look at the Commission's proposals for the reform of agriculture. The Committee took note of the report prepared by an *ad hoc* working party it had formed to study the technical agricultural problems raised by these proposals. The Committee plans to continue its examination in depth of these problems once the Council has defined the basic guidelines.

Four Committees of the European Parliament—the Committee on Agriculture, the Economic Affairs Committee, the Committee on Social Affairs and Health Protection, and the Committee for Finance and Budgets—have been asked to examine the Commission's agricultural reform proposals. The European Parliament should be ready to discuss the drafting of its Opinion in February 1971.

The Economic and Social Committee's Section on Agriculture and its Working Party have begun their examination of the Commission's proposals on the reform of agriculture. The Section has already acknowledged that, on the whole, the Commission's present proposals take generous account of the Opinion rendered by the Economic and Social Committee on the "Agriculture 1980" Memorandum.¹

An official pronouncement from the Committee can be expected during the first quarter of 1971.

THE FUNCTIONING OF THE COMMON ORGANIZATIONS OF AGRICULTURAL MARKETS

Basic regulations already in force

Crop products

Common organization of the grain market

186. The grain market responded well to the combined effects of the measures taken by the Commission at the beginning of the 1969/70 marketing year to run down surpluses and stabilize the internal market and an appropriate refund policy.

From January 1970 onwards market prices were higher than intervention prices in all Member States. Surplus stocks of common wheat diminished at such a satisfactory pace that in May the Commission decided to repeal the provision which allows the denaturing premium for wheat of high specific weight to be increased. The denaturing premium was again reduced for the 1970/71 marketing year, strong denaturing incentives no longer being justified in view of the smaller harvest in 1970 and the fact that carry-over stocks were normal.

As in preceding years compensatory allowances were paid for end-of-year stocks of common wheat, rye of breadmaking quality and maize. Compensatory amounts were also paid for barley and durum wheat for export. Thanks to these measures the market was supplied from

¹ Doc. ESC 685/69.

private stocks and large-scale intervention at the end of the 1969/70 marketing year proved unnecessary.

In February 1970 changes were made in conditions and procedures for marketing grain held by intervention agencies. The procedure for export tenders in particular was greatly improved and brought within the scope of Community decisions. The range of outlets for intervention stocks was also widened. Another amendment to the earlier rules means that it will now be possible to depart from the minimum price arrangements during the marketing year if the position with regard to intervention stocks makes this necessary.

At the beginning of the 1970/71 marketing year world feed-grain prices were rising sharply. To forestall any danger of this disturbing the smooth operation of the market organization, the Commission temporarily reduced the period of validity of import certificates for feed grain to one fortnight.

France made a first price adjustment for the 1970/71 marketing year to bring its grain prices closer to the Community's common price. This led to a reshaping of the measures to be applied in connection with the devaluation of the franc.

No major changes were made to existing rules and regulations on cereal-based products and compound feedingstuffs. The Commission concentrated on improving existing provisions, notably by the adoption of criteria to improve the quality of products put on the market. The Commission's main aim was to promote and develop exports of cereals in the form of processed products, given the added value of these products, and to ensure orderly marketing.

Common organization of the rice market

187. Despite very low prices, demand for French and Italian rice from other Member States failed to expand and remained as poor as it had been in preceding years. There are many reasons for this state of affairs, including the disappearance of the slight Community preference and the possibility of procuring supplies at better prices outside the Community. Some measures to remedy this had been prepared but could not be adopted in time for the 1970/71 marketing year; they will, however, be considered for the 1971/72 marketing year. The 1970/71 marketing year followed the same pattern of prices and arrangements as the preceding one.

In the realms of market management, the sluggish market situation forced the Commission to encourage the necessary volume of exports by means of refunds adjusted to Community and steadily falling world prices. This applied to husked and milled rice, but not to paddy which rarely enters into international trade. As a result intervention agencies' stocks, which had risen to 62 000 tons during the marketing year, had fallen to about 33 000 tons by the end of it.

On 20 March 1970 new import arrangements¹ were adopted under the Yaoundé Convention renewed in July 1969 for rice and broken rice from the AASM and OCT, improving the preference already enjoyed by these countries.

Common organization of the sugar market

188. No change was made during the period under review either in the Community's price structure or in the system of production quotas. Market management proceeded along three main lines. A number of regulations were improved or adjusted and a few new ones were issued in the light of experience gained. Regular outlets had to be found for a considerable structural surplus, the price and supply situation inside and outside the Community being taken into consideration. Finally, controls had to be exercised and decisions taken in connection with the introduction of arrangements for production quotas and compensation for storage costs.

Supplementary provisions had to be introduced to deal with basic quotas where undertakings are merged or transferred, or where factories are transferred or leased. The purpose of these provisions is to ensure that such transfers or leasings do not prejudice the overall aim of limiting sugar production and encouraging specialization. Under the new provisions action following mergers or transfers will be taken only if the effect of such action is confined to a single agricultural region. Criteria for defining the concept of an agricultural region were also approved.

One point on which existing rules were amended merits a special mention. The right to sell sugar to intervention agencies was extended, subject to certain conditions, to specialized marketing concerns in the sugar sector which are recognized as such by the Member State in question. The idea here was to encourage free competition at the marketing stage. Finally, the implementing provisions applicable to export refunds for sugar

¹ *Journal officiel* No. L 68, 25 March 1970.

were redrafted. This applies more especially to the rules for determining the amount of the refund under the Community tendering system. The changes affect certain time-limits and the procedure itself and should ensure that all parties engaged in the sugar trade in the Community are accorded equal treatment. New provisions on refunds introduced during the year affect exports of syrups, amongst other products. The refund on syrups was fixed at a standard rate or based on sucrose content, depending on their degree of purity.

The second line of action—the regular disposal of surpluses—was mainly concerned with organizing calls for tender and awarding contracts with a view to exportation, to denaturing sugar for animal feed, or to releasing stocks held by intervention agencies onto the Community market. Some awards were made on an *ad hoc* basis, others on a permanent one. These tendering arrangements made it possible to stagger exports over a large part of the marketing year and did a great deal to prevent market disturbances within the Community and elsewhere. On the whole it may be said that in areas of the Community where supply and demand are normally in equilibrium and in areas which produce a surplus, sugar prices were close to the intervention prices throughout the period under review.

On the third front it can be said that the quota system worked satisfactorily. This system, which forms part of the common organization of the sugar market, regulates production, sugar manufacturers and beet-growers contributing to the cost of disposing of their production. If the pattern of production during the period under review is compared with production during the years that have elapsed since the common organization of the market came into being, it can be seen that the trend is towards specialization. But this does not mean that the problem of structural surpluses in the Community has disappeared. It is merely looming less large as consumption increases. Consumption has risen by some 100 000 tons over the last three years and now stands at an annual figure of approximately 6.2 million tons.

Total output in the Community in 1969/70 was about 7.4 million tons. Of this, 84 000 tons was in excess of the basic quota but within the maximum quota. Part of the cost of disposing of it was borne by sugar manufacturers and beet-growers because the maximum production levy was applied.

France and the Netherlands produced some sugar in excess of the maximum quota which had to be sold outside the Community, the producers concerned footing the bill.

*Common organization of the market in oils and fats**Olive oil*

189. Olive oil prices for the 1970/71 marketing year were fixed by the Council at the same level as in the preceding year. No change was made in the elements on which the price system rests and the regulation on the advance fixing of the import levy was extended indefinitely.

It was decided that the previous year's aid arrangements would also apply to the 1970/71 marketing year, subject to a number of amendments largely designed to tighten up procedures for checking applications for aid.

During 1970 the Commission organized several calls for tender for olive oil held by the Italian intervention agency, adapting conditions of sale in each case to the market situation in Italy. All surplus stocks of olive oil were disposed of in this way.

On 27 October 1970, following the conclusion of the agreement between the Community and Spain on 20 July 1970 and its entry into force on 1 October 1970, rules were adopted for applying Community arrangements for imports of Spanish olive oil. The levy on imports of unrefined olive oil from Spain was reduced by a standard abatement of 0.50 u.a./100 kg and by a further 4 u.a./100 kg on condition that Spain imposed a special export charge and that the amount of this charge was reflected in the import price.

Arrangements for exports of olive oil from Tunisia and Morocco under the Association Agreements which have been in force since 1 September 1969 ran into serious difficulties in practice, both as regards compliance with the minimum offer price and price-recording by the Commission. Furthermore, the fact that these countries are obliged to offer their oils at a price bearing a fixed relation to the cif price ascertained by the Commission had the effect of making these oils less competitive than oils from other countries which export to the Community.

For these reasons the contracting parties agreed to replace the existing arrangements for virgin oil by the special export charge system agreed with Spain. As far as Tunisia is concerned, this change became effective on 1 November 1970.

Oilseeds

190. The target price, the intervention price and the monthly increases for rape, colza and sunflower seed were fixed by the Council at the same

level for the 1970/71 marketing year as they had been in 1969/70. Because of this decision and the fact that the Council was unable to consider the sector's problems in depth, it was also decided to retain for the 1970/71 marketing year the additional aid arrangements for rape and colza processed in Italy and the licence system for Italian imports of certain fats and oils.

The adjustment to intervention prices in France decided upon following devaluation of the French franc was reduced from 11.11% to 9.33%. Provisions which had been adopted in connection with the intervention price adjustment were therefore amended accordingly.

The compensatory amount levied on certain castor oil imports was abolished at the beginning of July 1970. This had been introduced at the end of 1968 and modified on several occasions.

A few technical changes were made during 1970 to the rules and regulations governing the market organization.

Early in June 1970, there was an exchange of letters between the Commission and Rumania on the conditions to be fulfilled if Rumanian exports of sunflower-seed oil are to be exempt from the compensatory amount on admission to the EEC.

Common organization of the market in fruit and vegetables

191. The year under review saw the application to the fruit and vegetables market of some provisions of Regulation No. 159/66/EEC (market intervention machinery and end-use of products withdrawn from the market) and Regulation No. 23 (working of the countervailing charges system and, more especially, methods for calculating entry prices of imports) which had been radically revised in December 1969.

Two series of provisions on trade with non-member countries entered into force, for the most part in the month of March. One series derives from Regulation (EEC) No. 2513/69 and liberalizes trade with non-member countries except for a number of products and certain periods of the marketing year. Provision is also made for the possibility of introducing safeguard measures in certain cases, as was done in fact for apples during the period April to June 1970. The second series of measures deals with the fixing of export refunds for fruit and vegetables; this is now a matter for the Community and refunds have been fixed at regular intervals since March 1970.

Finally, since the measures introduced by Regulation (EEC) No. 2517/69 on the rationalization of fruit-growing in the Community had not produced satisfactory results, the Council adopted a Regulation¹—retroactive to 1 January 1970—to offer fruit-growers stronger incentives to grub some of the Community's apple, pear and peach orchards.

With regard to standards, the Commission issued its first rules on quality control for fruit and vegetables exported to non-member countries² and authorized the marketing of Class III products within the Community; this authorization applies to all fruit and vegetables for which such a category exists with the exception of apples, pears and peaches.³

Finally, the Council decided to introduce a uniform procedure for adopting and amending quality standards for fruit and vegetables.⁴

Common organization of the market in processed fruit and vegetable products

192. No major difficulties were encountered in applying the regulation on the common organization of the market in processed fruit and vegetable products.

The Council discussed Commission proposals on trade policy vis-à-vis non-member countries.

Finally, the Commission submitted proposals to the Council for slight amendments to the tariff nomenclature to solve certain problems connected with the "sugar" levy; its proposals were adopted by the Council.

Common organization of the market in live plants and cut flowers

193. The regulation on the establishment of a common organization of the market in live plants and cut flowers was applied without any major difficulty in 1970.

¹ Regulation (EEC) No. 2476/70 of 7 December 1970; *Journal officiel* No. L 266, 9 December 1970.

² Regulation (EEC) No. 496/70 of 17 March 1970; *ibid.* No. L 62, 18 March 1970.

³ Regulation (EEC) No. 1017/70 of 29 May 1970; *ibid.* No. L 118, 1 June 1970. Regulation (EEC) No. 1018/70 of 29 May 1970; *ibid.*

Regulation (EEC) No. 1460/70 of 23 July 1970; *ibid.* No. L 162, 24 July 1970. Regulation (EEC) No. 2231/70 of 3 November 1970; *ibid.* No. L 241, 4 November 1970.

⁴ Regulation (EEC) No. 2423/70 of 30 November 1970; *ibid.* No. L 261, 2 December 1970.

The Commission issued a regulation fixing minimum export prices for bulbs, corms and tubers, and submitted a proposal to the Council for a directive on the financing and coordination of product advertising at national level.

Animal products

Common organization of the market in beef and veal

194. The Council decided to extend the 1969/70 marketing year for beef and veal to 31 July 1970. For the 1970/71 marketing year, which began on 1 August 1970, the Council fixed the guide prices at the same level as in the previous marketing year—namely 68.00 u.a. per 100 kg live weight for mature cattle and 91.50 u.a. per 100 kg live weight for calves.

In connection with the special import arrangements for certain types of frozen beef and veal, the Council estimated that the Community's processing industry would need to import 100 000 tons during the 1970 calendar year. This estimate does not include meat used in the manufacture of preserves containing nothing but pure beef and veal since it is not subject to the import levy. This total tonnage was subsequently allocated by the Commission on a quarterly basis (first quarter: 20 000 tons; second quarter: 35 000 tons; third quarter: 40 000 tons). On 13 July 1970 the Council raised the annual estimate by 20 000 tons so that the figure for the fourth quarter, corresponding to the unallocated portion of the annual quota, was 25 580 tons.

Throughout 1970, intervention agencies continued to sell frozen beef and veal bought in during the 1968/69 marketing year.

A seasonal dip in prices in October 1970 suggested that by the end of the year prices for mature cattle on representative Community markets would probably fall below the level which triggers off optional support buying. The Commission therefore adopted the necessary provisions to allow optional support buying to begin once that level was reached.

Prices did in fact fall below this level for a broken period of seven weeks from 2 November and the conditions under which optional support buying is allowed by Community regulations were fulfilled more than once during these weeks in Belgium and Germany. However, neither Member State asked the Commission to exercise this option.

Some 235 000 dairy cows were slaughtered between 9 February and 30 June 1970 under Council Regulation (EEC) No. 1975/69 of October

1969 which introduced subsidies for slaughtering dairy cows and withholding milk and milk products from the market.

Subsidies for withholding milk and milk products from the market were granted in respect of a further 230 000 cows in response to applications lodged between 1 December 1969 and 31 December 1970. However, Italy missed the deadline for introducing the national measures required to implement the subsidy scheme and a number of claims were subsequently withdrawn by the farmers concerned. In effect, therefore, the number of cows for which subsidies will actually be paid on applications lodged during the above-mentioned period is unlikely to exceed 200 000.

On 8 September 1970, the Commission submitted a fresh proposal to the Council for a regulation on subsidies for slaughtering dairy cows and withholding milk and milk products from the market. This proposal is designed to improve the existing system in the light of experience gained in 1970.

Since then the situation in the Community has changed in two respects:

- (i) The milk and milk products market began to look somewhat healthier, although the Commission cannot tell for certain whether this means that a return to market equilibrium can be expected in the near future;
- (ii) Prices for pigmeat deteriorated appreciably and the Commission expects this trend to persist during the early months of 1971. It felt, therefore, that steps should be taken to prevent additional supplies of beef and veal being put on the Community market as a result of the slaughtering scheme.

In the circumstances, the Commission considered that it was necessary to submit a new proposal for a regulation to limit subsidies to those for withholding milk and milk products from the market. This proposal was submitted to the Council on 11 December 1970.

Common organization of the market in pigmeat

195. During 1970 previous shortages on the Community market were replaced by a cyclical glut. It is expected that output will be some 10% higher in the 1970/71 marketing year than in 1969/70.

As in the past, the Commission adjusted levies and sluicagate prices as changes occurred in feed-grain prices on the world market and tailored

export refunds to the situation on the market in pigmeat. The minimum standards required for the payment of export refunds for processed pigmeat products were also defined in precise detail to ensure that uniform conditions were applied when refunds were being paid.

At the request of France, the Commission reduced compensatory amounts which had been levied at the frontier since the French franc was devalued to the levels actually resulting from the effects of the lower intervention price on feed grain used in pigs' rations. This reduction took effect from 2 March 1970.

Because supplies were tight early in 1970, the Commission reduced the import levies on live pigs, slaughtered pigs, fresh pigmeat and bacon by 75% until 18 January 1970 and—following a break from 2 to 21 March 1970—by 50% until 11 April 1970.

Once the market trend had been reversed in the autumn of 1970, the Commission increased the export refunds on live pigs, slaughtered pigs, streaky bacon and back bacon with effect from 16 November 1970. Because certain non-member countries were making offers at prices which fell short of the sluiceway price, the Commission also fixed additional amounts to be levied on imports of certain types of pigmeat from 27 November 1970.

On 20 October 1970, the Council adopted a regulation introducing a new Community scale for grading pig carcasses. Tests carried out in Member States on behalf of the Commission showed that the new standard quality based on this new scale is about 2% above the old standard quality. The deadline for using the Community scale to establish quotations for slaughtered pigs was fixed for 1 November 1971.

The Council also increased the basic price for slaughtered pigs of the new standard quality from 75 to 77.25 u.a./100 kg for the period 1 November 1970 to 31 October 1971. Allowing for the new carcass grading, this means an increase of 1% on the 1969/70 price.

The Commission examined supplementary measures to regulate the pigmeat market within the Advisory Committee on Pigmeat. It also considered possible measures to stabilize the prices of piglets in the Community and a scheme for harmonizing research on selection and genetics.

Common organization of the market in milk and milk products

196. The outstanding feature of developments in the milk sector in 1970 was that stocks were reduced. Butter stocks dropped from 301 824 tons at

the beginning of the year to around 130.000 tons on 31 December, the corresponding figures for skim milk powder being 348 720 tons and 92 000 tons. Allowing for the usual increase in demand in January, February and March, stocks should soon be back to normal.

This state of affairs was only made possible by large-scale disposal of surpluses at reduced prices. The various schemes introduced in previous marketing years to dispose of stocks were gradually stepped up during the first half of 1970 and in such a way as to cause the minimum disturbance of normal trade flows at home and abroad. By the end of the year stocks had fallen to such an extent that most of the special measures could be discontinued. Deliveries to the World Food Programme were maintained, however, as were the price cuts to encourage consumption by categories of consumers who cannot afford to buy much butter at the normal price.

This increase in consumption coincided with an appreciable decline in butter production and, to some extent, in the production of skim milk powder. There was definite confirmation, therefore, of the 1969 trend towards a stabilization of milk production and this was, of course, one of the objects of the exercise.

This stabilization, the first of its kind since the war, was partly due to weather conditions. The fact remains however that the first results of the 1970 dairy cow census do show a reduction in cow population in some regions of the Community. This cannot be considered however as anything more than a first step towards a balanced milk market, since production in 1970 was still more than 4 million tons in excess of consumption under normal market conditions.

In many cases the market situation led to a sharp increase in export prices. This was particularly true of skim milk powder but also applied to other products. Because the pressure of offers from other major exporters was somewhat weaker than it had been at times in the past, world market prices rose gradually until they almost reached the level of Community export prices. It therefore proved possible to effect a considerable reduction in export refunds.

The target price for milk remained at 10.3 u.a./100 kg in 1970. Intervention prices and the subsidies for skim milk for use in animal feed were not altered in either 1969 or 1970, with the result that the overall level of support remained unchanged. But because surplus stocks were reduced and because milk production remained stationary, market prices were generally higher than the level of support during the second half of

the year. The price of liquid milk was raised in several Member States and partially adjusted to changes in prices and costs. This meant that producer prices went up slightly and in most Member States rose to the level of the target price and beyond. Even where producer prices failed to reach the target price, they came very close to it.

The prices at which butter and skim milk powder are bought in will now correspond, throughout the Community, to the common intervention prices. This follows the abolition on 31 December 1970 of the corrective factors applied to intervention prices in Belgium and Luxembourg and the final adjustment in butter prices, linked with devaluation, to be effected by France on 16 January 1971.

Common organization of the market in eggs and poultry

197. Prices in the Community moved closer together in 1970, confirming that the dismantling of tariff barriers has encouraged intra-Community trade and the reorganization of the poultry industry. Production, especially egg production, increased considerably however so that the market was in surplus for several months of the year.

Because the price trend was unfavourable during these months, a number of Member States felt the Commission should make provision for Community action to improve the adjustment of supply to market conditions. One possibility would be to regulate the rhythm of production by means of medium-term forecasts based on accurate census figures. Another would be to devise ways and means of improving marketing arrangements for poultry products within the Community. The Commission, under the terms of Regulations (EEC) No. 122/67 and No. 123/67, drafted a proposed regulation on the production and marketing of hatching eggs and day-old chicks and submitted it to the Council. This should give Member States a systematic source of information on production inputs especially for earlier stages in the production chain, such as hatcheries and concerns producing day-old chicks.

During 1970 the Council also adopted Regulation (EEC) No. 436/70,¹ which supplements the basic regulation for eggs with provisions on the advance fixing of refunds, and Regulation (EEC) No. 437/70 which lays down general rules for fixing these refunds. These two regulations make

¹ *Journal officiel* No. L 55, 10 March 1970.

it easier for Community exporters to participate in international trade in egg products.

Finally, the Commission made use of the machinery of the Advisory Committee to solicit the views of trade associations on certain provisions to be included in a proposed Council regulation on common marketing standards for slaughtered birds. These standards would be in addition to those now under discussion (egg-based products) or already in force (eggs in shell).

Community import licences, export licences and advance fixing certificates

198. The import licences, export licences and advance fixing certificates introduced by various Council regulations on the common organization of markets in agricultural products serve two purposes. In the first place they give some idea of future trade in agricultural products between the Community and non-member countries; as such they facilitate market management and the application of safeguard clauses where necessary. In the second place they lay down in advance, for certain products, what the levies on imports and what the refunds on exports will be. The basic regulations provided that these documents would be national ones initially, valid only for the territory of the issuing Member State. After a specified date however they would be valid throughout the Community.

It took more than two years of hard work to put this principle, first stated in 1967, into practice. Rules had to be worked out to allow the system to function properly without requiring too many guarantees and to provide machinery for close cooperation between the relevant authorities in the Member States.

The Commission adopted the necessary regulation on 10 July 1970 following favourable Opinions from the Management Committees concerned.¹ This regulation entered into force on 1 January 1971. It was followed by a further regulation² which contains full details of the licence and certificate system sector by sector. This means that it has been possible to compress all the provisions pertaining to the new system for all agricultural products into two regulations. This should make things a great deal easier for businessmen and officials alike.

¹ Regulation (EEC) No. 1373/70; *Journal officiel* No. L 158, 20 July 1970.

² Regulation (EEC) No. 2637/70; *ibid.* No. L 283, 29 December 1970.

*New basic regulations**Common organization of the market in unmanufactured tobacco*

199. On 21 April 1970 the Council adopted Regulation (EEC) No. 727/70¹ on the establishment of a common organization of the market in unmanufactured tobacco. The system introduced by this regulation applied to the 1970 crop.

As an essential part of the price and support system, the Council will fix a norm price for each variety of Community-grown tobacco each year, this price being fixed for a reference quality. For the first marketing year, norm prices were based on average prices over the last three years. To ensure that Community tobacco finds a market and that growers get the norm price, the first buyers of leaf tobacco are paid a bonus which is passed on to growers. This bonus is fixed every year by the Council in the light of market outlets and the probable trend of prices for imported tobacco.

The intervention price is set at 90% of the corresponding norm price, but is subject to price increases or reductions when the quality of the product differs from the reference quality. Baled tobacco can also be bought in provided it has not already benefited from the bonus.

The regulation also lays down arrangements for imports from non-member countries involving nothing more than the application of the Common Customs Tariff. It also defines the circumstances in which exports are eligible for refunds and the instances in which the Community can introduce safeguard measures.

The entry into force of this common market organization means that all special measures will have to be discontinued, and in particular all measures deriving from national monopolies and affecting tobacco growing, initial processing, and marketing of unmanufactured tobacco.

Finally, the regulation contains a set of provisions allowing the Council to take specific measures to keep the market under control should the total volume of Community production or the quantities of any one variety offered for sale to intervention agencies exceed a given level. These specific measures include a cut in the norm and/or intervention prices, as

¹ *Journal officiel* No. L 94, 28 April 1970.

well as restrictions which make all or some qualities of any given variety of tobacco ineligible for intervention.

Common organization of the market in wine

200. On 28 April 1970 the Council adopted additional provisions on the common organization of the market in wine.¹ These had been proposed by the Commission on 24 June 1967, expanded on 18 April 1969 and summarized in a Council resolution on 6 February 1970.²

These provisions liberalize intra-Community trade in wine and vine products with effect from 1 June 1970 and establish a single price system. A guide price is fixed each year for every type of table wine and from this is derived a threshold price which triggers off intervention. Intervention measures include a subsidy for private storage of table wines and a premium for distilling. The additional provisions also deal with certain oenological practices and limit their use. This applies in particular to enrichment. Finally, there are measures to control new plantings and frontier arrangements based essentially on the levying of countervailing charges or compliance with a reference price.

At the same time, the Council adopted a regulation¹ introducing additional provisions for quality wines produced in specified areas. Proposals on sparkling wines have already been submitted to the Council; the problem of liqueur wines will have to be dealt with later.

The initiation of this market organization on 1 June 1970 made it necessary to fix guide prices, activating prices and reference prices, to define types of table wines and wine-growing areas, and to adopt transitional measures to allow the marketing of certain wines for direct consumption to continue.

Since this common market organization entered into force very shortly before the beginning of the marketing year, it was felt that there was not enough time to put certain provisions of the basic regulation into effect. For this reason transitional measures had to be introduced to control movements of wine and vine products and to deal with the designation and labelling of wines, the compulsory distillation of by-products of wine-making and Community imports of wine from Algeria, Tunisia, Morocco and Turkey.

¹ *Journal officiel* No. L 99, 5 May 1970.

² *Ibid.* No. C 19, 13 February 1970.

After the market organization came into force on 1 June 1970 the prices of certain Community wines declined slightly so that arrangements had to be made to subsidize private storage. The 1970/71 harvest promises to be abundant and has already led to the adoption of exceptional measures for certain German and Luxembourg wines.

The establishment of the common market organization was followed by an appreciable increase in intra-Community trade. Italy in particular stepped up its sales to other Member States.

Countervailing charges were fixed for red wine, white wine and liqueur wine and a number of non-member countries gave an undertaking that they would not undercut the reference price.

Common organization of the market in textile fibres

201. On 29 June 1970 the Council adopted a regulation¹ establishing a common organization of the market in flax and hemp. This entered into force on 1 August 1970.

The main feature of this common market organization is a standard subsidy per hectare of flax or hemp grown in the Community. The Council fixed the subsidy at 110 u.a./ha for flax and 80 u.a./ha for hemp for the 1970/71 marketing year. In the event of a serious disturbance or threatened disturbance, appropriate measures may be applied in trade with non-member countries. Should a temporary imbalance develop, private-storage subsidies may be paid to holders of flax or hemp bast who have signed storage contracts.

Furthermore, Community measures may be taken to encourage certain types of action by growers' organizations and trade associations. Model clauses have been drawn up for contracts between producers and buyers, and provision is made for the adoption of transitional measures applicable until 31 July 1971.

Transitional measures have in fact been adopted to allow national production and marketing aids for flax and hemp harvested before 1 January 1970 to be maintained until 31 July 1971. National measures to encourage the storage of bast could be maintained until 31 December 1970.

¹ Regulation (EEC) No. 1308/70, *Journal officiel* No. L 146, 4 July 1970.

Common organization of the market in fishery products

202. On 20 October 1970 the Council adopted two regulations on fisheries, one establishing a common organization of the market in fishery products, the other introducing a common policy on the structure of the fishing industry.¹ Both regulations entered into force on 30 October 1970 and will apply as from 1 February 1971.

The common organization of the market makes provision for marketing standards, the promotion and strengthening of producers' organizations, a common price system designed to stabilize Community markets, and arrangements for trade with non-member countries. The price system applies to certain fresh, chilled and frozen products for direct consumption and to tunny for processing.

Producers' organizations are free to fix a withdrawal price below which they will refuse to sell fish brought in by members. For the fresh and chilled products mentioned above Community withdrawal prices are fixed and part of the intervention expenditure incurred by producers' organizations will be refunded by the EAGGF. The Common Customs Tariff applies in trade with non-member countries, all quantitative restrictions are abolished, and a system of reference prices is introduced for certain products. No common import arrangements have yet been worked out for four sensitive products (fresh trout and carp, canned sardines and tuna) and Member States are free to maintain quantitative restrictions for these for the time being.

The common policy on the structure of the fishing industry introduces free access to fishing grounds under the sovereignty or jurisdiction of Member States. Temporary exceptions will be admissible only in specific cases to be determined by the Council. Provision has also been made for the coordination of national policies and for common rules on subsidies to step up productivity, to adjust production and marketing conditions to market requirements, and to improve the standard of living of those who depend on the industry for their livelihood. These measures may be put into effect through common programmes backed by contributions from the EAGGF. The institution of a standing committee on the structure of the fishing industry will facilitate the elaboration and implementation of this common policy.

¹ Council Regulations (EEC) No. 2141/70 and No. 2142/70 of 20 October 1970; *Journal officiel* No. L 236, 27 October 1970.

New Commission proposals to the Council

Common organization of the market in seeds

203. On 1 June 1970 the Commission submitted to the Council a proposal for a regulation on a common organization of the market in seeds. The proposal deals with seeds not yet covered by a market organization and with hybrid maize which is not sufficiently protected by the cereals regulation.

Under the Commission's proposals, subsidies would be paid to producers of certified seed in respect of a limited number of sensitive species and varieties (hybrid maize, certain grasses and pulses). The subsidy would be the same throughout the Community for any one species and would be fixed for each marketing year.

Common organization of the market in alcohol, vinegar and their derivatives

204. The Commission is nearing the end of its work on a draft proposal for a Council regulation on ethyl alcohol of agricultural origin which also contains a number of provisions on spirits. During 1970 the Commission also continued its preparatory work on vinegar.

2. Industrial, technological and scientific development policy

MEMORANDUM ON INDUSTRIAL POLICY¹

205. On 18 March 1970 the Commission adopted a memorandum on industrial policy, which it sent forthwith to the Council and to the European Parliament, the Economic and Social Committee and the ECSC Consultative Committee. In the Commission's view, this memorandum should provide the main points, if not the basis, for a thorough exchange of views with all the parties concerned on the principles and guidelines governing a Community industrial policy. In the light of the results of these discussions, the Commission can then see what new courses of action ought to be undertaken and decide what form they should take.

Contents of the memorandum

206. The Commission proposes five basic lines of policy:

(a) The first requirement of an industrial development policy is that it should enable all firms and industries to take full advantage of the existence of a large market. The creation of a Community internal market means hastening the removal of technical trade barriers, even at the price of altering the existing procedures, throwing open public contracts, the practice of reserving these contracts for each country's own industry being harmful to certain essential sectors of Community industry, more especially to capital goods, public transport equipment and, more generally, high technology products. For the last-named category the Commission proposes to arrange a scheme for the dovetailing of purchasing policies, in which certain private purchasers would be invited to take part.

(b) The memorandum recommends a speeding up of the work on the harmonizing and standardizing of the legal, taxation and financial framework within which firms have to operate. This would involve:

¹ This memorandum contains an introduction dealing with the general principles and guidelines, and four sections covering:

- (i) the position of Community industry;
- (ii) improvement of the conditions in which firms operate in the Community;
- (iii) the ability of Community industry to adjust;
- (iv) the promotion of the high-technology industries and the Community's achievements in these sectors.

At the legal level: adoption of the European company Statute as early as possible; adoption by all Member States of legislation forming corporate groups (such a system already exists in Germany); extension of the joint undertaking status to sectors other than the nuclear; adoption by all the Member States, perhaps even at Community level, of the arrangement known as "groupement d'intérêt économique" (a type of organization which already exists in France).

In the taxation sphere, where there are the most serious barriers to multinational mergers: adoption by the Council of the directives proposed on 15 January 1969 concerning taxation of mergers and on the arrangements for parent and subsidiary companies; progress in harmonization of taxes especially in the field of the value-added tax, excise duties and direct taxes, so as to even up conditions of competition as far as possible and to do away with customs inspections at the frontiers between Community countries.

In the financial field: creation of a genuine common capital market, modernization of the banking and financial machinery in most of the Member States, improvement of the taxation arrangements applicable to financing in the form of risk capital and, lastly, the making available to Community undertakings, through the national and Community financing agencies, of a greater volume of capital obtained from savings in the Community.

(c) The memorandum recommends some industrial "restructuring", advocates a higher degree of concentration in certain sectors, warns of the danger of mergers confined within the national boundaries, considers it essential and urgent that the Member States adopt a favourable attitude towards the forming, particularly in the advanced-technology sectors, of European transnational companies (which alone can stand up to competition from foreign firms or their subsidiaries), feels that the EIB should contribute more generously to the "restructuring" of industrial firms as the Commission has decided to do with the ECSC appropriations which it administers itself and, lastly, proposes that the public authorities introduce Community development contracts awardable with priority for advanced-technology firms which have decided to reorganize on a transnational basis.

(d) The fourth basic theme of the memorandum deals with the organizing of change and adjustment, more especially change in employment. The establishing of forecasts and of continuous communication between the two sides of industry will provide valuable tools; the action of the new Social Fund and the regional policy will be the Community's contribution,

while with improved business management industry will make prompter use of technological innovation, the factor essential to dynamic industrial development and to adequate job creation. This leads the memorandum to suggest that a "European management and training foundation" should be set up by Community firms.

(e) Lastly, the memorandum advocates extending Community solidarity to cover external economic relations, bringing it to bear on the following problems in particular: export credit and subsidies, barter operations and investment in state-trading countries, non-tariff barriers, environmental protection, supplies of primary materials and energy sources, stimulation of investment, status of multinational companies and technological cooperation.

Further consideration of the memorandum

207. The Council held two discussions on the memorandum, namely in April and June 1970. In the meantime, the Committee of Permanent Representatives has been actively examining the problems raised and has classified the action relating to them into three categories:

- (i) Action in hand which should be speeded up (e.g. removal of technical barriers, adoption of tax directives, directives on the European company and directives on the reformed Social Fund);
- (ii) Actions which are not the responsibility of the Council or which have not reached an adequate stage of preparation to warrant examination immediately (e.g. the creation of a European management and training foundation, technological forecasting, dissemination of information);
- (iii) New action requiring the Council's approval (see list below).

On the basis of this work, the Council held a general debate at its session on 8-9 June 1970 and instructed the Committee of Permanent Representatives to continue that debate, to speed up the work in hand in the fields connected with industrial policy and to study especially the following subjects, on the understanding that the choice of these particular subjects did not prejudice further consideration of the studies in question:

- (i) Establishment of the common market in certain sectors of advanced technology and capital goods;
- (ii) Promotion of the Community's industrial progress and technological development;

- (iii) Measures to facilitate transnational industrial groupings in the Community;
- (iv) Organization of Community solidarity to improve technological cooperation with non-member countries;
- (v) Alignment of Member States' attitude to foreign investment;
- (vi) Possibility of creating, in addition to the legal form of European company, a more flexible form to allow closer links between companies;
- (vii) Territorial aspects of industrial policy;
- (viii) Coordination and rationalization of Community financial instruments intended to promote economic development;
- (ix) Function of public undertakings in the Community's industrial policy;
- (x) Problem of the duration of export credits to developing and state-trading countries.

The Council also agreed to allow the Committee of Permanent Representatives to delegate the study of certain matters to a working party consisting of senior officials from the Member States and from the Commission. The decision to set up this working party was taken on 18 June and its terms of reference were laid down on 24 June 1970. The terms of reference include the first nine points quoted above, the tenth being reserved for the Permanent Representatives.

These nine points are not drawn exclusively from the Commission memorandum. The French Government has likewise made known its views on industrial policy by presenting a memorandum to the Council, while in debate other governments, in particular Germany and Italy, have also formulated certain proposals which have been included in the terms of reference. The Working Party of Senior Officials will therefore examine all these proposals.

The working party met on 16 July, 17 and 18 September, 8, 9, 29 and 30 October and 12, 13, 26 and 27 November.

At these meetings the working party conducted a detailed examination of the items submitted to it and in many cases arrived at unanimity. It still has to put the finishing touches to the draft text, for which its Chairman is responsible, of the report which it is to submit to the Committee of Permanent Representatives.

208. In the European Parliament the memorandum was examined in detail by the Committees on Economic Affairs, Social Affairs, Finance and Budgets, External Trade Relations, and Research, Energy and Atomic Problems. The specialized sections of the Economic and Social Committee also debated the memorandum and will submit their reports and opinions early in 1971.

Numerous organizations representing the two sides of industry, notably the Union of Industries of the European Community (UNICE), the European Centre for Public Undertakings (CEEP), the Standing Conference of Chambers of Commerce and Industry of the EEC, the EEC Savings Bank Group, the European Confederation of Free Trade Unions in the Community (CESL) and the International Confederation of Executive Staffs (CIC), as well as a number of national employers' federations and trade unions, have made known their attitude to the main problems raised in the memorandum and have sent reports or opinions to the Commission. Furthermore, the Commission organized a number of meetings during 1970 with the representatives of the main interests concerned in order to obtain further information.

THE STUDY AND GUIDANCE OF SPECIFIC INDUSTRIES

Action in specific industries

209. The Commission continued to examine the situation in the various industries, notably when problems arise concerning the Community's commercial policy and its policy towards the developing countries, or when unsuitable structures reduce the competitive power of products with respect to those from non-member countries.

Generally speaking, the Commission continued its efforts to determine for industry as a whole the best development conditions in accordance with the criteria expounded in its memorandum on industrial policy, with a view to proposing whenever necessary the implementation of a common policy, whether applied at the level of the industrial structures or at the market level.

Its efforts were ultimately concentrated firstly on the capital goods industry—including advanced technology—and secondly on industries whose products are purchased mainly by public bodies and in which there is thus no appreciable Community-wide movement.

210. In the case of the first category, the Commission continued its efforts to eliminate the obstacles to the rapid introduction of numerical-controlled machine tools. It is preparing certain schemes for the purpose of providing potential users with better information on this new technique. Other information and research promotion schemes are under study. The contacts which the Commission has set up with industrial interests supplying turn-key factories have led to the establishment by these quarters of a European Committee representing the Six. The Commission has proffered its support for these efforts. With the aid of the significant contribution made by the study it received in 1969,¹ the Commission has continued its analysis of the situation in the aerospace industry, notably with regard to the development of the civil programmes currently in hand. It is examining the various aspects of the development problems in this sector and of the possible solutions, and intends to submit the results to the Council in due course. In the data processing sector, the Commission has received the study, carried out at its request, analysing the potential market in the Community and the United Kingdom and the possible applications of these techniques. What must now be done is to determine the general approach which will ensure optimum utilization of the Community potential and the establishment of a well-designed programme of cooperation with non-member countries. In full accord with the industrial interests concerned, the Commission has asked a study bureau to draw up a report on the present situation and future outlook in the Community precision engineering and optics industry. Finally, in view of the difficulties experienced by manufacturers of agricultural machinery, the Commission has undertaken to study the probable development of this market in close collaboration with the European Committee of Manufacturers of Agricultural Machinery.

211. In the case of the second category, where the markets remain fragmented, it may be recalled that in April 1970 the Commission forwarded to the Council a document on the reorganization of the electromechanical industries in the Community. This document recommends the gradual opening-up of the Community market to the products of this branch and the establishment of European cross-frontier groupings.

The Commission has begun to study the railway equipment industry, with the accent on the effects of the emergence of new means of transport.

¹ *Third General Report*, sec. 189.

212. With regard to other industries, it may be noted that the Liaison Committee on Automobile Manufacture (CLCA) has said that it would like the contacts it maintains with the Commission for the purpose of economic forecasts to be extended to other fields. Discussion has begun on the future of the automobile industry, notably with regard to environmental problems, such as air pollution, road safety and urban congestion. The object of these contacts is to determine the problems involved and to draw some conclusions as to ways in which the industry might assist in solving them.

In connection with the clock and watch industry, the Commission continued its talks to find the solutions envisaged by the agreement with Switzerland on clocks and watches, concluded at the end of the Kennedy Round (trade, industrial cooperation).

With respect to "miscellaneous" industries, the Commission has published the study on the Community paper pulp industry and market. Together with the European trade organizations (ceramics, wood, leather, footwear, paper), it has pursued its examination of the problems posed by European integration and the development of trade with non-member countries. With regard to the development of the chemical industry and the rubber processing industry in the context of the Community market, the Commission took certain steps, entering into a direct technical dialogue with the trade and continuing it with certain branches, namely the pharmaceutical industry and the nitrogen industry. In the case of the agricultural and food industries, the survey launched by the Commission, in close collaboration with the CIAA and COGECA,¹ is practically finished; the Commission is preparing to draw conclusions from it for future action. The results of the study on the garment trade are available and will be discussed with the two sides of industry and government experts. Alongside the decisions on tariff preferences for the developing countries, technical studies are in progress for the purpose of determining the arrangements governing the products of the Community's textile industry. Moreover, in pursuance of Article 113, the Commission conducted negotiations with GATT which resulted in the extension for three years of the long-term arrangement on cotton textiles. In view of the grave concern expressed by both sides of industry at the liberal attitude towards commercial policy and in view of the protectionist threat from

¹ CIAA: UNICE Committee for the Agricultural and Food Industries.
COGECA: General Committee for Agricultural Cooperation in the EEC countries.

the USA, the Commission, in full awareness of the relationship between commercial policy and industrial policy, is studying the problems as a whole in an attempt to map out the general approach and measures necessary in the industrial, regional and social fields. Finally, the comparative analysis of the cost structures for carded wool was widely distributed and meetings with government and trade experts are scheduled.

The non-ferrous metals industry gave much cause for concern during the past year. It suffers from the want of a common approach to essential problems. Genuine difficulties were experienced, in particular with regard to the extension of the world tin agreement and the determination of solutions to the problem of national quotas, notably those for lead and zinc; these difficulties made it hard to define a common policy for non-ferrous metals.

213. With the aid of contributions from all the countries concerned, the Commission finalized a summary table showing the various means available in the Member States of providing aid for small industrial and craft firms. This document is to be published.

On the basis of this information, the Commission has undertaken specific action, its initial efforts being aimed at cooperation. The principal methods of aid currently being studied with the government experts concern sub-contracting, cooperation grants, the expansion of exports and "groupements d'intérêt économique".

In accordance with the memorandum on industrial policy, the Commission's departments are studying in particular the project to create an inter-regional sub-contracting pool which might prove advantageous to the sub-contracting activities of more than one Member State.

The iron and steel sector

Stabilization measures

214. Around mid-1970 the situation in the steel sector showed a downturn. That there was a shortage of certain products which persisted during the first half of the year underlined the correctness of the decisions taken in October 1969 by the Commission and the Governments to extend the

customs liberalization measures until mid-1970.¹ Imports in this period almost doubled (4.2 million metric tons as against 2.1 million).

From July onwards conditions in the steel market began to ease off owing to a major run-down of stocks and slower growth in actual consumption. This resulted in turn in greater flexibility of output and prices. The rise in output was no more than 1.8 million metric tons, against increases of the order of 8.5 million tons in the Community for the two previous years. This slackening of the steel market occurred in varying degrees in all the member countries except Italy, which is again passing through a period of expansion.

The measures taken in the light of this situation are analysed below.²

World trading conditions made the position on the iron ore market tight in 1970, resulting in appreciable price rises for the first time in several years. Community iron ore production, in absolute terms, has remained virtually constant, and its share of overall consumption has therefore declined. There was a further improvement in the productivity of the extraction facilities.

Production of pig iron for steelmaking ran parallel with that of crude steel and amounted to 80.5 million tons. The output of foundry pig iron registered a bigger rise. Owing to the world-wide coke shortage the Community's imports were stagnant although the Commission had granted large quotas.³

As regards scrap, the general ban on exports to non-member countries in force since 1953 was maintained, as the Community's requirements for high-quality scrap continue to exceed the supply. In 1970 these requirements amounted to over 46 million tons, of which two million were covered by imports from non-member countries.

Structural measures

215. The Commission's efforts to define "general objectives" for the Community's iron and steel industry for the years 1975-80 have resulted in the elaboration of a draft proposal and the procedure aimed at its approval by the Commission and the Consultative Committee will begin in 1971.

¹ *Third General Report*, sec. 448 *et seq.*

² Sec. 460 *et seq.*

³ Sec. 461.

As part of these general objectives, coordination of investment is designed to promote the harmonization of the measures taken by public authorities and firms in their respective areas.¹

The figures supplied by firms for the 1970 annual survey show that the industry has raised its rate of growth and should increase its crude steel production capacity to 147 million tons in 1973, in which case the cumulative growth rate would hit the 5 % mark, the highest recorded since 1960. By 1973 the proportion of pure oxygen-blown steel should amount to 54%.² Declared expenditure by the iron and steel industry, including iron mines, on investment projects shows the following movements (in million u.a.):

Average 1956-59	1960	1961	Average 1962-68	1969	1970
347	1 808	1 371	363	1 848	4 122

The total of \$4 122 million includes forward estimates of capital expenditure for the erection of a steelworks on a coastal site and for extending two others, and breaks down as follows: the Benelux countries 386 million, Germany 436 million, France 1 990 million and Italy 1 301 million.

Under the scheme for the prior notification of investment projects exceeding a certain level, the Commission has issued 29 reasoned opinions backing certain projects or suggesting certain amendments, particularly with regard to flat products and coking.

The Commission has continued its research effort. More particularly, it lent its aid to a study on the hot compacting of ores, authorized research aimed at the automation of oxygen steelworks and the improvement of the continuous operation of electronic furnaces, directed special attention to the development of measuring methods for use in the various iron- and steelmaking processes and in the very wide field of the service properties and promotion of steel (studies on deep-drawability, creep, fatigue, fracture, corrosion, fire resistance and the preparation of a set of standards and basic data for use by architects are in progress) and gave encouragement to theoretical studies on physical metallurgy.

¹ See the previous General Reports for the ways and means.

² *Les investissements dans les industries du charbon et de l'acier de la Communauté — Situation au 1^{er} janvier 1970, Luxembourg, July 1970 and November 1970.*

The nuclear sector

216. Two new nuclear power stations were ordered in 1970: the 850 MWe Fessenheim plant, by Electricité de France, and the 864 MWe Phillipsburg station, by the Kernkraftwerk Nord Badenwerk Energieversorgung (KBE). The reactors will be supplied by SFAC-Framatome and Kraftwerk-Union respectively. These projects are indicative of the market trend in 1970 and are additional to the six nuclear power plants ordered in the Community in 1969. Furthermore, German utilities have set up a company, Hochtemperatur-Kernkraftwerk Gesellschaft, to build and operate, with financial assistance from the West German Ministry of Education and Science, a 300 MWe prototype HTR power plant at Schmehausen in North Rhine-Westphalia. The Dutch and German governments have decided, under an agreement reached with the British government, on:

- (i) the construction and operation at Almelo, in the Netherlands, of two pilot plants for uranium separation using the gas centrifuge process (each with a capacity of 25 tons SWU/year);
- (ii) the setting-up of facilities for centrifuge production at Almelo, in the Netherlands, for the Dutch enrichment plant.

Regarding the structure of the industry, and electrical engineering in particular, it should be mentioned that Westinghouse secured control of the Ateliers de Constructions Electriques de Charleroi (ACEC) and has concluded a number of industrial property agreements with the Société des Forges et Ateliers du Creusot; it has also set up a company, Westinghouse Nuclear Energy Systems Europe, which has its registered office in Brussels, for the purpose of promoting pressurized water reactors in Europe. In France, under the aegis of the Compagnie Electro-Mécanique (CEM), a number of companies (CAFL, SFAC, Péchiney and CERCA) have set up a "groupement d'intérêt économique" with a view to developing high-temperature reactors. In Germany, Brown Boveri Mannheim, Krupp, BBK, GHH, MAN and Nukem have joined forces with the same end in view. Some of these companies will be involved in the construction of the 300 MWe HKG prototype reactor.

As far as the nuclear fuel industry is concerned, mention should be made of the decision by Belgonucléaire and Alkem to build facilities at Dessel and Wolfgang for the fabrication of plutonium-containing fuels; and of the incorporation in France of the company of Comurhex for the conversion of uranium into metal and hexafluoride. Also, talks were held between the French CEA, the UKAEA and German firms with the aim of

establishing a joint organization for operating irradiated fuel reprocessing plants; the scope of these talks was subsequently widened to take in Italian, Swedish and Spanish firms. In addition, two companies, Ultra Centrifuge Nederland NV (UCN) and Gesellschaft für Nukleare Verfahrenstechnik (GNV), have been set up for the construction of the Almelo pilot plants to produce enriched uranium by the gas centrifuge process.

217. Action taken by the Commission in pursuance of the Euratom Treaty was based on the objectives which it proposed to the Council on 22 April 1970 in its paper on the reorganization of the electrical engineering industry, namely:

- (i) the gradual opening-up of the market by the coordination of purchasing policies between the governments and electricity producers;
- (ii) the promotion of the formation of European groups;
- (iii) the taking of steps to ensure that agreements, either governmental or private, in the nuclear and electrical engineering fields do not stand in the way of these two objectives.

218. The rendering of opinions on investment projects in the nuclear field gave the Commission an opportunity of reminding both the utilities who commission and operate the nuclear power plants, and the firms investing in new facilities, of these objectives. In 1970 the Commission rendered eight opinions on investment projects totalling about 890 million u.a.:

- (i) nuclear power plants: Biblis (1150 MWe) and Brunsbüttel (770 MWe) in Germany, Caorso (783 MWe) in Italy, Borssele (450 MWe) in the Netherlands, and Tihange (870 MWe), which is a Franco-Belgian project;
- (ii) prototype nuclear reactors:
 - (a) Geesthacht 2, in Germany (a direct-cycle high-temperature reactor; construction has since been postponed);
 - (b) Phénix, France (233 MWe fast reactor);
- (iii) a pilot plant for the production of plutonium-containing fuel elements, at Dessel in Belgium.

With a view to streamlining the implementation of Articles 41-43 of the Euratom Treaty, in order to give greater weight to its opinions, the Commission has proposed to the Council that the period of three months specified as a time limit in Article 42 of the Treaty should be replaced by two different time limits applying to outline and detailed notifications

respectively, while reducing the amount of information, and the details thereof, which investors are required to furnish. Following on Council discussions, the Commission has consulted industrial circles. These consultations were in progress as this report went to the press.

219. In compliance with the resolution passed by the Council on 30 June 1969, which "recognized the desirability of periodic exchanges of views, intentions and technical experience between electricity producers and called on the Commission to foster and facilitate such exchanges", the Commission held meetings on 26 January and 15 June 1970 with the European Community's UNIPEDE¹ Committee in order to study measures aimed at securing:

- (i) better knowledge of the short- and medium-term outlook for the construction of power plants in the Community;
- (ii) more rationalization of types and standards of such stations, and of their capacity;
- (iii) increased intra-Community trade in components for power plants, especially for nuclear ones.

The European Community's UNIPEDE Committee gave a favourable reply to the wishes expressed by the Commission on the first two points. It felt that it was impossible to discuss the factors liable to prevent utilities, when inviting tenders and placing contracts, from allowing the free play of intra-Community competition between suppliers.

220. In the Commission's view, the provision of partial guarantees for electricity producers in the event of extended plant outages would aim to secure a minimum of expansion for Community industry in the nuclear sector while tending to promote interpenetration of the market and restructuring of industry.

The Commission contemplates the provision of such guarantees only if at least one of the following three conditions is fulfilled:

- (i) orders for plants and their components are grouped at Community level;
- (ii) the plants are built by a consortium of firms from more than one Community country;

¹ Union Internationale des Producteurs et Distributeurs d'Énergie Électrique (International Union of Producers and Distributors of Electrical Energy).

(iii) certain components used in essential nuclear plant items are manufactured in other Community countries and account for a substantial fraction of the plant cost.

These suggestions have been made known to the members of the trade organizations in UNIPEDE, UNICE¹ and CEEP².

221. Pursuant to Articles 45 *et seq.* of the Euratom Treaty, governing joint undertakings, the Commission continued the processing of the application from the Société belgo-française d'énergie nucléaire mosane (SEMO) and carried out the enquiry among the Member States required under Article 46, paragraph 1, of the said Treaty.

It also received, in October 1970, an application for joint undertaking status from HKG (Hochtemperatur-Kernkraftwerk Gesellschaft), a company set up for the construction of a 300 MW_e prototype plant with a high-temperature pebble-bed reactor.

222. Efforts towards the harmonization and standardization of safety techniques relating to commercial nuclear installations were continued. As a follow-up to the recommendations made by the industrial circles consulted in 1968 and 1969, more detailed exchanges of views, notably within the framework of UNICE, confirmed the need for greater dovetailing of safety criteria and techniques, and for gradual and more detailed standardization of certain items of equipment.

A schedule has been drawn up of the various manufacturing and inspection codes, guides, standards and criteria, both existing and under development, and a comparative study of technical data has been undertaken.

Both safety studies on particular nuclear installations and studies aimed at achieving a more systematic harmonization of the techniques used have emphasized the priority nature of certain supplementary programmes of practical and theoretical research. Attempts at more effective coordination in the latter field were carried on in the framework of the ENEA/CREST,³ namely by the specialist sub-committee on safety aspects of water-cooled reactors, which brings together under a Commission chairman delegates from Italy, France, Germany and the United States. There have also been

¹ UNICE: Union of Industries of the European Community.

² CEEP: European Centre for Public Undertakings.

³ European Nuclear Energy Agency/Committee on Reactor Safety Technology.

sponsored exchanges of information between experts on generally applicable matters of technical safety, notably on the basis of background studies prepared by the Commission.

Promotion of industrial uses of radiation and isotopes

223. With effect from 1970, the Eurisotop Office's activities have been covered by the Commission's operating budget, the resulting reduction in funds being offset by the fact that interested circles in industry and the technical world are taking on an increased share of the cost.

The projects carried out by the Office related either to the automation and rationalization of industrial manufacturing processes or to the development of new or improved materials and products and the coordination of the potential offered by the existing facilities in the Community. The exchange of experience and knowhow and the dissemination of information are the forms assumed by these projects, through schemes operating at Community level and featuring collaboration between the competent bodies in the member countries in order to achieve results that would be difficult to match at national level.

Among the schemes aiming at introducing the whole spectrum of nuclear techniques into a particular sector of industry, mention should be made of that for the leather and footwear and ceramics industries (which includes the drawing-up of a list of all ceramics research projects in hand in the Community) and that for the building and civil engineering industries, which took the tangible form of an international symposium,¹ and, lastly, the very extensive scheme relating to the textile industry² which has led to a marked increase in the number of nuclear applications, the establishment of a Community pilot centre and the preparation of an illustrative programme³ for future schemes.

Another series of Community projects undertaken was aimed at developing specific technical applications, namely projects on analytic problems posed by the use of non-ferrous and precious metals, a project

¹ Conference on the Use of Radiation and Isotopes in Civil Engineering; held in Brussels on 28-30 October 1970.

² *Cahier d'Information* No. 35 "Automatisation et rationalisation dans l'industrie textile à l'aide des rayonnements nucléaires".

³ Working Document No. 103 "Programme indicatif pour l'introduction et pour la promotion des applications des rayonnements et des isotopes dans l'industrie textile".

relating to the manufacture of processed foodstuffs based on irradiated potatoes,¹ similar projects for the use of radiation to preserve high-quality foodstuffs without chemical additives, a number of demonstrations of a new technique for improving concrete and enhancing the safety of buildings, and studies on non-technical conditions to facilitate the adoption of nuclear techniques by industry.

A technical consultancy service, together with very wide distribution of "Eurosotop" publications² in industrial and business circles, also create and maintain a climate favourable to the introduction of these techniques into industry.

GENERAL RESEARCH AND TECHNOLOGY

(Nuclear and advanced technology problems)

General aspects

224. In 1970 the Commission drew up and submitted to the Council several proposals designed to translate into concrete action the political will expressed at the Conference of the Heads of State or Government at The Hague.³ These proposals were incorporated in several documents aiming at providing a new stimulus for cooperation on a sectoral and general basis.

In a note submitted to the Council on 17 June 1970, the Commission proposed a number of activities in the main sectors of cooperation, and at the same time suggested that the six Member States should initiate prior consultations on all major research and development (R & D) projects in order to obtain an overall picture of the main problems affecting research policy at the Community level and to intensify cooperation between Mem-

¹ *Cahier d'Information* No. 45 "L'irradiation des pommes de terre".

² These numbered 26 in 1970, including 11 combined technical and economic studies of particular cases of specific applications.

³ See Points 9 and 10 in the final communiqué issued after the Conference, namely :

9. As regards Community technological activity, the Heads of State or Government reaffirmed their desire to pursue more vigorously the activity of the Community in regard to the coordination and promotion of industrial research and development in the principal sectors of importance, in particular by Community programmes, and to provide financial resources for this purpose.
10. The Heads of State or Government recognize furthermore that it is both urgent and necessary to draw up a research programme for the European Atomic Energy Community in the light of the requirements of modern industrial practice which would ensure that the most efficient use was made of the Joint Research Centre.

ber States. The Commission then drafted several proposals regarding the administrative reorganization of the Joint Research Centre and submitted to the Council a report by a team of four experts on the role of the Centre and the orientation of its activities. In its memorandum on Community industrial policy, the Commission also dealt with technological development work in the Community. Finally, the Commission dealt with the problem as a whole in a series of notes submitted to the Council on 11 November 1970.

These notes provide the Council with a general, balanced programme regarding the Community's future R & D activities. They include granting the Joint Research Centre a considerable measure of administrative autonomy, matching its budgetary management to new requirements, progressively adapting the facilities of the JRC to enable it to carry out, also in non-nuclear fields, an increasing amount of work which is mainly of interest to the public authorities.

Finally, these notes draw attention to the key problem underlying European research, namely, the lack of a satisfactory structure both for the preliminary study, planning and preparation of Community decisions and for their implementation.

225. The existing structures have not enabled the Community countries to map out jointly the broad outlines of a European R & D policy; individual or sectoral projects have been possible, but the lack of any overall picture has up to now prevented research from benefiting from the new dimensions of the Community.

While the Committee on Scientific and Technical Research Policy is striving to gain a general view of the activities and objectives of the Member States by comparing national plans and programmes, it has none the less run up against numerous snags, such as its restricted terms of reference, its composition and the limits imposed on its work, and reservations and practical difficulties encountered on the part of Member States with respect to medium-term aims and programmes. Moreover, in the work which has been undertaken only sporadic attention has been paid to the prospect of an enlarged Community.

226. Finding that the present working methods do not permit fulfilment of the general terms of reference assigned at the Hague Conference, the Commission proposed that, after broad consultations with interested circles, new structures should be gradually set up which would provide a permanent means of preparing and carrying out comprehensive programmes.

With a view to facilitating the breakdown of work into national, Community and concerted international action, the Commission proposed that a European Research and Development Committee (ERDC) should be created with responsibility for preparing the decisions to be taken by the Community authorities, in particular with a view to:

- (i) defining the fields or sectors in which Community projects should be undertaken;
- (ii) drawing up joint programmes in the R & D fields or sectors in which the implementation of joint projects appears necessary or desirable;
- (iii) defining the aims and forms of cooperation between the Community and non-member countries and international organizations;
- (iv) defining the forms of initiative or executive action in order to achieve the agreed aims: organization of information centres and data banks, the harmonization of measures in the public sector, promotion of the training and redeployment of scientists and technicians, the provision of financial aid for certain R & D programmes, granting of undertaking status, participation in the activities of other international organizations, direct implementation of R & D programmes in the Community centre, etc.

The general terms of reference of such a European Committee will be to draw up and submit to the Commission all draft plans and programmes for R & D cooperation and coordination within the Community. On the basis of this work the Commission will present proposed decisions to the Council. In the year following its creation, ERDC will be required to submit a first series of projects which will incorporate, together with any amendments, the tide-over programmes adopted in the interim. Thus the proposals relating to Euratom, to be dealt with later, and the specific cooperation projects now being carried out by the Six and the other European countries which have been invited to participate will be handled in an overall context.

ERDC activity should embrace fundamental research, applied research, public services, industrial development and environmental conservation, all of which were the subject of a note from the Commission dated 11 November 1970 containing a number of basic pointers. As the setting up of ERDC and the examination of a Community R & D policy could present problems to the applicant countries, the Commission considers that it would be desirable for the Community authorities to take careful note at all times of any declarations made or written statement issued by the applicant countries on this subject.

227. In the Commission's opinion, the work of planning and preparing the decisions should be kept strictly apart from the tasks of administration and implementation regarding the various actions, it not being forgotten, at the same time, that action by the Community cannot provide anything more than a frame of reference and a centre for the promotion of R & D ventures in the public and private sector, the range of which should not be reduced. The proposal to set up an ERDC, which must take the planning factor into account, will therefore be backed up by another proposal, relating to the creation of a European R & D Agency (ERDA), which will receive a budget of its own from Community funds. Under the Commission's supervision and within the framework of the multiannual operations and programmes adopted by the Council, this Agency will implement the executive action to be worked out by the ERDC. It will also administer the funds made available to the Community pursuant to decisions taken in regard to the Community's R & D policy, which as from 1 January 1971 will gradually have to be covered by the Community's own revenue. In order to carry out its duties, which may include entering into agreements or contracts involving financial participation with one or more member or non-member countries, or with their nationals, the Agency will be endowed with a large measure of autonomy and will be organized according to the criteria and requirements of modern industrial management. The JRC will come under the control of this Agency as soon as it has been set up.

The Commission considers that these proposals can serve as a basis for all action taken in the next few years concerning R & D. It recognizes the fact that its brief should not be limited to submitting definite proposals, but also consist in roughing out the main underlying guidelines, thus complying with the Council's desire for an overall view of the problem.

228. The importance attached by the Council to this overall view¹ was confirmed once again at the meeting on 23 July 1970 at which the Commission submitted its paper.

During this meeting, it was decided to create an *ad hoc* group of officials briefed to examine the Commission's above-mentioned note of 17 June 1970, as well as the note of 11 November 1970 examined here in greater detail. This group drew up an interim report on which the Council meeting held on 16-17 December 1970 based its discussions.

¹ The Belgian government submitted a proposal aiming to assign the PREST Committee a general brief to this effect.

On this occasion, the Council first approved that part of the Commission's overall organic programme dealing with the reorganization of the JRC, thus making it possible to define the procedures for the drafting of a new multiannual programme and to give new life to the JRC. At the same time as the programme is adopted, other parts of the overall programme concerning the JRC will still have to be mapped out (staff regulations for research personnel, breakdown of budget by research objective). The report examines in detail the Council's decisions concerning reorganization. As regards the points for consideration contained in the Commission's note of 11 November 1970, the Council has as yet been unable, because of the scope and the advanced state of the *ad hoc* group's preparatory work, to form a definite opinion. It limited itself to an initial exchange of views expressing the governments' desire to rationalize the discussions held in numerous circles on problems relating to the European research policy.

At the end of the discussion, the Council decided to refer the Commission's proposals to the Committee of Permanent Representatives, who will examine them jointly with the above-mentioned *ad hoc* group, taking into account the opinions expressed at the Council meeting.

For its part, the Commission will continue its work with a view to attaining the aims sketched out in the note of 11 November 1970. This consists more particularly in working out detailed proposals on the organization and mode of operation of the new structures which it has put forward. It further intends to submit to the Council proposals for concrete action which will be centred not only on research in the nuclear field but also on general research projects to be financed out of Community funds.¹

Nuclear problems

Construction of reactor prototypes in the Community

229. The strengthening of cooperation in industrial and scientific development has on a number of occasions been a focus of attention. The Council meeting on 6 December 1969, following the example of the Hague agreements, decided to "take the initial steps towards maximum cooperation in the field of advanced reactors, notably fast breeders"

¹ See also sec. 236 *et seq.*

At the Council meeting of 20 March 1970, the French government submitted a memorandum on "the procedures for strengthening European cooperation in industrial and scientific development". Regarding the construction of large advanced reactor prototypes, it emphasized the possibility of using the joint undertaking system after consultation between electricity producers, firms involved in construction projects and governments.

The West German government, in a memorandum dated 17 November 1970, also reaffirmed its desire to continue its efforts towards the incorporation of new sectors in technological cooperation, and to bring national policies even closer together in order to step up Community cooperation in the technological field.

230. The importance of fast reactors continued to be asserted. The Community member countries are devoting a considerable amount of financial and human resources to this sector, which in their opinion are only warranted by the three separate programmes which are now in progress: France, Germany associated with the Benelux countries and Italy. The Commission's concern is to avoid the industrial dead-end to which the present state of fragmented efforts would undoubtedly lead.

In pursuance of the Council's resolution of 6 December 1969, the Council decided in April 1970 to create a "Fast Reactor Coordination Committee" with a view to obtaining the maximum possible Community cooperation in this sector. The Commission intends to organize a meeting for this Coordination Committee at the beginning of 1971, due account being taken of the course of the talks being held between the interested circles, notably the principal Community electricity producers.

231. In response to the wishes contained in section 9 of the Hague report, the Commission suggested in a note to the Council dated 17 June 1970 various measures for stepping up Community cooperation. As regards more particularly cooperation in large nuclear projects for advanced reactors, the Commission proposes that, in the field of fast breeders, a joint project be established in collaboration with the main European electricity producers for the purpose of promoting, under the Treaty provisions relating to joint undertakings and with suitable backing from the Community and the various governments, or only the governments, the construction and utilization of a high-power prototype plant (600-1000 MWe), work on which should be started as soon as possible, preferably around 1975.

In the field of high-temperature gas reactors, the aim is to derive benefit from the results of the fourth extension of the Dragon Agreement, up to 31 March 1973. On the same legal and organizational basis, the Commission suggests that electricity producers should build a steam cycle plant of about 600 MWe, fuelled on low-enriched uranium.

The Commission also proposes that the Council should at the same time take the opportunity which might offer itself by increasing co-operation between the various programmes in order to develop further the direct-cycle gas turbine reactor concept.

Setting up of uranium enrichment facilities in the Community

232. The proposals submitted by the Commission on 22 May 1969 were examined further by the Council authorities.¹ In a letter dated 5 June 1970, the President of the Commission approached the Council President-in-office with a view to expediting the discussions.

At its meeting on 16-17 December 1970, the Council assigned a brief to the special study group of the Consultative Committee on Nuclear Research, which had been requested, by the Council resolution of 8 December 1967, to examine the following problems:

- (i) "to set up a file giving details of the technical and economic characteristics and the performance of uranium enrichment plants using the gas diffusion, ultracentrifugation and nozzle separation processes;
- (ii) to collect data on the technical and economic performance of existing demonstration plants and data relating to planned installations.

After having conducted an initial examination of the problem on a Community basis, the special study group could propose that experts from non-member countries be consulted where it considered this appropriate for the pursuit of its work, provided that all the delegations are in favour of such a request".

The special study group is to submit as soon as possible a report containing an analysis and evaluation of the data acquired, so that the Council may pass an opinion on the Commission's proposals.

¹ *Third General Report*, sec. 210.

233. The draft cooperation agreement between West Germany, the Netherlands and the United Kingdom concerning the development and use of the ultracentrifugation process, submitted on 29 December 1969 to the Commission under the terms of Article 103 of the Euratom Treaty, was subjected to close scrutiny.

The Commission forwarded its opinion to the two interested member governments on 27 January 1970 and, taking into account the additional information supplied by these governments on 5-6 February, approved the project on 19 February. The tripartite agreement was signed by the three partners at Almelo on 4 May 1970. The creation of the bodies provided for in the agreement continued during the remainder of the year. In the summer, the Belgian and Italian governments were invited to join by the three signatories.¹

Technology of nuclear power plants and reprocessing facilities

234. The tendency to use light-water reactors in nuclear plants as a source of heat for commercial electricity production is now standard procedure in the Community and throughout the world, apart from in the United Kingdom. Because of the size of the construction programmes, and the fact that industry has managed to deliver the goods with the right performance, competitive kWh costs, and the necessary guarantees, this type can be regarded as proven. However, the first nuclear plants were plagued by very long shutdowns before the number of "plants x operating hours" reached statistically meaningful figures.

The Commission has continued to support its technological promotion projects, which were already discussed in the Third General Report.²

- (i) Participation in five nuclear power plants and the granting of joint-undertaking status to four power stations: the Commission is to help with the costs of manufacturing certain key components provided they are made by Community firms. The contract of participation in Gundremmingen nuclear plant expired on 31 December 1970. The Commission shared in the cost of manufacturing parts for the reactor, as well as spare fuel elements for the first core. The other four

¹ See also Chap. III, Part 2, 5.

² Sec. 217.

contracts will expire on the following dates: May 1972 for the plant at Dodewaard, December 1973 for Garigliano and Latina and December 1974 for the SENA plant at Chooz. It should be noted that for the first time, four firms from three countries took part in the manufacture of prototype plutonium fuel elements at the Garigliano plant. The Chooz plant went into service again. Under these contracts and in accordance with the status of joint undertaking, Community bodies and firms seconded 45 engineers to these plants in 1970. Since 1962, a total of 341 engineers and students from organizations, firms and educational establishments in the Community have been attached to these plants and those at Lingen and Obrigheim.

- (ii) Transfer of information and experience concerning new nuclear power plant projects, the Commission and the Preussische Elektrizitäts AG signed an agreement similar to that concluded with the Kernkraftwerk Stade AG GmbH.¹ This second agreement concerns the Würgassen plant (640 MWe boiling-water reactor).
- (iii) Systematic exchange of technological experience with nuclear plant operators: this very important activity has grown commensurately with the number of subjects covered by the special study groups (permanent or *ad hoc*): vibration problems in nuclear plants (March), chemistry problems in water-cooled reactors (March and September), experience gained and progress made on data processing systems and process computers used in nuclear power plants (June), vibration phenomena inside water-cooled reactor pressure vessels and experience gained from the annual overhauls (December).
- (iv) Operating technology: in the context of its activity in backing nuclear plant operators, the Community offered several firms and organizations the chance of taking part in a study contract on the monitoring of components by vibration and noise analysis in order that any damage may be detected as soon as possible.
- (v) Reprocessing of irradiated fuels: during 1970, tests were carried out on non-irradiated uranium from the Eurex plant. After a provisional operating licence had been obtained, the first dissolving work on MTR fuel elements took place in the second half of October; the commissioning of the entire plant is proceeding gradually.

¹ *Third General Report*, sec. 217.

Applications not concerned with electricity production

235. Fiat/Ansaldo, in collaboration with the Commission's staff, have drafted the final report of the contract of association which expired on 31 December 1969. This marked the end of the last activity in the field of marine propulsion (ship-borne reactors) which began in the first and second Euratom five-year programmes. This report, to be published by the Commission's Centre for Information and Documentation, covers all studies and research work carried out in the period 1961-69. The Commission has non the less kept in contact with maritime and industrial circles interested in this type of propulsion, which, it seems, must inevitably find an application in the merchant navy in the relatively near future.

In 1970, the work of the study groups set up in 1969 to study the applications of nuclear energy in high-temperature chemical processes continued. The "Steel-making processes" and "Nuclear reactor" study groups examined the possibility of producing steel by direct reduction with the aid of nuclear energy.

*Nuclear programmes**The future of the Joint Research Centre*

236. On 6 December 1969, the Council decided, on the basis of the decisions taken some days previously at the Hague Conference, to plan the reorganization of the JRC, and meanwhile to extend the 1969 programme for one year.¹

In February 1970 the Commission asked an *ad hoc* internal group to prepare a structural model of the JRC according this body a greater degree of independence and an appropriate share in the preparation and management of research programmes, and at the same time to examine the conditions under which these programmes should be adopted by the Council on a proposal from the Commission. At the same time proposals were to be drawn up for amending the service and financial regulations with a view to ensuring the necessary flexibility of management. This report, which deals with the organization of the Commission's research

¹ *Third General Report*, sec. 209.

activities, the internal management of the JRC, the procedure for setting it up and the structure of the programmes, personnel management and financial provisions, was presented to the Council in April 1970.

In addition, on 11 March 1970 the Commission set up a committee of experts composed of independent persons to consider the role of the JRC in European research. The Committee presented an interim report early in June, and this was immediately forwarded to the Council. The Council considered the matter at its meeting on 23 July 1970, but did not arrive at any formal decisions.

Since "biology and health physics" and "controlled fusion" come under the heading of indirect action and are not affected by the reorganization of the JRC, and since they have well-defined guidelines, the Commission adopted a draft project in July 1970 for a multiannual research programme on these two subjects. At the same time it submitted a proposal for the amendment of four items in the 1970 programme—the SORA project, the MK-5 loop, irradiations in the BR-2 and improvements to the CBNM linear accelerator.

237. The new Commission's assumption of office on 1 July 1970 resulted in a change of aims, the future of the JRC being more closely linked with that of a plan for the promotion of scientific and technical research in the Community. On 13 October 1970 finding that it had not been possible to accomplish the reorganization of the JRC within the space of one year, the Council decided, as authorized by the resolution of 6 December, to extend the 1970 research and training programme into 1971 and to add to it the last two projects in the supplementary programme presented by the Commission. It also decided to carry out the technical examination of the multiannual programmes on "biology and health physics" and "controlled fusion", and set up a committee of experts to study the SORA projects, no decision being taken about the MK-5 loop.

In November 1970 the Commission approved and sent to the Council a series of papers on the reorganization of the JRC and the amendment of its budgetary and service regulations, together with a note on a joint Community project for scientific and technical research and development.¹

In addition, the Commission received the final report of the expert committee on the future of the JRC, which roughed out the broad lines

¹ Secs. 224 *et seq.* above.

of a programme of nuclear and non-nuclear activities based mainly on the SORA project, measures to combat nuisances and pollution and extensive research on materials.

At its meeting on 16 and 17 December 1970 the Council examined the question of the reorganization of the JRC. After noting the Commission's draft decision on the subject, the Council adopted a resolution concerning the appointment of the General Consultative Committee envisaged by the Commission's decision, and also a resolution concerning the procedures governing the adoption of the Community research and training programmes.

On 13 January 1971 the Commission, for its part, took its decision on the reorganization of the JRC, which confers upon the JRC a structure matched to its special role and grants it the independent powers of management necessary for the proper execution of its tasks.¹

Implementation of the research and investment programme

The Ispra establishment

238. The Centre has sought in particular to pursue the tasks laid down in the transition programme and to benefit from the experience gained in past years by preparing research programmes designed to ensure that the most efficient use is made of the Ispra centre.

To improve management, a system of programme-cards has been devised: work on the different sectors of the research programme has been subdivided into projects, each covering various studies.

Fast reactor studies have centred on sodium technology and fuel recycling (Saltex and Solinox processes). They have been carried out in collaboration with the Belgian Centre d'Etudes Nucléaires (CEN) and have obtained results which could be of use in the construction of a pilot plant.

Research on heavy water reactors has included experiments on core physics and dynamics in ECO. Operation of the ESSOR reactor and the hot cells has continued; the MK-5 multiple experimental loop is ready for insertion in the core. The CART loop has been adapted to take a new irradiation experiment.

¹ *Journal officiel* No. L 16, 20 January 1971, p. 13 *et seq.*

Work on high-temperature gas reactors has continued. In addition, preliminary studies have begun on the use of the heat produced by this type of reactor in the steel industry and for the direct production of hydrogen.

Work on the nuclear plant safety programme has also been continued and extended. The behaviour of materials and structures during an accident has been studied, as well as spatial dynamics and reactor criticality (in an attempt to obtain more information on the physical aspects of accidents).

In the field of fissile material safeguards, analytical studies have been made on control systems, measuring techniques and the identification of fuel elements.

In reactor physics, work has continued on the setting up of chains of codes for studies on fuel management and power reactor dynamics. The first steps have been taken to set up INDAC (Integral Nuclear Data Centre), a centre for the preparation and dissemination of nuclear data files for reactor computations. The Euracos fast neutron converter has been provided with a mock-up of part of the shield of the SNR fast sodium-cooled reactor for measurements on the penetration of neutrons and gamma rays. Lastly, work has continued on studies of strategy and nuclear economy for the Commission's illustrative programme (Article 40 of the Treaty).

Work on condensed state physics has included experiments on neutron optics and other basic studies on crystal lattice defects, extensive use being made of techniques based on X-rays and the Mössbauer effect.

Work on magnetic resonance has centred on molecular structures, solid state physics and physical chemistry. Pending a decision on the construction of the SORA reactor, work continues on problems of safety and instrumentation for this project.

Studies on materials for various types of reactor have been continued and intensified (structural materials, advanced fuels for high-temperature reactors, in-pile materials and nickel-base alloys for high-temperature gas turbines), together with studies on direct thermionic conversion.

At CETIS, the use of digital computers has made it necessary to work two shifts a day. Much of the work consists in the provision of a consultative service and the solution of problems for various departments of the Commission and occasionally for outside bodies. Teleprocessing

facilities have been improved and extended, and software activities have been developed.

Central Bureau for Nuclear Measurements

239. The linear and Van de Graaf accelerators have been used to measure total, fission, capture, scattering and activation cross-sections and neutron fluxes. Studies on resonance spins of several stable and fissile nuclei have been continued in cooperation with the CNEN and the CEN, and the neutron spectrum of a sub-critical enriched-uranium assembly has been measured by a team at Cadarache.

In the field of nuclear physics and technology work has progressed on the standardization of radionuclides, the determination of atomic and nuclear constants and measurements of isotopic composition. Samples have continued to be prepared and defined by all available methods in order to meet the numerous requests from the Central Bureau for Nuclear Measurements and outside bodies.

Under the scheme for training and the improvement of knowledge, the CBNM accepted 15 trainees and grant-holders from various countries.

Institute for Transuranium Elements, Karlsruhe

240. Basic research on plutonium compounds has been pursued with the aim of obtaining the data required to explain and predict the behaviour of fuels under irradiation. Apart from the studies already reported,¹ certain aspects of solid physics, such as diffusion of fuel constituents and of gaseous or solid fission products, recrystallization and plastic deformation have been tackled for the first time or studied more deeply.

Irradiation experiments have been extended to cover non-oxide ceramics.

The chemical analysis of irradiated fuels in various spectra has been continued, particularly with the aim of estimating the in-reactor evolution of the chemical composition of fuels on the basis of a small number of measurements.

In the field of transplutonic elements, studies have been carried out on the phase diagram and methods of preparing americium oxide.

¹ *Third General Report*, sec. 228.

A total of 10 gm of a mixture of curium-244 and americium-243 for use in basic studies were successfully separated and purified.

Petten establishment

241. In February the power of the HFR was successfully stepped up from 30 to 45 MW. New high-flux positions in the core itself were used for the irradiation of materials, with extremely satisfactory results. Certain mechanical details were also improved. Efforts to obtain even better performances are continuing.

New techniques were developed for the in-pile measurement of certain mechanical properties of various materials.

Work on nuclear materials continues to cover the fields mentioned in the Third General Report.¹ The same applies to the evolution of the materials and components for high-temperature gas reactors.

Several ideas and techniques conceived at Petten have been exploited in collaboration with industrial firms and institutions in the Community. These include a process for the deposition of protective layers of metal or ceramic.

Fast reactors

242. During 1970 the staff seconded under the association agreements of 1962 and 1963 with the French Commissariat à l'Énergie Atomique (CEA) and the German Gesellschaft für Kernforschung (GfK) respectively continued to participate in the work of these organizations. Other staff were detached to the Belgian Centre d'Études Nucléaires (CEN), the Italian Comitato Nazionale per l'Energia Nucleare (CNEN) and the Luxembourg Luxatome, with which there were association or research contracts on a cost-sharing basis, similar to the contracts with the CEA and GfK.

The work has been mainly in the following fields:

- (i) operation of large devices: Rapsodie fast sodium test reactor, Sneak and Masurca fast-neutron critical assemblies, Stark fast-thermal coupled critical assembly, Suak pulsed subcritical assembly;

¹ *Third general Report*, sec. 229.

- (ii) studies on theoretical neutron physics, reactor physics and biological shielding, and experimental studies;
- (iii) operation of the experimental reactor for Sefor transients and associated experiments; analysis of results;
- (iv) general studies on high-power sodium reactors and gas-cooled fast reactors;
- (v) studies on fission product migration in irradiated fuel;
- (vi) theoretical and experimental studies on mechanical, thermal and hydraulic characteristics, taking into account the properties under neutron irradiation;
- (vii) handling and recycling studies.

High-temperature gas reactor

243. The Commission's research and development work in 1970 was mainly in the following fields:

- (i) continuation of the Dragon project;
- (ii) continuation of projects undertaken at Ispra and Petten;
- (iii) coordination of activity by the creation of expert study groups;
- (iv) launching of an irradiation programme in HFR and BR-2 in collaboration with other interested bodies.

Dragon project

244. Work on the Dragon project has centred largely on the selection and development of the type of fuel rod to be used in an HTG power reactor. The tubular interacting type was chosen. Two other variants—"Teledial" and "Directly cooled"—are being developed as sheet-anchor solutions.

The compatibility tests performed on metallic materials at Oslo suggest that it is necessary to choose the materials for the HTGR primary circuit with great care, since certain high-nickel alloys are not suitable for operation in the gaseous media which may exist in HTGRs.

- (i) Work has continued at Petten under the Dragon project on the irradiation of graphite and compacted powders in collaboration with the KFA and Euratom; collaboration with the KFA, the CEN, Belgo-nucléaire, the RCN and the JRC extends to fuel studies in the HFR and BR-2.

- (ii) The project is at present negotiating the renewal of its collaboration agreement with the USAEC and has continued its collaboration with the KFA, BBC/Baden and GHH.

In the physics field, the project has participated in the exchange of programmes and information with the UKAEA, the CEA, the Ispra JRC, AGIP Nucleare, the KFA and BBK. It is kept informed of the results of the experimental programmes at Winfrith and Cadarache. The project has continued its work on helium technology, thermal insulating materials, thermal and radiation-induced stresses in graphite structures and the development of gas turbines.

Materials irradiation

245. The BR-2 and its associated installations have continued to be operated under the agreement between the Commission and the CEN, with certain amendments to allow for the fact that the Commission's financial contribution is limited to the cost of the Community staff seconded to this installation. To offset this, the Commission has exercised its right to the free use of the reactor, particularly for irradiations of plutonium fuel from the Institute for Transuranium Elements.

The BR-2 has been used mainly under the contract concluded between the CEN and the GfK Karlsruhe for the development of fuel elements and structural materials for the SNR fast sodium-cooled reactor.

Thermonuclear fusion and plasma physics

246. The Commission has again had to confine itself to the renewal of the contracts of association on an annual basis. Research work under these contracts has been limited to the development of the types of device already designed in 1969.

Biology and health protection

247. As in previous years, the Commission has tried to integrate the efforts of the various laboratories with which it maintains contractual relations by standardizing separate contracts and organizing meetings of experts.

Certain results of the study of the migration of radioisotopes in man and the food chain and various dosimetry studies will facilitate the establishment of basic standards of health protection.

Studies on radiation-induced lesions have also been continued. They are necessary for a better knowledge of hematology and immunology, fields in which the Commission is closely following or assisting progress.

Research on the genetic or long-term effects of radiation is progressing more slowly owing to the inherent nature of the subject.

The Netherlands government has given the go-ahead for the marketing of irradiated mushrooms. This is the first authorization of this kind in a Member State. Much of the preliminary work was done under the Commission's programme on the "Applications of nuclear techniques to agricultural research".

Research at Ispra continues to centre on the three fields of the radioactive contamination of the food chains, the effects of radiation on mammals and radiological physics and dosimetry.

Problems outside the nuclear sector

Possibilities for cooperation in seven chosen sectors

248. As stated in the Third General Report, the Council, at its meeting on 28 October 1969, invited a number of European non-member countries to participate in the proposed scheme for cooperation in the field of scientific and technical research on the basis of 30 provisionally selected projects. At the beginning of the year covered by the report, all the invited states had stated that they were in principle interested in such a scheme.

This prompted the Council at its meeting on 6 March 1970 to arrange a meeting in mid-April of seven working parties with the task of defining the attitude of the participating countries on the proposed projects and of discussing any new proposals and suggestions, and further of examining the technical, financial and other problems entailed in the implementation of the agreed projects. The seven working parties were to present their reports to the participating governments by 15 July 1970. Mr Aigrain, chairman of the Committee on Scientific and Technical Research Policy, as it was known, was at the same time asked to coordinate the work.

The working parties duly submitted their reports on 15 July 1970. They found that all the participating countries were interested in the proposed projects taken as a whole. However, they also said that it had not been possible for them, in the very brief period of three months, to undertake a detailed study of the projects and the methods of implementing and financing them. They proposed that special working panels should be set up for this purpose.

The reports of the seven working parties were examined by the Council at its meeting on 23 July 1970. The Council decided to send the countries concerned written procedural proposals relating to the implementation of the projects. These proposals concerned the creation of seven working parties with the task of submitting definitive agreement texts within periods ranging from 6 to 12 months; these proposals also envisaged the constitution of a Committee of Senior Officials to direct the work of the working parties and examine questions of a general nature.

All the participating countries replied favourably to the Council's letter. The Committee of Senior Officials held its first meeting on 19 October 1970. It drew up a number of directives for the working parties which enabled them to undertake detailed discussions on the Community's proposals.

249. Parallel to the discussions of the Fifteen, the PREST Committee and its working parties continued their work on two Community projects concerned with data processing which had not been adequately defined at the time the first PREST Committee report was presented, namely:

- (i) Project 14 (European Data Processing Institute): this project has had to be adapted to a situation which is rapidly changing owing to the existence of similar international projects on training and data processing. The idea of setting up a specialized institute has now been superseded by that of organizing short- and long-term courses in existing educational establishments. The aim of this project has now been defined as the training of teaching staff. An interim report has been submitted to the PREST Committee, which has approved its main conclusions. This should make it possible to begin a series of high-level courses for the training of data processing teachers in 1971.
- (ii) Project 15 (User software): the PREST Committee has also approved a proposal for a pilot project on the medical supervision of the seriously ill, scheduled to last four years, the first year to consist of a programme for the exchange of research workers.

Coordination problems

Comparison of programmes

250. In carrying out the brief which had been assigned to it on 31 October 1967, namely, to compare national methods, programmes and research budgets for scientific research, the PREST Committee had to enter largely unknown territory, whose exploration called for a new type of procedure. The comparison of research budgets was relatively simple, because an initial report had already been drawn up in the previous year by a study group on research statistics. The results of this work were so satisfactory that the PREST Committee decided to make statistical enquiries a permanent institution.

The comparison of national methods and programmes was a different matter. After a few tentative efforts it became clear that it would be difficult to make an overall comparison in this field because of the structural differences between the Member States. The Committee then considered two more pragmatic approaches, which among other things would help to pinpoint new fields of cooperation. At the end of the year covered by the report, the Committee had not yet finished its work.

Training and mobility of scientific personnel

251. The work on postgraduate training and scientist mobility, which had begun in contact with and under the aegis of the PREST Committee, has been continued, but is not yet complete.

The educational activities at Community level have been marked by the Belgian government's proposal for a meeting of the Council with the participation of the national ministers of education. Preparatory work has been done in the departments of the Council. The Commission has naturally emphasized its interest in such a meeting and in the gradual encouragement of European cooperation in the field of education.

Lastly, on the basis of the Member States' reaffirmation at the Hague Conference on 1 and 2 December 1969 of their interest in the creation of a European University, the Italian government held an intergovernmental conference at Florence in October 1970, which the Commission attended as an observer. This conference permitted the resumption of work which had been interrupted since 1965, and the first steps forward were taken.

The creation of the University of Florence is one of the subjects to be submitted to the ministers of national education at the meeting of the Council suggested by the Belgian government.

DISSEMINATION OF INFORMATION

Transfer of technical information and industrial property questions

252. The lack of a multiannual Euratom programme of research and training, the stagnation of the JRC and the massive cuts in indirect action (research and association contracts) have resulted in a substantial and steady decline in the volume of original results worthy of dissemination.

There has been a particularly large drop in the number of results protected by patent. Less than 100 first claims were made in 1970 for patents to protect results obtained during the implementation of the programme. The number of claims topped the 100 mark as far back as 1960, and had reached 207 in 1965. The same trend is evident in the special field of inventions made in the JRC; despite intensive prospecting in the laboratories, the number of patent claims has fallen to the level of 1962 (about 30), constituting a drop of more than 60% in comparison with the peak year, 1965.

There is also a shift in the main components of the patent portfolio towards the fusion and high-temperature (Dragon) sectors, which are forms of indirect action. On the other hand, the patentable inventions made in the JRC increasingly consist of spin-off offering possibilities of non-nuclear application. These collateral inventions have aroused the interest of industry more frequently than specifically nuclear inventions, e.g. those deriving from the Orgel project or contracts of association.

Not only has the growth of the patent portfolio slowed down considerably, but numerous patents filed in previous years have been shelved as a result of the abandonment of the corresponding programmes.

As was to be expected, it has become apparent that it was easier to arrange the transfer to industry of know-how acquired by the JRC—whether connected with a patent or not—than of inventions recognized as patentable but not yet developed or proven.

A list of patents, reports and publications resulting from research conducted in the fields of coal and steel by bodies receiving financial aid

from the ECSC is under compilation. In the sector of steel-industry measurements, this list has already yielded encouraging results which will make it possible to intensify the dissemination of the information obtained, in compliance with the wish expressed by the Consultative Committee of the ECSC.

253. "Euratom-Information", a periodical which gave details of reports, articles and patents resulting exclusively from the Euratom programme, has changed its title to "Euro-abstracts". It will henceforward also contain bibliographical and administrative data on reports, articles and patents deriving from the other Community programmes, particularly those of the ECSC. It has a subscribed list of 2 000.

It is also intended to extend the dissemination of the "Euratom Technical Notes", which report on products, processes and devices capable of industrial application, to cover the coal and steel sectors also.

The number of persons and firms in the Community which have asked to be sent the confidential "communications" on nuclear results of industrial interest has remained practically steady, but the distribution list of the "Technical Notes" has grown considerably.

254. The work of the specialist departments of the Commission has centred on the exploitation of the results of research. It has proved difficult to find industrialists interested in the exploitation of nuclear techniques. The application of the original results obtained by the JRC to other industrial fields—sometimes unexpected—has had a certain success.

The number of licence contracts on patents has increased from 48 on 31 December 1969 to 56 on 31 December 1970, and that of know-how contracts from 12 on 31 December 1969 to 14 on 31 December 1970; 19 licence contracts on patents or knowhow are in the course of negotiation.

It is worth noting the conclusion of a licence contract with two competing firms established in two Community countries, which have signed an agreement concerning the joint exploitation of an invention made at the Ispra establishment. Another joint contract linking two firms in different countries is under negotiation; it relates to an invention made at the Petten establishment.

The persistent uncertainty about the future of the JRC acts as a brake on the negotiation of licence contracts, since it is rarely possible to guarantee the licensee technical assistance and the availability of the results of

development; many inventors are leaving the JRC and it does not always have the potential to cooperate with the licensee in the development of the technical innovations which are the subject of the licence. Sometimes it has been possible to help matters by seeking the aid of certain national institutions in the exploitation of the results of research.

Like its activity of prospecting and protecting results, the Commission's "exploitation" work is intended to cover all the results of the Community programmes whose implementation is entrusted to it. A first step in this direction has been made in the field of steel-industry measurements.

Independently of these activities, in conjunction with the PREST Committee the Commission has undertaken the study of the institutions and methods concerned in the exploitation of research results within the Community and in non-Community countries. In due course the Commission will no doubt propose measures to improve cooperation and information in this field, where technological and industrial policy converge.

Scientific and technical documentation

255. On 10 November 1970 the Centre for Information and Documentation officially logged the millionth document in its semi-automatic nuclear documentation system.

On 31 December the total scientific and technical information stored in the computer's memory consisted of 1 060 000 documents. This store is the source of the replies to the questions put by the users of the system. By the end of 1970, a total of 3 262 questions from Community research workers and industrialists had been dealt with. In addition, the SDI programme (selective dissemination of information), under which clients whose interest profile is known are periodically sent new information relating to their field of activity, had 605 subscribers.

256. The Commission has helped the International Atomic Energy Agency (IAEA) to set up the international nuclear documentation system (SIDON-INIS). The methods devised by the CID, particularly the keyword thesaurus, the indexing manual and the computer processing programmes, were communicated to the IAEA under a contract which terminated in June 1970. These methods constitute the basis of the world system which the IAEA plans to complete in 1972.

Similarly, in March 1970 the Commission's departments participated in Warsaw in the preparation of UNESCO standards for the compilation of "thesauri"—standardized and structured vocabularies necessary for the creation of modern documentation systems.

257. At European level the Commission has helped in the work aimed at the concertation of scientific and technical information by the Scientific and Technical Research Policy Committee (PREST). The medium-term objective, as set out in a first report submitted to the Council by the PREST Committee, is to create a network of documentary systems each relating to well-defined and interrelated fields. The immediate aim is to create a detailed European documentary system on metallurgy, which could serve as a pilot project under this overall policy; this proposal has also been submitted to the Council. The other fields at present accorded priority are agriculture, medicine and patents.

258. The CID has continued its studies on the use of more advanced automated documentation techniques. It has begun work which by 1971 should render a genuine dialogue possible between man and machine, i.e., direct conversational interrogation of the mass of documents recorded in the computer's memory, thus improving the services rendered to the user. Over the medium term, this development should provide large centres equipped with the necessary facilities with the means of direct access to the central memory.

A project was started in 1970 with the aim of aiding documentalists who wish to specialize further in modern documentation techniques. Two seminars each lasting two weeks were held in March and November 1970.

Scientific publications and conferences

259. In 1970 the Commission continued publication of the "Transatom Bulletin", which gives details each month of the documents of Slavonic or Oriental origin which have been translated into Western languages, or of which translations are planned (a total of 6 635 translations were listed in 1970); in addition, the "Eastatom" section of the "Transatom Bulletin", in collaboration with the Kernforschungsanlage Jülich, has reported interesting documents of Slavonic or Oriental origin which it has acquired.

The review "Euro-spectra" has continued the quarterly publication of articles on the main scientific activities of the Commission, including the non-nuclear fields. A new feature has been introduced entitled "From Laboratory to Factory", which deals with the exploitation of research results.

The publication of the scientific and technical reports on nuclear research carried out by, on behalf of, or in association with the Commission has slackened considerably owing to the curtailment of the activities of the JRC establishments. On the other hand, a large number of reports containing the minutes of conferences and symposia have been published; these minutes, which generally sum up the present state of the art of the particular technique, have by their volume and the interest which they have aroused largely offset the numerical reduction in the more specialist reports which they have replaced.

This last fact has led the Commission to step up its efforts in the organization of scientific and technical conferences; the experience thus acquired has proved extremely useful, and has already made it possible to plan a very extensive programme for 1971.

3. Energy policy

THE COMMISSION'S ACTIVITIES IN 1970

260. The Commission's activities in the energy policy field in 1970 were mainly concentrated on the implementation of the "First Guidelines for a Community Energy Policy".¹ The fundamental principles of this memorandum were approved by the Council at its 88th meeting on 13 November 1969, and it has also been the subject of favourable Opinions from the European Parliament,² the ECSC Consultative Committee³ and the Economic and Social Committee.⁴

The activities of the Commission are presented in the same order as the subjects of the "First Guidelines", and the numbers of the corresponding proposals in that document are indicated in brackets.

Framework of action

261. As in previous years, the Commission, in order to keep abreast of the trend of the energy market, produced a report, compiled with the assistance of experts from Member States, on the energy situation in the Community, setting out the 1969 situation and outlining the prospects for 1970 (Proposal 3).

As in 1969, a feature of the development of the energy market in the Community during 1970 was an appreciable increase in demand. Moreover, it was profoundly affected by current trends in world oil and coal markets. Some degree of tension between supply and demand has resulted, leading to price increases.

In October 1970 the Commission, being conscious of the gravity of any shortage of energy supplies during the winter, conducted in conjunction with senior energy officials from the Member States a detailed examination of the current energy market situation in the Community and its short-

¹ *Second General Report*, secs. 292-295.

² Annex No. 123 to the *Journal officiel*.

³ *Bulletin* No. 8-69, Ch. IV.

⁴ *Ibid.* No. 11-69, Ch. VIII.

term prospects. This examination showed that, as a result in particular of increased production costs, it was unlikely that prices would fall in the near future or return to a level comparable to that of 1969. From the quantitative point of view, it was found that in the absence of any serious new developments there were no foreseeable problems in the immediate term.

However, the recent situation is further evidence of the sensitivity of the energy market in the Community, particularly of oil supplies, to such external factors as availability of transport facilities. In this field, stresses affecting only limited quantities can have serious repercussions on prices.

As early as March 1970 the Commission had convened senior energy officials from the member countries with a view to examining the problems of security of supplies (Proposal 5). An initial analysis confirmed the desirability of concentrating on stockpiling, the feasibility of adapting consumption of primary energy by power stations, the drawing up of an inventory of laws and regulations in the Member States which could be used to mitigate the effects of possible supply crises.

With specific reference to stockpiling problems, the Commission monitored Member States' implementation of the Council directive of 20 December 1968 making the maintenance of a minimum level of crude oil and/or petroleum products stocks compulsory.¹ It also held discussions with the Member States, during which a common position on the OECD proposals regarding stockpiling was arrived at. These proposals will mean raising the present level of oil supplies to 90 days in order to meet additional risks to oil supplies to Western Europe, following a number of years during which the supply structure has undergone changes making it increasingly dependent on external factors.

Establishment of the common market

262. On the occasion of the adoption of Regulation EEC/1496/68 of 27 September 1968 relating to the definition of the customs territory of the Community, the Council had authorized the Commission to institute an overall study of the problems relating to the continental shelf and to

¹ *Journal officiel* No. L 308, 23 December 1968, p. 14.

submit proposals regarding the customs system applicable. In its "Memorandum on the applicability of the EEC Treaty to the continental shelf" of 18 September 1970, the Commission draws the conclusion that the Member States' exercise of their sovereign rights, particularly in connection with the exploration and exploitation of natural resources on the continental shelf, is subject to the provisions of the EEC Treaty. The same principle is valid with regard to the applicability of national laws to economic activities in the private sector and the resultant production.

263. A very important factor in the process of bringing the Community closer to the conditions of an internal market is the coordination of special taxes on petroleum products. Whereas fuels are generally only subject to turnover taxes, hydrocarbons used as fuel attract excise duty, the amount of which varies appreciably from one country to another, as shown in Table 15.

TABLE 15

Excise duty on heavy and domestic fuel oil as at 1 January 1970

(in u.a. per ton)

	Germany	Belgium	France	Italy	Luxem- bourg	Nether- lands
Heavy	6.83	2 or 0 ¹	0	4	2	3.87
Domestic	2.73	10.85/8.43 ²	4.05	8/5.92 ³	9.16/3.61 ²	14.64 ⁴

¹ Petroleum pitch.

² Heating diesel/light fuel oil.

³ Heating diesel/fuel oil 3-5° E.

⁴ For industrial use only.

With a view to establishing and ensuring the successful operation of the common market in this field, the Commission submitted to the Council a draft directive on the approximation of specific consumption taxes on liquid hydrocarbons for use as fuel (Proposal 17). Under the terms of this draft directive, by 1 January 1976, the excise duty in force in the various Member States would not exceed 2 u.a. per ton for heavy fuel oil and 5 u.a. per ton for domestic fuel oil. The difference between the higher current national rates and the maximum rates envisaged for 1976 would have to be reduced by half by 1 January 1974.

*A policy to ensure dependable low cost supplies**Commercial policy*

264. In order to improve coal supply conditions, the Commission, since early 1970, has been exchanging information on programmes for coal imports from non-member countries (Proposal 19). These exchanges, which are held with the Member States on the occasion of the review of the quarterly programmes pursuant to Article 46, 3(2) of the ECSC Treaty, cover all aspects of current import contracts.

As regards the hydrocarbons sector the European Parliament gave its unanimous approval¹ to the proposed Council regulation concerning the notification of import programmes for oil and natural gas² to the Commission of the European Communities (Proposal 20). The principles underlying the proposal were also approved by the Economic and Social Committee. It is still being debated by the Council. Once it is passed, the regulation will enable the Commission to obtain an overall view of the structure and security of the Community's crude oil and natural gas supplies.

As a move towards the mapping out of a Community supply policy (Proposals 20 and 30) the Commission organized at Ispra a conference of the leading natural uranium producers and experts from the Member States. During the discussions, the problems in this sector and its future outlook were put into broad perspective. Although there is no shortage of natural uranium at the present time, the deposits currently being worked by Community undertakings will not be sufficient to meet the Community's requirements beyond the end of the decade. The general conclusion reaffirmed the need to sustain and even intensify uranium prospecting activities in order to ensure economic supplies from sources controlled by Community undertakings.

In addition, the Commission has published an analysis of the Community's nuclear fuel supply situation which agrees with the Ispra seminar's conclusions regarding natural uranium. As to enriched uranium, the analysis confirms that the Commission proposals of May 1969 recommending the creation of autonomous enrichment facilities within the

¹ Annex No. 126 to the *Journal officiel*.

² *Journal officiel* No. C 9, 23 January 1970, p. 10.

Community, which would provide a major guarantee of security of supply in this field, were well-founded.¹

At its session of 13 October 1970 the Council authorized the Commission to open exploratory talks with the American authorities about the introduction of certain amendments to the Additional Agreement to the 1958 Agreement for Cooperation between the USA and the EAEC concerning the peaceful uses of atomic energy. The purpose of these changes would be to improve the conditions of supply of enriched uranium from the USA.

Investments

265. With a view to supplementing the information it obtains, under the terms of the ECSC (Article 54, para 3) and EAEC (Article 41 *et seq.*). Treaties, on the structure and trend of the Community's internal energy supplies, the Commission has submitted to the Council a "Proposed regulation on the notification of investment projects of Community interest in the petroleum, natural gas and electricity sectors"² (Proposal 22). This proposal was unanimously approved by the European Parliament.³ The Economic and Social Committee also approved its underlying principles on 25 and 26 November 1970. The Council is still debating the subject, however.

266. In accordance with Article 54 of the ECSC Treaty, the Commission continued to foster the coordinated development of investments in the Community's coal industry. The annual survey⁴ showed that, according to estimates by the collieries, potential annual coal production would contract from 193 million tons in 1969 to 173 million in 1973. However, experience in recent years has shown that forecast figures for decline in output are generally lower than the closures which actually take place subsequently. Thus, the slowdown in the cutback forecast at the time of the last survey has not been confirmed by events. It is therefore not certain that potential coal output in 1973 will still be as high as the 173 million tons suggested.

The total value of investment declarations, as defined in Decision No. 22/66, was negligible for the current year, whereas it had still been

¹ Sec. 232 of this Report.

² *Journal officiel* No. C 11, 29 January 1970, p. 9.

³ Annex No. 126 to the *Journal officiel*.

⁴ *Investments in the Community coal industries*, report on the 1970 survey, situation as at 1 January 1970.

as high as 65 million dollars in 1969. In particular, there were no declarations for colliery coking plants, although an outline programme for the rebuilding of a number of coke-oven batteries and the construction of new coking plant is currently being drawn up in the Ruhr.

Structure of the Community energy industry

267. The Commission's influence on the coal industry rests on the powers of intervention vested in it by Decision No. 3/65¹ and Decision No. 70/1/ECSC².

Pursuant to Decision No. 3/65, the Commission examined the financial aid granted by Germany, France, Belgium and the Netherlands to the colliery companies for 1970 and, after consulting the Council, adopted Decisions Nos. 70/525/ECSC, 70/526/ECSC, 70/527/ECSC and 70/528/ECSC authorizing this aid.³

Since Decision No. 3/65 was due to expire on 31 December 1970, the Commission turned to the matter of establishing a new legal basis for granting aid to the coal industry during and after 1971. In its study of the question of coal supply and production in the Community (June 1970) it concludes that aids to the coal industry are still needed. Following exchanges with the national experts, a draft decision was submitted for discussion to the ECSC Consultative Committee and, at the same time, to the Council which, at its meeting of 14 December 1970, gave its unanimous agreement in accordance with Article 95, paragraph 1 of the ECSC Treaty.⁴ The Commission accordingly adopted Decision No. 3/71/ECSC of 22 December 1970 relating to a Community system of intervention by the Member States in support of the coal industry (Proposal 26).⁵

By the terms of this Decision, the Commission, in order to facilitate any necessary adjustment of coal output to market conditions and its concentration on the most productive mines, authorizes Member States to grant aid by way of compensation for costs arising from the total or partial closure of pits, assistance with capital expenditure, training of personnel and keeping their number stable, and incentives to constitute and maintain exceptional stocks to improve the elasticity of Community coal

¹ *Journal officiel* No. 31, 25 February 1965, p. 480.

² *Ibid.* No. L 2, 6 January 1970, p. 10.

³ *Ibid.* No. L 270, 14 December 1970, pp. 18 *et seq.*

⁴ *Ibid.* No. C 150, 23 December 1970, p. 11.

⁵ *Ibid.* No. L 3, 5 January 1971, p. 7.

supply. In order to avoid serious upsets in the economic and social life of regions, or production cutbacks below a level considered justified by the temporary uncertainties regarding the Community's energy supplies, extra aid may be authorized to compensate a coalfield or a company up to a maximum amount equal to the difference between the mean foreseeable cost of coal production and the average income obtainable during the following year. The Member States are required to supply the Commission regularly with full information relating to projected financial aids, including the reasons justifying them and their scope; this information must be related to their forecasts of the development of production, imports and sales, and the outlook for regional development.

In this context, the Council made the following declarations at its meeting of 14 December 1970:

"The Council has taken note of and approved the Commission's intention to consult the Governments of all the Member States with a view to facilitating the research it must undertake in pursuance of paragraph 1 of Article 3 of the Decision.

The Council notes that, as agreed on 13 November 1969, this Decision stresses the need for a comprehensive view of the energy situation in the Community, and therefore hopes that the possibility of obtaining this comprehensive view will be made available to the Community as soon as possible."

268. Moreover, pursuant to Decision No. 70/1/ECSC¹, the Commission authorized Belgium, France and Germany to grant aid to their collieries for the production of coking coal in 1970 at the rate of 1.50 u.a. per ton in the first and second Member States and 1.30 u.a. per ton in the third. The Commission issued two notifications to the companies specifying the conditions for supplies of coking coal from non-member free-economy countries. The first, at the beginning of the first quarter, gave an average price of 17.50 u.a. per ton cif ARA (Antwerp, Rotterdam, Amsterdam) (average quality coking coal) for the whole of the Community and set a minimum price of 17 u.a. per ton to which companies may refer in the event of price alignment; the second gave, for the beginning of the second half-year, an average price of 20 u.a. per ton, but no longer set any minimum price in view of the current transparency of coking coal prices on the world market.

¹ *Journal officiel* No. L 2, 6 January 1970, p. 10.

269. The discussions between the Commission departments and the competent Council authorities, relating to the revision of Chapter VI of the Euratom Treaty governing nuclear fuel supplies and dealing with the proposals made by the Commission at the end of 1964, have not yet been concluded.

Research

270. In connection with coal research under the head of Article 55 of the ECSC Treaty, a medium-term aid programme (1970-74) has been prepared.¹ It aims at reducing the cost price of coal, better returns on coal industry products and improved working and safety conditions. Within the framework of this programme, the Commission has already allocated aids for research projects in the following fields: mining and winning methods, underground automation, briquetting and coking, physical processes.

As regards the publication of results, several volumes of research reports appeared in 1970, including one giving a general outline of projects financed by the Community and their results. Finally, study days were organized in Luxembourg, one in April on "Technology and developments in the field of coking" and one in December on "Coal research: application to mining technique—basis for new products".

SUPPLY AGENCY

271. Community users were supplied with natural uranium under the simplified procedure which was extended until 31 December 1973. Twenty contracts were concluded, involving a total of 2 935 tons of contained uranium at prices ranging between \$6 and 7 per lb of U₃O₈.

These quantities were in the main supplied to the USAEC (United States Atomic Energy Commission) for enrichment under the toll-enrichment contracts.²

¹ *Journal officiel* No. C 99, 31 July 1970.

² *Second General Report*, sec. 303.

272. The enriched uranium market continues to be dominated by the American monopoly of supplies. Two important facts should be noted in this connection:

- (a) The decision of the United States Congress to raise the price of enrichment, as of 22 February 1971, from \$26 to 28.70 per unit of separation processing, an increase of more than 10%;
- (b) The publication of a study according to which American enrichment facilities will become saturated towards 1976 unless measures to meet the foreseeable demand are taken in good time.

Supplies of enriched uranium were obtained, as in the past, under the Euratom/USA Agreement for Cooperation.

In 1970 research requirements continued to be amply covered by enriched uranium acquired under leasing contracts. According to the USAEC sales index, the value of these hired materials is \$30 100 102.60. In the course of the year, the multilease contract was extended until the end of June 1973. Negotiations were also completed for an extension of the multisale contract under which Community users can obtain certain quantities of special fissile materials, again for research purposes, from the USA. Altogether, the Agency concluded and put into effect 26 purchasing contracts whose total value was \$1 335 079.42.

In the power reactor sector, the "purchase" values for 1970 of enriched uranium imported under the 18 toll-enrichment contracts, which began to come into effect on 1 January 1969, total \$50 771 406.49. During the same year Community consumers paid USAEC \$20 127 717.20 in enrichment costs.

Finally, it has been possible to conclude an important *in situ* toll-enrichment contract under which the user already in possession of materials under a lease contract buys them outright. This type of contract provides for the USAEC to be supplied with the necessary quantity of natural uranium, and for the payment of enrichment costs corresponding to the production of a quantity of enriched uranium equivalent to that already held.

273. With regard to plutonium, the Agency was mainly concerned with the implementation of the important contracts for the various fast reactor programmes concluded prior to the year under consideration. Contracts concluded and put into effect in 1970 involved a quantity of 105 627 kg, representing a value of \$2 259 432.13.

In addition, the USAEC decided to rescind from 1 January 1970 the rules under which:

- (a) Euratom's purchases of plutonium from private sources might not exceed 50% of total purchases of American plutonium;
- (b) American reactor operators could not sell more than 75% of their plutonium production;
- (c) Agreements had to be entered into with the USAEC concerning exchange of information on the uses to which the plutonium supplied was to be put.

Consequently, licensed American producers will be in a position to sell plutonium under essentially commercial conditions, subject to the provisions of the Agreement for Cooperation relating to the quantitative ceiling (1 500 kg of Pu total) and control measures.

SAFEGUARDS AND CONTROLS

274. In this field the outstanding happenings of the year were the following:

- (i) The imports of enriched uranium recorded in the preceding section involved a substantial increase in the volume of materials subject to controls. Thus, 1970 was a year during which special emphasis was placed on the development of the reinforced control system, comprising regular inspections and spot checks in fuel element fabrication plants using either plutonium or highly enriched uranium, which was brought into force in 1969.

The mecanographical accounting procedures devised last year are now working full out. Currently, upwards of 3 000 (2 700)¹ materials balances and inventories, containing about 12 500 (10 000)¹ items of information to be entered and checked, are sent in each month by some 360 installations, including mines, which are subject to the control system. They cover 12 536 tons of natural uranium, 20 551 kg of uranium enriched in U²³⁵ and 1 143 kg of plutonium.²

¹ *Third General Report*, sec. 267.

² Figures expressed in terms of actual U or Pu content and rounded off at 31 August 1970.

- (ii) Pursuant to Article 78, paragraph 2 of the Treaty, the Commission approved the methods to be used for the chemical treatment of irradiated materials in two retreatment plants, and gave its opinion on the plans for a further two which are due to become operational in 1971.
- (iii) Work continued on research into non-destructive measurement methods and the development of suitable equipment. An application was carried out in a plant which manufactures fuel elements using highly enriched uranium, and on the basis of the experience gained it will be possible to bring the techniques involved into general use.
- (iv) In addition, participation in joint research programmes on safeguards and controls with the JRC, the GFK, the Belgian Nuclear Studies Centre and the Italian CNEN was continued.
- (v) The Commission drew up a revised text for Regulation No. 8. The reshaping of the provisions of the present regulation is based on over eleven years of experience of controls, and has been geared to the present and future requirements of the nuclear market.
- (vi) Technical consultations under the agreements for cooperation concluded by the Community with non-member countries were continued, notably with the United States and Canada. Technical exchange meetings were held with representatives of other non-member countries, notably Brazil, Japan and the United Kingdom.

4. Transport policy

GENERAL

275. The completion of the transitional period, the increasing interpenetration of the Member States' economies, the establishment of the common agricultural policy, the entry into force of the common commercial policy on 1 January 1970 and, finally, the major steps being taken on a Community level, particularly in relation to the monetary policy, should have been sufficient—especially in the light of the results of the Hague Conference in December 1969—to influence the implementation of the common transport policy and to cause it to evolve to the stage of decisive actions, so that it becomes fully incorporated in the process of Community integration.

Analysis of the results obtained during 1970¹ does not appear to confirm that the common transport policy has developed in parallel with Community integration. It has been possible to put into effect a limited number of measures which are not, however, of fundamental importance. Moreover, considerable delay has been noted in the implementation of certain rules and regulations issued by the Council in the last few years and which should by now have been applied. This situation is in some cases accompanied by inadequate means of supervision to ensure compliance with the Community provisions already in force.

276. In some specific sectors it has seemed expedient to arrange extension of the Community transport provisions by means of agreements which are to be negotiated and concluded with non-member countries.

It is essential that in such cases the Community be able to exercise the external powers granted it by the Treaty and also that the proper functioning of the institutional machinery be ensured in this field. Otherwise, the entire development of the common transport policy will be endangered.

The decisions which the Court of Justice is due to take on the action brought by the Commission regarding the conclusion of the AETR by the Member States have special significance in this connection.²

¹ Secs. 279 to 297 of this Report.

² Sec. 281 of this Report and *Journal officiel* No. C 69, 11 June 1970, p. 9.

Similarly, it appears increasingly necessary that with regard to certain problems outside the Community's competence, the Member States should proceed only by common action within the framework of international organizations of an economic character, in accordance with the provisions of Article 116 of the Treaty.

277. A more positive political approach on the part of the Member States is the *sine qua non* for satisfactory progress to the stage of concrete achievements in the implementation of the common transport policy, and for enabling it to attain the objects ascribed to it by the Treaties of Rome and Paris, in harmony with the development of the Community's general policy.

THE COMMUNITIES' ACTIVITIES IN 1970

Market organization

278. The Council has adopted:

- (i) at its session of 26 and 27 January 1970, a Resolution on the implementation of a system for the temporary immobilization of vessels on the Rhine and adjoining waterways;¹ this contains considerable differences from the proposals submitted to the Council by the Commission in 1967;² the Commission has expressed some reservations concerning this Resolution, in respect of both the tenor of the measures envisaged and the procedures to be introduced for any agreements concluded with non-member countries in this connection should the case arise;
- (ii) on 16 February 1970, Regulation No. 293/70³ amending Regulation (EEC) No. 1174/68⁴ relaxing the conditions for admitting special

¹ *Bulletin* No. 3-70, Part Two, Ch. II, sec. 29.

² Proposed Council regulation on access to the market in the transport of goods by inland waterway, of 29 November 1967; *Journal officiel* No. C 95, 21 September 1968. Amendments submitted by the Commission on 25 April 1969 (doc. COM (69) 311 final).

³ Council Regulation (EEC) No. 293/70 of 16 February 1970 amending Article 5 of Regulation (EEC) No. 1174/68 on the introduction of a system of bracket rates applicable to road haulage between the Member States; *Journal officiel* No. L 40, 20 February 1970, p. 1.

⁴ 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; *Journal officiel* No. L 194, 6 August 1968, p. 1.

contracts which entail the application of prices in excess of the rates applicable to road haulage between the Member States.

279. On 31 December 1970, the Council had not taken any action on:
- (i) the proposals which the Commission had submitted, in 1967 and 1968, regarding access to the market and control of capacity of national and international road haulage;^{1,2}
 - (ii) the Commission's proposals regarding the rate system applicable to national road haulage and national and international transport by rail and inland waterways;³
 - (iii) the Commission's proposal for fixing, on a Community level, the general conditions for applying the rates, as provided for in Regulation No. 1174/68;⁴ this proposal received the favourable opinion of the European Parliament and the Economic and Social Committee.

In consequence, no substantial progress has yet been made in relation to the organization and integration of the market. Moreover, the Commission deplores that the rates referred to in Regulation No. 1174/68, which should have come into force by 1 November 1969 at the latest, have not yet been fixed by the Member States despite the Commission's repeated approaches.

The Commission has put in train against the Member States the procedure provided for in Article 169 of the Treaty.

¹ Proposed Council regulation on the introduction of Community rules for:

(i) access to the occupation of road haulage contractor in national and international transport;

(ii) controlling capacity in the national road haulage sector, of 15 June 1967; *Journal officiel* No. 254, 20 October 1967, p. 30. Amendments submitted by the Commission on 6 June 1969 (doc. COM (69) 452 final).

² Proposed Council decision on the adaptation of the bilateral quotas and of the number of transit licences for road haulage between Member States, of 24 July 1968; *Journal officiel* No. C 123, 26 November 1968, p. 2.

³ Proposed Council regulation on the introduction of a system of bracket rates applicable to the transport of goods by rail, road and inland waterway of 20 May 1963 (doc. VII/COM (63) 168). Amendments submitted by the Commission on 29 October 1965 (doc. COM (65) 415).

⁴ Proposed Council regulation laying down the general conditions for the application of the rates in Council Regulation (EEC) No. 1174/68 of 30 July 1968 on the introduction of a system of bracket rates applicable to road haulage between Member States, of 4 June 1969; *Journal officiel* No. C 99, 30 July 1969, p. 9.

Under these circumstances, imbalances can still survive in the transport market, such imbalances running counter to the principles which the Council itself laid down in its Resolutions of June 1965 and October 1966 and to which the European Parliament had given its general basic approval. In particular, this causes delay in the establishment of the rate system which the Commission must formulate before the expiry of Regulation No. 1174/68, whose validity is limited to three years.

Social harmonization in the transport sector

280. Pursuant to the provisions of Regulation No. 543/69,¹ on 20 July 1970, the Council adopted Regulation No. 1463/70 on the introduction of a mechanical monitoring device in the field of road transport.²

281. On 20 March 1970, the Council gave the Member States authority to negotiate and conclude with non-member countries a European convention relating to the activities of the crews of international road haulage vehicles (AETR) within the framework of the ECE.³

In view of the fact that under the Treaty of Rome such negotiations must be handled and concluded by the Community and not by the Member States, on 25 May 1970, the Commission appealed to the Court of Justice against the Council, petitioning for the annulment of the instrument granting the authority in question.⁴

In its present form, the AETR includes some provisions which are incompatible with Regulation No. 543/69 on the harmonization of certain social provisions in the field of road transport. The Council accordingly asked the Commission to propose amendments which would render the AETR compatible with the Community Regulation.

In the Resolutions it adopted at its sessions of 14 May 1970 and 6 October 1970,⁵ the Parliament for its part demanded that the social progress attained by virtue of Regulation No. 543/69 should not be impaired.

¹ Council Regulation (EEC) No. 543/69 of 25 March 1969 on the harmonization of certain social provisions in the field of road transport; *Journal officiel* No. L 77, 29 March 1969, p. 49.

² *Journal officiel* No. L 164, 27 July 1970, p. 1.

³ *Bulletin* No. 5-70, p. 67.

⁴ *Journal officiel* No. C 69, 11 June 1970, p. 9.

⁵ *Ibid.* No. C 65, 5 June 1970, p. 40 and No. C 129, 26 October 1970, p. 10.

The Commission outlined all the aspects of the problem and explained its position on this issue at these plenary sessions. It has not so far considered it expedient to submit a proposed amendment to Regulation No. 543/69.

282. The Commission also deplores the great delay on the part of the Member States in implementing Regulation No. 543/69. It has already had the opportunity to inform the European Parliament of this situation in the reply to written question No. 5/70.¹

Despite repeated approaches by the Commission, at the time of completion of this report, the provisions required for implementing and ensuring compliance with this Regulation have been adopted among the Member States only in a very inconsistent and incomplete manner.

The Commission has therefore decided to initiate the procedure which, under Article 169 of the Treaty, is to be used against Member States which fail to carry out their obligations.

283. On 28 July 1970, pursuant to Article 5 of Regulation No. 543/69, the Commission submitted to the Council a proposed directive on the minimum standard of training for drivers of road haulage and passenger vehicles;² its adoption will help to improve road safety.

Harmonization of State intervention

284. On 4 June 1970, the Council adopted Regulation (EEC) No. 1107/70 on the aids given in the field of transport by rail, road and inland waterway.³ This Regulation came into force on 1 January 1971. Thus some progress has been made towards harmonizing the conditions influencing competition in the transport sector.

The measures provided for by the Regulation on public service obligations,⁴ and the Regulation on normalizing railway accounts⁵ have been

¹ *Journal officiel* No. C 73, 18 June 1970, p. 5.

² COM (70) 842 final, 28 July 1970.

³ *Journal officiel* No. L 130, 15 June 1970, p. 1.

⁴ Council Regulation (EEC) No. 1191/69 of 26 June 1969 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; *Journal officiel* No. L 156, 28 June 1969, p. 1.

⁵ Council Regulation (EEC) No. 1192/69 of 26 June 1969 on common rules for normalizing railway accounts; *Journal officiel* No. L 156, 28 June 1969, p. 8.

taken by the Member States within the specified periods. These Regulations can accordingly come into force on the specified dates, that is 1 January and 1 July 1971 respectively.

Moreover, at its session of 7 December 1970, the Council adopted a Resolution inviting the railway authorities of the six Member States to improve cooperation on the technical, commercial and operational levels and making a number of suggestions concerning those sectors in which such cooperation could profitably be improved.

Technical harmonization

285. Eight directives have been adopted of the fourteen submitted to the Council within the context of the "General Programme for the elimination of obstacles to trade resulting from disparities between the laws and regulations of the Member States" of 28 May 1969, and closely connected with road safety. These relate to the licensing of vehicles, noise level and exhaust apparatus, fuel tanks and rear protection devices, position and fitting of rear licence plates, steering equipment, horn, doors and pollution by spark-ignition engines.

In each case the Commission has endeavoured to win acceptance of the maximum degree of safety.

286. At its session of 4 June 1970, the Council adopted a Resolution on the introduction of automatic coupling on railways.¹

The Commission had submitted a proposed decision² based on Article 116 of the EEC Treaty and intended to determine the scope and implementation of the common action to be taken by the Member States. But without basing its discussions on this Article, the Council formulated a common position to be taken up by the Member States within the European Conference of Transport Ministers (CEMT): in the course of the discussions held by this body, it was in particular agreed that automatic

¹ *Bulletin* No. 8-70, p. 110.

² Proposed Council Decision on the scope and implementation of common action by the Member States in respect of the introduction of automatic coupling on European railways, based upon Article 116 of the Treaty of Rome (doc. COM (70) 420 final, 20 April 1970).

coupling would be introduced for international traffic at a date to be fixed by the railway authorities after 5 April 1979, and its use would then be extended to internal traffic: general utilization of automatic coupling should be completed towards Easter 1981.

Rates for the use of infrastructures

287. On 27 January 1970, the Council issued a decision amending the Council Decision of 13 May 1965 for the implementation of Article 4 of the Council Decision of 22 June 1964 concerning a survey of infrastructure costs for rail, road and inland waterway transport.¹

288. On 4 June 1970, the Council issued Regulation (EEC) No. 1108/70 introducing an accounting system for expenditure relating to the infrastructures of rail, road and inland waterway transport.² As a means of ensuring uniform implementation of the provisions of the Regulation in the Member States, the Commission, acting pursuant to Article 9(1), issued a Regulation³ fixing the coverage of the various items in the expenditure accounting schedules shown in Annex 1 of the Regulation. It also formulated a list of the inland waterways of a maritime nature for which, under Article 3 of the Regulation, no infrastructure expenditure accounts need be drawn up.

289. At its session of 26 and 27 January 1970, the Council decided that before it adopts a Resolution on the Commission's proposal for the adjustment of national systems of commercial vehicle taxation,⁴ each Member State must prepare calculations from which the future results of this proposal may be assessed; this operation is to be coordinated on a Community level by the Commission by means of regular meetings between the national experts. The operations involved in the preparation of these calculations by the Member States have not been completed at the time of completion of this report, and thus the Council has not yet been able to adopt a resolution.

¹ *Journal officiel* No. L 23, 30 January 1970, p. 24.

² *Ibid.* No. L 130, 15 June 1970, p. 4.

³ *Ibid.* No. L 278, 23 December 1970.

⁴ Proposed directive of 17 July 1968; *Journal officiel* No. C 95, 21 September 1968, p. 44.

Coordination of investments

290. A consultative meeting on road and rail communications across the Alps was held with the Member States on 15 June 1970 as part of the consultation procedure on transport infrastructure investments introduced by the Council Decision of 28 February 1966,¹ and this will be followed by a second meeting to discuss a document which the delegations are to provide before this second meeting.

Application of the rules of competition to transportation

291. The Commission has begun its examination of certain agreements and is collecting the data required to enable it to decide whether or not the agreements in question are compatible with Regulation (EEC) No. 1017/68.²

Moreover, the discussions which in accordance with Article 31 of Regulation (EEC) No. 1017/68 are held with the non-member countries which are signatories to the Revised Convention for Navigation on the Rhine have shown that at present no amendments to the said Regulation are required and that the discussions held for that purpose can be considered to be completed. Furthermore, it is envisaged that negotiations, the procedure for which is being examined in accordance with the relevant provisions of the Treaty, will be held with a view to an agreement between the Community and the non-member countries concerned; the tenor of this agreement is yet to be determined.

Discrimination in transport charges and conditions

292. Having regard to the European Parliament's expressed wishes, on 30 July 1968³ the Commission had amended its proposed Council Regulation on the abolition of discrimination in transport charges and conditions⁴

¹ *Journal officiel* No. 42, 8 March 1966, p. 583.

² Council Regulation (EEC) No. 1017/68 of 19 July 1968 applying rules of competition to the rail, road and inland water transport sectors; *Journal officiel* No. L 175, 23 July 1968, p. 1.

³ Amendment under Article 149, second paragraph (EEC) of the proposed Council Regulation on the abolition of discrimination in transport charges and conditions (based on Articles 7, 75 and 79 (2) EEC) (doc. COM (68) 289 final).

⁴ Proposed regulation of 29 October 1965: *Journal officiel* No. 66, 7 April 1966, p. 964.

so that the objects stated therein can be attained in two stages. In view of the time which had elapsed since this amended proposal was submitted to the Council and also the need to solve as rapidly as possible the problems involved in transportation to or from ports, on 21 April 1970 the Commission submitted a new proposal¹ very similar to its first.

The Commission has also examined or re-examined 516 published and unpublished schedules of transport rates and conditions to check that they conform with the EEC Treaty. An annual report is made on this matter to the European Parliament.

With regard to Regulation No. 11/60² the Commission had brought its influence to bear on the Member States concerned to ensure that it was effectively applied to navigation on the Rhine. All the Member States in question have advised the Commission that Regulation No. 11/60 will henceforth be applied to navigation on the Rhine also.

Conclusions

293. An overall assessment of the Communities' activities in the transport sector during 1970 shows that the imbalances between the three modes of transport, which the Commission indicated as early as its Third General Report, still survive. No substantial progress has been made in the organization and integration of the transport market and, moreover, the existing measures are not always implemented.

Finally, as stated above, several of the Commission's proposals are still pending before the Council. Since these are proposals which, as just mentioned, have been submitted with regard to certain general guidelines laid down by the Council and certain basic choices which it has made concerning the fields of action and the scope of such action, and also with regard to specific requests made to the Commission, the latter considers it necessary, if further progress is to be achieved, to reopen an exhaustive debate to check the objects, principles and operational methods of the common transport policy and, where appropriate, to apply the necessary modifications to them. For this the primary requirement seems to be that

¹ Amendment under Article 149, second paragraph (EEC) of the proposed Council Regulation on the abolition of discrimination in transport charges and conditions (based on Articles 7, 75 and 79 (2) EEC) (doc. COM (70) 419 final).

² Council Regulation No. 11 of 27 June 1970 on the abolition of discrimination in transport charges and conditions, adopted pursuant to Article 79 (3) of the EEC Treaty: *Journal officiel* No. 52, 16 April 1960, p. 1121.

the Council states its views as to the role it at present ascribes to the proposals before it (and which it itself requested), saying whether it still attaches any importance to them, whether it considers them out of date or whether it simply feels it advisable to delay their implementation in order to give priority to other measures which, in the light of new aims, it considers to be more urgent.

Certain delegations have provided some information in this respect, but a firm motivation should be given and a dialogue on transport problems should be initiated between the Commission and the Council.

In the meantime, the Commission sets out below those fields in which, for its part, it intends to submit proposals from the beginning of 1971.

DEVELOPMENT OF THE COMMON TRANSPORT POLICY

294. In its Third General Report the Commission had laid down the main guidelines forming the basis for Community action in the transport sector and, more particularly, indicated the principal guidelines for the future development of the common transport policy. While stressing the special importance of certain operations to be carried out in this context, in its examination of that report the European Parliament gave its basic agreement to the views set out by the Commission. The Commission will outline below the steps it has taken to put this programme into effect in the light of the results obtained and the evolution of the market situation.

295. In the field of social harmonization, the Commission is preparing a second Regulation on working conditions in road haulage which will deal more particularly with working and rest times, and overtime. After hearing the views of both workers and employers, the Commission has consulted the government experts of the Member States. With regard to inland navigation, the Commission is preparing a regulation on working conditions and the composition of crews. Consultation with the social partners and government experts has already begun. Finally, the Commission has begun the preparatory work in relation to the harmonization of working conditions on the railways.

296. As regards State contributions, the Commission has been engaged in preparing provisions concerning the financial relations between the railways and the States with the object of implementing the provisions of

Article 8 of the Council Decision of 13 May 1965.¹ When examining the Third General Report, the European Parliament emphasized the importance of this operation whose objects were set out in that report.

Consultations with the trade union organizations, the Group of Six in the International Railway Union (UIC) and the government representatives have already been held on the basis of a document drawn up by the Commission which sets out the existing situation and lists the potential solutions for the allocation of responsibilities between the railway organizations and the public authorities, and for providing these organizations with autonomous commercial management and the resources required for carrying out the mission entrusted to them.

On the whole, the general line produced by these studies supports the views of the Commission, which will very shortly be able to propose the necessary measures to the Council.

297. The Commission has continued its surveys on charges for the use of infrastructures. As has already been stated in the Third General Report, the proposed directive for the adjustment of national systems of commercial vehicle taxation, which has been mentioned above,² will be only a first measure. In addition to this operation, a system which will also apply to other modes of transport will also have to be implemented. In view of this factor, it is essential to choose a method which can be retained for permanent use. A pilot study³ has already provided some theoretical and practical information. The Commission will submit a proposed Decision to the Council, establishing a common system of charges for the use of infrastructures which will meet the various requirements.

Pursuant to the Council Decision of 27 January 1970⁴ and with the intention of ensuring as uniform an implementation as possible in the various Member States, the Commission assisted by the government experts has started to prepare studies of the theoretical and practical problems arising in relation to charges for the use of road infrastructures in urban areas.

¹ Council Decision No. 65/271/EEC of 13 May 1965 on the harmonization of certain provisions affecting competition in rail, road and inland waterway transport; *Journal officiel* No. 88, 24 May 1965, p. 1500.

² Sec. 289 above.

³ Doc. SEC (69) 700 final, 12 March 1969.

⁴ Council Decision of 27 January 1970 amending the Council Decision of 13 May 1965, implementing Article 4 of the Council Decision of 22 June 1964 on the organization of a survey of the infrastructure costs for rail, road and inland waterway transport; *Journal officiel* No. L 23, 30 January 1970, p. 24.

298. The consultative procedure in force¹ does not provide a satisfactory system for producing coordination of investments in transport infrastructures.

It has therefore proved necessary to define and develop, on the Community level, methods based upon comparative profitability criteria permitting a rational selection of these investments. This will provide both improved utilization of common resources and the employment of the most suitable techniques. Moreover, application of these methods would guarantee equilibrium in the transport market while permitting competition—a basic principle of the common policy—and would facilitate integration of the national networks, which are at present merely juxtaposed, to form a coherent, uniform Community transport system.

After continuing the surveys it has begun in this connection, the Commission is planning to submit to the Council in 1971, a proposal to meet these objects.

299. The European Parliament has on several occasions stressed the importance it attaches to the problems of road safety, especially in view of the human aspects. These reasons, combined with the increasing cost to society of road accidents, compel the Community to envisage action which, without duplicating the activities in hand in other international organizations, must permit a firm and effective improvement in traffic safety. The Commission intends to forward to the Transport Committee of the European Parliament a report on the present situation in the six Member States and on the action it recommends. The Commission will submit formal proposals to the Council, based on the results of these discussions.

300. The efficiency of the transport system and the part which it has to play in the general economy demand that action should be taken to encourage research on modernization and new transport techniques.

The prospects of such encouragement must also be taken into account in relation to the other actions to be carried out as part of the implementation of the common transport policy and, in particular, to coordination of investments in view of the deep-seated changes which development of these new techniques could engender in the structure and organization of the transport market.

¹ Council Decision No. 66/161/EEC of 28 February 1966 establishing a procedure for consultation concerning investment in transport infrastructure; *Journal officiel* No. 42, 8 March 1966, p. 503.

With this in mind, the Commission of the European Communities will lay before the Transport Committee of the European Parliament a report on the actions and work already carried out in the Member States in this connection and on the measures it intends to propose with a view to implementing a research and experimental programme which is to be adapted to the requirements and objects of the common transport policy and to the future prospects in so far as they can be foreseen at this point of time.

The Commission will draw up and submit to the Council formal proposals based upon the results of these discussions.

301. The progressive expansion of the market, combined with the evolution of transport techniques, has brought out the need for a structural policy in the transport sector on the Community level, particularly in order to encourage the setting up of undertakings of adequate operational dimensions and capable of securing the advantages of a large-scale economy in a market integrated at Community level.

In particular, this policy concerns road and inland waterway transport, two sectors which are still characterized by a considerable degree of fractionation of services offered, these being provided by a large number of undertakings whose organization does not allow of a satisfactory return on investment.

Structural problems also arise in connection with the railways which, while having attained an advanced stage of cooperation on the technical, commercial and operational levels, have had their activities restricted by the obstacles caused by frontiers and the difficulties encountered when crossing them.

They will be able to develop this cooperation further, in step with the potential provided by the new dimensions of the transport market, to which they must however adapt themselves in order to satisfy the requirements of the common market and the development of Community integration.

The Commission has carried out exhaustive economic surveys of the various aspects of the problems arising in the road and inland waterway transport markets.

From the results of these surveys, the Commission is now establishing the guidelines for a transport structure policy. It will hold extensive consultations with the sectors involved and then submit proposals for implementing such a policy.

302. The Commission has on several occasions stressed the urgency of the need for Community action in the fields of maritime navigation and air navigation. At the Council meeting on 4 June 1970, the Commission's representative outlined certain aims of such action. The Commission will shortly lay before the Council a more specific and detailed description of the most urgent action which, in its opinion, should be undertaken in these two fields.

303. The Commission considers that the gradual integration of the Community in the various economic sectors, and the basic and constantly growing importance of maritime trade, call for coordinated action in the port sector to ensure harmonious development of the port system. The Commission will shortly define the objectives and measures to be envisaged in this field.

304. It will be possible to carry out these various tasks only on the basis of an order of priority to be formulated during discussions which, in accordance with the views expressed above,¹ should be held in the Council in order to define the guidelines for the development of the common transport policy.

The Commission for its part considers that, in addition to the measures which it has already proposed and which are pending before the Council, it is essential first of all to ensure implementation of the provisions required to provide complete social harmonization in the transport sector, together with those relating to the rates for the use of infrastructures and the organization of financial relations between the railways and the States.

The Consultative Committee on Transport

305. As in previous years, the Commission has called for assistance from the Consultative Committee on Transport set up under Article 83 of the Treaty. In particular, the Committee was consulted on the following matters:

- (i) controls and sanctions for the Community Regulations covering road transport;
- (ii) distortion of competition in international rail, road and inland waterway transport within the Community.

¹ Sec. 293.

APPLICATION OF THE ECSC TREATY

*Rates and conditions of carriage for coal and steel**Special tariff measures*

306. Under ECSC Treaty Article 70, fourth paragraph, the Commission authorized certain special tariff measures adopted by the French National Railways in their own interests, and in particular the following:

- (i) transport of solid fuel from the Cévennes mines to Strasbourg or railway stations on the Atlantic coast;¹
- (ii) transport of fuel from France to Belgium.²

Disclosure of rates and conditions of carriage for coal and steel

307. Consequent upon the Commission's proposal to the Member States that they should begin negotiations in the Council concerning a system of disclosure of rates and conditions for carriage of coal and steel in international transport between Community ports by inland waterway, at a meeting of the Council held on 26 and 27 January 1970, the governments decided to instruct their representatives on the Permanent Representatives Committee to examine this matter and report upon it.

As no further action was taken in this matter, at a meeting of the Council on 7 December 1970 the Commission drew attention once more to the fact that lack of disclosure in this field is an infringement of the provisions of the ECSC Treaty, in particular of Article 70, third paragraph, and of Recommendation No. 1/61 of the High Authority. As a result, the Council confirmed the mandate given to the Permanent Representatives Committee, authorizing it to examine these problems.

¹ *Journal officiel* No. L 129, 13 June 1970, p. 21.

² *Ibid.* No. L 189, 25 August 1970, p. 15.

PART THREE

THE IMPACT OF THE DEVELOPMENT OF THE
COMMON MARKET AND OF COMMUNITY POLICIES

308. At the request of the European Parliament, the Commission included in the Third General Report¹ some comments on the effects of Community policies on the Member States' economies.

In doing so, the Commission drew attention to the methodological difficulties making it impossible to single out the specific impact of Community policies from among all the numerous interconnected factors affecting the economic trend. Research and analysis continued in this field in 1970, consideration being given to specific consequences of the formation of a large competitive market, the characteristic features of this market and the results of policies followed, in so far as they were revealed by the actual economic trend.

The findings are given in this sub-chapter, together with those on trade and the consumer.

¹ Sec. 1 *et seq.*

1. Trend of merchandise trade

309. Since the Treaty came into force all member countries have experienced a rapid growth in their trade with the other Community countries. Of the Six, Italy has most increased its volume of trade inside the Common Market; both its exports and its imports rose almost tenfold between 1958 and 1970. As a result, the Italian contribution to intra-Community trade has greatly increased and is now approaching the level of that of the Netherlands and BLEU. But it must be said that Italy still buys nearly 60% of its total supplies outside the Community. Progress made by France has also been considerable and relatively well balanced. France's trade with other Community countries, on both the import and export side, now amounts to nearly 50% of its total trade as against 22% in 1958. German purchasing in the Community has gone up steeply, but progress has been less rapid on the export side; this may be partly because Germany has maintained a very strong position in non-member countries' markets, which still account for nearly 60% of its total deliveries. The growth of the Benelux countries' trade with the other Member States has been less pronounced, largely because the Benelux Customs Union was in force before the Common Market was set up; Benelux sales have increased more rapidly than Benelux purchases inside the Community. In 1958 deliveries to other member countries accounted for 45% of total BLEU sales and 41% of total Dutch sales; these figures had risen to 70% and 63% respectively by 1970.

Since the establishment of the Common Market, the changes in the pattern of intra-Community trade flows have been in the direction of a wider geographical spread. The period from 1958 to 1970 saw a distinct decline in the proportion of the imports of five member countries coming from the two biggest suppliers in the Community; the drop was from 61% to 56% for Germany, from 77.7% to 68.6% for France, from 89% to 81% for the Netherlands, and from 70.5% to 67% for BLEU. Only Italy showed a move in the opposite direction (from 78.5% to 81%), doubtless due to the exceptional upsurge of Franco-Italian trade, which had been curbed in 1958 by a relatively high level of customs tariffs and the very small quotas for certain industrial products in heavy demand. It must be pointed out, however, that this growth appears to have slowed down in the last few years, in particular owing to the strong position of German goods in Community markets.

310. The level of merchandise trade between member countries remained high in 1970, but the rate of increase was noticeably less than in the previous year, namely 20% by value and 13.5% by volume, as against 28% and 22.5% in 1969 (figures based on customs import returns). Part of the reason is the slower growth of Community production and a narrowing of the gap which had existed in 1969 between total demand and foreign supply in the various countries. Another factor may have been the relatively greater elasticity of supply in certain non-member countries—in contrast with the previous years, imports from non-member countries increased nearly as much as intra-Community trade. The final cause was the impact of certain fortuitous factors such as the slowing down in trade in farm products (which had been inflated in 1969 by factors of a speculative nature) and the slower growth of Italian exports as a result of the numerous work stoppages in 1970.

Devaluation of the franc and the Government's programme for putting the economy on a healthy footing had a very pronounced inhibiting effect on French imports, which only rose 9% by value in the whole of 1970 as against 31% in 1969. Conversely, the revaluation of the mark seems to have given only a slight stimulus to German imports, which, furthermore, were checked during the year by the tendency for firms to run down their stocks of raw materials and semi-finished products. The latter trend was also at the root of the slower growth of BLEU imports, which were much less buoyant than in 1969. Against this, Dutch purchases from the other Member States were pushed up sharply by rising pressure on capacities; indeed, the growth rate of Dutch imports by value, at 23%, was the highest since 1958. In Italy internal supply was hit by a number of strikes, and imports increased as rapidly as in 1969, exceeding the level of the previous year by 30%.

The volume of German imports increased at a markedly slower pace, while that of French exports rose slightly more sharply. As regards growth by value of sales to the other member countries as a group, the various member countries, with the exception of Italy, stayed pretty well abreast in 1970. The sharpest increase in exports was achieved by the Netherlands, thanks to the particularly rapid rise of deliveries to Germany which accounts for close on 50% of total Dutch exports to the Community. French sales also benefited, in particular, from the brisk expansion of Italian imports.

The main features of the development of member countries' trade balances with each other were a reversal of the previous trend in France

and a sharp deterioration of the Italian trade account. The French trade account, which had been deteriorating continuously since 1966, showed an appreciable recovery in 1970; the deficit was probably \$700 million, half that of the previous year. But Italy's trade balance, which was still in surplus in 1969, deteriorated markedly and closed in 1970 with a deficit of more than \$500 million. The German foreign trade surplus showed a year-to-year reduction, though it was not of the same size as the improvement seen in France. For the fourth year in a row there was a strong improvement in the BLEU trade balance, the surplus reaching the record figure of \$1 300 million. The Dutch trade account also improved, and was more or less in balance for the first time since 1958.

If we break down intra-Community trade by groups of products, on the basis of the incomplete data available for the first nine months of 1970, we find that the trend was more mixed than in 1969. The particularly vigorous growth of fixed investments in the Community was again primarily of benefit to trade in capital goods, which achieved a year-to-year increase of some 25% by value. Similarly, trade in chemical products again enjoyed a sizable growth rate. On the other hand, the loss of momentum experienced in the course of the year by most basic materials industries and some of the consumer goods industries showed up in the slower advance of trade in these categories. The most pronounced falling off, however, was seen above all in trade in farm products, contrasting with the considerable expansion of the previous year which was mainly attributable to movements of a speculative nature. Here, the year-to-year increase by volume was very slight in 1970.

311. All in all, after the exceptional upswing of 1969, the growth rate of intra-Community trade settled down in 1970 at a figure nearer to the longer-term trend. Trade between the countries of the Community in 1970, at \$43 600 million, will have been close on six and a half times the figure reached in 1958, the first year of the Common Market. The proportion of intra-Community trade in the total imports and exports of each member country continued to increase in 1970, though more slowly than in previous years; intra-Community merchandise trade now accounts for 48.6% of the Community's total trade and 18% of world trade, as against 29.5% and 7% respectively in 1958. At the same time, the Community's import demand went up very steeply for the second year in succession (+17.5%), and, even more than in 1969, was the determining factor in the expansion of world trade. In spite of substantial and continuous progress towards integration of markets in the Community, there has even been a noticeable increase—from 17% in 1958 to 19%

in 1970—in the proportion of total world imports¹ accounted for by Community imports from non-member countries. Community exports to non-member countries also forged ahead; over the year as a whole they showed a growth-rate by value of 14%, compared with 11% in 1969. The share of total Community trade² in world trade again increased sharply in 1970; it now accounts for one-third of world trade, compared with less than 23% in 1958.

¹ Excluding intra-Community trade.

² Including intra-Community trade.

2. Changes in the conditions of growth and balance

312. The increase in trade has made a big contribution to the very rapid growth of all Community countries in recent years. The specific contribution of economic integration to this growth cannot be identified but it is generally accepted that the contribution has been substantial and that all the Member States have benefited.

During the period 1966-70, the rate of growth exceeded forecasts in all the countries of the Community, especially in Federal Germany (4.7% growth of gross national product per year, as against a forecast of 3.5% per year), in Italy (6.0% as against 5.0%) and in the Netherlands (5.2% as against 4.6%). Furthermore, the countries which had the lowest incomes at the time the Common Market was set up have benefited most from integration; as a result, there has been a steady reduction in the difference between incomes per head in the member countries (Table 16).

TABLE 16
Gross national product per capita

(in units of account at current prices and exchange rates)

	1958	1970 (estimates)
Germany (FR)	1 080	2 999
France	1 204	2 873
Italy	612	1 701
Netherlands	845	2 418
Belgium	1 158	2 589
Luxembourg	1 402	2 835
Community	963	2 530

However, these beneficial results have not been obtained without economic and social strains, whose consequences have not yet all been overcome. First and foremost, regional differences in each country are

not being systematically reduced and in some cases have even shown a certain increase. Furthermore, in recent years other factors—including prices, employment and unemployment, and the pattern of utilization of the gross national product—have developed far less unfavourably than had been expected.

Price movements

313. Prices increased more quickly than had been expected in the member countries as a group; this was partly because the international price trend had been underestimated, but domestic factors played a big part too.

- (i) In Germany, despite the clear rising curve of international prices, the objective of domestic stability adopted for the period 1966-70 (forecasts of an average annual increase of 2.3% in the implicit price index for the gross national product) was adhered to until 1969, when very steeply rising national prices were combined with a faster price increase in the Community. But the jump of over 6% in prices in 1970 brought the average annual rate for the period as a whole to 3.2%.
- (ii) French prices developed very favourably in 1966 and 1967 as a result of the implementation of the 1963 stabilization plan, but after the events of 1968 they were heavily affected by inflationary pressure, and then by the adoption of a growth policy and devaluation. The average annual rate of inflation in the period under review was consequently much higher than initially predicted—4.5% instead of 1.5%-3.2%.
- (iii) In Italy, the forecasts of an average annual 2.5% increase in the implicit price index for the gross national product, adopted for the period 1966-70, appear to have been kept to without difficulty during the years 1966 to 1968; but in 1969 the combined effect of the foreign price trend and of wage claims led to a substantially higher rate of increase; in particular, the wage agreements of autumn 1969 had a direct impact on the evolution of prices in 1970, pushing them up to a rate close to that of Germany (over 6%), and raising the average annual rate for the period 1966-70 to 3.4%.
- (iv) The Benelux countries are very sensitive to outside economic influences and price increases, caused in particular by imported inflation, were considerably larger than expected.

Trend of employment and unemployment

314. The unexpectedly high growth rates of all Community countries were accompanied by much greater structural changes than had been forecast. The speed of these changes accounts for the underestimation of productivity gains—the error being mainly of significance in Italy, Germany and the Netherlands.

This explains why the trend of employment was overestimated in most of the member countries even though the growth forecasts were too low. The short-fall was particularly striking in the Netherlands, where employment rose at an annual rate of 0.8% (an increase of 1.2% had been forecast), and above all in Italy, where it dropped slightly (—0.3%) instead of expanding fairly substantially (+0.8%). This difference is attributable, in particular, to the fact that the drift from the land was markedly larger than had been forecast.

The failure to create as many jobs as expected and the inadequate adaptation of labour to the rapid structural changes led to a higher level of unemployment in most of the member countries than foreseen at the time when the second programme of the Medium-term Economic Policy Committee was being prepared. The forecasts for 1970 turned out to be fairly accurate, but only because 1970 was in reality a year of economic overheating and not a normal year; in all the six countries except France and Luxembourg, the average rate of unemployment during the period 1966-70 was considerably higher than the “normal economic situation” level forecast for the final year of the period.

Pattern of utilization of the gross national product

315. Over the last five years, the pattern of utilization of the gross national product has failed to conform to forecasts in two major respects. Firstly, a relative shift from private to public consumption had been envisaged for the Community countries as a group. Except in the case of France, this has not happened. Private consumption (at constant prices) has increased markedly more than expected in all the Community countries; correspondingly, the rate of growth of public consumption has been lower than had been forecast, and the difference is still greater where public investment is concerned. Directly productive investment has increased more rapidly than expected in every country except Italy, and thus helped to accelerate growth. Furthermore, the external balance (expressed as a percentage of gross national product) was significantly bigger than forecast

in the period 1966-70. These sometimes considerable differences between forecasts and actual figures, and the parity changes which proved necessary, throw light on the strains occurring between the formation and utilization of the gross national product, but also show the extent to which the achievement of national objectives is dependent on the integration of economic relations with other countries, and in particular on the interdependence of the Community countries.

3. The situation in the distributive trades

Structural changes resulting from the gradual build-up of the Community

316. Compared with the previous years, retail turnover showed a remarkable increase in 1969. According to estimates based on national accounts, this turnover (including small food establishments) was about 9% up on 1968 at 155 000 million units of account (Table 17).

TABLE 17
The growth of retail turnover

Year ¹	France	Germany (FR)	Italy	Netherlands	Belgium
1966-1967	5	.	9	5	4.5
1967-1968	9	3.5	5	7.5	6.5
1968-1969	12	10	8	8	9

¹ Figures for 1970 were not available when the present report went to the press.

The considerable growth in the purchasing power of households and the high technical level of industry in 1969 gave a strong fillip to the rationalization drive of the distributive trades. The only data available for Germany indicate an increase of productivity (defined as turnover per person employed, adjusted for price fluctuations) of almost 8%. This trend was strengthened by the closure of old-fashioned unprofitable outlets and the establishment and expansion of ultramodern units. There is a very clear trend towards larger operating units in the distributive trades.

However, in analysing retail trade in the Community in 1969 we must not lose sight of the continued existence in this field of great disparities from country to country. The trends we have noted were particularly pronounced in the Netherlands and in Germany but also in Belgium and in France. The opposite trend prevails in Italy, but the

cause is probably not economic. One factor is certainly an inflow of relatively elderly people previously occupied in farming and now seeking a fresh occupation in the distributive trades; another factor is the provisions on the right of establishment which restrict the possibilities for setting up modern outlets (Table 18).

TABLE 18
Changes in the number of outlets between 1968 and 1969

Germany (FR)	reduction of about 3.0%
Netherlands	reduction of about 3.0%
France	reduction of about 1.5%
Belgium	reduction of about 1.0%
Italy	increase of about 16 000 units

In five countries, the number of outlets went down in 1969. The weeding-out process was most evident in Germany and the Netherlands, the countries with the most modern distribution systems; however, in Belgium and France also, a "process of reform through reduction in the number of outlets" was clearly in evidence in 1969. Only in Italy was there a noticeable increase in the number of outlets. The Netherlands endeavoured to speed up still further the "process of reform through reduction" by passing legislative measures providing premiums for traders owning unprofitable establishments who reconvert or close down. In France, it is considered necessary to provide support for retailers unable to cope with technical progress, so that they can close down more easily. This problem is particularly acute at present in France which, after clinging for years to traditional systems of trading, has since 1965 seen an explosion of modernization (1 500 supermarkets and hypermarkets now account for 14% of total food sales).

317. It is generally accepted that the progress of trade is mainly determined by new selling methods. Table 19 shows the strength of the modernization movement in the distributive trades in 1969. It confirms, incidentally, the great difference which still exists between the degree of retailing modernization in the various countries of the Community.

TABLE 19

Modern outlets per million inhabitants
(beginning of 1970)

	Self-service foodstores	Supermarkets and hypermarkets
Germany (FR)	1 424	30.4
Netherlands	693	24.7
France	360	20.8
Belgium	249	37.2
Italy	41	5.7
Community	592	23.75

Germany and the Netherlands are again in the lead in self-service in all branches of retailing, while Belgium, where very small outlets coexist with the most modern methods of mass distribution, has the largest number of supermarkets and hypermarkets per head of the population. France occupies an intermediate position, the importance of big modern concerns being reflected in the high proportion of supermarkets and hypermarkets. Italy is once again a special case, and lags far behind.

Alongside pre-existing types of big integrated outlets (department stores, multiples and consumers' cooperatives) and the growing level of cooperation, this type of outlet is the dynamic component of Community retailing. If retailers, when buying, now see the Community market as a single domestic market, it is above all this type of firm which is responsible.

318. In fact, in 1969 intra-Community trade in consumer goods rose 28%—the biggest annual rate since the establishment of the Community—to an all-time high of 11 000 million units of account. Intra-Community trade now accounts for about 80% of total imports of manufactured consumer goods.

These imports account for a large proportion of private consumption (Table 20).

TABLE 20
Share of imports in private consumption of goods¹

	Germany (FR)	France	Italy	Netherlands	BLEU	EEC
1967	10.8%	8.6%	7.4%	29.2%	26.1%	11.3%
1969	13.5%	11.1%	8.3%	34.2%	30.5%	13.9%

¹ For the method of calculation see *Second General Report* sec. 94.

Imports of certain goods were even higher than national production (Table 21).

TABLE 21
Share of imports in domestic consumption (1969)

	Germany (FR)	Belgium	Netherlands	France
Women's stockings	13%	40%	39%	15%
Knitted or crocheted outer garments	35%	24%	86%	27%
Footwear	20%	.	42%	14%
Refrigerators	.	84%	over 90%	50%
Washing machines	.	77%	91%	24%
Television sets	.	20%	.	9%
Motor vehicles	.	49%	92%	26%
Furniture	4%	25%	35%	14%

These figures show that retailers' imports have made for a considerable intensification of competition. There is also no doubt that to some extent these imports counterbalanced demand in 1969. They thus clearly did something to stabilize or lower domestic retail prices. In the

case of certain fashion goods, it has even happened that a country's general price level has been determined in large measure by imports.

The data from the Statistical Office's price surveys are not yet available, so it is impossible to say how far retailers' imports helped to stabilize national price levels in 1969.

*Reasons for the differences between retail prices in
the member countries*

319. The Gesellschaft für Konsum-, Markt- und Absatzforschung (Nuremberg) has just completed an investigation into the reasons for price discrepancies occurring in 1968. This survey is the first of its kind; for reasons of cost, its scope and consequently its general validity are limited. Since 1968 one Community country has revalued its currency and another has devalued, while two other countries have adopted the value added tax system, all of which reduces the value of the findings. The data for the year 1968 nevertheless remain of general interest.

The survey covers 35 branded articles chosen among photographic apparatus, foodstuffs, radio and television sets and domestic electric appliances. The articles are sold by firms operating on an international scale, occupy a significant position in the markets of Community countries, and in 1968 were sold at substantially different prices in the various member countries.¹

Generally speaking, the available results of the three stages of the survey (interviews with producers, wholesalers and retailers) show that the price differences noted for 35 identical products in the six countries are primarily attributable to decisions taken by producers and only partly to the differences found in distribution costs and dealers' markups or taxation. As a result, large variations occur as early as the producer price stage. These variations are sometimes even bigger than those of retail prices. In the case of the photographic apparatus selected for the survey, for instance, producer prices differ 50% in the member countries and retail prices 24%.

320. This confirms the findings of the first stage of the inquiry,² namely that in each country producers follow a different policy in the matter of

¹ *Third General Report*, sec. 82.

² *Ibid.*, sec. 83.

supply and in each case adapt to the market situation and the conditions of competition. The special features of the individual markets allow the producer to fix varying selling prices and in certain cases oblige him to do so. The prices of the various articles manufactured by big firms therefore depend on the firms' marketing policies. It is not possible to claim that goods are offered at particularly low prices in the country they are manufactured in; nor are goods always particularly dear in countries where they are not produced. No such simple rules can be formulated. A number of factors have a decisive influence on the market situation; varying structures of supply and demand, forms and intensity of competition, relative position and importance of the various sellers and the various products on the market, price levels, price elasticity, selling price systems, and the extent to which distributive trades are organized and their efficiency.

321. The findings of the inquiry into the wholesale and retail prices of 35 consumer goods vary from one category of goods to another and are merely illustrative, owing to the fact that the products selected in the various sectors are not particularly representative.

Differences between prices for photographic apparatus in the member countries are mainly attributable to the degree of enforcement of resale price maintenance. Black and white films are significant in this connection. Germany and the Netherlands, the two countries which operated resale price maintenance in 1968, have relatively low producer prices (in the case of colour films, Germany has the lowest producer prices, and the Netherlands median prices), the highest total dealers' markup and median actual selling prices to the ultimate consumer. In comparison with the other countries, the price is decided by the size of the markup. The dealers' markup is smaller in all the other countries, where the system of net prices is in force. In these other countries, retail price differences depend on the producer price.

The difference between food prices in the member countries is attributable to the degree of concentration of the distributive trades. Germany, the Netherlands and Luxembourg have comparatively low producer prices and large dealers' markups, but their selling prices to the ultimate consumer are nevertheless low. This, apart from the particular case of Luxembourg, reflects the characteristic trends of the modern distributive trades, with their concentration of demand and special cost structure. As against this Italy, with its traditional trading system, has

the highest producer prices, smallest total dealers' markup and relatively high effective consumer prices for the foodstuffs covered by the inquiry.

The domestic electric appliances market was not intensively developed till after the war. In Germany very keen price competition has developed between the various sales systems during the last ten years, and markups are median while retail prices are the lowest in the Community. In Belgium, Luxembourg and Italy the very large number of points of sale results in relatively high buying prices; the level of prices to the ultimate consumer is dependent on the size of the markup, which is small in Italy and median in Belgium and Luxembourg. France and the Netherlands are the only countries with big dealers' markups. The Dutch have taken advantage of their favourable buying opportunities to keep buying prices below those in France, and therefore have median selling prices. France, on the other hand, has relatively high buying prices and the highest selling prices in the Community (50% higher than German prices).

The country with the most highly rationalized trading system for radio and television sets is clearly Germany, which has low buying prices and markups and the smallest consumer prices. Here again, France is at the other end of the spectrum, with median buying prices, large wholesale markups, small retail markups and the highest retail prices in the Community.

322. The inquiry into the four categories of goods shows that modern, rational trading, with keen competition between the various sales systems, is generally associated with relatively low prices at all stages, and that the extent to which trading is modernized helps determine the price which the producer can charge. The inquiry also shows that at the present stage of the evolution of trading, a modern trading system and a small dealers' markup do not necessarily go hand in hand. In countries where old structures still predominate, trading firms charge relatively high prices and have small markups which, in the long run, are hardly adequate to ensure them a large enough income to keep up with the general pace of economic growth.

Generally speaking, the tendency for price quotations to vary will persist on the market as long as there are such substantial differences between the structures and conditions of competition of the Community trading systems. The price level will depend to a large extent on producers' capacity to adapt and on their marketing policy.

The Commission must therefore work for the modernization of the trading system in the Community. In so doing, it should take very special care to ensure that this modernization occurs under optimum political and social conditions. This year, as a first step in pursuit of this task, the Commission drew up a general table for comparing all the measures to assist the distributive trades taken in the various countries. The second step will be to work out common measures of assistance with the national Governments, on the basis of these data.¹

¹ For differences between prices actually paid by the consumer, see sec. 319.

4. The Common Market and the consumer

Living standards

323. In 1970 private consumption in the Community went on rising very rapidly; in money terms the increase was in the neighbourhood of 12%, while the real increase per head was around 6%. In all probability the increase was due mainly to a rapid rise in the incomes of households. Income from wages and salaries rose in all Member States, the increase ranging from 10 to 20%; on the other hand, the rise in incomes from property and from entrepreneurship seems to have slowed down if anything. The propensity to save evolved differently from one member country to another; it increased in France, Belgium and Italy, particularly during the first half-year, but flagged considerably in Germany and in the Netherlands.

Tables 22 and 23 show the quantitative increase of certain representative goods.

TABLE 22
Television sets declared and telephones installed
in January 1968 and January 1969

	TV sets				Telephones installed			
	'000		per '000 inhabitants		'000		per '000 inhabitants	
	1968	1969	1968	1969	1968	1969	1968	1969
Germany (FR)	13 806	14 958	231	246	10 321	11 249	172	185
France	8 316	9 252	167	184	7 000	7 503	140	149
Italy	7 666	8 099	146	150	7 057	7 752	135	143
Netherlands	2 481	2 658	197	207	2 719	2 012	216	226
Belgium	1 779	1 894	186	196	1 731	1 839	181	190
Luxembourg	44	52	131	154	94	98	281	290
Community	34 092	36 913	185	196	28 922	31 354	157	167
EFTA	20 692	22 124	219	233	22 564	23 869	239	252
The world	215 000	235 000	63	66	222 400	238 890	65	67

TABLE 23
Number of motor vehicles, January 1969 - January 1970

	Passenger cars				Utility vehicles	
	'000		per '000 inhabitants		'000	
	1969	1970	1969	1970	1969	1970
Germany (FR)	12 046	13 169	199	217	1 068	1 129
France	11 210	11 860	223	236	1 885	1 850
Italy	8 120	9 028	151	167	751	834
Netherlands	2 100	2 325	165	180	310	314
Belgium	1 806	1 811	187	187	279	245
Luxembourg	79	85	235	252	12	15
Community	35 361	38 278	189	203	4 305	4 387
EFTA	17 108	18 225	180	192	2 545	2 544
The world	168 700	180 846	49	51	46 100	49 475

From 1968 to 1969, the number of television sets and telephones increased 8% in the Common Market and 6% in the EFTA countries.

From 1969 to 1970, the number of motor vehicles increased 7.5% in the Common Market and 5.5% in the EFTA countries.

Prices

324. In 1970 the Commission, wishing to normalize the available data and make them more representative, instructed the Statistical Office of the European Communities, working in conjunction with the statistical offices of the Member States, to broaden the scope of the retail price surveys. There has been a considerable increase in the number of towns in which such surveys are carried out, and the number of articles covered has risen from 250 to more than 500.

The findings of this first general survey were not available in 1970.

325. The inquiry by the Gesellschaft für Konsum-, Markt- und Absatzforschung (GKF), already mentioned in last year's Report, showed the differences given in Table 24 between prices actually paid by the consumer in the cheapest country and in the dearest country for certain branded articles in general use in the Common Market.¹

TABLE 24

Differences between prices in the Member States for certain branded articles in 1968 (actual prices to ultimate consumer)

	Spirituos beverages	Photographic apparatus	Films	Radio and TV sets	Domestic electric appliances
The cheapest country	Luxembourg	Germany (FR)	Belgium	Germany (FR)	Germany (FR)
Percentage difference between the cheapest and dearest countries	+ 51	+ 24	+ 32	+ 68	+ 50
The dearest country	France	Italy	Italy	France	France

In each case, however, the differences do not apply to total supply but to a number of branded articles which are in general use in the Common Market, and had been selected because they were representative.

Saturation of the market in domestic electric appliances

326. At the beginning of 1970 GKF worked out the degree of saturation of the market in domestic electric appliances (percentage of households in the individual countries which already own appliances) and also the order of price levels for certain branded goods in the Member States.

Table 25 shows, for each Member State, families' incomes, market saturation and the order of price levels for the branded articles covered by the survey, that is to say, vacuum cleaners, refrigerators and washing machines. The full statistics for Luxembourg are not yet available.

¹ For the other phases of the investigation, see sec. 319 *et seq.*

TABLE 25

	Percentage of adults living in families whose weekly income is more than 48 u.a. ¹ %	Vacuum cleaners		Refrigerators		Washing machines	
		Market saturation ²	Price levels ³	Market saturation ²	Price levels ³	Market saturation ²	Price levels ³
		%		%		%	
Luxembourg	79	—	—	—	—	—	—
Germany (FR)	71	86	1	85	1	61	2
Netherlands	70	94	2	78	4	84	1
Belgium	52	77	3	68	3	65	4
France	50	68	5	83	5	67	5
Italy	29	17	4	81	2	55	3

¹ Source: "A Survey of Europe Today" *Reader's Digest* 1970 p. 29.

² Percentage of all the households in each country which already own the item. Source: GKF.

³ 1 = country with the lowest price
5 = country with the highest price
Source: GKF.

Although the price levels in the table refer only to articles investigated by GKF, the interdependence of incomes, prices and the market saturation is apparent. Market saturation does not, however, inevitably tend to be greatest where family income is the highest and the price the lowest. In France there is a high degree of saturation, except for vacuum cleaners, even though this country has the highest prices for all the articles. In Belgium refrigerator prices have only dropped steadily in the last few years, and this may explain the fact that the degree of saturation is low despite the present median position in the price league. The infrequency of washing machines in Federal Germany is perhaps to be explained by the large number of communal facilities to be found in apartment blocks.

New developments in connection with exclusive dealing contracts

327. A good supply of products from all Member States is one of the advantages which the consumer has a right to expect of the Common

Market. Several years ago, the Commission authorized exclusive dealing agreements in the field of foreign trade, on the ground that they generally improve the distribution of goods. Such contracts allow consumers to obtain foreign goods more quickly and more easily. Moreover, the exclusive dealing system ensures them an after-sales service and the provision of spare parts, without which foreign goods would often be an unattractive proposition. However, parallel imports may not be blocked because, if the agent demands unjustifiably high prices, they bring prices down to a reasonable level.

Such a reduction has already taken place in the case of photographic apparatus and television sets. Imports into Germany of goods of the Agfa-Gevaert group by a German firm, Ratio Terfloth und Snoeck GmbH, have brought about an appreciable and general fall in prices. On receiving a complaint from the German firm, forbidden to re-import by Agfa-Gevaert and their Belgian subsidiary, the Commission objected to the group's export and re-import prohibitions. The latter, together with other big firms in the same line, have dropped the bans and the resale price maintenance which they were enforcing in Germany, and prices have come down considerably. The price of colour television sets has also declined recently as a result of parallel imports.

The Commission is also examining exclusive selling arrangements for motor vehicles. It is known that a number of car manufacturers are still operating exclusive selling systems entailing absolute protection of specified areas, with the result that the price of vehicles of the same make differs from one member country to another. The Commission will do everything in its power to eliminate restraints on competition leading to price differences of this kind.

The Commission has adopted a decision¹ approving a system of "selective" exclusive selling and accepting that manufacturers of products involving a very high degree of technology may allow their goods to be sold only by a limited number of retailers who satisfy certain conditions. But the Commission only dropped its objections after sales arrangements had been amended to allow official distributors to obtain goods covered by the contract from any of the exclusive importers, and to resell them to other approved distributors or to private customers in other countries. The Commission hopes that this system will lead to a closer alignment in a downward direction of prices in the Member States.

¹ Sec. 26 of this Report.

CHAPTER III

ENLARGEMENT AND EXTERNAL RELATIONS OF THE COMMUNITY

PART ONE

THE PROBLEMS OF ENLARGEMENT

1. Negotiations with countries applying for membership

328. At the Hague Conference of 1 and 2 December 1969, the Heads of State or Government "reaffirmed their agreement on the principle of the enlargement of the Community, as provided by Article 237 of the Treaty of Rome". The communiqué further stated: "In so far as the applicant States accept the Treaties and their political objective, the decisions taken since the entry into force of the Treaties and the options made in the sphere of development, the Heads of State or Government have indicated their agreement to the opening of negotiations between the Community on the one hand and the applicant States on the other. They agreed that the essential preparatory work for establishing a basis of negotiation could be undertaken as soon as practically and conveniently possible. By common consent, the preparations would take place in a most positive spirit".

329. The Council of the Communities at its meeting of 8 and 9 December 1969 felt that a common basis should be established if the negotiations were to be effective. It decided to undertake the indispensable preparatory work on the following questions: the necessary adjustments to the various institutions in the light of enlargement, the transitional period for agriculture and industry, the major issues concerning relations with the Commonwealth, the problems facing the ECSC and Euratom, the negotiation procedure.

The Council pointed out that this list might be expanded, should other important points need to be included, during the preparatory discussions of the Six.

330. On 30 June 1970, a ministerial conference under the presidency of Mr Harmel, President-in-office of the Council and spokesman for the Communities, was held in Luxembourg between the European Communities and the States which had applied for membership of the Communities. This conference constituted the formal opening of negotiations between the Communities and the four applicant States, in accordance with the terms of Article 237 of the Treaty of Rome; their purpose is to establish, by joint agreement between the Member States of the Communities and the applicant States, the conditions of admission and the consequential adjustments that must be made in the Treaties.

Mr Thorn, Minister of Foreign Affairs of Luxembourg and Delegate of the host country, welcomed the delegates of the applicant States, reminding them that "the negotiations will be difficult, but they will be undertaken with confidence... in order to give Europe its real dimension... and make it possible to ensure the economic and political equilibrium of our old continent".

Speaking on behalf of the Communities Mr Harmel, Minister of Foreign Affairs of Belgium and President-in-office of the Council, pointed out that "people who live together must have the same objectives". He went on to say: "We believe that our European aims coincide with yours; they are concerned with, but immediately go beyond, the economic progress which our Governments expect from enlargement. In addition to the material objectives and their favourable social consequences for our peoples, the entry of four countries endowed with long parliamentary and democratic traditions will give Europe a more stable core. This stable core", he continued, "is more than ever necessary to the idea of one Europe. In Europe we must maintain and reinforce a type of civilization and a political system which we do not think of imposing on any State, but which in our eyes is the best guarantee of liberty and of the progress of our peoples. Other States may in due course gather round this core, and so share in an enterprise whose institutions are founded on the freely expressed will of the people.

"But our common thoughts go further still. If we see the effort which is starting today in a world context, we are obliged to think of the role to be played and the duties to be performed by a Community of

peoples who enjoy high intellectual, technical and material development and who number more than 250 million inhabitants, united by geography, tradition, history, culture and a common civilization. To what new missions of peace, to what generous acts, may not such a Europe devote all the power born of its unity ?

“For the six Member States of the Communities, these are precisely the objectives, the political aims which animate our Heads of State or Government. They have solemnly reaffirmed them at The Hague in terms which we should read once again: they ‘have a common conviction that a Europe composed of States which, in spite of their different national characteristics, are united in their essential interests, assured of its internal cohesion, true to its friendly relations with outside countries, conscious of the role it has to play in promoting the relaxation of international tension and a *rapprochement* among all peoples, and first and foremost among those of the entire European continent, is indispensable if a mainspring of development, progress and culture, world equilibrium and peace is to be preserved’.

“These are the thoughts which inspire and fortify our will as we set out for you the actual context in which these negotiations are situated, and how we would propose to conduct them”.

The context of the negotiations

331. The President of the Council pointed out that the background of the negotiations is a three-pronged drive decided upon at the summit meeting at The Hague: entry upon the final stage of the common market, the internal development of the Communities, and their enlargement.

These three items are not linked in such a way that one is a precondition for the others. Instead we must see in them three complementary aspects of the second decisive stage in the construction of Europe.

Completion

332. The proclamation at The Hague of the political will to move on to the final stage of the common market on 1 January 1970 involved, in accordance with the Treaty, confirming the irreversible nature of the work accomplished in twelve years by the Communities by first of all noting that the essential objectives of the Treaty had been accomplished, in particular establishment of the customs union and of common policies in

trade and agriculture, but also the elimination of obstacles to the free movement of persons, services and capital. But the Council wished to round off what had been achieved by far-reaching decisions:

- (a) Adoption of the definitive financial regulation for the years to come, without excluding the possibility of adapting it by a unanimous vote to conform with an enlarged Community, provided the principles of the regulation were not changed.
- (b) Agreement that by 1975 the Communities shall have their own resources to take the place of the annual financial contributions now paid by the Member States.

The latter decision is of considerable political import, since it also extends the powers of the European Parliament as regards both the preparation of budgets and the supervision of their implementation. It should also be recalled that the Council is continuing work on the problem of the procedure for direct elections to the European Parliament.

These are the significant decisions which have marked the transition to the final stage.

Internal development

333. The second item relates to the internal development of the Communities. It was not only necessary to fulfil the old promises written into the Treaties, but to formulate new ones, in order to mark the progress of European integration. At The Hague renewed expression was given to the will to progress more rapidly with the further development required to strengthen the Communities, new developments were announced and their implementation put in hand:

- (a) The Heads of State or Government agreed that a plan by stages should be worked out during 1970 with a view to the creation of an economic and monetary union.
- (b) They reaffirmed their readiness to continue more intensively the technological activities of the Community with a view to coordinating and promoting industrial research and development in the principal advanced sectors, in particular by means of common programmes, and to supply the financial means for the purpose.
- (c) They agreed on the need for fresh efforts to work out in the near future a research programme for the European Atomic Energy Community which would conform with the norms of modern

industrial management and make it possible to ensure the most effective use of the Joint Research Centre.

- (d) They also acknowledged the desirability of reforming the Social Fund as part of action to concert their social policies.

334. Work on these and other subjects is being actively continued within the Community, and discussions have now been initiated with the applicant States and several other European countries in the fields of technology, industrial research and patents.

“I have referred to this work”, Mr Harmel said, “because it is the Community’s intention that, as the examination of these issues leads, within the Community, either to guidelines or to resolutions for action, these will be put to the applicant States in the negotiations as Community positions. As for any decisions taken, the applicant States will be asked to accept them on the same basis as the other decisions which have been taken since the Treaties came into force.

“Finally, attention must be drawn to the work which has been undertaken in accordance with point 15 of the communiqué issued at The Hague: the ministers of foreign affairs of the Member States of the Communities are now studying ‘...the best way of achieving progress in the matter of political unification, within the context of enlargement’.”

335. At this same conference at Luxembourg, Mr Rey, then at the end of his term of office as President, addressed the meeting on the problems posed by enlargement within the context of developing and strengthening the Community.

“It is essential,” said Mr Rey, “that, in the interest both of the present and of the enlarged Community, this development should be neither stopped nor hampered by the negotiations on enlargement. The projects currently in hand must be completed...”

“Reinforcement of the Community will not be achieved simply by pursuing its internal policies; we shall also have to tackle its institutional machinery. The Commission, in its Opinion of 29 September 1967, stated in point 13 that an increase in the number of Member States might lead to unwieldiness in the functioning of the Community’s institutional machinery. The indispensable adjustment must therefore be made in a way that maintains the effectiveness of the system and offsets the mechanical effects of enlargement.”

The Community's negotiating position

336. At the conference held at Luxembourg on 30 June 1970, the President of the Council described to the applicant States certain fundamental aspects of the positions and procedures which the Community had decided upon for the purpose of the negotiations.

Mr Harmel pointed out that the Community regarded as a matter of principle that the applicant States should "accept the Treaties and their political objectives, all the decisions which have been taken" since the Treaties came into force "and the options made in the field of development. These decisions include the agreements concluded by the Community with third countries".

For the Community, the rule which must govern negotiations is "that the solution of any problems of adjustment which arise must be sought in the establishment of transitional measures and not in changes of existing rules".

If transitional measures prove to be necessary as a result of enlargement, they must not exceed the time required to complete the transition. "As a general rule, they must incorporate precise timetables." An initial and significant tariff reduction must be made by both sides when the accession treaties come into force. The transitional measures will have to be "conceived in such a way as to ensure an overall balance of advantages" for all concerned.

In the same spirit, it will also be necessary to ensure that the advances made in freedom of movement for industrial goods are kept in step with the establishment of a common agricultural market. The length of the transitional period must be the same for all the applicants.

If transitional measures are needed in other fields, the period of transition may vary with the subject matter and the applicant concerned, "provided this is possible and desirable".

The President of the Council drew the applicant States' attention to the need for the various accession treaties to come into force on the same date.

On the relations of the enlarged Community with the developing countries, the President of the Council said that the accession of new members would entail new responsibilities towards developing countries, and that "these responsibilities would have to be met in appropriate ways.

With this in view, the enlarged Community must be ready to continue its policy of association with the Associated African States and Madagascar and with any other African countries of comparable structure and level of development who request association with a view to promoting their economic and social development". However, enlargement of the Community and "the possible extension of the policy of association should not lead to a weakening of relations with the present Associated States".

It was also pointed out that the Community is aware that the applications for membership raise problems peculiar to individual applicant States and problems which will have to be examined jointly. The Community will, however, ensure that when discussions are held on a bilateral basis, the other applicant States are provided with information on the progress made.

Procedure

337. In accordance with the communiqué issued at The Hague, the European Communities will employ in the membership negotiations a uniform procedure at all levels and for all questions. The Council settles the joint position of the Community on all the problems raised by the membership negotiations; the Commission is invited to make proposals on these problems.

On the Community side, negotiation meetings between the Communities and the applicants for membership are presided over at all levels by a representative of the country which supplies the Council's President-in-office. In negotiations with the States applying for membership, the Community's joint position will be stated and defended either by the President-in-office of the Council or, if the Council so decides, by the Commission, particularly in cases where a common policy has already been adopted. Further, the Council has decided to give the Commission the task of finding, with the help of the applicant States, possible solutions for specific problems raised during negotiations. The Commission reports back to the Council which then gives the Commission the necessary directives for further action leading to elaboration of the elements of an agreement to be submitted to the Council. This procedure is used particularly in cases where a common policy has already been adopted.

Shortly after his investiture as President of the Commission, Mr Malfatti addressed the European Parliament at the session of 15 September 1970 and stressed the "importance of the fact that this time the Community

is embarking on the negotiations with a united front and is speaking with a single voice..." The Commission, he said, felt that this unity was of the utmost political importance. He also emphasized the role being played by the Commission, even in the opening phases, in view of "the particularly important and delicate tasks entrusted to it". These included "the joint examination by the Commission and the UK delegation of a document—already submitted by the United Kingdom representatives—dealing with the consequences, financial and other, of the application of the common agricultural policy in an enlarged Community" and also examination, in collaboration with UK representatives and shortly also with representatives of other applicant States, of the technical adjustments that will have to be made to derived Community law as a result of enlargement.

The position of the applicant States

338. The representatives of the applicant States addressed the conference at Luxembourg on 30 June 1970, and stated their position with regard to the negotiations:

Mr Barber, Chancellor of the Duchy of Lancaster and Minister with special responsibility for European Affairs, speaking on behalf of his Government, renewed the previous Government's assurance that the Treaties establishing the three European Communities and the decisions which have flowed from them would be accepted—echoing the speech delivered by Mr Brown on 4 July 1967 to the Council of Western European Union meeting at The Hague. He then listed the reservations he wished to make to this general principle.

While the list of problems is the same as in 1967, it should be pointed out that, although a short transitional period is possible for Euratom and the ECSC, a longer period will be required for the United Kingdom to adjust to the EEC Treaty in connection with the following matters: the UK's contribution to expenditure from the Community budget under the financial regulations adopted by the Community; certain points in the agricultural policy, including the common fisheries policy, Commonwealth sugar exports, New Zealand's special problems and certain other Commonwealth questions.

The development of the Community has focused its attention on economic and monetary matters, and on technological cooperation within the framework of industrial and regional policy; the United Kingdom is willing to cooperate with the Community on these projects.

With regard to institutional problems, not only are these to be considered of primary importance, but the common elaboration of new policies cannot fail to promote the development of an institutional machinery capable of implementing these policies.

339. Mr Nyboe Andersen, the Danish Minister of Economic Affairs and European Integration, confirmed Denmark's willingness to accept the Treaties and subsequent decisions, the political objectives of the Treaties, and the options made for the further development of the Community in the monetary, economic, industrial and technical fields. Mr Andersen referred to the importance for his country of fishing, and recalled the close ties linking Denmark to the Nordic countries and the Member States of EFTA. He did not feel a transitional period was necessary, but Denmark was prepared to accept the principle in view of the difficulties the other applicant States may have to face.

The main problems for Denmark are as follows:

- (a) The Customs Union: Denmark agrees to adopt the Common External Tariff subject to provisions entitling it to benefit from tariff quotas for certain commodities.
- (b) The liberalization of capital movements as part of economic and monetary cooperation would raise certain problems for Denmark.
- (c) Finally, solutions would have to be found during the membership negotiations to the labour problems facing the Nordic labour market, and to the problems besetting the Faroes and Greenland.

340. Mr Hillery, Irish Minister for External Affairs, reiterated what had been said in 1961 and 1967, namely that his Government shared without qualification the ideal which inspired the parties to the Treaties of Rome and Paris, and accepted their political and economic aims and the decisions taken to implement them.

Ireland is prepared to participate in an economic and monetary union aimed at achieving a harmonious economic growth in an enlarged Community.

With regard to transitional measures which may prove to be necessary for his country, Mr Hillery emphasized that while the common agricultural policy does not present any major difficulty for Ireland, the specific regulations relating to animal and plant health, as also the Community's common fisheries policy, might create certain problems. In the industrial sector and in view of the small size of Irish industry, transitional measures

for certain sectors will be necessary. Mr Hillery reaffirmed that his country was anxious to conserve the advantages of the Anglo-Irish free trade area.

341. Mr Stray, the Norwegian Minister of Foreign Affairs, stressed the problems peculiar to Norway: Norwegian agriculture, on account of its geographical distribution, calls for special solutions. Other important problems would have to be examined during the negotiations in the light of Norway's position: fisheries, capital movements, right of establishment, the Svalbard coal mines. Norway also stressed the importance for its economy of preserving the close ties established with other EFTA countries and of maintaining the Nordic labour market. Mr Stray stated in conclusion that under his country's Constitution there would have to be a referendum on the results of the negotiations. These negotiations ought to be completed at the same time as those conducted with the other applicant States.

342. After these statements Mr Harmel proposed, and it was agreed, that the first ministerial working meeting with the United Kingdom would be held on 21 July 1970, and with the other three applicant States on 21-22 September 1970.

Organization of the negotiations conference

343. At the first meeting of the conference which the Community held with the United Kingdom on 21 July 1970, and with Ireland, Denmark and Norway on 21-22 September 1970, an agreement was reached on the actual organization of the negotiations between the Community and the applicant States.

For the United Kingdom, meetings will be held as follows: two ministerial meetings every quarter and one two-day meeting at deputy level every fortnight. For Ireland, Denmark and Norway, there will be one ministerial meeting every quarter and one one-day meeting at deputy level every month.

The negotiations will be essentially at the level of ministers and deputies; working parties should not be set up except where this is required in the interest of the negotiations.

Furthermore, it has been decided that the chairman, after each meeting at deputy level, will inform the other applicant States of the

progress made in the negotiations. In addition, the Commission has been invited to provide the applicant States with a full and regular supply of information.

At the first meeting of each of the ministerial sessions the Community delegation, having taken the wishes of the applicant States into consideration, instructed the Commission to study, together with the various delegations, any technical adaptations which might have to be made to Community regulations in the context of enlargement. The Commission has further been instructed to prepare, also with the cooperation of the delegations of the applicant States, the English, Danish and Norwegian texts of the Treaties and of existing Community legislation.

Negotiations with the United Kingdom

344. The first meeting of the actual negotiations with the United Kingdom immediately following the Luxembourg Conference was held at ministerial level at Brussels on 21 July 1970.

The applicant States having accepted the Treaties, the progress already made by the Community patrimony and the options taken in the field of development, the meeting was to list the problems that should be the subject of negotiation.

It was agreed that the Community would start negotiations on the necessary transitional measures once the Commission and the United Kingdom delegation had completed the preliminary work in connection with the common agricultural policy (liquid milk, eggs and pigmeat), imports of dairy products and sugar from the Commonwealth, and the examination of the information supplied by the United Kingdom on the financial consequences of membership.

345. By the second ministerial meeting, held at Luxembourg on 27 October 1970, the Conference considered that for these matters the fact-finding stage had been completed. It further decided to approach the questions which are central to the negotiations, in particular the transitional measures for the progressive integration into the Community of the economy of the United Kingdom—and of the other candidate countries.

The following month, a document on the transitional period was submitted by the Commission to the Council; it emphasized the need for an overall approach. The period might be of five years in the various

sectors and for the various applicant countries; it would enable these countries to be integrated gradually and harmoniously into the present Community.

The overall approach should, in the Commission's view, apply not only to trade in industrial products between the applicants and member countries and to the gradual alignment of applicants' tariffs on the common customs tariff, but also to the acceptance by the candidates of the Community's present agricultural regulations, the gradual alignment on Community prices and the introduction of Community preference. The overall approach should also involve adoption by the applicant States of the rules on Community financing, and apply to such special problems as the United Kingdom's imports of Commonwealth sugar and New Zealand dairy products.

With regard to Community financing, the Commission submitted to the Council two suggestions on how to deal with this problem: one way would be to have the new members begin by paying a share of Community expenditure comparable with those paid by the Six; this share would then be brought up, by a system of brackets like that used by the Six at the end of the transitional period, to the level required by the full application, without any correcting factor, of the Community's decisions.

The second way would be to have the new members gradually pay a larger share of Community expenditure as their integration progressed. In practice, the purpose of both these ways is the same, namely to avoid too abrupt a change at the end of the transitional period from a "sheltered" contribution to the full impact of the financial regulation which will then be applicable to the ten member countries of the enlarged Community.

346. During the third ministerial meeting held in Brussels on 8 December, the United Kingdom delegation changed its initial proposal (submitted during the second ministerial meeting on 27 October) of a transitional period of three years for industry and of six years for agriculture and instead proposed a transitional period of five years for industrial and agricultural trade, as well as for adaptation to the Community's rules regarding fiscal harmonization and capital movements. The Community noted this United Kingdom proposal with satisfaction but added that serious problems still remained regarding other points of equal importance. It stated that it would decide its position on all these questions together.

In addition to settling the question of transitional measures, the Conference reached a certain number of conclusions. At the meeting of

27 October it noted that agreement had been reached on the three agricultural questions raised by the United Kingdom delegation and already examined at deputy level. These were liquid milk, pigmeat and eggs. An agreement was also reached with regard to the annual review of agricultural prices and certain questions related to commercial policy. Finally, the Conference agreed that there were no objections, in principle, to the dependent territories of the United Kingdom being associated with the Community under the provisions of Part Four of the Treaty of Rome. The status of Gibraltar would be covered by the provisions of Article 227 (4) of the Treaty, subject to the special customs status of this territory.

At the Conference of 8 December, an agreement was reached on all the considerations set out by the Community with regard to the opportunities to be made available to certain Commonwealth countries in Africa (Gambia, Ghana, Kenya, Malawi, Nigeria, Sierra Leone, Tanzania, Uganda and Zambia).

Moreover, the Conference noted that United Kingdom accession would entail that country's admission to the European Investment Bank. The Conference accepted the principle that United Kingdom participation in the capital of the EIB should be equal to that of Germany and France, and that its participation in the institutions of the EIB should be equivalent to that of Germany, France and Italy.

Negotiations with Ireland, Denmark and Norway

347. The first ministerial meetings of the negotiations between the Community and Ireland, Denmark and Norway were held in Brussels on 21 and 22 September 1970. Besides settling the question of the organization of the negotiations, these meetings provided the three countries with the opportunity to state their positions with regard to a certain number of questions which they wished to discuss in the negotiations, particularly the common fisheries policy adopted by the Community.

The Danish delegation emphasized that Denmark did not require a transitional period but was prepared to accept the principle if it proved to be necessary for the other candidate countries. However, the delegation raised certain specific problems with regard, in particular, to freedom of establishment in agriculture, capital movements and admission of duty-free goods into Denmark. It further requested authority to grant tariff quotas for certain commodities, and finally raised the question of the status to be given to the Faroes and to Greenland in an enlarged Community.

The Norwegian delegation reaffirmed the statements it had made concerning its position at the meetings of 30 June in Luxembourg, stating that it would be willing to accept a five-year transitional period for the customs union. With regard to its special problems, the Norwegian delegation made known the situation in which Norwegian agriculture found itself on account of the geographical configuration of the country.

The Irish delegation stated its preference for a five-year transitional period in the agricultural and industrial sectors. It raised a certain number of problems, however, relating to Community legislation on health rules applicable to live animals, animal products and plants, to certain sensitive industries, in particular the motor vehicle assembly industry, to fiscal customs duties and to protection against dumping. The Irish delegation also stressed the importance for Ireland's economy of the Anglo-Irish free trade area.

Finally, in view of the agreement the Community and the United Kingdom reached at the second ministerial meeting on problems raised by the United Kingdom concerning liquid milk, pigmeat and eggs, the Irish delegation noted that this matter could be considered as settled.

348. During the second ministerial meeting held on 15 December 1970, the Irish, Danish and Norwegian delegations on the one hand, and the Community delegation on the other, reached an agreement, similar to the one concluded with the United Kingdom delegation, on certain commercial policy questions.

Moreover, at the 17th joint meeting of the European Parliament and the Council of Europe on 17 September 1970, Mr Jean-François Deniau, the Commission member responsible for coordinating the work connected with enlargement, dealt with the question of enlargement within the framework of the Community development policy. Speaking of the various ways of approaching the negotiations, Mr Deniau declared:

"I think the most ambitious approach is ultimately the most realistic one. This has not always been the case in history. But I think that in an undertaking as great as this one we are on the right road with our negotiations if we realize that the Community is not simply a commercial enterprise designed to promote trade, but that it goes further, and that it has set itself other and more general goals which, indeed, warrant and justify the basic commercial activity."

2. Relations with the EFTA member and associated States which are not candidates for membership

349. At the Hague Conference the Heads of State or Government of the Member States of the Community had indicated that the establishment of special links with those European countries which are not candidates for membership could help the enlarged Community to attain dimensions more in conformity with the present state of the world economy and of technology.¹

With this in view, the Heads of State or Government agreed that "as soon as negotiations with the applicant countries have been opened, discussions will be started with such other EFTA member countries as may request them on their position in relation to the EEC".²

350. At its session of 8 December 1969, the Council decided that a common basis for negotiation should be defined. The Commission, for its part, emphasized that the countries concerned should first formulate their requests more precisely. For this purpose, the Commission suggested that exploratory talks be held with the countries which were not candidates for membership before attempting to find possible solutions for the problem of their relations with an enlarged Community.

The Council, at a session of 8-9 June 1970, concurred with the proposed procedure. It also adopted the following guidelines which were set out by Mr W. Scheel, President of the Council, on behalf of the European Communities at ministerial sessions with Austria, Sweden and Switzerland on 10 November 1970 and with Portugal, Finland and Iceland on 24 November 1970:

"...The Community considers that the solutions of the problems raised will have to be such that they fully safeguard the autonomous power of decision of the enlarged Community, its common policies, its efficiency and the prospects of its development.

"Lastly, it is important that the international undertakings to which we are parties should be respected, in particular those we have undertaken in GATT.

¹ Point 4 of the final communiqué, annexed to the *Third General Report*.

² Point 14 of the final communiqué.

“I would add that neither you nor we want new barriers to arise in intra-European trade, and we are convinced that both you and we will do all that is in our power—within the framework I have just outlined and under conditions to be determined—to bring our discussions to a successful conclusion in the shortest possible time...”

The ministers of the six countries concerned took the opportunity provided by these meetings to set out the position of their countries with regard to an enlarged Community.

351. The exploratory talks between the Commission and the six non-candidate countries began on the following dates:

Switzerland:	16 December 1970
Sweden:	17 December 1970
Austria:	5 January 1971
Finland:	6 January 1971
Portugal:	7 January 1971
Iceland:	8 January 1971.

The purpose of these talks is to clarify the positions set out at the ministerial meetings in November so that both sides can collect the technical information that would be needed. It will then be up to the institutions of the Community and the Governments of the countries concerned to decide in the light of this information whether negotiations should be opened. The Commission will submit its recommendations to the Council when it forwards its report on the talks.

Moreover, as these negotiations would have as their purpose the conclusion of agreements between the enlarged Community and the countries concerned, it will be advisable to seek formule which would make it possible for the States which are candidates for membership to be associated with the work in good time.

Relations with Austria

352. The Austrian Government asked in 1961 for the opening of negotiations with a view to concluding a comprehensive agreement with the EEC. After exploratory talks in 1963, the negotiations began in 1965 and were interrupted in 1967.

Following a request from the Austrian Government, dated 5 November 1969, that the negotiations be resumed in order to conclude a

preferential agreement of a temporary nature while awaiting a possible overall solution with regard to those member countries of EFTA which are not candidates for membership, the Council at its session of 8-9 December 1969 invited the Commission to study this request and to report back at the earliest opportunity. On 24 February 1970 the Commission submitted to the Council its report on the Community's relations with Austria. At a session held on 20-21 July 1970, the Council invited the Commission to submit a draft decision on the opening of negotiations that should lead to a partial interim arrangement.

The Council emphasized that once the talks or the negotiations with the other member countries of EFTA and, in particular, with the other neutral countries had made it possible to define fairly clear guidelines, the interim arrangement with Austria would have to be expanded to include information on the purpose, plans and programmes of the agreement which would enable it to be based without difficulties on Article XXIV of the General Agreement on Tariffs and Trade.

As a result of a Commission recommendation, the Council at its session of 26-27 October 1970 adopted a decision inviting the Commission to open negotiations with Austria in order to find out whether, on the basis of the Council's directives, a partial interim commercial arrangement could be made with this country. On the same day, the representatives of the Member States of the ECSC, meeting in the Council, also adopted a decision inviting the Commission to open negotiations with Austria for the conclusion of a similar agreement concerning the products within the jurisdiction of the European Coal and Steel Community.

The negotiations between Austria and the Community opened in Brussels on 25-26 November 1970. This first session enabled the agreement of the two delegations on a series of questions to be recorded and their positions on other subjects to be clarified. With a view to going more deeply into certain points, the two delegations set up working parties in the industrial and agricultural sectors. The negotiations will be continued at the beginning of 1971.

PART TWO

EXTERNAL RELATIONS

The progress of the Community's external trade bears witness to the continued intensification of its relations with the rest of the world (Table 26). The various aspects of these relations are described in the following paragraphs.

1. Relations with the Mediterranean countries

353. The end of 1969 saw the entry into application of the agreements with Tunisia and Morocco. The year 1970 was marked by the conclusion of the agreements with Israel and Spain, by the signing of the additional protocol to the Ankara Agreement and of the agreement with Malta, by the negotiations with the UAR and Lebanon and by the preparation of those with Algeria. Nineteen-seventy will therefore have been a decisive year, for the Community will then have rounded off its relations with the Mediterranean, which hitherto concerned association with Greece and Turkey. These various agreements give concrete form to a *de facto* interdependence between the countries bordering on the Mediterranean and the Community and reflect a common will to tread the road of relations which are destined to develop on broader bases and with more diversified means.

THE ASSOCIATION OF GREECE WITH THE EEC

The Community and the evolution of the political situation in Greece

354. In its Third General Report, the Commission had pointed out that, in the absence of any signs of a return to normal democratic life in Greece in 1969, it could not change the attitude it had adopted vis-à-vis this country since the *coup d'état* of 21 April 1967.

The Commission has followed the development of the political situation in Greece in 1970 with the greatest attention.

The adoption of all the laws pursuant to the 1968 Constitution by the end of 1970 was announced by the Greek Government on 11 August 1970. At the time of going to press, these laws have not yet been adopted and martial law continues to be applied.

Consequently, the Joint Parliamentary Committee is still unable to function.

Under these circumstances, and bearing in mind the absence of any evolution in the direction of a return to normal democratic life in Greece in 1970, the Commission did not consider it could modify its attitude since the *coup d'état* of 21 April 1967. This consists in applying the provisions of the Athens Agreement and those adopted by the Association Council where they involve precise obligations, particularly with regard to the system of trade.¹

The application of the Athens Agreement in 1970

355. The Association Council met at ambassadorial level on 20 February and 2 December 1970. Among questions on the agenda were the extension for 1969 and 1970 of the reduction of the CCT duties on imports into the Community of turpentine oil and rosins from non-member countries, the examination of the situation arising from the entry into force of the common organization of the wine market, the repercussions of the common market in tobacco on the exports of Greek tobacco to the Community and the problem of countervailing charges on certain Community imports of fruit and vegetables from Greece.

¹ See replies to written questions Nos. 221 by Mr Glinne and 303 by Mr Cousté, *Journal officiel* Nos. C 139, 20 November 1970 and C 146, 11 December 1970.

TABLE 26

Development of EEC trade

Years	Extra-EEC ¹			Class 1 Industrialized countries			Class 2 Developing countries			Class 3 State-trading countries		
	Imports ²	Exports ³	Balance	Imports ²	Exports ³	Balance	Imports ²	Exports ³	Balance	Imports ²	Exports ³	Balance
	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)
1958	16 156	15 911	- 245	8 526	8 638	+ 112	6 824	6 125	- 699	789	980	+ 191
.....												
1966	30 756	29 419	- 1 337	17 320	19 127	+ 1 807	11 326	7 957	- 3 369	2 059	2 011	- 48
1967	30 895	31 629	+ 734	17 007	20 472	+ 3 465	11 593	8 299	- 3 294	2 241	2 526	+ 285
1968	33 567	35 292	+ 1 725	18 626	22 873	+ 4 247	12 506	9 309	- 3 197	2 354	2 763	+ 409
1969	39 242	39 236	- 006	22 236	25 605	+ 3 369	14 222	10 217	- 4 005	2 733	3 049	+ 316
1969 ⁴	28 514	28 383	- 131	16 007	18 450	+ 2 443	10 524	7 462	- 3 062	1 944	2 201	+ 257
1970 ⁴	33 350	32 784	- 566	19 215	21 610	+ 2 395	11 903	8 359	- 3 544	2 198	2 522	+ 324

¹ Including unclassified "Miscellaneous".

² Cif values at current prices.

³ Fob values at current prices.

⁴ Trade during the first nine months of the year.

Source: Statistical Office of the European Communities.

For its part, the Association Committee met to examine problems posed by the current administration of the Athens Agreement, in particular how the preferential system should be applied to processed goods manufactured partly from products originating in non-member countries, the alignment of certain Greek duties on the CCT, the grant by Greece of tariff quotas to the USSR, the application of anti-dumping provisions, and to consult Greece on the agreements between the EEC on the one hand and Spain and Israel on the other, and on the system of generalized preferences.

In this way, the organs of the Association were able to agree

- (i) on the reduction by the Community, until 31 December 1970, of CCT duties for turpentine oil to 3% and for rosins to 4.5%,
- (ii) on the rate of the countervailing levy (60% of the CCT duties) provided for in Article 8, to be applied to goods obtained in the Member States of the Community (Decision No. 1/70 of the Association Council) and on the acceleration of the alignment on the CCT of about ten duties of the Greek tariff concerning, in particular, certain papers, artificial wax, some polymerization products and colouring lacquers (Decision No. 2/70 of the Association Council).

356. As it had done for 1968/69 and 1969/70, the Community¹ fixed the standard amount applicable as from 1 November 1970 to raw olive oil from Greece for the 1970/71 marketing year at 0.5 u.a./100 kg of imported product. It also² extended until 30 June 1971 the trade system applicable to certain goods resulting from the processing of agricultural products coming under Regulation EEC 1059/69. As for imports of fruit and vegetables from Greece, countervailing duties were charged by the Community on the import of sweet oranges and peaches respectively in February and in July/August 1970.³ A countervailing duty has also been applied to the import of Greek wines since 5 November 1970.⁴

With regard to Article 56 of the Athens Agreement, an examination procedure relating to defence against dumping practices opened by the Community in respect of certain Greek products was closed on 8 October

¹ Council Regulation No. 2152/70; *Journal officiel* No. L 237, 28 October 1970.

² Council Regulation No. 1229/70; *ibid.* L 141, 29 June 1970.

³ *Journal officiel* Nos. L 34, L 160 and L 191, 12 February, 21 July and 27 August 1970.

⁴ *Ibid.* No. 241, 4 November 1970.

1970, as the Commission had received satisfactory guarantees from Greek exporters which enabled it to rule out the introduction of anti-dumping measures.

357. For its part, Greece, on 1 May 1970, made fresh reductions in its customs duties on imports of products from the Community (new instalment of 10%, making 60% in all, of basic duties for products subject to the 12-year demobilization period; new instalment of 5%, making 20% in all,¹ of the basic duties for products subject to the 22-year demobilization period). On 1 May 1970, Greece also made a second 30% alignment of its tariff on the CCT for goods subject to the normal 12-year period of tariff demobilization. For the others, subject to the 22-year period, an initial reduction of 20% in the gap between the Greek duty and the CCT was made on the same date. There was a fresh increase in 1970 of 10% in the quotas for non-liberalized products opened by Greece for the Community. The basic quotas for these products have consequently been increased by 60% in all, in conformity with Article 26 of the Athens Agreement.

358. In the absence of the Joint Parliamentary Committee of the Association, the European Parliament's Committee for the Association with Greece met on several occasions to examine current political events and their repercussion on the development of the Association.

The Commission of the European Communities has further submitted to the European Parliament the report on the trend of EEC-Greece economic relations which it had announced in its Third Annual Report. As requested by the Committee for the Association with Greece and the European Parliament itself, many quantified tables on the development of the above-mentioned relations are annexed to this report.

THE ASSOCIATION OF TURKEY WITH THE EEC

359. In 1970 an important event occurred in the development of the Association between the Community and Turkey: the negotiations, started at the end of 1968 with a view to the changeover to the transitional phase

¹ Except for the products mentioned on the list annexed to Protocol No. 13 to the Athens Agreement, which benefit from a rate of reduction of 30, 35 or 40 %, as the case may be.

of the Association, were successfully concluded. The additional protocol to the Association Agreement in which, in accordance with the provisions of the latter, the conditions, methods and pace of achievement of the transitional phase are laid down, was signed in Brussels on 23 November 1970, at the same time as a financial protocol under which the Community grants financial aid to Turkey for a further period. The two protocols will enter into force after the completion of the constitutional procedures to be gone through by each of the contracting parties.

360. In the industrial sector the Community will apply the intra-Community system to imports originating in Turkey as soon as the additional protocol comes into force; this implies the immediate elimination of customs duties and quantitative restrictions and of taxes and measures of equivalent effect. As a result of the particular problems facing the Community, a special system has been provided for in respect of some textile products (initial tariff reduction of 75% for imports within the framework of a quota and elimination of obstacles to trade in 12 years for those outside the quota) and of petroleum products (immediate exemption in the framework of a tariff quota).

On the other hand, Turkey eliminates its customs duties with regard to the Community only gradually during the transitional period, the duration of which the Association Agreement fixes, in principle, at 12 years. However, tariff demobilization will take place according to a time-table covering 22 years for a list of products requiring greater protection in the face of competition from Community imports. These products constituted about 45% of Turkish imports from the Community in 1967. It is also in the course of a 22-year period that Turkey cancels its quantitative restrictions on imports from the Community.

Turkey will adopt the Common Customs Tariff at the same pace as planned for the abolition of its customs duties—in 12 or 22 years according to products.

In the agricultural sector Turkey must adapt its agricultural policy over a 22-year period so as to be able to adopt, at the end of this period, those common agricultural policy measures whose application is indispensable for the establishment of the free movement of products between the Community and Turkey. Upon the expiry of this period, the Association Council will decide on the arrangements necessary to ensure the free movement of agricultural products.

Meanwhile, preferences are granted to Turkey's agricultural products which cover more than 90% of the country's agricultural exports to the Community. The advantages already granted during the preparatory period have been considerably enhanced, particularly for tobacco and raisins (tariff exemption without quantitative limitation). Furthermore, it was agreed that the Association Council would periodically examine the result of the preferential system and will be able to decide on any improvements required from the end of the first year after the entry into force of the additional protocol.

Free movement of workers will be gradually achieved between the end of the 12th and the 22nd year after the entry into force of the Association Agreement (1 November 1964) following procedures to be fixed by the Association Council. Other provisions are also made in favour of Turkish manpower. In particular it has been agreed that the Association Council will, before the end of the first year of application of the protocol, adopt provisions regarding social security for Turkish workers moving within the Community and their families residing there.

361. Finally, the additional protocol contains provisions on right of establishment, services, transport and alignment of economic policies (competition, taxation and approximation of legislation, commercial policy, economic policy). In general, these provisions will have to be implemented by the Association Council during the transitional phase.

The new financial protocol, also signed on 23 November 1970, provides that a sum of 195 million u.a. shall be placed at the disposal of the Turkish economy and may be committed within a period of 5½ years after the signing of this protocol. The favourable terms of the first financial protocol have been maintained and, in certain respects, even improved: maximum duration of 30 years; period of exemption from amortization which may run for 8 years; rate of interest not less than 2.5% per annum for schemes of ill-defined and long-term profitability and not less than 4.5% for those which pay off normally.

Furthermore, during the period of application of the financial protocol, the Association Council will examine the possibility of supplementing the aid of 195 million u.a. specified above by loans up to a total possible amount of 25 million u.a. granted by the European Investment Bank from its own resources and at market conditions. In addition, it is anticipated that the EIB will be able to begin forthwith examining new investment schemes, submitted by Turkey so that they may be

approved as soon as the new financial protocol comes into force and the commitments effected without delay.

Lastly, the Community has declared its readiness to examine one year before the expiry of the financial protocol the arrangements which might be made, as required, regarding financial assistance for a new period.

362. The changeover to the transitional phase of the Association, which will occur with the entry into force of the additional protocol, will be a decisive stage in the EEC-Turkey Association. Whereas until now the latter has been reflected solely in unilateral help from the Community in the form of trade preferences and financial aid, the implementation of the additional protocol to the Association Agreement will mark the true beginning of a progressive integration of the Community and Turkish economies.

The methods of achieving this integration have been fixed in a sufficiently flexible manner to achieve satisfactory balance between the mutual advantages and obligations of the two parties, bearing in mind the differences in their level of development. Achievement of the customs union assures Turkey from the outset of the advantages calculated to facilitate speedier development of its economy while allowing it to adapt itself progressively to the new conditions existing on its market owing to the increased competition from Community products.

Lastly, it may be noted that the additional protocol broadly corresponds to the desires expressed by the joint EEC-Turkey Parliamentary Committee in its recommendations of Munich, Antalya and Leyden and by the European Parliament in its resolutions of May, July and October 1970.¹

In accordance with the provisions of the Association Agreement, the commercial preferences from which Turkey already benefits are maintained pending the entry into force of the additional protocol. However, owing to the time necessary to complete the constitutional procedures required before such entry into force, the Turkish delegation has asked for earlier application of the trade provisions of the protocol. This request is now being examined by the Community authorities.

¹ *Journal officiel* No. C 65, 5 June 1970, No. C 101, 4 July 1970, No. C 129, 26 October 1970.

ASSOCIATION WITH TUNISIA AND MOROCCO

363. The Association Councils met for the first time at ministerial level on 10 June 1970 in Luxembourg. The parties were happy at the way these agreements, which entered into force on 1 September 1969, have been applied and examined certain specific problems which appeared during this running-in period.

Certain difficulties concerning the conditions of importing crude olive oils into the Community will be solved for the next marketing year by adopting a system of export taxes similar to the one already elaborated with Spain. In addition, the conditions for the import of citrus fruits were the subject of various consultations in the institutions of the Associations.

When these Association Councils met the Tunisian and Moroccan Governments expressed their interest in the Community's policy with regard to applications for membership or for special arrangements from various European States, and in the system of generalized preferences for developing countries. They expressed the wish to be kept informed of the development of this policy so as to be in a position to study its effects on the balance of the Association Agreements.

Following the entry into force of the common organizations of the market in wine and fisheries products, the Commission submitted proposals to the Council with a view to introducing, through negotiations, Community systems for the import of products originating in Tunisia and Morocco.

RELATIONS WITH ALGERIA

364. On 16 March 1970 Mr Yaker, Algerian Minister of Commerce, paid an official visit to the Commission to inform it of his Government's views on relations between Algeria and the Community. He recalled that Algeria had long wished to conclude with the Community a comprehensive agreement comprising three parts: trade, which should be normalized on the basis of mutual advantages, economic and financial cooperation and manpower.

On 14 April 1970 the Commission submitted a memorandum to the Council on EEC relations with Algeria, concluding that the system of trade with this country should be defined as soon as possible on a Community basis and by means of negotiation. In view of the urgency of the matter,

the Commission recommended the extension to Algeria of the system already applied to Tunisia and Morocco, subject to any adjustments which might appear indispensable and the adoption of appropriate measures in the wines sector.

As a transitional arrangement, and pending the entry into force of a negotiated solution, the Commission adopted or proposed certain measures in the wines sector to reconcile the interests of Algeria with the effective working of the market organization.

THE ASSOCIATION WITH MALTA

365. The negotiations between the Community and Malta for the conclusion of an association agreement took place in April, June and July 1970 and were completed on 24 July. The agreement was signed on 5 December 1970 in Valetta and will enter into force on 1 April 1971. It provides for the establishment of a customs union in two stages, in principle, of five years each, and lays down the terms of the first. Negotiations on the second stage will take place 18 months before the expiry of the first.

During this first stage of the agreement, Malta will gradually reduce its duties on all imports from the Community, by up to 35% or to the most-favoured-nation level. However, to allow for the fiscal nature of certain Maltese customs duties and for reasons of protection, some products are excluded from the concessions. The Community, in its turn, will reduce its customs duties by 70% for all its imports of industrial products from Malta as soon as the agreement becomes effective.

THE AGREEMENT WITH SPAIN

366. The second stage of negotiations between the Community and Spain with a view to concluding a preferential agreement was completed on 12 March 1970. The agreement was signed on 29 June 1970 in Luxembourg and it came into force on 1 October 1970. Its aim is the gradual elimination in two stages—with due respect for the provisions of GATT—of the obstacles to the main body of mutual trade. Only the provisions governing the first stage, lasting at least six years, were negotiated. The opening of negotiations on what is to happen in the second stage and on the transition from one stage to the next will be subject to the agreement of the two parties.

On the Community side the offer comprises gradual tariff reductions of 60% by 1 January 1973 for industrial products, but subject to a list of products for which the concession is only 40% in six years and to a limited list of exceptions. The Community, however, provides for the possibility of increasing the tariff preference of the general system to 70% on 1 January 1974. For agricultural products the concessions concern, in particular, citrus fruits (tariff reduction of 40%) and crude olive oil in the context of the approach chosen for these products for the Mediterranean countries with which the Community has concluded preferential or association agreements, and tariff reductions of 50%, in principle, for certain preserves, fruit and vegetables and wines.

As for Spain, the concessions for industrial products concern the liberalization up to at least 95% of imports originating in the Community at the end of the sixth year and gradual tariff reductions for products specified in various lists (60/70%, 25/30%, 25% and a list of exceptions). This pace of tariff disarmament will also apply to liberalized agricultural products. Special solutions have been adopted for the remainder.

THE AGREEMENT WITH ISRAEL

367. A preferential agreement between the European Economic Community and Israel was signed on 29 June 1970 in Luxembourg. This agreement, whose aim is to promote increased trade between the two parties and thus to contribute towards the development of international commerce, is the outcome of a fairly long procedure and various extensive negotiations. The dialogue between the Community and Israel concerning a preferential agreement in fact began as early as 1961. An initial solution to this problem found concrete form in a non-preferential commercial agreement which, after its expiry on 30 June 1967, was several times extended by the Community on an autonomous basis until the entry into force of the preferential agreement.

Having become effective on 1 October 1970, this agreement already ensures a preferential system for a considerable proportion of Israel's exports to the Community. A final 50% reduction in customs duties is planned for industrial goods excluding a certain number of sensitive products representing about 10% of Israel's industrial exports. Bearing in mind the commercial, technical and technological capacities of Israel,

this system, which is accompanied by the liberalization of imports, should stimulate investments and further the country's industrial development.

Preferences ranging from 30% to 40% are provided for in favour of about 80% of the Community's imports of agricultural products from Israel and cover the most important products (oranges, grapefruit and preserves thereof, mangoes, avocado pears, sweet red peppers, etc.). For citrus fruit the preferential system is conditional upon the observance of price discipline in the framework of a similar system applying to all the Mediterranean countries which are large producers of citrus fruit and aimed at drawing maximum value from exports without compromising the balance of the markets.

A joint committee will watch over the proper execution of the agreement.

368. The agreement, concluded for a duration of five years, provides for the possibility of negotiating, eighteen months before its expiry, a new, wider-based agreement under which the gradual elimination of the obstacles to the major portion of trade will be pursued.

It therefore constitutes only a first stage on the road towards closer cooperation in a context of "balanced relations" with the countries of the Near East as the Community's contribution to peace and prosperity in this part of the Mediterranean Basin.

For its part, Israel grants tariff concessions ranging from 10% to 30% according to the list of products for approximately 60% of the Community's exports, both industrial and agricultural. In addition, a tariff reduction of 15% would be established in favour of the Community in the event of the introduction of a positive duty for most of the products now subject to zero duty. For the products benefiting from concessions and for those already liberalized, such liberalization is bound with regard to the Community.

RELATIONS WITH THE UAR

369. At its session of 20/21 July 1970 the Council decided to open negotiations with the United Arab Republic in the setting of the Community's balanced relations with the Near East countries, referred to by

the Council at its session of 17 October 1969. Their aim is a preferential agreement for a period of five years with the possibility of concluding a new agreement on wider bases before the first expires.

Negotiations between a Community delegation and a UAR delegation were held on 21, 22 and 23 September and 28, 29 and 30 October and it should be possible to complete them early in 1971.

RELATIONS WITH LEBANON

370. At its session of 20/21 July 1970 the Council decided to open negotiations with Lebanon in response to that country's request for the establishment of preferential ties with the EEC. The negotiations reflect the Community's will to maintain balanced relations with the countries bordering on this part of the Mediterranean Basin.

The aim is a preferential agreement of the same nature as those already concluded or in the course of negotiation with other countries of the region. This agreement will not replace the 1965 agreement on trade and technical cooperation which will continue to be extant for the fields not covered by the preferential agreement.

Negotiations between a Community delegation and a Lebanon delegation were held from 30 September to 2 October and on 13, 14 and 15 October and should be completed early in 1971.

RELATIONS WITH CYPRUS

371. In August 1970 the Government of Cyprus sent a letter to the Community confirming its 1962 request for the opening of negotiations on an association agreement. Pending the conclusion of an agreement of this kind, the Cypriot Government asks for the application of *ad hoc* measures to provide a solution to the problems which arise for the country's exports of citrus fruit and wine.

The Community replied the following month that it had taken note of the Cypriot requests and that the Commission will examine the questions raised at the earliest opportunity.

RELATIONS WITH PORTUGAL

372. On 28 May 1970 the Government of Portugal addressed a memorandum to the Community expressing its desire to begin negotiations with the aim of establishing the links which would most satisfactorily serve the interests of the two parties.

A meeting at ministerial level between the Community and Portugal was held in Brussels on 24 November 1970, when the Portuguese Government expounded its point of view on future relations between its country and the Community.

2. Relations with African countries and Madagascar

THE ASSOCIATED AFRICAN STATES AND MADAGASCAR, AND THE ASSOCIATED OVERSEAS COUNTRIES AND TERRITORIES

373. The year 1970 was one of transition between the expiry on 31 May 1969 of the First Yaoundé Convention and the entry into force of the new Convention on 1 January 1971. It witnessed the application of the transitional measures decided upon and extended by the Association Council until 31 December 1970.¹

Operation of the Institutions

The Association Council

374. The Association Council met on 30 September 1970 in Brussels. Discussions were mainly concerned with the tariff adjustments envisaged by the Community for certain tropical products and which are to take effect at the same time as the new Yaoundé Convention. The Community confirmed all its positions with the exception of the following: it informed the AASM that it was abandoning the reduction of the duty on tung oil and that the 3% duty would be maintained. For cinnamon, neither ground nor milled, the reduction would be to 8% and for ground or milled cinnamon to 10%. These arrangements mark the end of the consultation on this matter which began at the Association Committee meeting on 13 February 1970.

As for the consultation on the application of the system of generalized preferences—the second point discussed—the AASM welcomed the idea of a general provision which will enable the developed countries, including the EEC, to take action in the trade field to correct any unfavourable situation with which the developing countries benefiting from preferential systems in certain advanced countries might be faced as a consequence of the institution of these preferences.² Furthermore, the AASM succeeded in having their exports to the Community of veneered wood and plywood excluded from the calculation of the supplementary amount for this product.

¹ See also *Third General Report*, secs. 395 *et seq.*

² See also the Special Committee on Preferences, secs. 411 *et seq.* below.

This amount will therefore be limited to 5 % of the imports from countries not benefiting from the generalized preferences system, excluding the AASM. On the other hand, the Community did not accede to the request of the AASM that tapioca of manioc starch be withdrawn from the list of articles on which duty would be charged lodged with UNCTAD.

375. It was decided to ask the secretariat to collaborate with the Commission in drawing up a summary of certain resolutions of the Association Council. Joint expert groups were instructed to examine the various documents relating to the definition of the concept of "products originating in", the draft of the general specifications for public contracts financed by the EDF, and the draft decision on the tax and customs system for contracts in the AASM financed by the Community. In response to a request by the AASM, it was decided that, as part of the studies on industrialization, the Commission would accept responsibility for an inquiry into a possible Community system to guarantee private investment.

The AASM were put in the picture regarding the membership applications of the United Kingdom, Denmark, Ireland and Norway. The next session of the Association Council will be held at the latest three months after the Convention has come into force.

The Association Committee

376. The Association Committee held four meetings, its twenty-seventh (13 February), twenty-eighth (15 May), twenty-ninth (17 July) and thirtieth (23 September). The two main problems dealt with by the Association Council on 30 September (changes in the tariffs and generalized preferences) were debated by the Committee.

Amongst the other important points raised during the debates in the Committee, reference should be made to the consultation with the AASM at the twenty-seventh meeting on various agricultural or processed products from the AASM for which the Community is considering special preferential arrangements. The AASM were consulted on the following: beef and veal, oilseeds, processed fruit and vegetables, tapioca and chocolate, derogatory measures for the overseas *Départements* (trade in live animals between Madagascar and Réunion), processed cereal products. The AASM welcomed these various special arrangements, apart from the one concerning processed cereal products incorporating manioc and manioc starch, which in their opinion was not a sufficient improvement on the previous system.

It should also be mentioned that, at its twenty-eighth meeting, the Association Committee agreed, in accordance with the decision of the Association Council of 26 March 1969, to extend the transitional measures, due to expire on 30 June 1970, until the new Yaoundé Convention came into force, and at the latest until 31 December 1970. The chief effect of these measures is to continue application of the main provisions of the 1963 Yaoundé Convention. With particular reference to financial and technical cooperation, the Community confirmed its memorandum of 29 May 1969 on the transitional measures.

Parliamentary Conference of the Association

377. The annual session of the Parliamentary Conference of the EEC/AASM Association was held from 12 to 14 January 1970 in Hamburg. It was preceded by a preparatory meeting of the Joint Committee of the Conference and followed by a constituent session of the new Joint Committee.

The session dealt mainly with two reports: Mr Laudrin's on the fifth report on the activities of the Association Council and Mr Dewulf's on the industrialization of the Associated States and the means of speeding it up.

The debate on the Laudrin report gave the African and the European parliamentarians the opportunity to make a detailed and critical analysis of the year's activities and of the contents of the new EEC/AASM Association Convention concluded in 1969. The resolution adopted at the close of the debate reflects the clear satisfaction felt that the Association had emerged stronger from negotiations in which certain divergent tendencies had emerged—especially with regard to the EEC's trade arrangements with its African associates on the one hand and with the developing countries as a whole on the other. Although these problems had been cleared up, the Parliamentary Conference nevertheless regretted the reduction of preferences to the detriment of the AASM and hoped that the new trade promotion activities would offset the effect of this reduction. The resolution also drew attention to the serious problem of the deterioration in the prices of certain export products and asked that, pending the conclusion of world agreements, the AASM should be helped to solve these problems, using the instruments provided by the new Convention. On the subject of financial cooperation, the Parliamentary Conference was happy in particular with the adjustments made to guide financial aid more towards

the directly productive sectors. Lastly, the resolution expressed the hope that when the Association Convention was next renewed an agreement without any time-limit would be envisaged and that only its implementing machinery would be reviewed periodically.

On the other hand, the parliamentary work on the problem of industrialization did not lead to the adoption of a report in Hamburg. A resolution, reflecting the main features of the present stage of discussion, presented by the rapporteur, Mr Dewulf, was nevertheless approved. Stress was laid on the need to define an industrialization policy for the AASM, to undertake studies on the creation of export industries without delay, to organize regional cooperation between African countries, to improve coordination of all external aids which contribute towards industrial development and to resume the study of a multilateral system of guarantees for private investment. The question of industrialization will remain on the agenda of the Parliamentary Conference.

378. Since the meeting of the Parliamentary Conference, the Joint Committee of the Conference has held two sessions. (i) In Florence, from 20 to 23 May 1970, the discussions dealt with current problems of the EEC/AASM Association. Mr Dewulf's report on the industrialization of the Associated African States and Madagascar was considered and adopted. (ii) At Libreville, Gabon, from 28 to 31 October 1970, the debates centred on Mr Guillabert's report on the Sixth Annual Report of the Association Council. Examination of this report provoked lively discussions, mainly on the introduction of the generalized preferences system. Several speakers pointed out that the introduction of such a system, the tariff adjustments which aroused so much interest at the Council's meeting of 30 September, and the negotiations on the enlargement of the Community, were creating a new situation which could not fail to have consequences for the Association's future development.

Mr Hein's working documents on coordination of the action of the 24 member states of the Association within the international organizations for economic cooperation and development were presented to the Joint Committee but discussion of them was postponed in the absence of the author and because of the short time available. They will be discussed at the next meeting.

The next meeting of the Joint Committee will be on 9 January 1971 at Yaoundé, Cameroon, just before the meeting of the EEC/AASM Parliamentary Conference, also at Yaoundé, from 11 to 13 January 1971.

*Right of establishment and freedom to supply services:
position in 1970*

379. There was no change in the situation regarding right of establishment and freedom to supply services from that described in earlier General Reports.

Trade

Dismantling of duties and quotas

380. Two Associated States, Togo and Congo (Kinshasa), have continued to invoke Article 61 of the Yaoundé Convention allowing them to defer the tariff cuts provided for in Article 3 of the Convention.

Amongst the associated overseas countries and territories, the Netherlands Antilles introduced a new customs tariff.

Quantitative restrictions have been lifted by all the Associated States and overseas countries and territories on imports of products originating in the Community. In some, however, as permitted by Article 6(3) of the Convention, the authorities have retained or imposed a number of restrictions considered to be justified from the point of view of the country's development or its balance of payments.

Aids for marketing and sales promotion

381. The Member States of the EEC and the Associated African States and Madagascar have agreed to include in the Convention new provisions to promote the development of exports from the Associated States. These provisions, which figure in Article 19(1) subparagraph 3 of the Convention and in Protocol No. 6, Article 4, on the management of Community aid, allow the Associated States to call for technical and financial aid from the Community for implementing projects of various kinds involving the marketing and sales promotion of exported products.

With a view to clarifying the interpretation of the provisions of the Convention and facilitating the work of the governments which will have

to use them, an information document was sent to the Heads of State or Government of all the AASM in July 1970.

The document in question contains three parts:

- (a) The reasons for aid for marketing and sales promotion;
- (b) The action which could be undertaken to encourage the marketing and sales promotion of products from Associated States;
- (c) The submission and examination of applications for aid to marketing and sales promotion.

382. The study undertaken at the request of the AASM to find means of increasing their sales in the Community is almost completed. The conclusions will be known and circulated by the AASM early in 1971. It has also been decided to undertake a marketing study with a view to increasing sales in the Community of certain manioc-based products imported from Togo and Madagascar.

The Commission has also had various other studies put in hand on projects for aid for marketing and sales promotion.

The programme under which the Associated States are represented at trade fairs and exhibitions in the Member States of the Community continued throughout 1970. Since its introduction in 1968, this programme has enabled the AASM to participate in 22 international events. A proposal for financing a new programme for 1971, 1972 and 1973 has just been approved. In contrast to the earlier project, this new programme provides for the possibility of the AASM taking part in major trade fairs in non-member countries bordering on the Community and also in Africa. It also provides for annual training sessions for the heads of the AASM stands.

*Agricultural products that compete with similar European products:
protection of the interests of the AASM*

383. After consulting the AASM, the Council of the European Communities adopted, at its session of 17 March 1970, regulations proposed by the Commission to improve the import systems for products from the AASM and the OCT similar to and competing with European agricultural products.

These new systems, applicable until 31 December 1970, will continue to be valid in principle throughout the period of the new Association Convention provided the latter comes into force not later than 1 January

1971. The products involved are beef and veal,¹ oleaginous products,² processed fruit and vegetable products,³ goods processed from agricultural products,⁴ cattle, beef and veal and rice imported into the French overseas *départements*,⁵ processed cereal and rice products,⁶ rice and broken rice.⁷ The Commission also proposed to the Council draft regulations on tobacco and maize.

In order to take into account the economic interests of the AASM and the OCT, with regard to their exports of fisheries products, and in accordance with provisions of the EEC/AASM Association Convention and the EEC/OCT Association, the Community has decided to fix an import system for such products originating in these States, countries and territories, more favourable than the general system normally applied to the same products from non-member countries.

Production aids

384. Following the delay in the signing and ratification of the new Convention, it was agreed at the end of May 1970 to extend the transitional measures for a period up to 1 December 1970 at the latest. These measures have made it possible to subsidize additional crop years, by using the balances left over after the implementation of the production aids programme.

An aggregate amount of 2 132 000 u.a. has been approved since 1 January under the head of production aids, more particularly structural improvements. Cameroon, Mali, Senegal and Togo were the beneficiaries of this structural aid to continue and complete the projects included in the five-year programmes: purchase of fertilizer and insecticides, supervision and operation of the installations financed from production aids.

The structural improvement projects were implemented in accordance with the programmes. Productivity in the 1969/70 farm year seems to be satisfactory, although weather conditions were not particularly favourable.

¹ Council Regulation (EEC) 517/70, *Journal officiel* No. L 65, 21 March 1970.

² Council Regulation (EEC) 518/70, *ibid.*

³ Council Regulation (EEC) 519/70, *ibid.*

⁴ Council Regulation (EEC) 520/70, *ibid.*

⁵ Council Regulation (EEC) 521/70, *ibid.*

⁶ Council Regulation (EEC) 522/70, *ibid.*

⁷ Council Regulation (EEC) 540/70, *ibid.* No. L 68, 25 March 1970.

However, a serious drought struck Senegal and consequently groundnut harvests will be greatly reduced both in absolute figures and in yield per unit of production.

385. The "special" aid for oleaginous products from the AASM and the OCT¹ imported into the Member States between 1 July 1967 and 31 May 1969 was the subject of a decision of 25 July 1967 by the representatives of the Member States meeting in the Council. Since this aid was financed by *ad hoc* contributions from the Member States on which a ceiling was imposed the decision required parliamentary approval in most of these States. The time needed for these procedures in the various Parliaments meant that the Council was unable to adopt the implementing regulations for the above decision before 27 July 1970 (regulation fixing the criteria for determining the world market price and financial regulation). The application of these two Council regulations has set in motion the rather long and complex procedure, which has almost been completed, and which will enable the benefiting AASM and OCT to be paid the amounts due to them as a part of this aid at the beginning of 1971.

Financial and technical cooperation in 1970

386. The transitional measures adopted by the Association Council have enabled work to begin on the preparation and examination of schemes to be financed from the third EDF. The provisions relating to the balances in hand from the credits available under the second EDF have provided for the financing of studies on projects to be financed from the third EDF. Furthermore, on the basis of the transitional provisions, the pre-financing by the AASM of schemes for the structural improvement of agricultural production may be shouldered by the third EDF. The arrangements for the examination and approval of projects provided for the uninterrupted examination of projects submitted by the AASM, in accordance with the new procedures for administering aid fixed in the second Convention and the internal financial agreement. These projects may then be submitted to the EDF Committee for its initial opinion. In this way, as soon as the new Convention comes into force, the Commission will be able to take a decision on the financing of these projects and will accordingly be able to launch the third EDF without delay so as to make up as much as possible of the time lost in ratifying the Convention.

¹ *Second General Report*, sec. 507 and *First General Report*, sec. 457.

Preparation for implementing the third EDF

387. The measures taken in 1970 in preparation for the third EDF may be summarized as follows:

- (a) After an in-depth analysis by its services of the main socio-economic trends in each Associated State, of the main imbalances in their economies and of their development plans, the Commission during the year sent to each of them a fact-finding mission which discussed with national authorities their various development prospects and the projects they intended to submit under the third EDF, their relative priorities and their place in the setting of a coherent programme.

Following these fact-finding missions, it was possible to work out a provisional programme for the third EDF in agreement with each Government involved; this programme is then subject to a detailed examination as the actual dossiers of the projects themselves are submitted.

- (b) The examination of projects has been actively pursued. The Associated States have already officially introduced, under the third EDF, more than 30 totalling over 40 million u.a. This number represents only a small part of the projects discussed during the fact-finding missions and which might be submitted for EDF financing. If the schemes introduced under the second EDF, and which have had to be carried over into the third for lack of finance, are added to the above figure, the total already exceeds 150 million u.a.
- (c) On the basis of the experience gained in the management of the second EDF, it was decided to provide technical assistance missions to help the Governments of Somalia, Rwanda, Niger, Mali and the Netherlands Antilles in preparing the dossiers of projects. In other countries experts have been given the task of drawing up the projects in specific fields.
- (d) In 1970 a series of studies was financed from the balances in hand from the second EDF to help the Associated States prepare their new projects. They mainly concerned rural production (83%), but also the development of tourism, trade promotion, transport, electrification and town planning. Three new studies dealt with industrialization and trade promotion possibilities in the AASM.
- (e) In 1970 the Commission received favourable opinions from the EDF Committee on 16 projects, the preliminary examination of which had

already been completed. These will be financed from the third EDF for an amount exceeding 25 million u.a. In this way the Commission will be able formally to enter upon a number of financial commitments as soon as the new Convention comes into force at the beginning of 1971.

- (f) The exceptional procedure provided for under the transitional measures has been applied in favour of Chad to ensure that its programme for improving cotton production is not interrupted. The Commission has agreed to the pre-financing by Chad, from its own resources, of an instalment of this programme; the cost will later be taken over by the third EDF.

The Commission also agreed to finance from its own budget a part of the 1970/71 scholarship programme, the cost of which will be repaid to it by the Fund once the second Yaoundé Convention has come into force.

Coordination of aid

Cooperation between the European Development Fund and the European Investment Bank

388. In 1970, in view of the entry into force of the second Yaoundé Convention, and also of the new provisions therein laid down for programming schemes for Community aid, a new form of cooperation was introduced between the European Development Fund (EDF) and the European Investment Bank (EIB).

In order to determine the most appropriate method(s) of financing projects submitted under the third EDF, it was decided to hold periodical meetings between the EDF and the EIB to exchange available information on financing applications received by the Commission or the Bank, and on the contacts established prior to these applications, once the basic facts concerning these projects are known.

The first such meeting took place in Brussels in February 1970. Seven others followed in the course of 1970.

Coordination of Community aid and bilateral aid

389. The Commission's staff and Member States' bilateral aid agencies continued their regular exchange of information in 1970. Important

coordination meetings were held to discuss French, German, Belgian and Italian aid.

Coordination of Community aid and multilateral aid

390. In addition to the exchanges of information which continued and even became more frequent in 1970, coordination meetings were held in Brussels with UNICEF, the United Nations Special Fund and the World Bank.

Commitment of balances from the second EDF

391. The outstanding features of the year 1970 were, on the one hand, a considerable decrease in new commitments due to the exhaustion of the balances of the second EDF and, on the other, their very different distribution, compared with earlier years, as regards both the sectors of operation and the form of the aids. This is explained by the fact that during this exceptional transitional year it was not possible to use any resources other than those of the second EDF, whereas, in order to keep to the obligations imposed on it by the first Yaoundé Convention, the Commission had endeavoured to commit practically the full amount of the Fund by the end of 1969. It was therefore necessary to call in credits not used or to transfer global amounts not yet allocated in order to ensure the continuity of certain operations under the second EDF, while awaiting and preparing those of the third EDF.

- (a) The new commitments undertaken by the Commission in 1970 on the balance of second EDF credits amount to 8 million u.a. for the AASM and 6 million for the OCT, giving a total of 14 million u.a. The first figure also includes overall operations which have not been broken down geographically.

Total commitments are therefore much lower than in previous years—the 1969 figure was 116 million and that for 1968, 133 million u.a.

- (b) The breakdown of EDF aid in 1970 by field of activity is very different, for the reasons given above, from that of EDF commitments during a normal period. A detailed examination by sectors would therefore serve no useful purpose. It should none the less be pointed out that the new EDF operations included transport infrastructure projects, and schemes for the structural improvement and diversification of industrial crops.

- (c) As regards methods of financing, grants represented almost the total amount (96%) of commitments in 1970. There was only one loan on special terms (of 1.08 million u.a.) granted for a 20-year period at 2% interest, with three years' grace.
- (d) In terms of the categories of aid provided for in the Yaoundé Convention, the bulk of credits in 1970 did not, as in the past, go to economic and social investments, but to technical cooperation, both general and investment-linked, which together were exceptionally large and accounted respectively for 44% and 21% of total credits. This is explained, in the case of investment-linked technical cooperation and certain general studies, by the need to prepare for rapid implementation of the third EDF and, in the case of training schemes, by the need to provide continuity despite the drying up of the second EDF. The balance in hand from "production aids" still sufficed to cover around 16% of new commitments. However, as was expected, this aid went only to structural improvement projects and did not include any price support.

Implementation of the first and second EDF

392. Implementation of the operations approved earlier under the first and second EDF was considerably speeded up in 1970. This acceleration concerns not only calls for tender but also payments made and it has led to a narrowing of the gap between total amounts committed and those spent.

The launching of 63 calls for tender in 1970 meant that a larger number of contracts (by public tender and by single tender), amounting to a total of 740 million u.a., were concluded.

Payments made in 1970 amount to around 145 million u.a. and show a great increase (32%) on the two preceding years.

Examination of completed projects

393. Apart from the new projects examined and approved, the Commission has continued its systematic study of the condition, utilization and effects of completed projects financed from the first and second EDF. The information gathered and summarized by the Commission's staff is intended as a guide in improving the examination of the new projects to be financed

from the third EDF and also to inform the Community States of the results of their aid (a report to this end was submitted to the Council of Ministers in October 1970). The Associated States were informed of the results of these examinations. In some cases requests or suggestions were sent to them concerning the use or maintenance of certain projects. A study was financed in 1970 to consider the utilization of a sample of investments involving the various teaching levels in six Associated States (Gabon, Ivory Coast, Senegal, Togo, Dahomey and Upper Volta). In addition, several countries (Congo-Brazzaville, Niger, Senegal and Chad) were visited by Commission officials and in all the Associated States checks by the inspectors sent out by EDF have yielded information on the utilization of projects recently completed and made it possible, where necessary, to envisage appropriate measures in conjunction with the local authorities to improve such utilization. The Commission also plans with the authorities of the countries concerned the necessary measures to enhance, as far as possible, the efficacy of the projects completed.

Training

394. For the 1970/71 academic year, 2 110 scholarships were awarded, as against 2 106 in 1969/70. The breakdown by main fields of training is as follows: technical 41%, economics 27%, agricultural science 32% (including 8% for women's careers). Half the scholarship holders were trained in the Member States and half in the AASM themselves, thus confirming a marked tendency for students to be trained in Africa, in the AASM.

At 31 October 1970, 145 scholarships for specialized training and further occupational training had been awarded under the in-service scheme. Assignment of trainees by country was as follows: 76 in Member States, 19 in the AASM and 50 in Israel.

These periods of in-service training are mainly in the fields of agriculture, industry and commerce. Some of them are also connected with the implementation of EDF projects.

To these 145 scholarships should be added a further 500 for training in management and company administration. These are for middle-grade supervisory staff and for craftsmen and heads of small and medium-sized businesses. The training and seminars take place in the centres where the participants exercise their profession. The beneficiary States are Cameroon

(100), Congo (Brazzaville) (170), Congo (Kinshasa) (150), Gabon (30) and Madagascar (50).

At 23 November 1970, 1 935 scholarships for training by correspondence had been awarded, including 1 850 for AASM and 85 for OCT nationals. The breakdown by main fields of training is: economics 48%, agriculture 25%, technical 27%.

Some of the operations under the specific training scheme begun in earlier years were completed: 475 supervisory staff have been trained in the AASM, including 330 in the transport sector (river, road and rail), 35 in the field of road network infrastructure and 110 in agriculture.

Other programmes have been continued, extended and supplemented. They involved the training of 1 290 AASM nationals who were assigned to the following fields of EDF operations:

- (i) technical infrastructure (transport): 600;
- (ii) social infrastructure (teachers): 30;
- (iii) industry, crafts and commerce: 200;
- (iv) agriculture: 460.

In order to implement these operations, 56 EEC technical experts are at present seconded to provide on-site assistance.

Total commitments for projects in hand in 1970 amount to 3.2 million u.a.

The further training periods for civil servants of the AASM and OCT continued. The one which began on 15 September 1969 ended on 15 February 1970, and two new ones were organized in 1970, from 15 February to 15 July and from 15 September to 15 February 1971. In these two latter periods the Commission was host to a total of 17 civil servants from the AASM and the OCT.

Seventeen short training periods or "colloques" were held in member countries in 1970, attended by about 650 persons, mainly Africans, including 40 speaking English. Six more were held in the associated countries themselves, including four in Kinshasa, one in Niamey (Niger) and one in Lomé (Togo), and at these the total attendance was about 1 800.

The "Courrier de l'association", the former 8-page publication has been changed into a quarterly review of which four 36-page numbers were published in 1970.

ASSOCIATION AGREEMENTS WITH COUNTRIES COMPARABLE
WITH THE AASM*Kenya, Uganda, Tanzania*

395. The second Association Agreement between the EEC and the three East African countries, signed at Arusha on 24 September 1969, whose contents were outlined in the preceding General Report,¹ came into force on 1 January 1971, the instruments of ratification having been exchanged at the end of December 1970.

In the meantime, negotiations on the conclusion of a trade agreement were held in Brussels on 8 and 9 July 1970 at the request of the three East African countries. The aim was to provide for the implementation, as quickly as possible and by anticipation, of certain provisions of the Association Agreement of 24 September 1969—particularly those relating to trade—pending entry into force of the Association Agreement itself. The negotiations led to an agreement which was endorsed by the Council of the European Communities at its meeting of 13 July 1970. This agreement did not, however, come into force in 1970 because the East African countries did not carry out the necessary internal procedures. Finally, with the entry into force of the Association Agreement on 1 January 1971, the trade agreement became irrelevant and the question of its application no longer arises.

In order to ensure a continuing dialogue, the EEC-Partner States of the East African Community Interim Committee was set up when the Association Agreement was signed at Arusha on 24 September 1969. This Committee has held two meetings in Brussels, on 21 November 1969 and 17 July 1970. It decided on the organization of its work, the chair being alternately European and African, and considered the following problems: the state of the ratification procedures for the Agreement, the draft rules of procedure for the Association Council, the submission by both sides simultaneously of the text of the Association Agreement to GATT, the concept of "products originating", the system applicable to processed agricultural products in the meaning of Article 2(2) of the Association Agreement and—at its second meeting—the implementation of the trade agreement negotiated on 8 and 9 July 1970.

¹ *Third General Report*, sec. 427.

Nigeria

396. The question of renegotiating a fresh Association Agreement with Nigeria is still open. The Agreement with this country, timed to expire along with the Yaoundé Convention on 31 May 1969, never came into force, as two Member States had failed to ratify it.

3. Relations with developing countries

DEVELOPMENT AID: GENERAL PROBLEMS

397. With the Second UN Development Decade getting under way and Community enlargement in prospect, it is vital that the Community should frame a truly forward-looking, all-embracing policy on development aid. The policy will need to be both bold and practical, comprehensive and consistent. It will need to be a genuinely Community policy, in conception and implementation alike. And it will move towards progressive integration of all its aspects—the trade side, the financial assistance side, the technical assistance side, and the rest—for experience indicates that the Community will have to avail itself of other means as well as mere tariff measures, though these too will of course be employed, in ways better adapted to development needs in the Third World as a whole.

It is with this in mind that the Community is seeking, at the instance of the Commission and in agreement with the Member States, to work out against the present background a policy for the manufactures and commodities sectors.

398. With regard to manufactures, the part played by the Community was a decisive factor in the emergence of the generalized preferences and subsequently in the agreement reached in UNCTAD and ratified by the UN General Assembly,¹ and it will likewise be one in the success of the new system when launched. This is a milestone, of major political implications, in international economic cooperation on development.

With regard to commodities, the key sector for practically all the developing countries, the problems are more difficult. International experience has shown that unless matters are properly concerted in advance among the main developed countries—the United States, the Community, Britain, Japan, and so on—no solid practical action can be taken to help the developing countries in this regard. This being so, and given the wide differences in approach, in domestic considerations and in means of action among the competent authorities of the different developed countries, it is clear that greater flexibility must be sought. This, then, the Community sought at the UNCTAD sessions, in concert

¹ Sec. 402 *et seq.*

with the other developed countries and in particular with the United States. In the case of commodities which are a vital export of the developing countries producing them, the aim will be, in accordance with the economics of the commodity sector concerned, to pursue an international pricing policy and/or to liberalize trade, wherever possible. The Community for its part will have in this connection to consider in a responsible and practical spirit what it can do to strike a fair balance between the need to safeguard the interests of its own producers and consumers and the need, in concert with its industrialized trading partners and in particular with the United States, to further the economic development of the less privileged countries.

EEC TRADE WITH THE DEVELOPING COUNTRIES AND TERRITORIES GENERALLY

399. The balance of trade between EEC and the developing countries in 1970 again moved substantially in the latter's favour. EEC imports were up by 11.2%¹ on 1969, at around 16 000 million dollars cif,¹ and the trade gap reached the record figure of something like 4 600 million dollars.¹

EEC is the Third World's biggest single customer, and a bigger and bigger one at that. Its imports from the developing countries and territories as a whole increased between 1958 and 1970 by 233%¹ and its exports to them by only 184% (see Table 27). Ever since its inception the Community has been running a substantial annual deficit on its trade with the Third World, working out in all over the years from 1958 to 1970 at some 32 000 million dollars.¹

However, impressive though these figures are when taken in the round, they should be weighed up with discernment to take account of the pattern of EEC imports—in which oil bulks large among the commodities, and manufactures account for only a small share of the total imports from the developing countries—and also of the sometimes very disparate growth in the trade flows with the different groups of developing countries.

The Community should accordingly seek to intensify its trade with the Third World still further; its efforts in this direction would benefit,

¹ Provisional figures.

as regards correction of the imbalances just referred to, if they were accompanied by bolder and better coordinated action, whether on a national or on a Community basis, in the matter of technical and financial assistance.

PREPARATION OF THE SECOND DEVELOPMENT DECADE

400. During the period under review, the groundwork for the Second United Nations Development Decade was completed. The programme finally adopted is regarded as a global development strategy, setting forth both the economic and social development targets for the developing countries and the action to be taken, nationally and internationally, to attain them.

Alive to the tremendous importance of this drive by the international community to enable the developing countries to develop faster in the decade ahead, the Community took an active share, at all stages and levels, in the framing of the strategy.

Thus very early on, in the preparatory stage, it played a prominent part in the work of UNCTAD (see also chapters on the generalized preferences for manufactures and commodities), of the Committee for Development Planning (the Tinbergen Committee) and of the Preparatory Committee for the Second Development Decade, on which it sat as observer.

In the final stage it was represented at the proceedings of Committee 2 of the General Assembly, as a result of which the General Assembly itself was able on 24 October formally to proclaim the Second UN Development Decade.

In these negotiations the Community concentrated more especially on matters coming within its province, including in particular generalized preferences, international policy on commodities, the scaling-down of non-tariff barriers in respect of manufactures and semi-finished products, and the elimination of restrictive commercial practices affecting the trade of the developing countries. In all these fields the Commission was able to ensure that EEC points, agreed with the Member States, were properly made, by a single spokesman representing the Community as a whole.

The Community as such had no official standing on Committee 2, but none the less—for the first time at this level of the United Nations structure—made its presence felt throughout, acting with a solidarity that did not pass unremarked.

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
(UNCTAD)

401. The Community continued to be represented at the sessions of UNCTAD in an observer capacity. The part taken in the proceedings, the degree of intra-Community coordination and the pragmatic cooperation between the Member States' delegations and the Commission's were such that, on the matters coming within the Community's province—generalized preferences, commodities policy and so on—the Commission was able to discharge its institutional function to the full.

The Trade and Development Board

402. The Trade and Development Board met in 1970 in Geneva for the third leg of its ninth session (2-16 February), the first of its tenth session (26 August-24 September) and its fourth extraordinary session (13 October).

The Board was mainly concerned throughout with preparing UNCTAD's part in the international development strategy for the Second Development Decade, with generalized preferences in respect of manufactures and semi-finished goods from the developing countries, and with the commodities policy.

In the matter of the international development strategy,¹ though the Board dealt successfully with such important points as the aims and targets of the strategy, the generalized preferences and so on, it was unable to produce a programme acceptable to all its members: in the Western countries' case matters were complicated by the restrictive positions adopted by some of them on a number of major and particularly sensitive issues such as the deadlines for attaining the targets and the amounts of public money to be made available, while the developing countries were hampered by the sometimes substantial differences of opinion among them, more particularly between the African and the Latin American delegates. In the end the strategy was adopted by the General Assembly; on those passages dealing with the UNCTAD contribution in regard to which views still differed, reservations or remarks were added by the parties concerned, including EEC.

¹ See also secs. 400-401 and 411.

TABLE 27
EEC trade with the developing countries and territories generally

Year	EEC imports				EEC exports			Net balance of trade (value)
	Value ¹ (million dollars)	Index (1958 = 100)	Year-to-year growth rate (%)	Value ² (million dollars)	Index (1958 = 100)	Year-to-year growth rate (%)		
	1958	6 824	100	—	6 125	100	—	
1959	6 669	97.7	- 2.3	5 926	96.8	- 3.2	- 743	
1960	7 485	110	12.2	6 738	110	13.7	- 747	
1961	7 575	111	1.2	6 765	110	0	- 810	
1962	8 168	120	7.8	6 197	101	- 8.4	- 1 971	
1963	8 822	129	8.0	6 355	104	2.5	- 2 467	
1964	9 843	144	11.6	6 892	112	8.5	- 2 981	
1965	10 522	154	6.9	7 501	122	8.8	- 3 021	
1966	11 312	166	7.5	7 955	130	6.0	- 3 357	
1967	11 592	170	2.5	8 299	135	4.3	- 3 293	
1968	12 506	183	7.9	9 309	152	12.1	- 3 197	
1969	14 222	208	13.7	10 217	167	9.7	- 4 005	
1970 ³	15 892	233	11.2	11 290	184	11.0	- 4 602	

Source: Statistical Office of the European Communities.

¹ At ruling rates cif.

² At ruling rates fob.

³ Estimates, based on first ten months.

In the matter of the generalized preferences,¹ the agreement reached in the Special Committee on Preferences and endorsed by the Board is of considerable political importance. In the first place it is in itself a real turning point in international economic relations. Moreover, generalized preferences are regarded as a key factor in the international strategy, calculated both to increase the developing countries' exports and export earnings and, above all, to boost their development drive and industrialization potential.

Admittedly not all the problems have yet been disposed of in detail at this stage. But with the spirit of cooperation which has begun to manifest itself in UNCTAD, and above all with the political will now clearly in evidence, appropriate arrangements will be devised for dealing with each of them, to enable the generalized preferences to cover all the developing countries instead of only some of them.

However, the generalized preferences must certainly not be regarded the solution to all the problems of underdevelopment. The success of the whole great operation depends, especially in the case of the least developed countries, on the continuance and indeed intensification of the efforts being made in other fields. But of course it must be recognized that many of the developing countries will not be able to step up their industrialization and exports without accompanying financial and technical aid from the developed countries.

Parallel with the generalized preferences, a major push will be needed in the commodities sector.

The Trade and Development Board at its tenth session set out to finalize the draft resolution on pricing policy and trade liberalization,² unofficially agreed at the fifth session of the Committee on Commodities. The negotiations proved very difficult and delicate owing to additional demands by some of the Latin American, and more especially the South American countries; however, the resolution was finally adopted by consensus. The Community, together with the United States, played an all-important part in the negotiations and the ultimate adoption of the resolution. The Community delegate announced at the plenary session—the first time that this had happened in UNCTAD—that the Community *as such* supported and formally approved the resolution and undertook to abide by it.

¹ See also secs. 400 and 411.

² Sec. 405.

The Board's adoption of the resolution (Resolution 73) is a milestone in the working-out of a policy on international trade in commodities—a milestone reached only thanks to strenuous efforts for settlement. The resolution is of the utmost importance. Its implications will be apparent in the preparation of the Third Conference, scheduled for 1972, which will deal among other things with international commodities policy.

403. At the Board's tenth session, the Eastern European countries (with the exception of Rumania) submitted a draft resolution censuring the Community by name for its commercial policy, which was described as restrictive and discriminatory vis-à-vis these countries.

The reasons for this attitude are primarily political. In the first place, the Eastern European countries chose UNCTAD in order to claim the attention of world opinion and the developing countries, whereas it is the practice for their problems with the Western European countries to be handled through the UN Economic Commission for Europe, without reference to the developing countries. Secondly, they are seeking to gloss over their own comparatively small contribution to the development of the Third World by linking the scale of their aid to the rate of expansion of their trade with the West; EEC, together with the other Western countries, has consistently rejected this. It should be added that the understandings between EEC and some of the Eastern European countries are working to those countries' satisfaction.

Over and above these political reasons, the complaint rests on a misconstruction of the Community regulation establishing a common system for products imported from the Eastern European countries; what these countries are here mainly afraid of is arbitrary invocation of the escape clause and a retrograde trend in the individual policies of the Community Member States towards them.

The Community reacted firmly and unequivocally, rejecting the draft out of hand. The Eastern European countries had ultimately to take a pragmatic and more conciliatory line, partly owing to the cool if not hostile attitude of the large majority of the other countries on the Board. On this basis it was possible through unofficial contacts between the parties concerned to agree to a non-committal text; this was incorporated in the Board's report, enabling the debate on this point to be declared closed without a decision, and the Eastern European draft thereby shelved.

Committee on Manufactures

404. The Committee on Manufactures held its fourth session in Geneva from 20 to 30 January. Subjects considered included trends and recent developments in trade in manufactures, restrictive trade practices, incentives for industrial exports, and the tariff reclassification of handmade goods. A special subcommittee, sitting for this session only, also discussed the elimination of non-tariff obstacles.

At the conclusion of the proceedings the Committee took a decision on non-tariff obstacles in which it recognized UNCTAD's special responsibility in the matter of non-tariff obstacles affecting the trade of developing countries. It also drew up a study programme on the subject for the UNCTAD Secretariat, and agreed that at its next meeting a special subcommittee should be appointed to examine the progress made.

In an official statement the Community representative referred to the satisfactory trend in Community imports of manufactures from the developing countries; he outlined the tariff and other measures already taken by the Community to promote the expansion of these imports, and stressed the importance in this connection of the forthcoming introduction of the generalized tariff preferences.

Committee on Commodities

405. The Committee on Commodities held its fifth session in Geneva from 7 to 18 July, when it examined the position with regard to tin, iron ore, manganese ore, tungsten, phosphates, cocoa, bananas, rice, oils and fats. Actually the session was devoted in the main to considering the four draft resolutions held over from the Second Conference in New Delhi .

The Committee was able to adopt the draft on the marketing of surpluses and reserve stocks, following agreement that prior consultations must be held before the marketing takes place. On the second draft, concerning consultations between producer countries, it did not adopt a resolution but merely decided that the Secretary-General of UNCTAD might, in certain cases and under certain conditions, organize separate meetings for producers and consumers. The other two drafts pending were on pricing policy and liberalization of trade: unofficial negotiations produced a single draft dealing with both matters, but for lack of time

the Committee was unable to endorse it and referred it to the Trade and Development Board, which finally adopted it at its tenth session.¹

The last four New Delhi drafts having thus been dealt with, the Board and Committee have now disposed of all the texts held over from the Second Conference.

406. As concerns the Community, it may be recalled that Member States submitted three draft resolutions at New Delhi. The first, a general resolution on "the elements of a commodities policy", was adopted by the Committee on Commodities at its fourth session in 1969; as for the other two, on pricing policy and liberalization of trade, EEC and the United States worked hard, first at Western then at UNCTAD level, to get Resolution 73 (X) adopted by the Trade and Development Board. This close American/EEC cooperation in UNCTAD is a particularly welcome circumstance in view of the earlier disagreements and misunderstandings between them there.

The adoption in UNCTAD of all the draft resolutions submitted by the EEC States at New Delhi has done much to lay a genuine foundation for the concerted practical framing of a full-scale working international policy in the commodities sector.

Standing Group on Synthetics and Substitutes

407. The Standing Group on Synthetics and Substitutes held its fourth session in Geneva from 29 June to 3 July. On this occasion it reviewed the situation regarding natural products exposed to competition from synthetics, especially natural rubber, cotton and lac, and also considered research programmes on these products. During the discussions the Community representative said EEC was studying the possibility of making tariff cuts in favour of certain improved forms of natural rubber still subject to customs duties. This statement was warmly welcomed by the delegations of the producer countries concerned.

Committee on Invisibles and Financing Related to Trade

408. The Community was represented at the fourth session of the Committee on Invisibles and Financing Related to Trade, which met in

¹ See also sec. 402.

Geneva from 20 to 31 July. The Committee considered the amounts of money, private and public, transferred to the developing countries, as a proportion of the gross national product of the respective developed countries; it also discussed at length the part which the recently created Special Drawing Rights might play in promoting trade and development.

Committee on Shipping

409. The UNCTAD Committee on Shipping held its fourth session in Geneva from 20 April to 4 May.

In plenary session it adopted six resolutions, by unanimous vote, although in the preceding discussions the going had been decidedly rough. The resolutions concerned aid for the merchant fleets of the developing countries, financial aid for the purchase of vessels, the composition and training of crews, the consultation procedure between shipowners and shippers, special measures for the benefit of the least developed countries, and multinational shipping companies.

A seventh draft resolution, on the indices of maritime freight rates and the chartering conditions laid down by the Conferences, which provided that developing countries should be entitled to take whatever measures they deemed appropriate to develop their merchant fleets (this entailed recognition of the right of cargo reservation, and also confirmed the responsibility of Governments for protecting their shipowners and shippers), was carried by a majority only, even the Western countries being very much at odds on the subject.

Most of the Western delegates gave an *explication de vote* in which in the main they drew attention to the dangers of cargo reservation for international shipping.

The Intergovernmental Group on Trade Expansion, Economic Cooperation and Regional Integration among the Developing Countries

410. In accordance with the "concerted declaration" adopted at the second session of UNCTAD in New Delhi on "trade expansion, economic cooperation and regional integration among developing countries", the Intergovernmental Group set up to consider matters still outstanding in this connection met in Geneva from 2 to 19 November.

The Group reviewed progress in the expansion of trade and regional integration among the developing countries; also on the agenda were problems of commercial policy, the untying of development aid, and payment agreements in the context of regional integration. At the end of the proceedings the Group adopted conclusions on the main matters discussed; one point made was that *ad hoc* meetings might be called in UNCTAD to study concrete projects submitted by regional groups of developing countries, in accordance with Resolution 53 (VIII) of the Trade and Development Board.

The Community representative, in a general statement, offered certain observations based on EEC experience which might afford guidance for the developing countries' efforts in the direction of regional integration. He also gave an account of EEC's work to promote regional integration among developing countries, and especially among the AASM.

Special Committee on Preferences

Generalized Tariff Preferences

411. At its fourth session, the UNCTAD Special Committee on Preferences first, in April 1969, considered the preliminary offers by the preference-giving countries—on which there was intensive consultation—and then, from 21 September to 12 October, their subsequent offers revised to take some account of desiderata put forward by the future beneficiary countries. The outcome was a set of “concerted conclusions”, which brought to an end the round of consultation and concertation between the beneficiary and the preference-giving countries in the Special Committee; these were embodied in a final report by the Committee to the Trade and Development Board of UNCTAD.

Generally speaking, the revised EEC offer was favourably received by all the developing countries, which appreciated the fact that the Community had maintained its initial offer, and had even improved on it in certain respects (supplementary list of processed agricultural products to be covered by the preferences). The smallness of the Community offer on processed agricultural products was again deplored, but this was offset by the Community's announcement of its intention to make substantial tariff cuts *erga omnes* for a number of tropical products when the new Yaoundé Convention comes into force. Also, the retention of the textile

sector in the Community offer, where several major preference-giving countries largely excluded textiles from their lists, left that offer still an extremely good one, and was greatly appreciated by the developing countries. At the same time, textiles being in many cases highly sensitive, the implementing arrangements laid down for the preferences in this sector are particularly cautious and circumspect ones.

In conclusion, the Special Committee found the preference-giving countries' offers to be "mutually acceptable", aside from the matter of reverse preferences, raised by the United States (see below). For the rest, the "concerted conclusions" dealt with safeguard arrangements, the beneficiary countries, special measures in favour of the least developed countries, rules of origin, institutional provisions, legal status and the implementation of the preferences, and with the points concerning special and reverse preferences.

412. The question of special and reverse preferences gave a good deal of trouble. It will be recalled that the initial American offer was accompanied by clauses on special preferences (granted by the developed to the developing countries) and reverse preferences (granted by the developing to the developed countries), under which all developing countries receiving special preferences for the products covered by the system, and all developing countries giving reserve preferences, would be excluded from the generalized preferences given by the United States.

At the end of the Special Committee's session the United States dropped the stipulation concerning special preferences, but it stood its ground on reverse preferences. This matter, the only remaining major obstacle to a satisfactory settlement on generalized preferences, caused serious unpleasantness, as a considerable number of the developing countries granting reverse preferences and thus affected by the American clause on the subject—including the States associated with the Community—felt the resulting discrimination against them to be inadmissible. The difficulty was finally overcome by a procedural formula, thereupon written into the "concerted conclusions" to the effect that consultations should be held at a later date, but as quickly as possible, between the parties directly involved, with the assistance of the UNCTAD General Secretariat, in order to find ways and means to achieve the unanimously accepted aim that all the developing countries should in principle be included as beneficiaries in the preferential system from the outset. On the basis of this formula the developing countries were induced to recognize the arrangements, in the "concerted conclusions", as mutually

acceptable within the meaning of Resolution 21 (II) of the Second Conference.

It was further recognized that the countries enjoying special preferences (including the AASM) must not suffer injury by the sharing of their special preferences following the institution of the generalized preferences. On this point the Community representative, in accordance with the findings of the EEC/AASM Association Council on 30 September 1970,¹ stated that EEC reserved the right to take the necessary steps within its own system to remedy any adverse effects resulting from the application of the generalized preferences for the countries associated with the Community.

The Special Committee's report was submitted to the Trade and Development Board and adopted by the latter at its extraordinary session of 12-13 October; it then went before ECOSOC, which in turn submitted it to the General Assembly as an important item in the programme for the Second Development Decade. With the completion of the Special Committee's work, the way lies open for giving practical effect to the principle of generalized preferences for the developing countries. The Commission will do all in its power to ensure that the generalized preferences come into force as soon as possible in 1971, as expressly desired in the concerted conclusions of the Special Committee and in the resolution passed on the subject by the European Parliament.²

Coordination of technical assistance

413. The Council's working party on cooperation in technical assistance met once, in January, when it discussed the technical cooperation work being done by the Member States under the EEC-Lebanon agreement and the fresh applications for technical assistance submitted by the Lebanese Government in 1969. This meeting was followed in February by a meeting of the joint EEC-Lebanon working party set up under the agreement, at which the Member States informed the Lebanese Government of their respective positions on the different projects, and obtained additional particulars to help them establish more clearly the scope for practical action to help Lebanon.

¹ See secs. 376 *et seq.*

² European Parliament Resolution of 6 October 1970 on the implementation of generalized preferences for manufactures and semi-finished products from the developing countries (JO No. C 129, 26 October 1970, p. 13).

FOOD AID

414. In 1967 the Community undertook under the Food Aid Convention to supply the developing countries with 1 035 000 tons of wheat or coarse grain annually for a period of three years.

It also produced plans of its own for supplying skim milk powder and butteroil as food aid; these have already been the subject of preliminary Council decisions.

Food aid: cereals

(Community)

*Balance sheet for the second year,
1969/70*

415. In 1969/70 ten countries and two organizations were supplied with grain by the Community as such:¹

Ceylon	14 000 t
Indonesia	60 000 t
Lebanon	15 000 t
Mali	30 000 t
Niger	15 000 t
Pakistan	80 000 t
Sudan	10 000 t
Tunisia	35 000 t
Turkey	50 000 t (+ 1 400 t) ²
Yemen	14 000 t
JCA	8 000 t
ICRC	4 500 t

This makes 336 900 tons in all, 32.55% of the Community's annual commitment under the Food Aid Convention; national-level aid worked out at 564 300 tons, which brings the total to close on 90% of the Com-

¹ It should be recalled that the grain furnished from the Community as food aid is channelled in two ways by the Community jointly and by individual Community countries; both kinds of aid may be shipped to the same country.

² 1969/70 portion of the emergency aid of 20 000 tons approved for Turkey.

munity's overall 1970 commitment. All the Community-level aid agreements concluded were signed by the end of June, in accordance with the rule adopted by the signatories to the Food Aid Convention; by the end of July all the calls for tender for the supply of Community aid had been issued, with the exception of the aid for Sudan and Joint Church Aid, and approximately 94% of the grain had been delivered by the end of August.

Applications for food aid in 1970/71

416. The Community-channelled food aid supplied in the last two years has been most warmly welcomed by the developing countries, and there was an appreciable increase in the flow of applications for food aid in 1970/71: apart from the two organizations, ICRC and JCA, and the eight countries which have already received Community aid under the 1970/71 allocation, a further 10 applications were submitted. The total number of applications is thus 20, representing in all 2 750 000 tons of wheat equivalent (wheat and flour), as against 1 572 050 tons applied for in 1969/70 by 12 countries and two organizations.

417. In addition to the aid the Community may plan to send or has already approved in response to these applications (emergency aid of 15 000 tons for Jordan), it decided after the natural disasters in Turkey, Peru and Pakistan to supply:

18 600 tons to Turkey,¹

15 000 tons of wheat, in the form of 9 934 tons of wheaten flour, to Peru,

35 000 tons of wheat to Pakistan,

1 200 tons of whole food for children and adults.

Food aid: milk products

418. It may be recalled that the Community undertook in 1970 to supply as food aid:

120 000 tons of skim milk powder and 35 000 tons of butteroil to the World Food Programme;

3 000 tons of skim milk powder to the International Committee of the Red Cross.

¹ 1970/71 portion of the emergency aid of 20 000 tons approved for Turkey on 27 April 1970.

These are now being delivered.

The Community assumed no extra commitments in 1970, with the exception of the following, for countries which had been the scene of natural disasters:

Peru	1 000 tons of skim milk powder
Turkey	1 000 tons of butter
	1 000 tons of butteroil
	2 000 tons of skim milk powder
Rumania	1 000 tons of skim milk powder.

4. Commodities and world agreements

Cereals

419. The International Grains Arrangement of 1967 expires on 30 June 1971, and talks were held in 1970 to consider whether it should be extended, or replaced by another instrument. A large majority of the parties, including the Community, were in favour of maintaining an international wheat agreement; however, the state of play at the end of 1970 strongly suggested that any new instrument would be more on the lines of the 1962 Agreement, which imposed less strict obligations than the current version in the matter of price restraint.

The Commission addressed several memoranda on the subject to the Council, so that the Community position could be prepared before the renegotiation of the Arrangement begins in January 1971.

Cocoa

420. In June 1970, the Commission took part in the consultations held in Geneva by the Secretary-General of UNCTAD with a view to the reconvening of the Conference to negotiate an international cocoa agreement. Further progress was made on certain technical aspects of the draft, but the essential question of possible changes in the range of prices to be provided for was not settled, the producer and the consumer countries' positions being still too far apart. It was not possible, therefore, to call another International Cocoa Conference in 1970.

Coffee

421. The Commission was represented at two sessions of the International Coffee Council in 1970. In March the session ended without a decision, despite proposals by consumer countries for checking the steep rise in prices which had occurred in the preceding months. At the August session the Council had to work out a basis for ensuring that the consumer countries were kept supplied during the coffee year 1970/71, beginning on 1 October 1970. The price rise had continued as the year went on, in view of the certainty that the export availabilities of the main producer country, Brazil, would fall appreciably in the years ahead. After a great

many difficulties, which seemed liable to jeopardize the very existence of the International Coffee Agreement, a compromise was reached: the price ranges were to be put up very substantially, and adequate export quotas, to be backed by reserve stocks, and adjustments in accordance with the prices of the different categories of coffee, were fixed by the International Coffee Council.

On 24 July 1970 the Commission submitted to the Council of the Communities a memorandum on the acceptance by the Community as such of the International Coffee Agreement, having regard, firstly, to the end of the transitional period prescribed by the Treaty, and secondly, to the provisions of the International Coffee Agreement of 1968 and the resolution adopted the same year by the International Coffee Council on the acceptance of the Agreement by the Community at a later date.

Starting in 1970, the Commission has been represented in an observer capacity on the Executive Committee and other committees and working parties of the International Coffee Council.

Tea

422. In April 1970, the Commission took part in the discussions of the working party on long-term measures of the FAO Consultative Committee on Tea, which studied the world tea situation and the future possibility of concluding an international tea agreement to replace the producer countries' agreement for the control of export availabilities in 1970.

Milk powder

423. The Community is a party to the GATT International Skim Milk Powder Arrangement which came into force on 14 May 1970. The Arrangement, which was concluded by the Council, has as its main provision the institution of a minimum fob export price of 20 dollars per 100 kg; it is binding for one year on South Africa, Australia, Canada, the Community, Denmark, Japan, New Zealand and the United Kingdom, and may be extended for a further year by tacit renewal.

At the talks in the Standing Committee on the OECD Gentleman's Agreement on Exports of Whole Milk Powder it was settled that a new Agreement should be adopted. This was duly concluded by the Council on 15 June 1970 and came into force on 1 July 1970; it is valid until 31 December 1971, and may be extended for a further year by tacit

renewal. The countries concerned, namely Austria, the Community, Denmark, Ireland, Norway, New Zealand, Sweden and Switzerland, thereby undertake to export whole milk powder only at 45 dollars per 100 kg fob.

Tin

424. An UNCTAD conference to negotiate the renewal of the International Tin Agreement was held in Geneva from 13 April to 15 May 1970. The present Agreement, which expires on 30 June 1971, is the third of its kind; the first was negotiated in 1953 and came into force in 1956. The parties include all the producer countries, the most important of which are Malaysia, Bolivia, Thailand, Indonesia, Nigeria and Congo-Kinshasa, and most of the consumer countries, with the exception of the United States, the Soviet Union and the Federal Republic of Germany. These last nevertheless took part in the negotiations.

Procedurally, this conference was of particular importance from the Community's point of view. It was the first negotiation of an international commodity agreement since 1 January 1970, when the Community moved into its final stage under the Treaty of Rome and the common commercial policy was established. Thus, whereas the earlier agreements had been negotiated by the Member States, this time the Council authorized the Commission, under Article 113 of the Treaty, "to conduct on behalf of the Community, where matters of the commercial policy are concerned, negotiations for the renewal of the International Tin Agreement".

The Commission encountered considerable difficulties in doing this, largely because the Eastern bloc countries do not recognize the Community. An article specially relating to the Community was embodied in the Agreement, running as follows:

"An intergovernmental organization having responsibilities with respect to the negotiation of international agreements may participate in the International Tin Agreement. Such organization shall not itself vote. In matters within its jurisdiction, its Member States may vote collectively."

In substance the new Agreement differs very little from its predecessor, as the main change proposed, the increasing of the buffer stock, was not accepted. The Council at its meeting on 14 December decided to take the necessary steps to conclude the Agreements, by authorizing a senior Commission official to sign on behalf of the Community. This was done on 27 January 1971.

5. Trade relations with non-member countries

RELATIONS WITH THE UNITED STATES

425. Compared with the situation described in the Third General Report,¹ relations between the Community and the United States are still subject to certain factors making for strain which, despite the efforts made and the political will shown on both sides, involve certain currents of opinion and reflexes of defence or suspicion which cannot be ignored. In addition, the now more immediate and definite prospect of the Community's enlargement causes the United States Administration, which has traditionally been sincerely in favour of such enlargement, to consider its possible effects on its own economic and commercial interests and has consequently made the United States more sensitive to certain aspects of Community policies.

426. As in the past, it is the Community's agricultural policy which mainly interests the United States.

The criticisms voiced are essentially concerned with the maintenance of high prices in the Community. They are fed by the conviction that in the absence of production controls, this prices policy unduly encourages Community output, limits access of American produce to Community markets, strengthens the competitiveness of Community produce on foreign markets, and aggravates the difficulties of the American home market.

These criticisms do not, however, take sufficient account of the very real difficulties which European agriculture is trying to overcome. The common agricultural policy is one of the ways open to solve the problem, both economic and social, of European agriculture. The United States themselves have had to face up to similar problems in their efforts to give agriculture its proper place in the country's economic life, and these questions are still fundamental to various features and options of American farm policy. This policy still very effectively protects its own vulnerable sectors, for example milk products, beef, veal and mutton, sugar, oilseeds and even wheat. The annual cost of direct Federal support for agriculture still represents \$4 to 5 thousand million.

If practical results are considered, the American criticism does not seem justified in its general outline. There have certainly been years

¹ Sec. 452.

which saw a slight fall in the value of American farm exports to the Community. However, in the first ten months of 1970, these had already exceeded the 1969 total of 1 200 million dollars for the whole year. This means that, compared with the previous year, there was an increase of 23.4% (whereas exports of American farm products as a whole increased by only 21.5%). Naturally, all products did not benefit to the same extent from this trend, but this in no way detracts from the fact that the European Community, in its agricultural policy also, is endeavouring to adopt an outward-looking attitude to the world.

Reciprocal understanding of problems and awareness of responsibilities existing on both sides are prerequisites in the attempt to achieve the kind of international cooperation which alone will provide the bases for a joint strategy to support agriculture and by means of which the problems currently facing trade in farm produce may find their proper solution.

427. The other main object of American criticism—the Community's various preference or association agreements with Central African or Mediterranean countries—is of more recent origin. In 1965 and 1966 the United States had adopted a position hostile to the proposed agreement with Nigeria and East Africa; American objections were strengthened following the agreements with Tunisia and Morocco in 1969, and with Israel and Spain in 1970. From the United States' point of view, this policy undermines the fundamental rule of non-discrimination which governs international trade relations.

This opposition was manifested within GATT, when the agreements were being considered, and has also been expressed on a bilateral plane. Within GATT¹ the United States invoked a fresh and more rigorous interpretation of the rules and criteria defined in Article XXIV, refusing to admit the compatibility of these agreements and their admissibility on the basis of decisions taken earlier in similar cases. This attitude of principle involves not only all the new agreements notified in 1970 but also—and this is something quite new for the United States—the AASM Association, as was seen recently when the second Yaoundé Convention was under consideration.

The determination of the United States to assert their interests defined in this way was highlighted last November in the case of citrus fruits. The United States Administration initiated the consultation pro-

¹ See also 6 of this Chapter.

cedure pursuant to Articles XXII and XXIII of GATT on the damages American exporters of citrus fruits are alleged to have suffered owing to the preferential treatment granted to the Community's Mediterranean suppliers.

It is also in this context that the position adopted by the United States for the same reasons of principle on "special preferences" and on "reverse preferences" in the setting of the implementation of the generalized system of preferences agreed to in UNCTAD is to be seen. In all these cases, the Commission cannot but feel that there is a lack of proportion between the United States' attitude and requests, and the actual economic or commercial significance of this question. The American attitude appears to the Commission even less comprehensible in view of the political importance of the special relations which the Community maintains in order to take account of obvious historical, geographical and economic factors.

428. Conversely, the Community's concern at the protectionist tendencies in the United States grew considerably in 1970. A determining factor was the course of the new Trade Bill submitted by the Administration at the end of 1969. Whereas in its original form¹ the Bill still contained some liberal elements, it underwent profound changes as it was being examined between April and August 1970 by the Ways and Means Committee of the House of Representatives. These involve the addition of provisions imposing quotas on textile and footwear imports, the introduction of a mechanism to trigger off other quantitative restrictions and another Bill, supported by the Administration, granting *de facto* tax concessions for companies specializing in exports (DISC).² This amended Bill was adopted in August 1970 by the Ways and Means Committee and on 18 November by the House of Representatives itself. In the meantime, it had been studied by the Senate Finance Committee which had removed two sections: the one covering the DISC and the proposal to abolish the American Selling Price. In order to enable the Bill to be discussed by the Senate, the Finance Committee had linked it with one on social matters; the two were finally thrown out a few days before the end of 1970. The Trade Bill was none the less resubmitted to Congress at the beginning of the new legislative session in January.

Faced with the possibility of this Bill passing through Congress, the Community felt that it should make its position clear.

¹ *Third General Report*, sec. 452.

² Domestic International Sales Corporation.

429. In a Council statement, it formulated a serious warning against the consequences of adopting legislation likely to threaten the multilateral balance of concessions which is at the basis of the considerable progress achieved since the last war in the liberalization and expansion of trade. The Community also expressed its readiness to seek, in a constructive spirit, a solution to the practical problems which arise in the textile sector, upon which the attention of the United States Administration is specially centred. The Commission has attentively followed all the relevant factors and collected available information so as to be able to assess the situation at any given time, and it has also maintained an almost permanent dialogue with the United States Administration, either at departmental or senior official level.

The Commission has also striven to defend the interests and rights of the Community each time that, following a request from a particular industry, the mechanism of the American safeguard legislation applied restrictive measures or increased the protection against specific goods. This situation occurred in 1970 in a number of cases: for steel, glass, bicycles and transformers. Increasingly frequent recourse was also had to various forms of administrative protectionism based on the application of different provisions. At the beginning of 1969, for example, the United States prohibited the import of certain firearms and munitions by implementing a law on public safety. This prohibition affects Community exports worth an estimated 15 million dollars, but does not apply to US production, which has therefore expanded very rapidly.

Lacking the authority to make the necessary reductions in duties, the Community's representatives were unable in any of these cases to obtain compensations in accordance with the rules and normal practices of GATT on maintaining the balance of concessions. The Community has none the less so far refrained from taking retaliatory measures. It still hopes that an amicable solution may be found at the appropriate time.

430. From the point of view of results, what has already been said of trade in agricultural products between the Community and the United States, may be repeated with more emphasis where trade as a whole between the two partners is concerned. Although in 1969 its volume had already reached 13 000 million units of account, this figure increased further in 1970. For the first nine months of the year, the rise in Community imports from the United States amounted to 24.5%, whereas the Community's exports to the United States over the same period went up by only 9.3%. The disparity of commercial relations between the two

figures already gives a clear indication of the state of commercial relations between the two trading partners, the outstanding feature of which is the net deficit in the Community's trade balance.¹

Seen in the long perspective, United States' trade with the countries of the European Communities almost tripled between 1958 and 1970. This growth rate is much higher than that achieved by the United States with any other trading partner: a comparison of the rate of growth of American exports to other countries shows the Community at the top of the table in 1969, with 180%. Trade with EFTA countries rose by around 140%, and with the rest of the world by 120%. Even when all allowances are made, the conclusion must be that the new dimension of the Community market has created new possibilities not only for the Member States but also for their trading partners, including the United States.

The Community cherishes the hope that the discussions with the United States Administration which became closer and more frequent during 1970 will contribute towards removing disagreements and increasing understanding of mutual problems. The Community is convinced that it is the duty of the world's two major economic and trading powers to assume special responsibility in helping world trade to develop freely and positively.

RELATIONS WITH LATIN AMERICA²

431. On the basis of the Commission memorandum of 29 July 1969, and taking into account the resolution adopted by the European Parliament on 25 November 1969, the Council's "ad hoc Working Party on Latin America"³ has continued to study the concrete measures of commercial policy, financial cooperation and technical assistance which the Community might adopt vis-à-vis the Latin American countries.

This procedure has enabled a batch of measures to be worked out which the Community could implement in the near future. In this context the Council decided to accelerate reductions under the Kennedy Round for certain products of interest to Latin America.

432. Meeting at ministerial level on 29 July 1970 in an extraordinary session of the Special Commission for Latin American Coordination

¹ Table 26.

² See also secs. 449 and 450 below.

³ *Third General Report*, sec. 454.

(CECLA), the Latin American countries (with the exception of Cuba) adopted the "Buenos Aires Declaration", in which they expressed their desire to see a "permanent system of cooperation" established with the chief aim of institutionalizing at political level the dialogue between themselves and the Community. The two parties would determine the general features of this "system" by joint agreement. This declaration—the first joint step by the Latin American countries in their relations with the Community—was officially handed to the Council and Commission in September 1970. In a resolution annexed, the Latin Americans raised a number of possible topics for discussion in the desired talks.

In a memorandum to the Council on 16 November 1970, the Commission stressed the importance of this declaration and recommended the opening of a dialogue with all the CEC-LA countries in an institutional setting to be decided upon by joint agreement. In a decision of 14 December 1970 the Council took note with great interest of the declaration and resolution adopted at Buenos Aires and stressed that the development of traditional relations between the Communities and Latin America could only be of benefit to both groups of countries. In order to consider in detail how this mutual desire to work together may be translated into action, the Council felt that the Ambassadors of the Latin American countries and the representatives of the Member States and the Commission should meet as soon as possible.

433. The Commission has maintained close contacts with the Latin American regional organizations, for example, with the Organization of American States (OAS), the Commission of the Andean group, the Central American Common Market, the Latin American Free Trade Association (LAFTA), and the Caribbean Free Trade Area (CARIFTA), delegations from which visited the Commission, and also with the Inter-American Economic and Social Council and the Latin American Iron and Steel Institute (ILAFSA), at meetings of which the Commission was represented from time to time.

RELATIONS WITH ASIAN COUNTRIES¹

434. The Community's action with respect to Asian countries is chiefly of a sectoral nature or limited geographically.

¹ For Japan, see sec. 448 below.

Bilateral agreements based on Article 4 of the Long-term Arrangement on Trade in Cotton Textiles have been negotiated by the Community with India, Pakistan, Taiwan, South Korea and Hong Kong.¹

Various arrangements covering trade in jute products, hand-woven cotton and silk fabrics and other handicrafts articles were also negotiated with Pakistan in 1970.²

435. At the beginning of September, India renewed its request for the opening of negotiations for an agreement on "commercial cooperation" with the Community.³ Apart from the purely trade aspects, the proposed scheme also includes questions of technical and industrial cooperation. India also announced that it would like to discuss certain matters connected with the possible entry of the United Kingdom into the European Community.

The problem of the alignment of British duties on the CCT and the risk of losing or having their preferences whittled down on the British market, is a matter of immediate concern to most of the Commonwealth countries, both dependent and independent. Several countries besides India have brought up this problem during the past year. They use it as an argument to support their claim for closer contractual links with an enlarged Community, either in the form of a commercial agreement (Pakistan), or a formal association (Malaysia). Moves have also been made on behalf of Hong Kong, New Guinea and Papua, which are still an Australian responsibility.

436. The Community has extended until 31 December 1970 the suspension of duties on pepper neither crushed nor ground, a product of particular interest for the export markets of several Asian countries.⁴

Under the Food Aid Convention (cereals), the Community has received requests for aid from Afghanistan, Indonesia, Pakistan and the Philippines, which are now being examined. An accelerated procedure was implemented to grant emergency aid to Pakistan. Unprecedented steps were also taken to provide aid for the victims of the catastrophe in East Pakistan on 14 November 1970. The Community also took part through the World Food Programme in various schemes involving most of the countries of Asia and the Far East.

¹ Sec. 452 below.

² Secs. 453 and 454 below.

³ Sec. 451 below.

⁴ Regulation No. 1365/70; *Journal officiel* No. L 134, 15 July 1970.

Finally, the Community continued to follow with interest the economic studies being pursued in a regional setting in South East Asia, particularly those concerning problems of regional integration. It made an important contribution towards the study commissioned from Professor Pierre Uri by the ECAFE¹ on the possibilities of implementing a programme for liberalizing intra-regional trade. As in previous years, the Commission was represented at the plenary meeting of the ECAFE and at its Trade Committee.

RELATIONS WITH NON-ASSOCIATED AFRICAN COUNTRIES

437. The Prime Minister of Mauritius and the South African Minister for Economic Affairs have paid visits to the Commission for the purpose of discussing problems which would affect their countries if Britain were to join the European Community.

COOPERATION IN THE NUCLEAR SECTOR

438. Under the terms of the interim programme now being conducted, cooperation with non-member countries continued under the uncertain conditions prevailing in the nuclear research sector in fields of common interest with the principal partners, the United States Atomic Energy Commission (USAEC), the United Kingdom Atomic Energy Authority (UKAEA) and Atomic Energy of Canada Limited (AECL).

In view of the need to improve the conditions governing the supply of enriched uranium from the USA, the Commission had asked the Council in 1969 for directives to negotiate the necessary amendments to the Supplementary Agreement for Cooperation signed in 1960 and already amended in 1962 and 1963. In October 1970 the Council requested the Commission to begin exploratory talks with the American authorities to improve the terms of supply of enriched uranium. The Commission was invited by the Council to submit a report on the results of these talks, and the Council agreed that it would decide on the basis of this report whether it was opportune to begin negotiations with the United States in this sector and also on what directives might be given to the Commission for this purpose.

¹ United Nations Economic Commission for Asia and the Far East.

In the field of nuclear documentation, the negotiations on an arrangement between the Community and the USAEC were held up by various technical factors, in particular the need to take into account the availability, since 1 May 1970, of IAEA's International Nuclear Information System (INIS).

The Council has requested the Commission to negotiate with the British authorities for a further renewal without amendment of the Cooperation Agreement concluded with the United Kingdom on 4 February 1959 for a period of ten years and extended without modification for a further period of two years, i.e. to 3 February 1971.

As a part of the consultations between the two parties to the 1961 Cooperation Agreement between Euratom and the Brazilian Government on the peaceful uses of nuclear energy, two meetings were held this year between the Brazilian authorities and the Commission. In May 1970 a Commission delegation had a preliminary exchange of views with the Brazilian Nuclear Energy Commission, whose President visited the European Commission on 1 and 2 October 1970.

439. In pursuance of Article 103 of the Euratom Treaty, the Commission received notification in 1970 of two projects upon the substance of which no comments were made:

- (i) A draft agreement between the Federal Republic of Germany and Spain concerning cooperation in scientific research and technological development;
- (ii) An almost identical draft agreement between the same Member State and the Republic of Chile.

Regarding the draft tripartite agreement—submitted to the Commission on 29 December 1969—between the Federal Republic, the Netherlands and the United Kingdom on collaboration in the development and operation of the ultracentrifuge process for the production of enriched uranium, the Commission addressed to the two Member States parties to the agreement various comments based on Article 103 of the Euratom Treaty. After considering the explanations of these Member States in reply to these comments, the Commission felt that it could waive the objections it had formulated with regard to the wording of the clauses of the draft agreement. It also took this occasion to stress the interest it attached to integrating this tripartite cooperation into a Community setting. For their part, the two Member States concerned declared that it seemed to them desirable to establish links which might be based on the

Council resolution of 6 December 1969 between tripartite cooperation and Community activity in this field.

In 1970 the Commission also received the text of an agreement concluded between the Comitato Nazionale per l'Energia Nucleare (CNEN) and the Colombian Instituto de Asuntos Nucleares.

440. The Treaty on the Non-Proliferation of Nuclear Weapons (NPT) came into force on 5 March 1970. Under the terms of Article III, 1, of this Treaty the non-nuclear States which have adhered to it, will have to negotiate, either individually or together with other States, an agreement with the International Atomic Energy Agency (IAEA), to ensure that the obligations assumed by the States parties to the Treaty, are fulfilled. Five Community States have signed the Treaty, but none has yet ratified it. France has let it be known that it does not intend to adhere.

The five signatory Member States held prior consultations with the Commission, under the terms of Article 103 of the Euratom Treaty. They will not ratify the Treaty unless the agreement on controls provided for by the NPT is concluded between the Community and the IAEA and ensures full respect of the Euratom Treaty. The Commission has already submitted to the Council a proposal for directives for future negotiations with IAEA.

6. Common commercial policy

AUTONOMOUS COMMERCIAL POLICY

Import policy

441. In 1970 three important regulations on import policy came into force. Two establish the common systems applicable to imports from State-trading countries¹ and from members of GATT and countries on the same footing.² The third institutes a common procedure for administering quantitative quotas.³ These texts replace the three interim regulations of 10 December 1968,⁴ whose adoption marked a first step towards a unified commercial policy.

The new arrangements do not make any change in the basically liberal common commercial policy, but streamline old machinery which was rather cumbersome and replace it by a more flexible and, particularly, a more "Community" procedure, based on close cooperation between the Commission and the national authorities. They also provide for a considerable widening of the geographical scope of the system.

The regulations on the import systems establish freedom to import—bound at Community level—for a very wide range of products the list of which is annexed to the regulation. These liberalization lists have been greatly extended since the basic regulation came into force. How-

¹ Council Regulation (EEC) 109/70 of 19 December 1969, establishing a common system for imports from State-trading countries; *Journal officiel* No. L 19, 26 January 1970, p. 1.

² Council Regulation (EEC) 1025/70 of 25 May 1970 establishing a common system for imports from non-member countries; *Journal officiel* No. L 124, 8 June 1970, p. 6.

³ Regulation (EEC) 1023/70 of 25 May 1970 establishing a common procedure for administering quantitative quotas; *Journal officiel* No. L 124, 8 June 1970, p. 1.

⁴ Council Regulation (EEC) 2041/68 establishing a common liberalization list for imports into the Community from non-member countries.

Council Regulation (EEC) 2043/68 on the gradual establishment of a common administrative procedure for quantitative quotas for imports into the Community. Council Regulation (EEC) 2045/68 introducing a special procedure for imports of certain products from non-member countries; *Journal officiel* No. 303, 18 December 1968.

ever, any liberal system¹ is in danger of being unrealistic if it does not allow for the introduction of safeguard measures in the event of serious danger. The regulations therefore allow some supervision of imports so as to be sure that imports of a particular product are not likely to prejudice the interests of Community producers. Safeguard measures are allowed to cope with crisis situations, such as market disruption causing grave prejudice to Community producers, and must also take into account goods already en route to the Community. The introduction of these measures is in principle the prerogative of the Council. The Commission is, however, empowered to act in an emergency, as are the Member States, though their action is limited in time.

The third regulation, which is applicable to both imports and exports, defines the procedure for administering quantitative quotas fixed autonomously by the Community or established by formal agreement with a non-member country. It is based on the principle that the fixing of these quotas, that is to say the determination of the amount, is a matter for the Council. But their administration now falls to the Commission, in liaison with a Community committee. In future this administration will include, not only the allocation of shares between Member States, but also increases in the overall quota even when import possibilities in the Community are insufficient. Administration of Community quotas will thus become very flexible. The issue of licences and the carrying out of other formalities continue to be the business of Member States, but will be standardized by means of a number of outline provisions. Council Regulation (EEC) No. 1471/70² of 20 July 1970 has established a common procedure for the autonomous increase of imports into the Community of products not subject to quantitative import quotas but to limits imposed by the exporters themselves.

442. The adoption of these three regulations, following on the anti-dumping regulation of 5 April 1968,³ gives the Community the basic in-

¹ For GATT and assimilated countries, see Council Regulation (EEC) 1984/70; *Journal officiel* No. L 218, 3 October 1970, p. 1. For state-trading countries, see Council Regulation (EEC) 1492/70; *Journal officiel* No. L 166, 29 July 1970; Council Regulation (EEC) 2672/70; *Journal officiel* No. L 239, 30 October 1970 and Council Regulation (EEC) 2567/70; *Journal officiel* No. L 276, 21 December 1970. The joint liberalization list annexed to Regulation (EEC) 1025/70 at present includes 917 of the 1 087 tariff headings.

² *Journal officiel* No. L 164, 27 July 1970, p. 41.

³ Council Regulation (EEC) 459/68 of 5 April 1968 on measures against dumping, premiums and subsidies practised by non-member countries; *Journal officiel* No. L 93, 17 April 1968.

struments it requires to begin the definitive phase of its commercial policy. These texts have already made it possible to settle certain problems of concern to Community producers. Thus, the Commission has formally opened two anti-dumping procedures, one concerning certain nitrate fertilizers from Greece,¹ and the other involving sisal packing string from Cuba.² The first was dealt with quickly following undertakings given by the exporters.³ The procedure to deal with sisal packing string is still in progress.

Export policy

Export arrangements

443. The harmonization of export arrangements has in principle been achieved. In its Regulation (EEC) 2603/69 of 20 December 1969⁴ establishing a system for exports, the Council established the principle of the freedom to export for almost all the tariff headings and fixed the criteria by which restrictions might be introduced where serious crises, such as supply difficulties, occur. The principle of freedom to export at Community level mentioned above still does not apply to some sixty products. For certain of these—leather, raw hides, copper waste, aluminium and lead—the Commission has recommended that the Member States maintain their export restrictions fixed in accordance with uniform principles, under Articles 115 and 155 of the EEC Treaty.⁵ Proposals will be formulated later by the Commission with a view to unifying the present system whereby a certain number of other headings are subject to export restrictions only in one or other of the Member States.

Export credits and credit insurance

444. In the field of credit insurance, guarantees and financial credits, the Council of Ministers, at its meeting of 26/27 October 1970, adopted

¹ Notice of opening of the investigation procedure; *Journal officiel* No. C 52, 30 April 1970, p. 28.

² Notice of opening of the investigation procedure; *ibid.* No. C. 133, 5 November 1970, p. 8.

³ Notice of closing of the investigation procedure; *ibid.* No. C 123, 8 October 1970, p. 13.

⁴ *Journal officiel* No. L 324, 27 December 1969.

⁵ *Ibid.* No. L 34, 12 February 1970.

two directives on the basis of Article 113 of the Treaty, concerning the introduction by the Member States of common insurance policies for medium- and long-term transactions, based on supplier's credit and intended for public and private buyers.

The wording of the two policies lays down the general terms under which the guarantee is issued: each credit insurer therefore remains free to decide on special terms as required, according to the contracts made. The policies define the scope and extent of the guarantee and its date of attachment, manufacturing or credit risks and causes of loss; they also state the obligations of the insured party in respect of the management of the risk and any sanctions if the aforementioned obligations are not fulfilled. Furthermore, the policies lay down the general principles for compensation and the rules relating to the use of payments and the proceeds from the calling in of the guarantees; the accounts loss, the calculation and payment of compensation and recoveries. A solution is also provided for the problems of exchange rates when converting amounts of foreign currency for compensations, recoveries, premiums and experts' fees.

The entry into force of these two insurance policies is an important step towards harmonizing export credit insurance techniques and implementing a common export credits policy.

445. The Commission also submitted to the Council a proposal for a directive on harmonizing a certain number of essential provisions as regards short-term political risks, whether involving public or private buyers.

Moreover, when the above-mentioned directives were adopted, the Council took note of a work programme under which the Commission will submit proposals to it in the following fields:

- (i) A common system of premiums applicable to medium- and long-term transactions with both public and private buyers;
- (ii) Introduction of a common insurance policy for financial credits and of the relevant system of premiums;
- (iii) Adoption of a certain number of basic principles with the aim of setting up a common system of guarantees for cost increases in trade relations with non-member countries;
- (iv) Fixing of the general principles for grants of exchange guarantees for exports from a Member State to a non-member country.

COMMERCIAL POLICY AS PURSUED UNDER AGREEMENTS

Extension of bilateral trade agreements

446. Under the terms of Title I of the Council decision of 16 December 1969, bilateral treaties, agreements and arrangements between the Member States and non-member countries may be extended, if, during the period of extension envisaged, they do not constitute an obstacle to the implementation of the common commercial policy. Since this decision came into force, the Council, on a Commission proposal, has authorized the Member States to extend or fully renew a certain number of treaties, trade agreements and other similar instruments.¹

It was noted at the end of the consultations prescribed by Article 2 of the Council decision that the content of the legislation to be renewed was not such as to hamper the implementation of the common commercial policy. The Member States also declared that the extension of these agreements was not likely to prevent the opening of any negotiations or the conclusion, under the terms of Article 113, of Community trade agreements which would supersede the bilateral agreements already in force with the non-member countries concerned.

Negotiation of Community agreements

447. A non-preferential trade agreement with Yugoslavia was signed on 19 March 1970. This was the first trade agreement concluded by the Community since the end of the transitional period.²

- (i) The agreement defines the field of application of the most-favoured-nation clause and the scope of the liberalization measures taken by the Community.
- (ii) The agreement sets up a Joint Committee and in principle supersedes the bilateral agreements concluded by the Member States.
- (iii) With reference to particular concessions, mention should be made of the immediate implementation for certain products of the customs duties resulting from the Kennedy Round.
- (iv) A protocol defines the adjustment of the levy on imports of high

¹ See Decision of 16 December 1970, *Journal officiel* No. L 326, 27 December 1969; Decision of 8 June 1970, *ibid.* No. L 133, 18 June 1970; Decision of 13 July 1970, *ibid.* No. L 157, 18 July 1970; Decision of 29 September 1970, *ibid.* No. L 225, 12 October 1970; Decision of 13 October 1970, *ibid.* No. L 231, 20 October 1970.

² *Journal officiel* No. L 58, 13 March 1970, p. 1.

quality beef (baby beef). This adjustment is made in the framework of permanent cooperation between the two parties.

- (v) An arrangement was also signed concerning a price guarantee for wine imports.

448. Following the decision of the Council on 10 November 1969 to explore the possibilities of trade negotiations between the Community and Japan, a Commission delegation visited Tokyo from 15 to 21 February 1970, at the invitation of the Japanese Government.

These talks established that the conditions for the opening of negotiations existed. On 20 July 1970 the Council took note of the Commission's report on its exploratory talks and of its recommendations, and authorized it to open trade negotiations for an agreement on the basis of well-defined directives and with the assistance of the Special Committee set up under Article 113.

During the first phase of negotiations, in Brussels from 17 to 24 September 1970, the delegations examined the various possible components of an agreement. However, mainly technical questions were dealt with in this initial phase. The results are at present being examined by both the Community and the Japanese Government. There may be a further phase of negotiations in the early months of next year.

449. On 12 February 1969 Argentina submitted a request for the opening of negotiations for a commercial agreement with the Community.¹ After detailed consideration of this request during exploratory talks with Argentina, the Commission submitted to the Council a draft decision, with directives, authorizing it to open negotiations with the Argentine Government. In November 1970 the Council accorded the necessary authorization. The negotiations will deal with tariff and non-tariff obstacles to trade, including certain problems in the beef and veal sector, and certain aspects of cooperation. The agreement envisaged, which should provide advantages for both sides, will be of a non-preferential nature. It is also planned to set up a joint committee.

450. The Commission, after receiving a request from Uruguay on 29 May 1969 for negotiations on a trade agreement, informed the Council in a memorandum that it felt the Community should hold exploratory talks with Uruguay to study the details of a possible agreement. At the end of the exploratory phase, the Commission will submit a detailed report

¹ *Third General Report*, sec. 456.

to the Council, in conformity with Article 7 of the latter's decision of 16 December 1969,¹ accompanied, as appropriate, by recommendations on the opening of negotiations.²

451. On 21 September 1970 the Indian Mission handed an *aide-mémoire* to the Commission concerning the conclusion of an arrangement on commercial cooperation with the Community. The Indian Government had already made an initial request on this matter in February 1968. It was agreed at the time that before considering the advisability of opening negotiations with India,³ it would be better to await the successful conclusion of the specific negotiations in progress on certain products (jute, coir fibres, hand-made articles) and to consider the results of the second session of UNCTAD.

Now that these specific negotiations are concluded, it would seem that India's new request should be examined, bearing in mind the problems which possible enlargement of the Community will raise.

452. Within the framework of the Long-term Arrangement regarding International Trade in Cotton Textiles, the Community States had concluded bilateral trade agreements or arrangements with certain non-member supplier countries.

This Long-term Arrangement was renewed in April 1970. Under the mandate granted by the Council in its decision of 6 February 1970, the Commission conducted the relevant negotiations. On 30 September 1970, following the Council decision of the previous day, the Community accepted the agreement in question, together with the two Protocols extending it. Within the framework of this renewed Agreement, and under the terms of its Article 4, the Commission has negotiated bilateral trade agreements on behalf of the Community with all the major supplier countries with which either all the Member States had concluded bilateral agreements (India, Pakistan, Japan), or only some Member States had made such agreements (UAR, Hong Kong, Korea and Taiwan). These negotiations were held during October and November on the basis of an outline agreement which provided for:

- (i) A list of cotton textile products covered by the agreement;
- (ii) Import ceilings mutually agreed upon and managed by the exporting country;

¹ Decision 69/494/CEE; *Journal officiel* No. L 326, 29 December 1969.

² See also, for Latin America, secs. 431 *et seq.*

³ See also, for Asian countries, secs. 434 *et seq.*

(iii) The suspension, during the period of the agreement, of quantitative restrictions still in force in certain Member States.

453. In accordance with the undertakings entered upon during the Kennedy Round, the Community negotiated an agreement on trade in jute products with India and Pakistan. The agreement with India has been in force since 1 January 1970,¹ while that with Pakistan was endorsed by Council decision of 20 July 1970 and signed on 19 January 1971.

In accordance with undertakings made during the Kennedy Round, the Community negotiated an agreement on trade in coir products with India. This agreement has been in force since 1 August 1969. In April 1970 the first meeting of the Joint Committee set up under the agreement was held. There will be a further one in the early months of 1971 to examine the most important aspects of the coir products industry.

454. In accordance with the Council decision of 20 March 1970, an agreement was signed on 13 May 1970 between the EEC and Pakistan on trade in silk and cotton fabrics woven on handlooms. Under this agreement, Pakistan may benefit from the zero-duty tariff quotas automatically established by the Community for imports of the products in question. These quotas were opened in 1968 following a Community undertaking to India at the Kennedy Round.

Following undertakings made during the multilateral negotiations in GATT, the Community opened an annual tariff quota, *erga omnes* of up to 5 million u.a., for handicraft products. India and Pakistan were the first countries to benefit from this quota. In 1969 and 1970 the Community concluded two separate agreements with these countries specifying the conditions under which exemptions from import duties might be obtained.

In 1970 the Community also concluded two further agreements with these two countries complementary to the earlier ones, and enlarging the list of products. In this way, 25 tariff headings for handicraft goods now benefit from duty exemptions, within the limits of the tariff quota.

In autumn 1970 five other countries also requested the same exemptions as granted to India and Pakistan. They were the Philippines,

¹ Council Decision of 10 November 1969; *Journal officiel* No. L 287, 15 November 1969.

Thailand, Indonesia, Iran and Ceylon. These requests are at present being considered by the Community authorities.

455. Since 1 September 1969 an agreement has been in force between the Community and Switzerland on processing traffic in the textiles sector. It has superseded three bilateral agreements between Switzerland, on the one hand, and Germany, France and Italy, on the other. Under the agreement, which is valid for a period of two years, the Community undertakes to open an annual Community tariff quota for the duty-free reimporting of certain textile products after processing in Switzerland. Switzerland grants equivalent facilities. The Joint Committee set up under the agreement held its first meeting on 21 October 1970.

456. On 15 June 1970 the Council, on a Commission proposal, concluded an agreement with Austria on the import from that country of livestock for the processing industry. The agreement came into force on 6 August 1970 and is valid until 31 March 1971; it provides for a tariff reduction and an abatement of levies on imported livestock for the processing industry originating in and coming from Austria. It broadly corresponds to the agreement, covering the same subject, concluded within GATT by the Community and Denmark as part of the multinational Kennedy Round negotiations.

457. The Commission has begun exploratory talks with the countries concerned (in particular Norway, Denmark, Portugal, Yugoslavia and Japan) covering problems which will arise for imports into the Community of certain sensitive products when the common organization of the fisheries market is introduced. In the light of the conclusions emerging from these discussions, the Commission will address proposals to the Council during the first half of 1971. Following the application of additional provisions regarding the common organization of the market in wine products, on 1 June 1970, a certain number of non-member countries declared their readiness to give guarantees that they would keep to the Community reference prices when exporting wines to the Community. Having examined these guarantees, the Commission has decided not to apply any countervailing charges on imports from South Africa, Argentina, Austria, Spain, Hungary, Portugal, Rumania, Switzerland and Yugoslavia. With a view to remedying a crisis situation on the Community dessert apples market and faced with the threat of increased imports, the Commission decided, by Regulation No. 459/70 of 11 March 1970, to introduce emergency measures from 1 April 1970 to 30 June 1970. During these

three months, imports of this product into the Community were subject to import licences issued within the limits of traditional imports. The aim of this system was to regulate imports in the light of the volume which the market was likely to absorb without hampering Community measures to re-establish the balance of production. Talks on this subject were held with the major apple suppliers: South Africa, Argentina, Australia, Canada, Chile, the United States and New Zealand. This special system, of which GATT had been notified, was abolished on the date specified.

The Commission informed the Council of its intention to begin talks with the British Government to explore the different ways by which it might find Community solutions to settle the problem of the arrangements for butter and Cheddar cheese exports to the United Kingdom. The Community also took part in the multilateral discussions organized by the British Government, which had expressed its intention to change the system governing import of the major agricultural products into the United Kingdom.

COMMERCIAL POLICY: STEEL

Peripheral tariff arrangements

458. Since Recommendation 1/64 on the introduction of a set of customs duties on steel products, the Commission has annually granted tariff quotas. For 1971 it granted, by waiving this recommendation, quotas for around 360 000 tons at the old harmonized rates, this figure being practically unchanged from that of the previous year.

Apart from these annual tariff quotas, the Commission has authorized, as a part of the half-yearly tariff measures unanimously approved by the six Member States, the unlimited imports of certain pig iron for the second half of 1970, at the reduced duty of 1%, and of 73 500 tons of miscellaneous steel products at zero duty. For the first half of 1971 these figures have been slightly reduced (71 500 tons).

In 1969 and in the first half of 1970 the steel market was extremely active, and this led to steep rises in prices and supply difficulties entailing even actual shortages. The Commission therefore proposed that

for the four-month period from October 1969 to January 1970 duties on certain categories of products should be suspended. The trend of the market led the Commission to suggest that these measures be renewed successively to cover the months of February, March, April and May, and then June and July. The range of products has, however, been modified to take account of different needs, and in the recent list of exemptions the reduction of customs duty on wire rod was only 4%.

459. The specific duty of 5 dollars per ton on pig iron, introduced by Recommendation 2/64, and amended later, had given rise to annual exemptions in the form of tariff quotas allowing imports at normal duty. For the first time, the decision taken for 1970 not only included special foundry pig, but also ordinary qualities. It became apparent during 1970 that the very lively market situation justified additional import possibilities under the normal duty system. After consulting the Member States, the Commission decided, on 29 June 1970, to grant an additional quota of 82 500 tons of ordinary, and 31 000 tons of special, foundry pig.

The last extension of Recommendation 2/64 expired at the end of 1970 and no decision has been taken on its renewal, the grounds which had justified its introduction and renewal at the time, especially the desire to facilitate conversion of foundries, no longer being present. In future imports will all be at the normal rate of 4.4%.

Restriction of steel imports from State-trading countries or areas

460. Every year since 1963 the representatives of the Member States have renewed their agreement to hold down, in a harmonized fashion, imports of pig iron and steel from State-trading countries and areas. The principle of voluntary control consists of limiting the grant of import licences to quotas specified in the commercial agreements, increased by tonnages known as "contingency reserves", to permit isolated transactions or those justified in the interests of trade reciprocity.

However, an amendment has been introduced for 1971. On a proposal from certain Member States which wish to include products coming under the ECSC Treaty in their overall liberalization policy vis-à-vis East bloc countries, four products (mainly semis), which are not sensitive and

are imported in relatively small quantities, have been liberalized autonomously under the terms of an intergovernmental agreement and with the approval of the Commission. When this liberalization measure, limited at present to the four products mentioned above, was adopted, it was agreed that effective safeguard machinery would be studied with a view to its introduction in the near future.

This limited liberalization does not change the quota system for other iron and steel products. Apart from the quotas referred to as contingency reserves, additional amounts were granted during 1970 as "makeweight" tonnages (580 000 tons). The tendency for the lively market conditions to calm down towards the end of the year led the Governments of the Six to call a halt to tonnages of this kind and to convert a part of the "makeweight" obtained in 1970 into "contingency reserves", bringing the volume granted for the latter to 1 034 500 tons for 1971.

The rule forbidding Community producers to align prices on lower quotations from the East bloc countries, which is a measure complementary to the fixing of quotas and which has been extended each year since 1964, was again renewed for 1971, on the understanding that its effects are to be limited to products still subject to quotas.

Other ECSC agreements

461. For a number of years the Community has been exchanging economic and technical information with several countries: with the United Kingdom as a part of the UK/ECSC Association Agreement, and with Japan, Sweden and Austria under less formal arrangements. The negotiations with the United Kingdom on the problem of its accession have slowed down the work of the various sectoral groups, such as the Trade Relations Committee of the UK/ECSC Council of Association, which in fact never met in 1970. On the other hand, the strengthening of relations between the Community and Japan continued and the contact group met twice during the year, once in Tokyo in April, and once in Brussels in October. A meeting covering the same questions was held in April in Stockholm with Swedish representatives. Finally, there was an information meeting in Brussels early in September with an Austrian delegation.

CONSULTATIONS AND ARRANGEMENTS

*Consultations in pursuance of Article 10 of the Council decision of
16 December 1969*

(Agreements negotiated by the Member States with certain
non-member countries)

462. Title III of the Council decision of 16 December 1969 concerning the progressive alignment of agreements relating to Member States' trade relations with non-member countries and the negotiating of Community agreements¹ defines the procedures to be followed in exceptional cases where negotiations with a non-member country, within the meaning of Article 113, prove to be impossible. This procedure waiving the principle of negotiating as a Community is applicable until 31 December 1972 and limited to state-trading countries.

In accordance with these provisions a large number of bilateral negotiations between the Member States and the East bloc countries have been dealt with under the Community "consultation with coordination" procedure provided for under Article 10. These consultations, which took place at fairly short intervals, produced conclusions common to all the Member States, on the basis of which the Council was able to authorize the States concerned to proceed with the negotiations.

Satisfactory results were thus obtained as regards the uniformization of agreements in force with the East bloc countries. This uniformization concerns in particular the synchronizing of the date of expiry—31 December 1974—and of the main clauses in the agreements.

On the other hand, efforts must be made to achieve greater co-ordination in liberalization measures and quota systems, where there still exist fairly appreciable differences. This will be the most important task during the negotiating of the annual protocols and, where the uniformization of liberalization systems is concerned, one of the major priority objectives. There have already been detailed discussions in the Council on this matter.

Technical arrangements with State-trading countries

463. Further talks at the technical level have been held with these countries. In addition to what is recounted below, these talks also included

¹ *Third General Report*, sec. 447.

Hungary, Rumania and Bulgaria, with a view to agreements on other products. The conversations were in their final stages at the end of 1970 and decisions may be taken early in 1971.

Rumania (sunflower oil)

464. In the Agreement concluded by exchange of letters dated 3 June 1970:

- (i) The competent Rumanian authorities declared their intention of keeping to an offer price, for sunflower oil originating in and exported from Rumania, not below that established in accordance with the technical procedures agreed upon between the Directorate-General for Agriculture and the "Prodexport" state-trading company (the exclusive Rumanian exporter for this product);
- (ii) In reply, the Commission stated that, in accordance with the provisions of Regulation 143/67/EEC, in its present version, and to the extent that the conditions mentioned above are maintained, it did not intend to impose a countervailing charge within the meaning of Article 3,6(2), of Regulation 136/66/EEC on imports of sunflower oil originating in and exported from Rumania.

Hungary, Rumania, Yugoslavia and other non-member countries (wines)

465. Arrangements reached by exchange of letter with Rumania and Yugoslavia on 30 October 1970 and on 2 November 1970 with Hungary:

Commission Regulation (EEC) 2223/70 of 28 October 1970:

- (i) The Yugoslav Government and the competent authorities in Rumania and Hungary guarantee to ensure that the price charged the Community by their respective state-trading companies (exclusive exporters) will not be below the reference price less customs duties;
- (ii) For its part, the Commission has decided that, on the basis of the guarantees offered, the countervailing charge under Article 9,3(2), of Council Regulation 816/70 of 28 April 1970 would not be applied to imports of wines originating in and exported from these countries.

Poland (slaughtered turkeys)

466. Arrangement agreed upon by exchange of letters dated 1 December 1970 (Commission Regulation No. 2474/70 of 7 December 1970). The competent Polish authorities will ensure that the "Animex" state-trading company (the exclusive exporter) keeps to the sluice-gate price.

In return, the Commission decided that on the basis of the guarantees offered the supplementary amount under Article 8 of Council Regulation 123/67 of 13 June 1967 would not be applied to imports of slaughtered turkeys from Poland.

MULTILATERAL RELATIONS WITHIN THE FRAMEWORK OF
INTERNATIONAL ORGANIZATIONS

ECE

467. The Economic Commission for Europe has considered in detail the evolution of East-West trade over recent years examined from this angle the consequences of the formation of economic groupings. At the 19th session of the Committee on the Development of Trade, a Commission representative took the floor for the first time within this Committee to define the Community's ideas on the common commercial policy and to explain its analysis of present problems in East-West trade.

*GATT**Committee on trade in industrial products*

468. In 1970 the Committee, which, in 1969, had made an initial examination of non-tariff and para-tariff obstacles notified by the Contracting Parties, explored the possibilities of practical action to lower or remove the main types of obstacles, and draw up a possible code of conduct. Five working parties were therefore set up to consider the following measures:

- (i) State participation in trade (aids, compensatory duties, government purchases, state-trading, etc.);
- (ii) Customs and administrative formalities on imports (customs valuation, anti-dumping legislation, tariff nomenclature, documentation, etc.);

- (iii) Standards constituting obstacles to trade (technical standards and regulations, packaging, labelling and marking);
- (iv) Specific limitations of imports and exports (quantitative restrictions, bilateral agreements, limits on exports, licences, etc.);
- (v) Import charges (prior deposits, administrative duties, statistical dues, etc.).

During the work of these groups, various proposed solutions were put forward, such as the drawing up of codes of conduct, guiding principles or explanatory notes to the General Agreement, and the improvement of existing procedures or the introduction of new ones. These proposals were intended to ensure better respect of obligations, adhesion by certain countries to commitments accepted by others, or various case-by-case solutions.

The Community, represented by the Commission delegation, took a very active part in this work and stressed the need to find realistic solutions which would not only avoid any further disparities in the legal obligations of the different Contracting Parties but would also, wherever possible, correct such disparities.

These working parties have now completed their preparatory studies on possible solutions to the different problems, in accordance with the conclusions of the XXVIth session of February 1970.

469. The GATT Secretariat, following the directives of a group of technical experts, has collected very interesting information on rates of customs duty and the volume of trade of the following countries and groupings: the Community, the United States, Canada, Japan, the EFTA countries (less Portugal) and Finland. On the basis of this information, the Committee was to have made an analysis of the tariff situation as it will appear in 1972, when all the concessions resulting from the Kennedy Round have been fully applied, and to consider the various possibilities for action in this field. However, from September onwards, difficulties arose in reaching an agreement on the continuation of the work. The United States proposed collecting additional information, which would have meant postponing for about two years the completion of the tariff analysis as agreed upon by the Contracting Parties. The Community, supported by the other delegations, insisted that the analysis should be undertaken without delay, on the basis of existing information.

Agricultural Committee

470. At their February 1970 session the GATT Contracting Parties requested the Agriculture Committee to draw up conclusions on the possibilities of taking concrete measures to solve the problems arising in the field of agricultural products. The Committee divided this work up amongst four groups. During the examination, several countries declared their interest in the possibilities of applying, under present conditions, the support amount formula, with perhaps the addition of provisions on degrees of self-sufficiency. Other countries, however, spoke in favour of the traditional approach, which consists in dealing mainly with measures which affect trade, such as export subsidies and protection against imports.

The Community put forward the view that since all agricultural problems are connected, agricultural policy is normally governed by a general concept applied as an entity. The Community believes that a distinction must be made between solutions which require changes in legislation and present policies and those which do not. A common denominator must be found for the solutions of the first type as well as an appropriate negotiating procedure, which it seems cannot be worked out rapidly. With regard to the second type of solution, this might be sought within the context of existing legislation or policies by recasting the methods of management. The Community considers that in the first stages stress should be laid on this second alternative.

It will be for the GATT Council to give its opinion.

Association agreements and the provisions of Article XXIV of GATT

471. As stated in the Third General Report,¹ the Contracting Parties were notified, in accordance with the rules of the General Agreement, of the Association Agreements concluded by the Community with Tunisia and Morocco. When the GATT Council examined the reports of the working parties set up to study these agreements, several Contracting Parties expressed very grave concern at the development of the Community's association policy and the dangers it represented in their opinion for the multilateral trade system as governed by GATT. The main effect of this position of principle was to block any possibility of reaching a compromise between the different views held which would have enabled the Council to adopt unanimous conclusions on the examination of these

¹ Sec. 433.

agreements. Following the discussions, the Community's representative recalled that the latter had invoked the provisions of Article XXIV and followed the rules of procedure relating to it, and, in the absence of any recommendation from the Contracting Parties, felt entitled to benefit from the automatic exception prescribed by this Article, which does not require any special decision.

The Commission had the impression that, contrary to GATT's traditional attitude, these agreements, which invoke the general exception to the most-favoured-nation clause laid down in Article XXIV of the General Agreement, had been dealt with, not on their own merits, but in the light of considerations unrelated to the concrete and specific cases they constituted. The inability of the Contracting Parties to follow the pragmatic line which had hitherto guided their action and done so much to strengthen GATT was felt by the Community to be particularly regrettable, especially since the agreements in question are with developing countries, whose preferential relations with the Community have a historical basis recognized by the General Agreement itself.

During 1971 GATT will be called upon to examine other association agreements concluded by the Community, such as the Arusha Convention, the agreements with Spain and Israel, and the Protocol with Turkey.

State-trading countries

472. In the negotiations taking place within GATT with various planned-economy countries, it is the Community which is the main trading partner of these countries.

During 1970 the second and third annual examinations consecutive on the accession of Poland to the General Agreement were held to ascertain whether this country had fulfilled its purchasing obligations and if the Contracting Parties had reduced any discrimination still maintained against Poland. Since 1967 the Community in particular has dismantled a very considerable number of the remaining quantitative restrictions.

The conditions for the accession of Rumania to the General Agreement were also examined, but it has not yet been possible to find a mutually satisfactory solution.

The discussions began with Hungary in December and are therefore still in their initial phase.

Tariff negotiations

473. Under the general mandate conferred upon it for the day-to-day management of particular GATT provisions the Commission has conducted a number of negotiations and consultations, especially where the protection of concessions and advantages is concerned. In this context it held consultations under Article XIX with Australia and Canada, both of which had invoked the escape clause of this Article. Similar consultations will start in the near future with Israel; those with Spain have been completed.

The Community has entered into negotiations with non-member countries which either modified or withdrew concessions granted to the Member States or to the Community itself. Negotiations of this kind have already been completed with Australia and India and others are going on with Korea, Brazil, Japan and South Africa. The negotiations with the last-mentioned country are on an exceptional scale because of the considerable number of concessions it plans to withdraw from its list annexed to the General Agreement.

474. Tariff renegotiations under Article XXVIII on the abolition of the reduced-duty tariff quota for aluminium were begun at the Community's initiative. They have led to an agreement with Norway, which directly benefits from the concession in question, and which accepted the offer of a reduction of 7% in the duty on unwrought aluminium, proposed to compensate for the withdrawal of the tariff quota.

475. At the end of 1970, the date set for the acceptance of the agreement, mainly concerning chemicals, negotiated during the Kennedy Round was once more postponed for a further year. This agreement, which provides for a substantial reduction of United Kingdom and Community customs tariffs in the chemicals sector, is linked with the abolition by the United States of their system of customs valuation based on the American Selling Price (ASP), which requires the approval of Congress.

7. Relations with international organizations and diplomatic relations

UNITED NATIONS (UN)

476. Relations between the Community and the United Nations were continued and consolidated during the period under review.

Thus the Community was represented in an observer capacity on the Preparatory Committee for the Second UN Development Decade;¹ at Committee 2 of the UN General Assembly, sitting to finalize the report on the international development strategy for the 1970s, the Community officially stated its position, which served to highlight its responsibilities in this field, and the Community standpoint was likewise presented in the debates of the General Assembly.

The Commission also followed the proceedings of the Economic and Social Council (ECOSOC); here again it put its views on the same subjects, as well as briefly outlining certain aspects of Community policy on development cooperation. It voiced the satisfaction of the Community at the concrete results achieved by UNCTAD in connection with generalized preferences.

The Commission also actively followed the work of the Economic Commission for Europe (ECE), whose deliberations on East-West trade and report on the intra-European trade position impinge at many points, more especially in regard to commercial policy, on the Community's orbit. In addition the Commission took part in the work of the Economic Commission for Asia and the Far East (ECAFE), the World Health Organization (WHO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Commission on International Trade Law (UNCITRAL), the United Nations Industrial Development Organization (UNIDO), the Intergovernmental Maritime Consultative Organization (IMCO) and the Office of the United Nations High Commissioner for Refugees (UNHCR).

477. Working relations with the secretariat of the International Atomic Energy Agency (IAEA) were also actively maintained. In the special sphere of nuclear documentation, the implementation of the contract

¹ See 3 of this chapter.

concluded in 1969 between the Commission and the Agency for the launching of the International Nuclear Information System (INIS) yielded satisfactory results. As on previous occasions the Commission at the invitation of the Board of Governors sent an observer to the Fourteenth Ordinary Session of the IAEA General Conference, meeting in Vienna on 22-29 September 1970. The Conference was again mainly concerned with developments in the Agency's work and structure following the entry into force of the NPT; its decision to enlarge the Board of Governors to include members from 33 countries instead of the previous 25 is a first step to meet the wishes of the countries rated by the NPT as "non-nuclear Powers", and once applied should have the effect of giving the non-nuclear Community countries greater weight on the Board of Governors.

478. The Commission took part in the 54th session of the International Labour Conference, and continued its cooperation in the work of various ILO bodies. As in previous years, it made a financial contribution to the International Institute for Labour Studies and the International Safety Centre (CIS), and also, jointly with the International Centre for Advanced Technical and Vocational Training in Turin, organized two seminars, one for agricultural and rural-crafts training officers and the other for African and Latin American executives. ILO gave for its part technical assistance to the EEC Administrative Committee for the Social Security of Migrant Workers. The EEC-ILO Contact Committee held a number of meetings to ensure continuity in the cooperation between the two organizations. The Commission also continued its cooperation with the United Nations Committee on Housing, Building and Planning, the International Confederation on Social Welfare, the International Social Security Association and the International Association for Mutual Assistance.

ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD)

479. The Commission continued to work in with OECD and more particularly with its Development Assistance Committee (DAC). In accordance with the annual practice, a memorandum was laid before the Committee outlining EEC activities in connection with financial, technical and food aid for the developing countries during 1969; this was discussed, as part of the annual review of DAC members' development aid work and policies, at a meeting on 1 December 1970 dealing with EEC. In addition,

the Commission took an active part in the Committee's working parties' study of current problems in the field of development aid. This year attention was devoted in particular to the political and technical problems of "untying" aid, adaptation of financing terms to the individual circumstances of the beneficiary countries, problems regarding the use of export credits, the possibility of fixing a date for reaching the target of one per cent of GNP and of adopting a separate target for state development aid, elimination of procedural obstacles to the effective use of the aid, assessment of its effectiveness in practice, and the problems of coordinating aid arrangements at local level.

As to the cooperation between Euratom and the European Nuclear Energy Agency (ENEA), the 1964 agreement on the installation of the ENEA computer programme library at the Ispra establishment of the JRC was extended for Euratom to 31 December 1971.

Of the other main OECD committees, mention should be made this year in particular of the Trade Committee. Much of its work was concerned with the finalizing of the generalized preferences, but it also had during the year to go carefully into a number of important matters in connection with relations among the developed countries. More particularly, it heard two successive statements by the United States delegation on the legislation brought before Congress in the autumn, and expressed the "deep concern" this was causing in almost every country in the world; it examined the delicate subject of the use of trade weapons in the event of balance of payments disequilibria; it discussed, though without, so far, deciding, whether it should periodically consider commercial policies of the Member States; and suggestions were submitted to it by OECD's new Secretary-General, Mr Van Lennep, for measures in international trade to help combat inflation. The Community, in compliance with the Treaty, and in particular with Article 113, acted in perfect solidarity throughout, which had a considerable impact on the results.

EUROPEAN FREE TRADE ASSOCIATION (EFTA)

480. One of the regular exchanges of views and information between EFTA and Commission officials took place on 17 June. On this occasion the topics dealt with were purchases by public authorities, the impact on trade and prices of the introduction of VAT, and the interdependence of the economies of the Community Member States.

COUNCIL OF EUROPE

481. As in the past, the Commission was represented at the three 1970 sessions of the Consultative Assembly of the Council of Europe. Political discussion this year centred on three main matters, the consolidation of relations among the Six brought about by the Hague Conference of December 1969, East-West relations, and the situation in the Middle East as a serious threat to world peace. At the conclusion of the debates on Community affairs the Assembly adopted a resolution expressing its support for these various steps to further the integration of Europe, and more particularly the strengthening and enlargement of the Communities, "which must remain the heart and driving force of Europe". Also, wishing to bring the Commission into closer connection with its own proceedings, the Assembly arranged for Mr Sicco Mansholt to present the case for the structural reform of European agriculture and for Mr Edoardo Martino, the member responsible for external relations in the last Commission, to take part in a major debate on development cooperation.

OTHER ORGANIZATIONS

482. The Commission followed the work of the European Conference of Ministers of Transport (ECMT), the Central Commission for the Navigation of the Rhine (CCNR), the Intergovernmental Committee for European Migration (ICEM) and the International Bureau of Weights and Measures. It also took part, as in previous years, in the work of the Council of Europe's Social Committee.

DIPLOMATIC RELATIONS OF THE COMMUNITIES

483. In the period under review, diplomatic relations were established between the Communities and the Holy See, Iraq, Ethiopia, Nicaragua, Sierra Leone, Jordan and Malawi. Six States already maintaining diplomatic relations with EEC extended these to the other two Communities, ECSC and Euratom.

At present, 85 States have representatives accredited to the European Communities, 47 of them to all three Communities, 37 to EEC only, and one to EEC and ECSC.

CHAPTER IV

INSTITUTIONS AND ORGANS OF THE COMMUNITIES

1. Composition and work of the Institutions

THE EUROPEAN PARLIAMENT

Election of President

484. At its constituent session of 10 March 1970, the European Parliament elected its President and bureau for the Parliamentary year 1970/71: on a show of hands, Mr Mario Scelba (Italy, Christian Democrat) was re-elected President, and Mr Walter Behrendt (Germany, Socialist), Mr André Rossi (France, Liberal), Mr Louis Terrenoire (France, European Democratic Union), Mr Hans Furler (Germany, Christian Democrat), Mr Achille Corona (Italy, Socialist), Mr Laurent Merchiers (Belgium, Liberal), Mr Wilhelmus Schuijt (Netherlands, Christian Democrat) and Mr Joseph Wohlfart (Luxembourg, Socialist) were elected Vice-Presidents. Miss Colette Flesch (Luxembourg, Liberal) was appointed general rapporteur for the Third General Report on the activities of the Communities.

The Chairman of the Christian Democrat group was Mr Lücker (Germany), of the Socialist group Mr Vals (France), of the European Democratic Union group Mr Triboulet (France), and the Liberal and Allied group Mr Berkhouwer (Netherlands).

Reconstitution took place in 1970 of the representation from France, from Germany and from the Netherlands Upper House.

Activities

485. During 1970 the Parliament held 10 plenary sessions occupying 37 days in all, 29 in Strasbourg and 8 in Luxembourg.¹ The Parliamentary Committees held 264 meetings and drew up 326 reports, 84 of them embodying opinions; the Bureau of the Parliament held 19 meetings, and the Committee of Chairmen eight. These figures do not of course reflect all that the members of the European Parliament are called upon to do: as President Scelba pointed out in his summing-up of the Parliament's activities in 1970,² there are also the meetings of the various subcommittees, working parties and study groups, and of the political groups. Of the latter, the Christian Democrats held 46 meetings, the Socialists 28, the Liberals and Allies 26, and the European Democratic Union group 15.

486. In its efforts to achieve more progress in the Community and a greater measure of democracy in its organization, the Parliament continued to press for a more balanced relationship among the Community institutions; in particular, it urged that it should itself have a fuller share in decision-making, as would be the case if all the provisions of the Treaties in force were strictly observed and implemented more in line with the democratic set-up and the range and scope of the Community.

As Mr Scelba recorded in his statement, the Parliament's requests in 1969 for autonomy in respect of its own operational budget, for entitlement to be informed of the Council's reasons should it not act on proposals adopted by the House, and for closer cooperation with the Council and Commission, have been duly met, in the resolutions and declarations annexed to the Treaty of Luxembourg of 22 April 1970,³ which was ratified by the Parliaments of all the Member States and became law on 1 January 1971. The Council thereby undertook not to amend the Parliament's budget estimates provided they did not clash with the Community's as a whole, to cooperate most closely with the Parliament in its consideration of the financial implications of Commission proposals, and to explain its reasons in the event of its taking a different

¹ *Bulletin* Nos. 3-70 to 2-71, Part Two, Ch. IV; for the minutes, resolutions, Opinions and verbatim reports of the sittings, see *Journal officiel* 1970 Nos. C 15, C 25, C 40, C 51, C 65, C 80, C 101, C 118, C 129, C 143 and C 151 and Annexes Nos. 120 to 132.

² See speech by Mr Mario Scelba on 19 January 1971 (debates), from which the main passages of the present chapter are taken (doc. PE 26.391).

³ European Parliament document on the Communities' own resources and the budgetary powers of the European Parliament (June 1970).

course from that favoured by the Parliament—in a word, to do everything possible to ensure close cooperation in budgeting, including arranging for the President or a member of the Council to be present at the budget debate.

487. But the real milestone in Community development was the granting of budgeting powers to the Parliament. The new provisions mark a turning-point in the division of powers in the Community institutions. From 1975 the Parliament will have the final say in the Community's administrative expenditure;¹ in the interim, from 1971, it will have wider powers than before.

Though a considerable advance on the previous budgetary practice, these measures are none the less only a first step in the desired direction: the Parliament's power of decision relates only to administrative expenditure, whereas the Council retains all power of decision on operational expenditure—which accounts for by far the largest part of the budget. This led to the controversy as to whether the Parliament might reject the budget *in toto* and to the Parliament's expressing "dissatisfaction" with the Treaty of Luxembourg. The Council assured the Parliament that it would examine "in the light of developments in the European situation" the proposals which the Commission has undertaken to submit on the subject within two years.

488. The question of the Parliament's election by direct universal suffrage was taken up at the series of meetings between Parliament and Council representatives. A preliminary list of the problems to be examined was drawn up, and it was unanimously agreed that the Parliament's 1960 draft scheme should be updated.

The decisions which the Governments have taken in connection with political unification, on the basis of the report of the Committee chaired by Mr Davignon (Belgium), afford the assurance that the Parliament will share in the concerting of foreign policies, through the provision of particulars by the Foreign Ministers of the Member States to the Political Affairs Committee and directly to the House itself.

489. The seventh joint session of the Consultative Assembly of the Council of Europe and the European Parliament met on 17 September,

¹ Sec. 544 *et seq.*

the subject for debate being "The future of European unification and Europe's action for the adoption of a policy to help the developing countries".

A commemorative sitting was held on 13 May 1970 to mark the twentieth anniversary of the Schuman Declaration.¹

The Council was represented at many sessions in 1970 by its President-in-office. The annual "colloquy" of Parliament, Council and Commission on 18 November 1970 was on the subject "Economic union and the outlook for monetary union in the Community".

In 1970 the Commission presented the first of its proposed annual programmes of Community activity,² which the Parliament had asked should be submitted to it at the beginning of each year. This new procedure enables the Parliament to take part in advance in the framing of Community policies, in addition to its other "watchdog" work carried out by such means as its public debate on the General Report, in accordance with Articles 143 and 213 of the Treaties of Rome and Article 24 of the Treaty of Paris.

THE COUNCIL

Chairmen

490. In accordance with the provisions of Article 2 of the Treaty of 8 April 1965, the Council was chaired by the Belgian member during the first half of 1970 and by the German member during the second half.

The twenty-odd sessions held under Belgian chairmanship were variously presided over by Mr Pierre Harmel, Minister of Foreign Affairs, Mr Jean-Charles Snoy et d'Oppuers, Minister of Finance, Mr Charles Heger, Minister of Agriculture, Mr Louis Major, Minister of Labour, Mr Joseph de Saeger, Minister of Public Works and Mr Alfred Bertrand, Minister of Telecommunications, and the similar number under German chairmanship by Mr Walter Scheel, Minister of Foreign Affairs, Mr Karl Schiller, Minister of Economics, Mr Alex Möller, Minister of Finance, Mr Joseph Ertl, Minister of Agriculture, Mr Walter Arendt, Minister of Transport, Mr Hans Leussink, Science and Education Minister,

¹ *Bulletin* No. 6-70, Part One.

² *Ibid.* No. 3-70.

Mr Sigismund von Braun, Secretary of State at the Ministry of Foreign Affairs, and Mr Hans-Dieter Griesau, Secretary of State at the Ministry of Agriculture.

Sessions

491. During 1970 the Council held 41 sessions, 13 of which dealt for the most part with general matters, one with economic and financial affairs, 16 with agriculture, three with social affairs, three with scientific and technological research, three with transport and two with public contracts.

Notable developments during the year included the following. In January the Council was concerned more especially with putting into practical shape the decisions of principle on the transitional period taken on 22 December 1969, and with giving effect to the Hague resolutions. In February, it agreed the definitive financing arrangements for agriculture and the decision on the Community's own resources, confirmed its resolution on the European Parliament's budgetary powers in the final stage, and took the decisions completing the common organization of the market in tobacco, wine and fisheries products. The March sessions were devoted to finalizing the latest work done on these points, and to various preparations for the coming membership negotiations, the further internal development of the Community and the phased establishment of economic and monetary union; it was at this juncture that the decision was taken to set up the Werner Committee. The Council continued its work in April, May and June, during which time it agreed the procedure for the membership negotiations. In July it agreed the Community's joint negotiating position, and also reached agreement in principle on the reform of the European Social Fund and completed a certain amount of preparatory work on the problems of European cooperation in the field of scientific and technical research.

On resuming work in September, the Council formally adopted the new Yaoundé Convention, the Arusha Agreement and the convention on the association of overseas countries and territories; it also approved a Treaty amendment concerning the statute of the European Investment Bank, and achieved substantial progress on the common fisheries policy, the regulations on which were adopted in October. Also in October, it defined the position of the Community for the meetings to be held with the EFTA countries which had not applied to join the Community. In November it approved the proposed organizational arrangements for the

Standing Committee on Employment, and went ahead with its work on economic and monetary matters on the basis of the Werner Report. In December, having meantime had a Commission proposal submitted to it, it settled a number of points in connection with the project for economic and monetary union, though some aspects had to be held over. With regard to the enlargement question, it proceeded further with its study of problems concerning the transitional arrangements; in addition, it gave attention to budgetary problems and to the joint Community line of action on scientific and technical research and development suggested by the Commission.

The President-in-office, the Belgian Foreign Minister, Mr Pierre Harmel, gave the European Parliament at its May session an account of the Council's activities in the preceding year.¹

THE COMMISSION

Composition

492. The representatives of the Governments of the Member States, meeting on 29 May in Bagnaia di Viterbo and on 29 June in Luxembourg, appointed the new Commission of the European Communities in accordance with the provisions of Article 32 of the Treaty of 8 April 1965 (Merger Treaty). Under these provisions, the Commission was to consist of fourteen members for three years from 1 July 1967, and of nine thereafter.

493. When the term of office of the fourteen-member Commission (which replaced the former EEC Commission, the Euratom Commission and the High Authority of ECSC) expired, the European Parliament paid tribute, on 16 June 1970,² to the outgoing Commission and voiced its appreciation of the notable work the Commission had performed. In reply President Rey expressed his "unshakable confidence in the value of the work undertaken, the building of a reconciled and unified Europe, which would be a power for peace and progress throughout the world".

At the conclusion of the Council's session of 28 June 1970, the last in which the fourteen-member Commission took part, the President-in-

¹ Verbatim report, *Journal officiel* Annex No. 125-70, p. 106; see also *Bulletin* Nos. 3-70 and 2-71, Part Two, Ch. IV.

² Debates in the European Parliament, *Journal officiel* Annex No. 126, June 1970, pp. 90 *et seq.*

office, Mr Pierre Harmel, the Belgian Foreign Minister, expressed to President Rey and all his colleagues the Council's best wishes and wholehearted gratitude and admiration; the outstanding record of Community achievement over the past three years had, he said, been due in large measure to the great abilities of the men on the Commission.

494. The new Commission is headed by Mr Franco Maria Malfatti; its Vice-Presidents are Mr Raymond Barre, Mr Wilhelm Haferkamp and Mr Sicco L. Mansholt, and its members Mr Albert Coppé, Mr Jean-François Deniau, Mr Altiero Spinelli, Mr Albert Borschette and Mr Ralf Dahrendorf. It assumed office on 2 July 1970; at the wish of the outgoing President the occasion was made a ceremonial one, at which Mr Rey expressed confidence in the new Commission and in the onward march of European unification. Mr Malfatti at the first meeting said the new Commission was faced with "great issues, which must be tackled with determination, making the most of all the policy options and openings that emerged at The Hague".

495. The Commission concentrated forthwith on settling the allocation of duties in the matter of Community enlargement and the division of responsibilities among its members, bearing in mind in its discussions that with a smaller membership its decisions would be the more essentially corporate in character.

The outcome was as follows:

Franco Maria Malfatti, President	Secretariat; Legal Service; Spokesman's Group; Security Office
Sicco L. Mansholt, Vice-President	Agriculture (DG VI)
Raymond Barre, Vice-President	Economic and Financial Affairs (DG II); Statistical Office
Wilhelm Haferkamp, Vice-President	Internal Market and Approximation of Legislation (DG XIV); Energy (DG XVII); Supply Agency; Safeguards and Controls

Albert Coppé	Social Affairs (DG V); Transport (DG VII); Credit and Investment (DG XVIII); Personnel and Administration (DG IX); Budgets (DG XIX); Financial Control (DG XX)
Jean-François Deniau	Coordination of enlargement nego- tiations (DG I, Divisions B 1 and B 2); Development Aid (DG VIII)
Altiero Spinelli	Industrial Affairs (DG III); General Research and Technology (DG XII); Joint Research Centre (DG XV)
Albert Borschette	Competition (DG IV); Regional Policy (DG XVI); Information (DG X); Dissemination of Information (DG XIII)
Ralf Dahrendorf	External Relations (DG I, except Divisions B 1 and 2); External Trade (DG XI).

The Commission retained the system of establishing a number of working parties.

496. On 8 July the members of the Commission publicly gave their formal undertaking to abide by the obligations of Article 10(2) of the Treaty of 8 April 1965.¹

On the same day the Commission appeared before the European Parliament meeting in extraordinary session in Luxembourg. On 15 September President Malfatti described to the Parliament the general line which the new Commission intends to pursue in the future.²

¹ *Bulletin* No. 8-70.

² *Ibid.* No. 9/10-70.

Internal administration of the Commission

497. The Commission confirmed the line chosen in 1969 on staff policy and embarked on its progressive implementation, with the focus on dialogue and concertation. It was only to be expected that the process would give rise to some awkward problems, and by the end of the year difficulties had in fact emerged. It is nevertheless the Commission's firm intention to have the main aspects of staff policy thrashed out on a basis of equal representation.

The Round Table on staff policy first convened on 3 June 1969 met twice in 1970. The Commission took note of a report and an outline programme listing various measures and sketching a number of guidelines for them; the suggestions are aimed at securing not only improvements in terms of employment but also organizational streamlining and more modern methods.

An important step forward was taken when the Commission accepted, on 24 July 1970, the principle of officially recognizing the unions representing the Commission staff; in September and October it decided to engage with these bodies in specific concertation on pay, and settled necessary procedure.

498. The Commission's concertation procedure was complemented by the arrangements which the Council adopted on 26 November for its own dialogue with the staff.

The decision of 14 December on the annual pay review was accordingly preceded by a dialogue on the proposal previously agreed to by the Commission and the unions under the concertation procedure. The decision provided for a salary increase of 3.5% net from 1 July 1970, to cover the rise in the cost of living in Brussels, and over and above that a further increase of 4% gross from 1 October 1970. The Council also decided that the corrective coefficient to be applied to the salaries of officials in Luxembourg should be the same as for those in Brussels.

For the purposes of future periodic pay reviews, it was also decided that the Commission should submit to the Council at the beginning of 1971 a document for their joint consideration, containing specific proposals for devising more efficient methods enabling pay policy to be based on definite, unarguable data; with improved processing of pay questions, it should be possible to prevent any recurrence of disputes which are unpleasant for staff and employers alike.

499. The Commission and the unions are also to concert, and dialogue between Council and unions is to take place, on the revision of the Community's Personnel Statute now in progress. On 24 July the Council's panel of experts appointed to study the Commission's proposals of 28 March 1969 presented its findings to the Permanent Representatives Committee; the Committee then discussed them with Commission representatives with a view to disposing of the main points still outstanding, such as the setting-up of a "liaison and dialogue body" for the staff of all the institutions, the raising of pension rates, and arrangements concerning part-time working.

500. The Commission's establishment was increased in 1970 by only 39 posts (17 in Category A, 10 in B and 12 in C), which were authorized by the Council out of supplementary appropriations for the Directorates-General for Economic and Financial Affairs and Development Aid. The Council's decision of 14 December on the budget for the 1971 financial year only partly meets the Commission's personnel requirements. Under it, the Commission's establishment in 1971 will total 5 423 permanent and 70 temporary posts, the former breaking down by categories as follows:

Category A : 1 517
Category B : 1 040
Category C : 2 025
Category D : 300
L/A staff : 541

and the latter into 40 A, 10 C and 20 L/A (Language side).

501. Appreciable further improvements were made in 1970 in the Commission's provision of facilities for its staff, more especially in two directions, welfare and training. With regard to welfare, the Commission set up a joint committee on occupational health and safety, and finalized the arrangements for the granting of building loans to personnel.

THE COURT OF JUSTICE

Composition

502. On 6 October 1970, the Court of Justice of the European Communities met in formal session to receive two new appointees, Judge Hans Kutscher and Advocate-General Alain Duthellet de Lamothe. At this session, which was attended by the Ministers of Justice of the Member

States, Mr Dutheillet de Lamothe took the oath before the Court; Judge Kutscher was sworn in after the appointment of his successor at the Federal Constitutional Court, Karlsruhe.

On 7 October the Court sat in administrative session to appoint its President, and decided to reappoint for a further three years Mr Robert Lecourt, formerly Garde des Sceaux of the French Republic, who has been a Judge of the Court of the Communities since 1962 and was its President from 1967 to 1970.

As it does at the beginning of each judicial year, the Court also appointed the Presidents of the Chambers: Mr André Donner, a former President of the Court (from 1958 to 1964), was appointed President of the First Chamber, with Mr Karl Roemer as Advocate-General, and Mr Alberto Trabucchi President of the Second Chamber, with Mr Dutheillet de Lamothe as Advocate-General.

The composition of the Court is as follows:

President of the Court:	R. Lecourt
First Chamber:	A.M. Donner (presiding) J. Mertens de Wilmars and R. Monaco (Judges) K. Roemer (Advocate-General)
Second Chamber:	A. Trabucchi (presiding) H. Kutscher and P. Pescatore (Judges) A. Dutheillet de Lamothe (Advocate-General)
Registrar:	A. Van Houtte

Activities of the Court

503. During 1970, 80 new cases were brought before the Court of Justice. The Court handed down 62 judgments, 4 cases were withdrawn, and 78 cases were still pending at 31 December 1970.

There was a marked increase on 1969 in the number of requests for preliminary rulings, 32 as compared with 14.

The case law of the Court is dealt with in Chapter V of this Report (Community law) where the various aspects are dealt with in more detail; a full list of new cases and judgments rendered in 1970 is given at the end of that Chapter.¹

¹ See also *Aperçu des travaux de la Cour de Justice des Communautés européennes en 1970* (Survey of the work of the Court of Justice of the European Communities in 1970), Luxembourg, 1971, extensively quoted in *Bulletin* 2-71.

THE CONSULTATIVE BODIES

*The Economic and Social Committee**Composition*

504. The second four-year term of the members of the Committee ended on 16 May 1970.

Mr Mathias Berns (general interests, Luxembourg), the outgoing Chairman, described the work the Committee had done during his period of office, and urged that it be given still more share in the framing of Community policies.

505. As when the Committee's first renewal of membership took place in 1966, so again in 1970 the appointment procedure under Articles 195 of the EEC Treaty and 167 of the Euratom Treaty was not completed on time; only in late August was the Council able to make the appointments for the reconstituted Committee, to run from 23 August 1970 to 22 August 1974.

Basing itself on Articles 236 of the EEC Treaty and 204 of the Euratom Treaty, the Commission took the step of proposing an amendment to Articles 194 of the EEC Treaty and 166 of the Euratom Treaty so as to avoid any future hiatus in the Committee's activities. The gist of the proposal was that if the reconstitution procedure were not completed in time the whole of the Committee should remain in office until all the new members had been appointed. The Commission submitted this proposal to the Council on 2 October; on 24 November 1970 the Council consulted the European Parliament, which gave its opinion in a resolution of 13 January 1971.

506. The Committee resumed work on 22 September 1970. Mr J.D. Kuipers (employers, Netherlands) was elected Chairman, and Mr Albrecht Aschoff (general interests, Germany) and Mr Maurice Bouladoux (workers, France) Vice-Chairmen, for 1970-72. After electing its officers the Committee set up a subcommittee and eight specialized sections, and also, in accordance with Article 19 of its rules of procedure, groups representing "the different categories of economic and social life".

Sessions and activities

507. The Committee held eight sessions in 1970, including one extraordinary session. It rendered 48 Opinions and took note of five reports.

At its January session, which was attended by Mr Levi Sandri, the former Vice-President of the Commission, the Committee rendered an Opinion on the reform of the European Social Fund. An Opinion on the financing of the common agricultural policy was rendered in February. Three other important Opinions, approved at the April and September sessions, concerned regional development, the economic situation and the social situation in the Community.¹ At the November session, at which Vice-President Wilhelm Haferkamp of the Commission was present, the Committee adopted an Opinion on energy problems (hydrocarbon import programmes, communication of investment projects in the oil, natural gas and electricity sectors).

Reports submitted in 1970 dealt with the phased establishment of economic and monetary union (December session), the applications for accession to the Community (April session), the state of the agricultural markets (February session) and the conventions on trade in wheat and on food aid.

In January, the Committee heard a statement by Mr Barre, Vice-President of the Commission, on the short-term economic situation of the Community; in September, at the constituent session, it was addressed by Mr Rohwedder, German State Secretary for Economic Affairs, representing the Council's President-in-office and Mr Albert Coppé, member of the Commission, and in November by the President of the Commission, Mr Franco Maria Malfatti.

The ECSC Consultative Committee

Chairmen

508. The Chairman of the Consultative Committee for 1969-70 was Mr Van Berk (workers, Germany), and the Vice-Chairmen Mr Taccone (producers, Italy) and Mr Conrot (producers, Luxembourg).

On 30 October 1970 Mr Picard (consumers and dealers, France) was elected Chairman for 1970/71, with two of the outgoing officers, Mr Van Berk and Mr Conrot as Vice-Chairmen.

¹ For further details of the various Opinions, see *Bulletin*, Part Two, Ch. IV, Nos. 3, 4, 6, 11 and 12-70 and 1 and 2-71.

Sessions

509. During the calendar year 1970 the Consultative Committee met eight times in all (131st to 138th sessions), one of them in constituent session and one in extraordinary session (in October). The meetings took place in Luxembourg, except in June when the Committee met in Essen.

As in previous years, the Committee regularly heard statements by the Commission; these were presented by Mr Rey, former President of the Commission, Mr Barre and Mr Haferkamp, Vice-Presidents, Mr Coppé, member, Mr Colonna di Paliano, former member, and Mr Spinelli, member.

Each quarter the Consultative Committee rendered an Opinion on the forward programmes for coal and steel. In March it considered a Commission study on the outlook in the coal market in 1970. In May it approved a report on technical and social research. In June it adopted a report on the situation and financial policy of ECSC and a report on its social problems. In October it discussed a report on Community supplies of coking coal and coke. In December the Committee rendered its Opinion on the Community system of state aid to the coal industry, and expressed itself in favour of the further extension of ECSC Decision 1-64.¹

In 1970, the Committee rendered 21 Opinions endorsing proposed technical research projects.

Committees

The Monetary Committee²

510. The Monetary Committee held 12 sessions in 1970; in addition, the alternates' committee met on several occasions. As required by Article 105 of the Treaty, the Committee regularly surveyed the monetary and financial situation in the Member States. In addition, in accordance with the Council's decision of 17 July 1969 on the coordination of the Member States' short-term economic policies, it acted a number of times in its advisory capacity in prior consultations, and in response to the Council's request gave its opinion on the implementing arrangements for a Community system of medium-term financial aid.

¹ For further details, see *Bulletin*, Part Two, Ch. IV, Nos. 4, 5, 7, 8, 11 and 12-70 and 2-71.

² The work of the Monetary Committee will be comprehensively covered in its 13th Report.

Short-term Economic Policy Committee

511. The Short-term Economic Policy Committee met five times. As in previous years, it regularly reviewed the short-term economic situation in the Member States and in the world in general. Various short-term economic measures planned by Member States were the subject of prior consultations in the Committee. In July the Committee considered the draft budgets of the Member States for 1971. At the Council's request it went in detail into the problems caused by the present inflationary trends.

The Budget Policy Committee¹

512. The Budget Policy Committee met eight times in 1970. In accordance with its terms of reference, it considered at the beginning of the year the draft budgets of the Member States for 1970, and in July made a comparative examination of the main outlines of their budgetary policies for 1971. On several occasions, in accordance with the Council's decisions of 17 July 1969 and 16 February 1970, it conducted prior consultations on budget and tax measures, at the request of various Member States. The Committee also stated its views on those parts of the first draft for the Third Medium-term Economic Policy Programme which deal with public finance.

On the basis of a report by its alternates, the Committee studied the problems of introducing PPBS techniques (planning and programming of budget systems) in the administrations of the Member States; in view of the importance of this matter, it was decided to hold a symposium on the subject in the spring of 1971. With the aid of expert studies and an alternates' report, the Committee worked out a method for evaluating the stimulus applied by the budgets to home demand, which was used for the first time in the autumn of 1970 in considering the Member States' budgets for 1971.

THE EUROPEAN INVESTMENT BANK

513. The Board of Governors of the European Investment Bank, meeting in Luxembourg on 9 September, appointed with effect from 10 September the Management Committee for the next six years. Mr Yves Le Portz, a

¹ See also sec. 101.

Vice-President since 1962, became President in succession to Mr Paride Formentini, who was not standing again. Mr Formentini was given the title of Honorary President.

The other outgoing Vice-President, Prof. Ulrich Meyer-Cording, was maintained in his post, and Mr Sjoerd Boomstra, already a Director of the Bank, was appointed a Vice-President. A third Vice-Presidency is to be created, following amendment of the Protocol on the Statute of the EIB, on a proposal by the Belgian Government; it is to be held by Prof. Luca Rosania, who is to begin work with the Management Committee before the procedural formalities are completed.

On 15 October the representatives of the Member States meeting in Council signed the treaty amending the Protocol on the Statute of the European Investment Bank¹ which is annexed to the EEC Treaty. The new treaty will enter into force on the first day of the month after the last signatory State has deposited the instrument of ratification.

The present Chairman of the Board of Governors, for one year from September 1970 to the next annual meeting, is Mr Alex Möller, the German Finance Minister.

514. As noted elsewhere in this report,¹ a detailed account of the Bank's activities during the 1970 financial year will be provided in its own annual report.

¹ For a condensed account of the Bank's work in 1970, see sec. 531.

2. Financing Community activities

NEW PROVISIONS

515. The introduction of the new budgetary provisions following the Council Decision of 21 April 1970 on replacing the Member States' financial contributions by the Communities' own resources, and also the Treaty of 22 April 1970 amending certain budgetary provisions, will appreciably modify both the financing of Community activities and the budgetary powers of the European Parliament. As both the Treaty and the Decision had been duly ratified by 1 January 1971, the new arrangements for financing the budget of the Communities will take effect from that date.¹ The Commission's activities in the budgetary field, as defined in the Treaties and in the rules and regulations in force when the executives were merged, reflected a concept that has been substantially modified by subsequent Community decisions.

To give a better insight into the scope of the new provisions,² it will be useful to give a general outline of the various points which directly concern the budgetary and financial field. Four new elements emerge from the Council decisions:

- (a) The creation of own resources;
- (b) Direct financing of the common agricultural policy;
- (c) The new budgetary procedures and the creation of a single budget for the Communities;
- (d) The multiannual forecasts.

516. These four elements may be analysed as follows:

The decision on own resources lays down that the Member States' contributions to cover budgetary expenditure will be replaced by own resources consisting of agricultural levies and—step by step—of customs duties; to these will be added from 1975 revenue corresponding to at most one percentage point of the value added tax levied on a uniform basis of assessment throughout the Community.

¹ For further information, see sec. 544 and also the publication compiled by the Parliament under the title "The Communities' own resources and the budgetary powers of the European Parliament", Luxembourg, June 1970.

² See also *Third General Report*, sec. 362.

In order to maintain a certain balance between each Member State's share in the Community budget, correctives will be applied. During the interim period (1971-74), for example, each Member State's annual share must not rise by more than 1% or fall by more than 1.5% in relation to its share for the preceding year. After the end of the transitional period, the year-to-year change in each Member State's contribution may not exceed 2%.

In the agricultural sector, the changeover from reimbursement of agricultural expenditure through a clearing system to direct financing will mean that the Member States will no longer, as is currently the case, need to finance this expenditure pending reimbursement. As the Community itself will be responsible for this direct financing, it will have to have the necessary credits and liquid funds at its disposal in advance.

On budgetary procedure, the amendments to Articles 203 (EEC), 177 (Euratom) and 78 (ECSC) require the Commission to submit the preliminary draft budget to the Council not later than 1 September; the Council is given until 5 October to prepare the draft budget, and the Parliament must then endorse or amend this draft budget within 45 days. This means that the Commission will have to prepare the preliminary draft at a much earlier date.

The new procedures will also lead to a more extensive dialogue between the institutions, especially when Parliament and Council have to give the Commission a discharge in respect of the implementation of the preceding budget. The Communities' budget already combines the administrative and operational expenditure of the three Communities as a result of the Merger Treaty, and from 1971 it will also include Euratom's research and investment budget. Without embarking on the subject of the problems involved in the adoption of this programme, it can be said that the establishment of expenditure estimates will raise new problems affecting the entire budgetary procedure.

Finally, the Council adopted a decision whereby the Commission shall, each year, after receiving the Opinion of the Budget Policy Committee, draw up a financial forecast for the three following financial years, showing the financial implications for the Community of the regulations and decisions in force and the proposals submitted by the Commission to the Council. The forecasts must give an analysis of expenditure by category.

Once the transitional period has been replaced by the "normal" period, the Commission shall, after consulting the Short-term Economic

Policy Committee and the Budget Policy Committee, and before submitting the preliminary draft budget, determine a maximum rate of increase for "expenditure other than that necessarily resulting from the provisions of the Treaty". The maximum rate will be calculated on the basis of three parameters to be determined by the Council and communicated to the other institutions, which will have to conform to it.

517. With regard to the Commission and particularly to the effects these four innovations will have on the work of its departments, mention must also be made of the decision of 14 October 1970 on the gradual implementation by the Commission of a planning, programming and budgeting system (PPBS). The introduction of the system of own resources will bring about new budgetary problems in the coming years. There must consequently be full command of the volume of expenditure, in order to adapt it to the requirements of the political and economic situation as the Commission's tasks and responsibilities grow in number and in scope.

The Commission will therefore have to take decisions which will have to be pressed through with even more determination than in the past, and must be absolutely sure that it will be able to distribute its resources among its various policies to the best possible effect and so to maximize the return on Community expenditure. The Commission will however have to adapt its budgetary instruments and procedures to these new requirements.

FINANCIAL CONTROL

518. In the draft financial regulation submitted to the Council on 30 November 1970 and 29 January 1971, the Commission has included fresh provisions to fill in a number of gaps still to be found in the rules on financial control. In this way the Commission hopes to have at its disposal the legal basis needed to ensure control over all the financial operations with which it has been entrusted.

It can be claimed that since the Community reorganized its departments in 1968, it has by and large solved the greater part of the problems of financial control which had arisen in those fields where it had already been working. The integration of Europe will be complete only when all the essential functions of the public authorities are exercised at Community level, and financial control should undoubtedly be one of them.

At present, the Commission is preparing gradually to implement the operational budget which may soon be applied in certain sectors, including the Joint Research Centre, and this raises the question of the role to be played by financial control in a budgetary system of this sort. Changes occurring in the pressures exercised by the budget will entail corresponding changes in the task of financial control, the main purpose of which will be to ensure that credits are used in accordance with the objectives for which they are intended.

The new problems are connected with the Commission's own resources and EAGGF expenditure. These are best considered together, as both revenue and most of the expenditure involved stem from similar international trade transactions carried out at national level. The first aim must be to establish a uniform control which, aided by the rapid supply of full information, would be responsible for a systematic check on the implementing provisions that govern the work done in this field by the national authorities and for ensuring that they conform with Community law. The provisions adopted by the Council, and those on which a decision is due shortly, should make it possible to achieve this first objective before the end of 1971.

BUDGETARY AND FINANCIAL QUESTIONS

The operational budget

Financial year 1971

519. The new system for financing the Community budget came into force on 1 January 1971, after the Member States had duly informed the Secretary-General of the Council that the procedures required by their constitutional provisions for adoption of the Council Decision of 21 April 1970 had been completed and the instruments of ratification of the Treaty of 22 April 1970 had been deposited with the Government of the Italian Republic. This led the Commission to propose to the Council that both the budget of the Communities for the budget year 1971, adopted by the Council on 14 December 1970, and the corresponding Euratom research and investment budget, adopted on 17 December 1970, should be adjusted

to conform with the new financing system. On 31 December 1970, the Commission submitted to the Council a preliminary draft amended budget of the European Communities for the 1971 financial year.

520. Several amendments to the budgets approved by the Council on 14 and 17 December 1970 are contained in this preliminary draft. On the expenditure side, a chapter XIX, entitled "flat-rate reimbursement of Member States for costs incurred in collection of the Community's own resources" has been added to section III (Commission). It provides for a credit of 126 713 350 u.a., corresponding to 10% of the estimated total of Member States' contributions to the Communities' own resources for 1971. A chapter XXXIII, entitled "Research and investment expenditure" and containing a credit of 66 588 400 u.a., has also been created. This figure corresponds to the total of the research and development budget for 1971, which becomes an annex to section III of the general budget.

Incorporation in the general budget of the expenditure of the research and investment budget has, of course, been accompanied by the incorporation of the receipts also. Apart from various regular receipts, the funds used to finance credits included in the amended budget for 1971 with the exception of credits financed in accordance with special scales come partly from the Communities' own resources and partly from Member States' contribution under the new scale. The credits financed from funds contributed on special scales include Euratom's supplementary research and education programmes, EAGGF Guarantee Section expenditure relating to 1966/67, 1967/68 and 1968/69, and EAGGF Guidance Section expenditure.

Using data provided by the Member States, the Commission's departments have begun to work out the amount of the levies and, where approximate, of the percentage of customs duties which the Member States will contribute to the Communities as part of the 1971 budget, and to calculate the financial contributions from the Member States needed to balance the budget.

These contributions have been revised and amended to conform with the provisions under which the year-to-year variation in each Member State's share of the total contributions may not rise by more than 1% or fall by more than 1.5%.

The original operational budget for 1971 amounted to:

3 709 162 939 u.a.

To this would be added:

(i) The flat-rate reimbursement of
Member States for collection costs: 126 713 350 u.a.

(ii) The credits needed for the research and
investment budget: 66 588 400 u.a.

bringing the total receipts and expenditure
in the preliminary draft of the amended
budget of the European Communities for 1971 to 3 902 464 689 u.a.

521. The budget adopted on 14 December 1970, in the light of the resolution passed by the European Parliament and the amended draft amounted, as stated above, to 3 709 162 939 u.a. The expenditure authorized for each institution is as follows:

12 013 220 u.a. for the European Parliament,

17 777 067 u.a. for the Council,

3 676 741 837 u.a. for the Commission,

2 630 815 u.a. for the Court of Justice.

The 3 676 741 837 u.a. allocated to the Commission comprises :

116 774 320 u.a. for administrative expenditure,

55 000 000 u.a. for expenditure by the European Social Fund,

3 484 967 517 u.a. for expenditure by the European Agricultural
Guidance and Guarantee Fund,

20 000 000 u.a. for expenditure on food aid.

The total number of staff authorized for 1971 is 5 493, an increase of 193 over 1970 (47 A, 19 B, 72 C, 21 D, and 34 L/A)

Supplementary budgets for 1970

522. In the light of the resolution adopted by the Parliament on 16 September 1970, the Council on 29 September adopted Supplementary Budget No. 1 of the European Communities for 1970; this created 39 additional posts in the "Economic and Financial Affairs" and "Development Aid" Directorates-General (17 A, 10 B and 12 C).

In the light of the resolution adopted by the Parliament on 18 November 1970, the Council on 14 December adopted Supplementary

Budget No. 2 of the European Communities for 1970; this provided supplementary credits amounting to 1 631 974 000 u.a. for the EAGGF Guarantee Section for the period from 1 July to 31 December 1970.

Total credits in the Guarantee Section for 1970 are therefore:

(a) Original amount under 1970 budget	2 455 785 000 u.a.
(b) Supplementary amount under Supplementary Budget No. 2/1970	1.631 974 000 u.a.

making a total of 4 087 759 000 u.a.

This sum is to cover a period of 18 months, from 1 July 1969 to 31 December 1970, and certain expenditure still outstanding from earlier periods.

The sum of 2 058 990 000 u.a. included in the 1970 budget to cover operations of the EAGGF Guarantee Section after 1 July 1969 was apportioned between the various market organizations.

At its session of 14 December 1970 and in the light of a further resolution adopted by the Parliament on 3 December 1970, the Council also adopted Supplementary Budget No. 3 of the European Communities for 1970, providing supplementary credits amounting to 600 000 u.a.

This sum, together with a further 500 000 u.a. obtained by a switch within the Commission's budget, provides 1 100 000 u.a. in aid for the victims of the disaster which befell Pakistan in November 1970.

Euratom programme and budget

Decision on the 1971 programme and budget

523. Since the work on new structures and future activities has not yet been completed, the 1969 and 1970 programmes and budgets will have to apply again in 1971, in accordance with the Council resolution of 6 December 1969.

Proposals to this effect were submitted by the Commission to the Council, which adopted the 1971 programme on 26 October 1970 and on the same date drew up the draft budget for the 1971 financial year. On 17 December 1970, the Council adopted the Euratom Research and Investment Budget for 1971. This budget is the financial side of the

1971 research and training programme. Its first part provides for

- (a) 62 575 000 units of account to cover commitments: this sum includes:
 - (i) 29 094 000 u.a. for the execution of the 1971 joint programme (including the Dragon project);
 - (ii) 30 537 000 u.a. for the execution of the 1971 supplementary programmes;
 - (iii) 2 794 000 u.a. to pay staff not shown on the budget after 31 December 1970;
 - (iv) 150 000 u.a. for studies on the new structures of the Joint Research Centre and its use for non-nuclear activities.

Although the 1971 programme and budget are merely a repetition of those for 1969 and 1970, the following two additional items of expenditure have been included:

- (i) 800 000 u.a. for studies on the construction of the pulse reactor SORA (Article 351);
 - (ii) 250 000 u.a. for the financing of irradiations of graphite materials and HTR fuels in the BR-2 reactor (Article 536 bis).
- (b) 62 587 400 u.a. to cover payments.

The second part of the budget provides funds to cover other Community operations (loans to certain firms as part of the Euratom-United States agreement for the construction of power reactors) which are not included in the programmes, amounting to 4 001 000 u.a. for commitments and payments.

Decision on the 1970 programme and budget

524. On 6 December 1969 the Council agreed to extend Euratom's 1969 research and training programme to 1970 and, if necessary, to 1971 so that the capacity of the Joint Research Centre could be maintained pending the result of the work and studies concerned with the reorganization of the JRC and elaboration of the programme of future activities.¹

In this context, the Council on 16 January 1970 adopted the research and training programme for 1970, and on 6 March 1970 it drew up the

¹ Secs. 224 *et seq.*

research and investment budget for 1970. This budget made available:

- (a) Commitments: 55 379 800 u.a., broken down as follows:
 - (i) 26 389 100 u.a. for execution of the joint programme;
 - (ii) 25 716 400 u.a. for execution of supplementary programmes;
 - (iii) 3 274 300 u.a. for certain expenses not included in the programme.
- (b) Payments: 63 642 400 u.a. (since commitments cover several years, the funds made available for payments in any financial year stem from commitments incurred partly during previous financial years, partly during the current year).

ECSC FINANCING

525. Under the ECSC Treaty, the funds needed by the Community in carrying out its tasks come either from levies on the production of coal and steel or from loans raised on the capital markets. The levies are intended chiefly to cover ECSC administrative expenditure (the share of the European Communities' budget to be covered from this source is laid down in the Merger Treaty), readaptation assistance, and promotion of technical and economic research; borrowing, on the other hand, must be used exclusively for re-lending.

The levy

526. After discussing the matter with the relevant committees of the European Parliament, the Commission decided on 22 December 1970 to maintain the rate of levies on the production of coal and steel at 0.30% for the 1971¹ financial year.

In the Communities' budget for 1971, the ECSC's requirements amount to 62.05 million u.a.

In view of the fact that to cover part of these needs, 16.30 million u.a. were provided from other sources, chiefly by income from investment and the repayment of loans from special reserves, and that it was possible to obtain a further 4.32 million u.a. from certain reserves, the Commission calculated that the amount to be covered by the proceeds of the year's levy would be 41.5 million u.a., including allowance for a small surplus.

¹ *Journal officiel* No. L 284, 30 December 1970.

The forecasts on expenditure, broken down under the following main heads, are:

	<i>Amount</i>
(a) Administration	18 million u.a.
(b) Readaptation	18 million u.a.
(c) Research contracts	11 million u.a.
(d) Assistance to coking coal and metallurgical coke	2.55 million u.a.
(e) Industrial redevelopment (Article 56)	3.50 million u.a.
(f) Subsidization of interest (Article 54)	3.50 million u.a.

At the end of the year, the ECSC estimates of outturn for 1970 proved accurate for research (10 million u.a.), for redevelopment (3.5 million u.a.) and, to a lesser degree, for readaptation (24 million u.a. as against 26, owing to the late submission of certain applications). Part of the reserves were used to cover the supplementary needs resulting from the ECSC's contribution to a special fund created by the Commission in 1970, for the financing of assistance to coking coal and metallurgical coke. Administrative expenditure (18 million u.a.) corresponds to the contribution which, under Article 20 of the Merger Treaty, ECSC makes to the Communities' administrative expenditure.¹

Financing of investment

527. The Treaty of Paris empowers the Commission to "facilitate the carrying out of investment programmes by granting loans to undertakings or guaranteeing other loans which they may contract" (Article 54, first paragraph). As well as making loans towards capital schemes on the coalmining and steelmaking sides proper, the Community can assist in the same ways with the financing of any projects and plant which "contribute directly and primarily to increasing the production, reducing the production costs or facilitating the marketing of products under its jurisdiction" (Article 54, second paragraph). Such operations (which require the unanimous endorsement of the Council) have so far been confined almost exclusively to finance schemes for building workers' houses and large power stations. Applications continued to be received from enterprises for ECSC aid with the financing both of industrial programmes and of programmes of the kind specified in Article 56 of the ECSC Treaty (redevelopment loans).

¹ *Third General Report*, sec. 368.

No applications for fresh guarantees by the Commission, under either Article 54 or Article 56, were received in 1970. Payment on the 48.7 million u.a covered by earlier guarantees brought the total still outstanding at 31 December 1970 down to 32 million u.a.

528. The Commission's borrowing operations under Article 49 of the ECSC Treaty today number 58, and the sums raised total 952.56 million u.a. During the period 1 January to 31 December 1970, the cost of long-term capital was exceptionally high, and the Commission therefore decided to grant financial assistance only to the most urgent programmes; in this way enterprises were prevented from borrowing at excessive cost. Only two loans were raised by the Commission during the year: a loan of Bfrs. 500 million placed privately on the Belgian market and a loan of 50 million European monetary units offered for public subscription in Luxembourg and Belgium, on the European capital market. The latter loan is the first issue in European monetary units to be symbolized by E the value of which will remain unchanged for the duration of the loan at DM 3.66, Bfrs. 50, FF 5.55419, Lit. 625, Lfrs. 50 or Fl. 3.62 at the holder's choice. This formula is a step towards the gradual establishment of a European capital market, and its special attraction lies in the fact that the payment of interest and the redemption of capital can be made in whichever currency the holder prefers and at the parity fixed at the date of issue. These advantages are offset by the fact that the rate of interest is appreciably lower than the rates available on the international market at the time of issue.

529. Since the proceeds of the loan in European monetary units were paid up only at the beginning of 1971, funds available in 1970 for lending to enterprises totalled 34.30 million u.a.:

	<i>(million u.a.)</i>
(i) Funds in hand at the beginning of the year	22.51
(ii) Proceeds of loans in 1970	10.00
(iii) Repayment before due date	1.79
	—
	34.30
	—

The loans paid out from this sum in 1970 amounted to 30.07 million u.a. In 1970 the Commission also lent 1.59 million u.a. from its own resources.

About half the loans granted in 1970 were at cost, i.e. at 7.25% up to 18 March 1970 and thereafter at 8.25%; they helped to finance the industrial programmes covered by Article 54.

In the main, however, the loans made to finance redevelopment programmes under Article 56 of the ECSC Treaty were granted on more advantageous terms, made possible by using part of the income derived from the management of liquid assets. At the beginning of 1970, as in previous years, only 4.5% per annum was charged on these for the first five years; from 29 April 1970 this special rate had to be raised to 5.5%. The rates payable after the first five years are the same as those in the preceding paragraph. The lower rate of interest was in some cases charged on the whole, in others on only part of the principal—depending, for instance, on the number of new jobs the project was calculated to create.

Under a decision published by the Commission in the official gazette of the European Communities on 18 June 1970, the same system of lending at reduced interest will, in present circumstances and so far as means are available, be used to finance certain investment schemes of the coal and steel industries. The schemes must either offer special interest for health and safety, or be multinational, or help eliminate the worst bottlenecks, or establish research or vocational training centres.

The Community maintained its policy on the financing of workers' housing in 1970. Its loans for this purpose are ordinarily granted out of the special reserve referred to above, at a very low rate of interest and on specially attractive redemption terms. The loans are made in the currency of the payee's country to avoid any risk to the borrower. The sums advanced during the period under review were once more for the purposes of Building Scheme VI. Disbursements totalled 1.59 million u.a., paid exclusively from the special reserve.

530. The share of industrial loans proper decreased and that of loans for redevelopment under Article 56 increased in the course of the year. For industrial projects the ECSC set aside 13.89 million u.a. made available entirely by borrowing. The programmes assisted may be broken down among the types of investment given priority in the Community's "General Objectives" or under other policies laid down by the Commission; these are:

In the coal industry:

Pithead power stations taking low-grade coal:
Charbonnages de France, Paris (Lorraine coalfield)

In the iron and steel industry:

Oxygen steelmaking plant:

Italsider Spa, Genoa (Taranto plant)

Continuous casting plant:

Mannesmann AG, Düsseldorf (Duisburg-Huckingen plant)

Rationalization and specialization of rolled steel production:

Cockerill-Ougrée-Providence and Espérance-Longdoz SA, Seraing (Marchienne and Athus plants)

SA Minière et métallurgique de Rodange, Rodange

SA Sidérurgique maritime ("Sidmar"), Ghent.

A total of 16.18 million u.a. was paid out during the year in 14 redevelopment loans, distributed geographically as follows:

Germany

North Rhine - Westphalia:

Leichtmetall Gesellschaft mbH, Essen (Essen-Borbeck plant)

Signode System GmbH, Dinslaken

Mannesmann Aktiengesellschaft, Düsseldorf (Huckingen, Gelsenkirchen and Duisburg-Mündelheim plants)

Pigment Chemie GmbH, Cologne (Homberg/Niederrhein plant)

Lower Saxony:

Salzgitter Hüttenwerk Aktiengesellschaft, Salzgitter (Salzgitter-Drütte plant)

France

North - Pas-de-Calais:

Société anonyme constructions mécaniques de Carvin, Carvin

Société anonyme des usines Chausson, Asnières-sur-Seine (Maubeuge plant)

Lorraine:

SA Automobiles Citroën, Paris (Metz-Borny plant)

Netherlands

Limburg:

Natronchemie NV, Rotterdam (Linne-Herten plant)

Raypak Produkten NV, Kerkrade

NV van der Burg's Borstelfabrieken, Kerkrade

NV Ventair, Maastricht

NV Signano-Nederland, Heerlen

NV Interchrome Nederland, Maastricht

Table 28 shows the loans paid out by the ECSC from the start of its financial operations to 31 December 1970, by category and country.

TABLE 28
Total lendings at 31 December 1970

(in million u.a. and %)

	Germany	France	Italy	Belgium Luxem- bourg Nether- lands	Community	
					'000 000 u.a.	%
Coal industry ¹	194.13	53.09	4.99	14.00	266.21	25.77
Iron-ore mines	10.55	13.00	5.70	1.00	30.25	2.93
Iron and steel industry ¹	186.71	57.78	148.76	49.36	442.61	42.85
Subtotal	391.39	123.87	159.45	64.36	739.07	71.55
Workers' housing	64.34	21.65	14.22	34.08	134.29	13.00
Redevelopment	43.77	26.95	26.76	52.08	149.56	14.48
Readaptation	5.82	0.53	—	—	6.35	0.61
Research	1.41	0.60	0.23	0.76	3.00	0.29
Miscellaneous	—	—	—	0.72	0.72	0.07
Total	506.73	173.60	200.66	152.00	1 032.99	100.00

¹ Including loans under Article 54, second paragraph.

THE EUROPEAN INVESTMENT BANK¹

531. The activities of the Bank for the financial year 1970 will be described in detail in its annual report.

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

¹ See also sec. 513 above.

Between 1 January and 1 December 1970, the Bank signed 46 loan contracts for a total of 276.6 million u.a. in which were included three grouped loans totalling 21.3 million u.a. for sub-lending to small and medium-sized enterprises in the Federal Republic, France and Italy. In addition, the Bank gave guarantees for the first time since it was founded; these three guarantees brought the total number of contracts to 49 for a total of 299.8 million u.a.

The loan total breaks down into 297 million u.a. in 47 ordinary loans and 2.8 million u.a. in two loans under the Special Section for projects in Ivory Coast; the Special Section enables the Bank to grant loans on favourable terms on the instructions of either the Community or the Member States, at their sole risk and with funds supplied by them.

Between its foundation and 1 December 1970, the Bank signed 312 loan and guarantee contracts totalling 1 758.3 million u.a. of which ordinary expenses represented 1 557.1 million u.a. spread over 264 loans and guarantees, while the Special Section accounted for 201.2 million u.a. in 48 loans. These figures include six grouped loan contracts amounting to 38.7 million u.a., including one in Turkey for 3.8 million u.a. and three guarantee contracts—these all concern projects in Member States—for a total of 23.2 million u.a.

532. During the first eleven months of 1970, 22 loans for ordinary expenses were concluded for a total of 151.9 million u.a. for projects in Italy, nine for 58.7 million u.a. for projects in France, seven for 35.2 million u.a. for projects in Germany, two for 22.0 million u.a. for projects in Belgium, one for 2.8 million u.a. for a project in the Netherlands, one for 1.0 million u.a. for a project in Luxembourg, one for 1.8 million u.a. for a project in Cameroon and one for 0.45 million u.a. for a project in Upper Volta. To these loans must be added the three guarantees already mentioned, of which two, amounting to 20.5 million u.a., concern Italy, while the third concerns a project in France.

In the Special Section, where 2 loans for Ivory Coast totalling 2.8 million u.a. were concluded, the operations were reduced during the first eleven months of 1970. This was due to the expiry of the Financial Protocol relating to Turkey and of the Convention of Association with the AASM.¹ Under the new Financial Protocol for Turkey signed on 23 November 1970, special loans totalling 195 million u.a. are to be

¹ Convention on the AASM supplemented by similar provisions for the overseas countries and territories (OCT) decided by the Council of the Communities.

granted before May 1976. Under the new Convention of Association coming into force on 1 January 1971, loans will be granted by 1975 to the AASM and the OCT for a total of 90 million u.a. out of EDF funds, in the form of soft loans and contributions to the formation of risk capital. Up to 100 million u.a. of ordinary EIB loans may be added to this sum.

As regards the ordinary loans and guarantee contracts signed by the Bank during the first eleven months of 1970, 35 loans for 157.3 million u.a. concern industrial investment, 4 for 48.2 million u.a. will help to finance infrastructure of regional interest and 8, for 91.5 million u.a., will be used to establish infrastructure of Community interest.

533. The Bank continued its traditional work of helping less-developed regions in the Community countries, particularly those Italian regions which receive assistance from the Cassa per il Mezzogiorno (20 loans for 111.9 million u.a. and one guarantee for 6.8 million u.a.). In addition, for the regions of Liguria and Tuscany, 2 loans (40 million u.a.) and one guarantee (13.7 million u.a.) were made available to establish infrastructure of Community and regional utility. In France, the Bank granted 7 loans for 38.9 million u.a. for regional development and for conversion, and 2 loans and one guarantee of Community interest, for 22.5 million u.a. In the Federal Republic, 7 loans totalling 35.2 million u.a. were granted, of which 3 (12.0 million u.a.) were for the redevelopment areas of the Saar and Ruhr, the remaining 4 having been used to help finance projects in various Federal development areas. Finally, in the Netherlands, the Bank provided aid in the province of Gelderland for a total of 2.8 million u.a., and in Belgium, in the provinces of Limburg and Liège, for a total of 22 million, in each case for one project.

With regard to resources, at 1 December 1970 the Bank had floated 6 loans totalling 138.9 million u.a.; two of these were denominated in dollars, the other four in DM, florins, Belgian francs and French francs.

Loans floated by the Bank and still outstanding at 30 November 1970, plus the relevant redemption premiums, are shown in the balance-sheet at 985.9 million u.a.

3. Information policy of the Commission

The Directorate-General for Information

534. The outcome of the Hague Conference in December 1969 was obviously bound to affect the Commission's information work: there was a marked increase in interest, both inside and outside the Community, in all matters pertaining to European integration.

Inside the Community, one item in the Conference's final communiqué which was of special relevance in this connection was Point 16, in which the Heads of State or Government stated that "all the creative activities and the actions conducive to European growth decided upon here will be assured of a greater future if the younger generation is closely associated with them. The Governments have endorsed this need and the Communities will make provision for it". On 14 April 1970 the Commission submitted to the Council an *aide-mémoire* on steps to give effect to Point 16. At its session of 21 July, the Council agreed that the Permanent Representatives Committee should set up an *ad hoc* working party of senior officials from Member States to draw up a report for the Council. The working party based itself on the Commission's proposals, the Italian Government's memorandum of 20 April 1970, the findings of the conference of 12-14 June 1970 on the younger generation and the European Community and the proposals put forward by the various delegations on the subject; it also bore in mind the positions adopted by youth organizations.

The report, presented at the end of the year, stressed the need to provide the younger generation with more detailed and more extensive information on European questions. One of its proposals was that a Standing Committee on Youth Questions should be set up, consisting of senior officials responsible for matters concerning youth in the Member States and the Commission, with the function of ensuring that the Member States worked in harmony with one another and with the Commission in deciding what action should be taken to associate youth with the building of Europe, both at Community and at national level. The report goes on to outline various arrangements for informing and educating the younger generation on Europe, and urges that international organizations and national youth councils be enabled to voice their problems and make suggestions on Community issues relating to youth.

The conference on the younger generation and the European Community which the Commission had announced on 1 July 1968 that it was planning to arrange was held in Brussels on 12-14 June.

The conference, which was carefully prepared in each country, was the occasion for wide-ranging exchanges of views among the youth organizations represented and between them and the Commission. For the first time, some 250 young people, from a large number of national and international bodies of every stamp, in the political, trade union, rural affairs, student and teaching fields, met to consider together the progress of European unification and the problems of the young.

535. Action planned on Point 16 of the Hague communiqué also extends to school and university education and to teacher and student mobility. The Council instructed the *ad hoc* working party of senior education officials to make preparations for a meeting of the Education Ministers of the Member States to discuss these matters.

On the basis of Community studies and of various proposals from university quarters, taken in conjunction with the felt want of coordination in the education field, some points have been roughed out for a policy of establishing a real "European Academic and Education Community". The Community assisted the work of a number of organizations and universities which have taken up this matter, and in particular co-sponsored a conference in Grenoble on 29-31 October for the purpose of reviewing existing inter-university cooperation in Europe and drawing up recommendations to the Governments and the European institutions.

The Commission continued its information work in other fields—notably among workers', farmers' and consumers' organizations—and among the general public; thus some 60 information sessions were held for wage-paid and salaried workers' unions, and about 220 for agricultural organizations.

A special drive was also undertaken to give members of national Parliaments and local councils, journalists, and others with influence on public opinion a fuller picture of Community activities by organizing on-the-spot visits. One hundred and seventy parties in all visited the Commission, including a high proportion of delegations from the countries seeking membership.

536. Outside the Community, the negotiations in progress with many countries, and in particular with the applicants for membership, and the

renewal of the Association Agreement with the African States and Madagascar, brought a sharp increase in the demand for information on the Community generally and on Community policies.

In the United States special attention was devoted to keeping Government and Press circles adequately informed, by such means as arranging for contributors to agricultural journals to visit Europe, inviting American provincial journalists to Washington, and so on; a memorandum on the subject was submitted to the Council on 27 May. A symposium on the "brain drain" of European scientists gave the Commission a better insight into why scientists were leaving and in what circumstances they would be likely to return, and also what could be done to lessen the outflow of young researchers going for good.

In Turkey, to mark the changeover of the association agreement from the preparatory to the transitional stage, the Community was represented at the Izmir Trade Fair and organized two other events in Ankara and Istanbul.

In Japan the Community was represented at the Osaka World Exhibition. Its pavilion, based on the theme "Imagination for Peace", served at once as a record of the history of European civilization and a display of the Community's objectives and achievements. On "Europe Day" a delegation led by Mr Pierre Harmel, President of the Council of Ministers, and Mr Jean Rey, President of the Commission, was received by His Imperial Majesty the Emperor of Japan and the Prime Minister of the Japanese Government. In six months almost 2 million people visited the pavilion, which aroused great interest in political and economic circles and also among the general public, at a time when negotiations were being opened for a trade agreement between the Community and Japan.

537. As regards means used to make the public better acquainted with Community matters, the Commission relied more especially on the issue of magazines, bulletins and other publications specially designed for particular countries and readerships. A notable innovation was a two-monthly bulletin in Turkish, a further addition to the range of periodicals brought out by the Commission in the four Community languages and in English, Spanish and Greek.

In the audio-visual field, the number of radio and television programmes in which the Commission took part was more than double

than in the previous year. Special mention should be made of the cooperation with the producers of television programmes for schools.

Spokesman's Group

538. More and more newspaper, radio and television journalists from both member and non-member countries, and in particular from the countries applying for membership, took to covering Community affairs and the work of the Commission, and a considerable number of new regular and special correspondents made their appearance in Brussels.

The Spokesman's Group maintained regular contact with the journalists accredited to the Commission, now 177 in number, and with the special correspondents and visting journalists, through the daily Press briefings, and through assistance with studies, surveys, and interviews with members and senior officials of the Commission. Attendance at the Spokesman's weekly Press conferences, and at the periodic discussions organized in the capitals of the Member States in cooperation with the Community information offices there, increased markedly.

The great interest of the media in Community developments was also demonstrated by the larger number of journalists reporting Council meetings and sessions of the European Parliament, where the Spokesman's Group regularly gave them particulars of the substance, background and implications of Commission proposals. The Group also continued to prepare and issue te something like 1 500 recipients information handouts and background notes in the four Community languages and English, and in addition disseminated 462 Commission replies to written parliamentary questions.

The Spokesman's Group was also responsible for selecting all the basic documents relating to Commission decisions and the main documents and publications of the Directorates-General of the Commission and of the other institutions—some 840 in all—for daily or weekly mailing to close on 600 addressees in Press, diplomatic and business quarters.

Guidelines for the Commission's information policy in 1971

539. At its meeting of 9 December 1970 the Commission laid down the guidelines for its information policy in 1971.

It decided:

- (i) to devote the maximum effort and funds to information on the Community's policies and principal activities, with special priority for the subjects of economic and monetary union, Community enlargement, social policy, commercial policy, development aid, the common agricultural policy, regional policy, transport policy, industrial policy, and research and technology;
- (ii) to beam its information work on the "information multipliers" in all the circles having to do with these matters, with a certain priority for the trade unions, the agricultural organizations, the universities, consumer bodies, and youth;
- (iii) for this purpose, to make use for preference of
 - (a) the Press, including regional newspapers, trade journals and specialized periodicals;
 - (b) magazines and bulletins having a single basic section and branching out from that to deal with the various priority subjects;
 - (c) television programmes;
 - (d) information visits, with priority for political figures, journalists, leaders of trade unions and trade associations and educationists from the member and the applicant countries;
- (iv) to display at world exhibitions only if the Member States agree to group their own displays in the same area round a small Community pavilion, and at other exhibitions and fairs to install only stands or information points and treat these as forming part of broader information campaigns;
- (v) to make regular and systematic use of opinion surveys, in order to keep the Commission abreast of reactions to its decisions and afford guidance for the Community's information work.

CHAPTER V

COMMUNITY LAW

540. The development of Community law has kept pace with important political and institutional events such as the extension of the Parliament's budgetary powers and the end of the transitional period. At the same time it reflects the progress towards a fuller customs union, marked by a more clearly unified market and by an increase in the number of legal relationships affected by Community law.

Other important events have not, for the moment, had any direct impact on the legal sphere. This is true, for instance, of the opening of negotiations with the countries which have applied to join the Communities; the principle has been laid down that entry entails acceptance of all the measures of every kind which have been adopted since the Treaties came into force.

However, the extension of their provisions requires technical adjustments in certain cases. The examination and preparation of these adjustments, and the need to draw up new official language versions of the provisions in force, necessitate a study of all the rules enacted to implement the Treaties. This work is being undertaken, in cooperation with the applicant countries, in accordance with the relevant instructions from the Council to the Commission.

For the moment, the development of Community law continues to reflect chiefly the growth and consolidation of its distinctive features, together with certain new contributions relating to the interpretation and application of its substantive rules. In this respect, the case-law of the Court of Justice and of national courts helps to establish the basic principles of Community law by continually filling in details. At the same time, interpenetration of national law and Community law is becoming more and more evident in the laws of all the Member States, and the importance of this process goes far beyond the purely legal field.

1. Distinctive features of Community law

INSTITUTIONAL DEVELOPMENT

541. The political importance and the contents of the provisions concerning the allocation to the Communities of financial resources of their own, the extension of the Parliament's budgetary powers and the introduction of definitive arrangements for financing the common agricultural policy have already been dealt with in the present Report.¹ In addition, the Third General Report discussed the origins of these provisions.² Only those aspects which are essential to the institutional development of the Communities will be examined here.

Replacing financial contributions from Member States by the Communities' own financial resources

542. The Communities' acquisition of financial resources of their own, which will gradually replace financial contributions from Member States, represents an important step forward in the development of the Communities.³

From the outset, the Treaty establishing the European Coal and Steel Community enabled the European Coal and Steel Community to meet its expenditure out of its own financial resources, which it obtained by imposing a levy on the coal and steel industries. For the European Economic Community and Euratom, the problem was simultaneously bigger and more complicated. That is why the treaties establishing them provided initially for financial contributions from Member States, and laid down conditions under which these contributions could be replaced later by the Communities' own resources.

Article 201 of the EEC Treaty⁴ did not lay down any binding time-limit for this purpose. However, it is very significant to observe that, as the end of the transitional period came nearer, the institutions of the

¹ Ch. II, part 2,1, and Ch. IV,2 (communiqué dated 23 April 1970).

² Introduction, III, and the main part of the Report secs. 138, 362, 363, 489 and 491.

³ On this point, see the collection of documents published by the European Parliament in June 1970 under the title "*The European Communities' own financial resources and the budgetary powers of the Parliament*".

⁴ The same is true of the Euratom Treaty.

Community did not believe that they could wait any longer to acquire resources of their own. The outline agreements concluded on this point at the end of December 1969 were put into effect by the Council's decision of 21 April 1970,¹ the provisions of which have been adopted by the Member States in accordance with their respective constitutional rules.

Naturally enough, in order to meet the budget of the Communities, thoughts turned primarily to customs duties and to the levies on imported agricultural produce; but, to give a more balanced appearance to the system as a whole, it was also decided to allot to the Community, as from 1975, part of the value added tax collected in the Member States.²

It is interesting to note that the decision of 21 April 1970 is inspired by the principles of budget law applied in the various member countries, and rules out the ear-marking of revenue (e.g. from agriculture) for expenditure of the same character. In accordance with the same principle of a single, all-embracing budget, the Treaty of 22 April 1970³ provides that Euratom's revenue and expenditure on research and investments shall henceforth be included in the budget of the Communities.⁴

The implementation of the decision of 21 April 1970 will profoundly alter the relationship between national administrations and the Communities; national administrations will remain responsible for collecting the revenue in question, but it will belong wholly to the Communities. The application of such a system of administrative cooperation cannot fail to raise legal problems of a more or less novel character in the life of the Communities.

*The introduction of definitive arrangements for
financing the common agricultural policy*

543. Now that it has resources of its own, the Community will henceforth assume financial responsibility for the implementation of the common

¹ Decision by the Council on the replacement of financial contributions from Member States by the Communities' own resources, 21 April 1970: *Journal officiel* No. L 94, 28 April 1970, p. 70.

² The rate may not exceed 1%.

³ Treaty of 22 April 1970 amending certain budgetary provisions of the Treaty establishing a single Council and a single Commission of the European Communities and related documents.

⁴ The only things now remaining outside the budget of the Communities are the costs of intervention (re-training and research) by the European Coal and Steel Community, which are covered by the ECSC levies.

agricultural policy. The recognition of this principle proves conclusively that the common agricultural policy is a matter solely for the Community.

One particular result is that the Community's responsibility for the costs of the common organization of agricultural markets will be complete and direct. It will be complete, because the Fund will assume responsibility, not only for all the export rebates, but also for all the costs of intervention in the market. It will also be direct, because Member States will no longer have to make payments and obtain reimbursement later from the Community; the Fund will place the necessary credits at the disposal of the Member States, so that the payments may be made by the appropriate departments and bodies.

*Strengthening the budgetary powers of the
European Parliament*

544. The allocation to the Communities of resources of their own could not fail to produce considerable institutional repercussions. As the Communities gradually develop a system of financing of their own, it becomes indispensable to re-establish democratic control at the Community level, since such control can no longer be exercised at the national level. This inter-connection does not appear to have been realized at the outset by the drafters of the Treaty, who did not link the implementation of Article 201 to an extension of the European Parliament's budgetary powers. But it is all the more interesting to observe that all the Member States finally agreed to alter the budgetary provisions of the Treaties in order to increase the powers of the European Parliament.

During the first stage, which will last until the end of fiscal 1974, the strengthening of the Parliament's budgetary powers will take the form of an alteration of the rules of procedure and of the rules about voting, which will make it harder for the Council to reject amendments proposed by the Parliament; within the overall limits fixed by the draft budget, the requirement for a majority vote in order to adopt an amendment proposed by the Parliament will be replaced by a requirement for a majority vote in order to reject such an amendment. Furthermore, the Council has undertaken not to alter the Parliament's estimate of its own expenditure, and has retained only the power to check whether the estimate conflicts with Community provisions, particularly as regards the Staff Regulations.

From fiscal 1975 onwards, the Parliament will possess a genuine power of decision over all expenditure other than expenditure necessarily resulting from the Treaties or from acts adopted thereunder. Indeed, it will have not only the right to amend the draft budget (by a majority vote of its members), but also the right to take the final decision (by a majority vote of its members, including three-fifths of the votes cast) whenever its own amendments have been altered by a qualified majority vote of the Council.

However, these powers conferred on the Parliament will be limited by the fact that a maximum rate of increase will be fixed each year for the expenditure mentioned above. Moreover, it would be inadmissible for the implementation of legislative provisions enacted by the Council or Commission to be frustrated when the budget is being adopted.

The drafters of the Treaty of 22 April 1970 thought it necessary to spell out this idea by providing that, in the case of expenditure of the latter type, the Parliament should merely have the right to suggest (by an absolute majority of the votes cast) amendments to the draft budget to the Council, and that the Council should take a decision on these amendments by a qualified majority vote. The Council must, however, inform Parliament what action has been taken on its suggested amendments. At the end of the budgetary procedure, the President of the Assembly declares that the budget has been finally adopted.

Finally, the extension of the Parliament's powers is not concerned only with the adoption of the budget; the Treaty of 22 April 1970 provides that henceforth the Parliament and the Council shall be jointly responsible for giving a discharge to the Commission in respect of the implementation of the budget.

545. Thus the institutional development of the Communities takes the course of giving the Parliament an ever-increasing share in decisions of a financial character. It is true that the Parliament's interventions in the legislative process is still limited to giving opinions. But, by a resolution annexed to the Treaty of 22 April 1970, the Council expressed its willingness to associate Parliament more closely in examining the financial implications of legislative provisions.

These developments are the beginning of a continuing process; this is shown by the fact that the Commission intends, after the ratification of the Treaty of 22 April 1970 and within two years at the latest, to submit a new proposal for extending the budgetary powers of the Parlia-

ment, which the Council has undertaken to examine "in the light of the debates taking place in the Parliaments of the Member States, of the development of the European situation and of the institutional problems caused by the enlargement of the Community". Furthermore, as President Malfatti stated on 15 September 1970 at Strasbourg, the Commission has undertaken to submit proposals on the Parliament's legislative powers before the end of 1974.

The importance of the provisions adopted in April 1970 has not been overlooked in high places. In France, for example, the question arose whether the ratification of the Treaty of 22 April 1970 and the adoption of the decision about the Communities' own resources required an amendment to the Constitution. But the Constitutional Council replied in the negative, and, as regards the Treaty, based its decision partly on the argument that "this Treaty only contains provisions about the internal functioning of the Communities, altering the division of powers between the various organs of the Communities, and does not affect the balance of relations between the European Communities and the Member States". As regards the decision about the Communities' own resources, the Constitutional Council said that this decision "has the character of a measure implementing the provisions... of the Treaties establishing the European Communities, since it was taken in accordance with the procedure specified in particular by Article 201 of the Treaty establishing the European Economic Community and by Article 173 of the Treaty establishing the European Atomic Energy Community, i.e. in accordance with the respective constitutional rules of the Member States".¹

NATURE AND SCOPE OF COMMUNITY LAW

Direct applicability

546. The Court of Justice has added to its case-law on the direct applicability of provisions of Community law.

Under Article 189 of the EEC Treaty, regulations are binding in their entirety and directly applicable in all Member States. It is consequently not only pointless, but actually contrary to the Treaty, to reproduce the

¹ Conseil constitutionnel, decision of 19 June 1970, *Journal officiel de la République française*, 21 June 1970, p. 5807.

provisions of a regulation in national legislation. However, certain regulations presuppose or expressly provide for implementing provisions to be enacted by the competent national authorities. This intervention by Member States, however, is subject to very strict limits, which have been spelt out in a number of judgments.

Thus, the Court had occasion to consider certain provisions of Regulation No. 3 on the social security of migrant workers, particularly Article 52 thereof. It held that these provisions, drafted in mandatory terms, are capable of direct application. In these circumstances, the function of bilateral agreements which States may conclude under Article 52 is merely to add details, where necessary, as to how the Community provisions should be applied.¹

Similarly, the provisions of a regulation ordering Member States to take all the steps needed for the application of a Community regulation must be interpreted solely as requiring the necessary adaptations of their national laws to Community law, particularly as regards the removal of such obstacles to the application of the regulation as might result from the States' national laws.² Such provisions do not allow Member States to enact national provisions affecting the scope of the regulation itself.

On the other hand, the Court held³ that the provisions of the old basic regulation on cereals, setting up a system of import and export certificates, should be interpreted so as to allow Member States, before the entry into force of the implementing provisions to be enacted by the Community, to take such provisional measures of implementation as were compatible with the principles of the said regulation and did not prejudice future action by Community institutions.

These principles clarify the scope of directly applicable provisions of Community law, and also throw light on the inter-connection between the Community's legislative powers and the Member States' powers of implementation.

¹ The latest case is *Entr'aide médicale v. Assurances générales*, 27-69) (Court of Justice of the European Communities (hereafter CJEC), judgment of 12 November 1969), *Recueil de la jurisprudence de la Cour* (hereafter *Recueil*), 1969, p. 405. (The reports of the Court are not published in English).

² CJEC 18 February 1970 (*Hauptzollamt Hamburg v. Bollman*, 40-69), *Recueil*, 1970, p. 69; CJEC 18 June 1970 (*Hauptzollamt Bremen v. Waren-Import Gesellschaft Krohn*, 74-69), *Recueil*, 1970, p. 451.

³ CJEC 17 December 1970 (*Scheer v. Einfuhr und Vorratsstelle für Getreide und Futtermittel*, 30-70), See also judgment 40-69 *infra*.

547. The case-law of the Court is just as important concerning provisions capable of producing direct effects in relations between Member States and private individuals; many judgments¹ hold that decisions addressed to Member States may contain provisions capable of producing direct effects in relations between private individuals and the Member States to which the decision is addressed, and of conferring on private individuals the right to invoke such decisions in Court. According to these cases, the fact that, under Article 189, regulations are by their very nature capable of producing direct effects does not mean that other categories of acts referred to in Article 189 may never produce similar effects. An interpretation denying the possibility of an individual invoking the obligation imposed by a decision would be incompatible with the mandatory character of such acts, would weaken their effectiveness and would be inconsistent with the provisions of Article 177, which allows national courts to refer cases to the Court concerning the validity and interpretation of all acts adopted by Community institutions, without distinction. According to the Court, it is necessary to examine in each case whether the nature, subject-matter and terms of a provision are capable of producing direct effects in relations between the party to whom the act is addressed and third parties.

The cases submitted to the Court concerned the applicability of the combined provisions of a decision and of a directive which added certain details to the decision. But the Court's reasoning, which was foreshadowed in a case where the Court pointed out that certain decisions pave the way for the implementation of directly applicable provisions,² does not exclude the direct applicability of a directive. Thus, in a still more recent judgment,³ the Court held that the provisions of a directive by the Commission obliging a Member State to eliminate a charge having the equivalent effect of customs duties, combined with Articles 9 and 13(2) of the EEC Treaty and with the Council's Decision No. 66/532, produce direct effects in relations between private individuals and the Member State to which the directive was addressed, and confer on private individuals rights which municipal courts must protect. This marks an important trend in a basic area of Community law.

¹ CJEC 6 October 1970 (*Franz Grad v. Finanzamt Traunstein*, 9-70), *Recueil*, 1970, p. 825; CEC 21 October 1970 (*Transports Lesage v. Hauptzollamt Freiburg*, 20-70), *Recueil*, 1970, p. 861; CJEC 21 October 1970 (*Erich Haselhorst v. Finanzamt Düsseldorf Altstadt*, 23-70), *Recueil*, 1970, p. 881.

² CJEC 18 February 1970 (*Commission v. Italian Republic*, 38-69), *Recueil*, 1970, p. 47.

³ CJEC 17 December 1970 (*SpA SACE of Bergamo v. Ministry of Finance of the Italian Republic*, 33-70).

548. National courts have also had occasion to rule on certain aspects of the concept of direct applicability. For instance, the Hamburg Finanzgericht confirmed that Article 95 of the EEC Treaty was directly applicable (a finding already made by the Court in cases 57-65 and 27-67), and clearly distinguished its scope from that of the corresponding article (Article III) of GATT.¹

The development of problems relating to direct applicability is directly relevant to relations between the Community law and the laws of Member States. Other aspects of this question are worthy of consideration.

Community law and national law

549. The problem of the relations between Community law and national law has arisen in the special context of interference by Community law with the fundamental rights guaranteed by national law. Member States like the Federal Republic of Germany and Italy, which have made institutional arrangements for reviewing the constitutionality of legislation, are particularly aware of this aspect of the development of Community law.

In particular, the question arises as to the extent to which Community law must take account of the fundamental rights guaranteed by national law or of analogous principles at the Community level, and whether national measures giving effect to Community law need to respect the fundamental rights guaranteed by national law.

In Germany the Federal Constitutional Court and the Bundesfinanzhof have had occasion to consider this question. The former merely raised the question without answering it.² The Bundesfinanzhof, while recognizing that Community organs were not bound by national constitutional law, did not reject the idea that constitutional law could stand in the way of the application of Community law.³

¹ Hamburg Finanzgericht, judgment of 29 October 1969 (*Entscheidungen der Finanzgerichte*, 1970, p. 145). The same decision was reached in the judgment of the Bundesfinanzhof of 12 December 1968, mentioned in sec. 527 of the *Third General Report*.

² Judgment of 18 October 1967, *Entscheidungen des Bundesverfassungsgerichts*, vol. 22, p. 293(299).

³ Bundesfinanzhof, judgment of 10 July 1968. See secs. 632 and 634 of the *Second General Report*.

550. The Court of Justice, on the other hand, has always emphasized that Community institutions were bound only by Community law and that their acts must consequently be tested by reference to Community law; the Court could not examine allegations that such acts infringed the national law of a Member State.¹ In case 11-70² the Court confirmed its previous judgments by declaring that allegations of violations "of fundamental rights, as set out in the Constitution of a Member State, or of principles forming part of a national Constitution, cannot affect the validity of an act by the Community or its effect within the territory of such State".

But the Court had never ruled on the question whether Community law included unwritten fundamental rights or similar guarantees. The most it had done, on a number of occasions, was to appeal to "general principles of law" and to rules generally accepted in all Member States, in order to support its reasoning.

In this context, judgment 29-69, which was delivered at the end of last year and which could only be mentioned briefly in the Third General Report,³ acquires special importance. After confirming the existence of "general principles of Community law", the Court held that these principles included "the fundamental rights of the individual", which must be protected by the Court.

In case 11-70, already mentioned, the Court clarified the idea of fundamental rights in Community law. It declared that "protection of these rights, although inspired by the constitutional traditions common to the Member States, must be secured within the framework of the Community's structure and objectives". In case 11-70 the Court seems to have recognized implicitly that it was illegal to take measures giving to inconvenience that was excessive in relation to the intended results of such measures.

¹ CJEC 4 February 1959 (*F. Stork v. High Authority*, 1-58) and submissions by the Advocate-General, *Recueil*, 1958-1959, p. 42; CJEC 15 July 1959 and submissions by the Advocate-General (*Comptoirs de vente charbons de la Ruhr v. High Authority*, joint cases 36 to 38 and 40-59), *Recueil*, 1960, p. 857, submissions by the Advocate-General Roemer for the Court's judgment of 20 March 1959 (*Firme I. Nold KG v. High Authority*, 18-57), *Recueil*, 1958-1959, p. 89, (119).

² CJEC 17 December 1970 (*Internationale Handelsgesellschaft v. Einfuhr- und Vorratsstelle für Getreide und Futtermittel*, 11-70).

³ CJEC 12 November 1969 (*Stauder v. Stadt Ulm*, 26-29), *Recueil*, 1969, p. 419; *Third General Report*, sec. 533.

This particularly welcome development should meet the anxieties which have led certain courts not to accept in full the supremacy of Community law over national law.

551. The problems connected with respect for fundamental rights are not limited to the question of the relationship between the two legal systems. The Court's case-law has clarified a whole series of particular points, sometimes of considerable importance.

Thus, the Court regards respect for Member States' domestic jurisdiction as a fundamental requirement of the legal system. An act by a Community institution intervening in an area covered by domestic jurisdiction would have no legal basis in Community law.¹ Conversely, a Member State cannot, by exercising its domestic jurisdiction, take unilateral measures which are forbidden by the Treaty.

This division of power can be seen again when the Court emphasizes that States have no power to take protective measures in derogation from the Treaty, without recourse to provisions of Community law which might justify them.²

552. On another point, the Court also underlined the important difference between Community law and traditional public international law.

In the case in question, it started by pointing out that an act which was clearly a Community decision, by virtue of its subject-matter and the institutional framework within which it was adopted, cannot be regarded as an international agreement. It went on to declare that the scope and effects of such an act governed by Community law must be determined by reference to its terms and cannot be restricted by any reservations or declarations which might have been made during its adoption.³

¹ CJEC 10 December 1969 (Commission v. French Republic and French Republic v. Commission, joint cases 6-69 and 11-69), *Recueil*, 1969, p. 523.

² CJEC 18 February 1970 (Commission v. Italian Republic), *Recueil*, 1970, p. 47. On the division of powers, see also judgments 40-69 and 74-69, already mentioned, holding that the grant of legislative powers to the Community deprives Member States of the power to enact legislative provisions in the same field. The same point is made by the Court's judgment of 8 December 1970 (Fa. Deutsche Bakels GmbH v. OFD Munich, 14-70).

³ CJEC 18 February 1970 (Commission v. Italian Republic, 38-39), *Recueil*, 1970, p. 47.

UNIFORM APPLICATION OF COMMUNITY LAW

Performance by Member States of their obligations

553 The Commission devotes special attention to the performance by Member States of their obligations. Article 169 of the EEC Treaty, together with judicial cooperation of the kind contemplated by Article 177 of the EEC Treaty, which will be discussed later, represents an important means of ensuring the effective and uniform application of Community law. The scope of these provisions, and of Article 141 of the Euratom Treaty and Article 88 of the ECSC Treaty, which are intended to achieve the same result, goes far beyond the scope of the rules hitherto accepted in traditional international law to ensure that States perform their obligations. So, during the last few years, the effectiveness of these procedures has resulted in their acquiring an ever-growing importance, especially in the field of the EEC Treaty.

In accordance with the obligations imposed on it by Article 155 of the EEC Treaty, the Commission has, since the Treaty came into force, taken action on more than 200 occasions against Member States which, in its opinion, had not correctly applied Community law. As part of such action, it has issued more than 70 reasoned opinions and begun proceedings in the Court of Justice on 22 occasions.¹ The number of cases which have been settled as a result of an inquiry, without any need for taking formal action against the States in breach, is even larger.

In the context of the ECSC, the High Authority and the Commission have taken action on roughly 20 occasions.² One case under Article 141 of the Euratom Treaty is still pending.

Breaches of Community law may result either from a direct violation of the Treaties or from failure to respect the provisions (regulations, directives and decisions) adopted under the Treaties.

554. If the Commission considers that a Member State has failed to perform its obligations under the Treaties, it begins by explaining its point of view to the State concerned and by giving it a chance to make comments. A large number of cases are settled during this first "pre-judicial" stage.

¹ See the Commission's reply to written question No. 501-69 by Mr Vredeling, *Journal officiel* No. C 73, 18 June 1970.

² See the Commission's reply to written question No. 310-69 by Mr Vredeling, *Journal officiel* No. C 159, 12 December 1969.

After the Commission has examined the Member State's comments, or if it has not received such comments within the specified time-limit, it may:

a) in areas covered by the EEC and Euratom Treaties, issue a reasoned opinion with which the Member State must comply within a specified time-limit;

b) in areas covered by the ECSC Treaty, take a reasoned decision placing the relevant breach on record and imposing a time-limit on the State for the performance of its obligations.

In the ECSC sector, according to Article 88, disregard of a reasoned decision may be followed by sanctions imposed by the Commission; but, under the EEC and Euratom treaties, the only way to enforce a reasoned opinion is to institute proceedings in the Court of Justice. If the Court holds that a breach has occurred, the Member State in question is obliged, under Article 171 of the EEC Treaty and Article 143 of the Euratom Treaty, to take all the steps needed to give effect to the Court's judgment.

In the score of judgments delivered to date concerning breaches in the EEC and Euratom sectors, the Court has developed many principles, of which the most important are the following:

As suggested by Article 171 of the EEC Treaty and Article 143 of the Euratom Treaty, the purpose of proceedings for breach is not simply to place the breach on record, but rather to ensure that a Member State performs its obligations. Consequently, the Court normally refuses to hear cases about breaches which have been rectified. For the same reasons, although the Court was at first prepared to hear cases in the EEC sector where the Member State in question had only complied with the Commission's reasoned opinion after the expiry of the specified time-limit,¹ it has recently examined *proprio motu* whether the Commission can claim a "sufficient interest" to justify it in continuing proceedings for a breach which has been rectified *pendente lite*.² In the case in question, the Court held that such an interest existed in respect of a question of principle

¹ CJEC 19 December 1961 (EEC Commission *v.* Government of the Italian Republic, 7-61), *Recueil*, 1961, p. 632(653). The principles developed in this judgment are implicit in other judgments. See CJEC 10 March 1970 (EEC Commission *v.* Government of the Italian Republic, 7-69), *Recueil*, 1970, p. 111, and CJEC 15 April 1970 (Commission of the European Communities *v.* Government of the Italian Republic, 28-69), *Recueil*, 1970, p. 187.

² CJEC 9 July 1970 (EEC Commission *v.* Government of the Italian Republic, 26-29), *Recueil* 1970, p. 565.

on which the outcome of similar cases depended. The precise scope of this precedent, however, can only be assessed in the light of future judgments.

The Court has had occasion to rule on two cases in which legislation in dispute was amended *pendente lite*. It thus had the opportunity to specify the circumstances in which proceedings for breach may cover legislation which is not the same as the legislation dealt with in the "pre-judicial" procedure, but which infringes the treaties in other respects. In a case where the amendments made *pendente lite* to the provisions in dispute were not such as to change the substance of the breach, the Court allowed direct proceedings for the breach of the treaty arising from the new legislation.¹ On the other hand, in a recent case,² it emphasized the protection conferred on Member States by the "pre-judicial" procedure, and it consequently refused to examine the legal situation arising *pendente lite* without the Member State concerned being able to state its case in defence during the procedure prescribed in Article 169 of the EEC Treaty. In such cases, according to the Court, it was up to the Commission, where necessary, to set the "pre-judicial" procedure in motion again, in order to deal with amendments occurring after the institution of proceedings before the Court of Justice.

Obligations under the treaties are binding on Member States as such. The Court therefore considers that a Member State's responsibility is engaged, whatever the organ of the State whose action or inaction is to blame for the breach, even if the organ in question is constitutionally independent.³ This finding explicitly rejects any defence which might exempt a State from liability on the grounds that the action or inaction giving rise to a breach of the treaties emanated from the legislature or judiciary.

In another case, the Court had occasion to hold that the reasoned opinion issued by the Commission is a mere pre-judicial phase in a procedure which may culminate in the institution of proceedings before the Court, and that the question whether the opinion is well-founded cannot be examined separately from the question whether the judicial proceedings to which it may give rise are well-founded.⁴

¹ CJEC 1 December 1965 (EEC Commission *v.* Government of the Italian Republic, 45-64), *Recueil*, 1965, p. 1058 at p. 1068.

² CJEC 10 March 1970 (7-69); cited *supra*.

³ CJEC 5 May 1970 (Commission of the European Communities *v.* Kingdom of Belgium, 77-69), *Recueil*, 1970, p. 237; CJEC 11 November 1970 (Commission of the European Communities *v.* Italian Republic, 8-70), *Recueil*, 1970, p. 237.

⁴ CJEC 10 December 1969 (Commission *v.* French Republic, 6 and 11-69), *Recueil*, 1969, p. 523.

EXTENSION OF THE COURT'S JURISDICTION

555. The work done by a Council working party in order to elaborate arrangements for extending the Court's jurisdiction to the interpretation of the conventions referred to in Article 220 of the EEC Treaty¹ has resulted in the drawing-up of two draft protocols. One concerns the interpretation of the Convention on the mutual recognition of companies and bodies corporate, signed on 29 February 1968, and the other concerns the interpretation of the Convention on jurisdiction and the enforcement of civil and commercial judgments, signed on 27 September 1968. These texts will be put in their final form in the light of the opinion given by the Court.

It is hoped that these protocols will be signed during 1971. Signature would be all the more desirable since it might encourage those Member States which have not yet ratified the two Conventions to speed up the process of ratification.

THE SOURCES OF COMMUNITY LAW:
ACTS OF THE INSTITUTIONS

556. Apart from the institutional developments which have already been discussed, the main developments concerning the acts of the institutions are to be found in the case-law of the Court, which has clarified the scope of a number of them.

This is true, for instance, of certain informal acts, such as communications from the Commission, which do not confer an authoritative character on the unofficial interpretation which they give of a regulation.²

Another judgment³ discusses the Commission's legislative power to implement rules laid down by the Council and the scope of the obligation to consult the Parliament.

In this case the Council had laid down the principle in Regulation No. 17 that the Commission should hear the parties concerned, and the question arose whether the rules defining the procedure to be followed for this purpose constituted measures of implementation within the meaning

¹ *Third General Report*, sec. 531; *Second General Report*, sec. 90.

² CJEC 18 June 1970 (*Hauptzollamt Bremen-Freihafen v. Waren-Import Gesellschaft Krohn*, 74-69), *Recueil*, 1970, p. 451.

³ CJEC 15 July 1970 (*ACF Chemiefarma v. Commission*, 41-69), *Recueil*, 1970, p. 661.

of Article 155; the Court replied in the affirmative. Having thus delimited the respective powers of the Council and Commission on this point, by interpreting the concept of measures of implementation, the Court ruled on the extent of the obligation to consult the Parliament. The system of fines laid down by Regulation No. 17 differed from the system which had been submitted to the Parliament. But that did not vitiate it, in the Court's eyes, since the draft on which the Parliament had been consulted, taken as a whole, had not been substantially affected by the amendments made in the regulation enacted by the Council.

In this context reference should be made to an important judgment, which cannot be discussed in detail in the present Report because it was delivered at the end of December 1970, on the subject of the "management committee procedure".¹ The legitimacy of this procedure was recognized, together with the Council's standard practice of enacting implementing measure in the sphere of agriculture on the basis of provisions other than Article 43 of the EEC Treaty.

557. The Netherlands Tariefcommissie has given a ruling on the legal nature of a decision by the representatives of the Member States' meeting within the Council. According to the Tariefcommissie, the decision in this case² was a simple agreement between Member States, constituting a declaration of intention. The Tariefcommissie drew the consequence that this type of decision is only binding on Member States among themselves, and that a private individual may not rely on it.

CONTENTIOUS PROCEEDINGS

Judicial protection of the individual

558. It is well known that the Treaties of Rome place fairly strict limits on the right of individuals to bring proceedings for the annulment of acts by the institutions. These limits relate in the first place to the nature of the acts—individuals cannot bring direct proceedings for the annulment of regulations. In addition, individuals cannot request the annulment of an act which is not addressed to them unless the act concerns them directly

¹ CJEC 17 December 1970 (*Einfuhr und Vorratsstelle v. Köster, Berodt & Co.*, 25-70).

² Decision by the Tariefcommissie of 26 August 1969 concerning the decision of 21 June 1960, known as the Standstill Agreement (*Common Market Law Review*, vol. 9, 1970, pp. 1-8).

and individually. The Court has added useful clarifications on these two points.

Three judgments delivered on 16 April 1970¹ dealt with the first condition. In particular, the Court confirmed its previous rulings² that "the fact that an act is a regulation is not undermined by the possibility of determining with a greater or lesser degree of precision the number or even the identity of the parties to whom it applies at a given moment, provided that it is clear that such application takes place by virtue of objective legal and factual criteria defined by the act and related to the purpose of that act". On this basis, it held that a transitional rule forms an integral part of the provisions, old and new, which it is designed to bring into harmony with one another, and shares the general character of these provisions, even when it applies only to cases arising before a date which it fixes, i.e. to cases which could have been counted before its entry into force.

As for the second condition, the Court's case-law hitherto was particularly rich in connection with the concept of a decision concerning the plaintiffs "individually". The interest of the judgment of 16 June 1970 in case 63-69 lies in the fact that the Court dealt also with the concept of decisions concerning the plaintiffs "directly".

The Court held that decisions by the Commission authorizing the opening of national tariff quotas merely had the effect of creating an option for the Member States concerned, without conferring any right on the possible beneficiaries of the measures to be taken later by those States. The Court drew the conclusion that such decisions did not directly concern the undertakings which might have benefited from the quotas. This was true, not only for a positive decision, but also for a decision refusing to authorize the opening of quotas. A decision refusing to authorize the opening of quotas could not concern individuals more than a positive decision; but a positive decision, which any proceedings on their part would try to induce the Commission to take, could only concern Member States.³

¹ CJEC 16 April 1970 (*Compagnie française commerciale v. Commission*, 63-69), *Recueil*, 1970, p. 205; CJEC 16 April 1970 (*Compagnie d'approvisionnement v. Commission*, 65-69), *Recueil*, 1970, p. 229; CJEC 16 April 1970 (*Compagnie française commerciale v. Commission*, 64-69), *Recueil*, 1970, p. 221.

² CJEC 11 July 1968 (*Zuckerfabrik Watenstedt GmbH v. Council*, 6-68), *Recueil*, 1968, p. 595.

³ CJEC 16 June 1970 (*Alcan Aluminium Rearen v. Commission*, 69-69), *Recueil*, 1970, p. 385.

559. Judicial protection of individuals is also ensured by the machinery for judicial cooperation to which the previous General Reports devoted long passages. Such passages retain their relevance in full, since proceedings based on Article 177 of the EEC Treaty continue to develop regularly and now constitute an essential aspect of the Court's activities. The number of these proceedings tripled between 1968 and 1970. This increase, which has occurred in all the Member countries, is particularly marked in the German Federal Republic—over the past two years about two-thirds of the cases have come from that country.

The rise in the number of proceedings brought under Article 177 shows the increasingly important place which Community law occupies in the economic life of the Member States, and the ever-improving knowledge of the possibilities which this law offers to individuals. It also makes one realize that national courts are clearly very conscious that they, together with the Court of Justice, are helping to build up Community law.

2. Interpretation and application of substantive rules of Community law

560. This year, once again, the interpretation of substantive rules of Community law is related mainly to the development of the customs union and the application of the rules of competition.

THE CUSTOMS UNION

561. The progress achieved in the sphere of the customs union and the increase in the number of the relevant regulations will certainly result in a large body of case-law. At present, more and more cases relate to the interpretation of customs nomenclature—either the nomenclature of the common customs tariff itself or the nomenclature appearing in the provisions on the common organization of agricultural markets.

In this connection, the first foundations have been laid by the judgments delivered in three cases arising out of the difficulty of determining the precise tariff classification of certain agricultural products.¹

In the first case, known as the “turkey rump case”, the Court held that goods should be classified under the heading of the goods to which they bore the closest analogy. This analogy should be derived not only from a comparison of the physical characteristics of the products, but also from a comparison of their use and commercial value. The authorities of Member States are not, on the other hand, authorized to enact binding rules of interpretation for the descriptions of goods appearing in the common customs tariff. However, the Court recognized that, in the absence of Community provisions in this field, the explanatory notes and recommendations for classification provided by the Convention on Nomenclature for the classification of goods in customs tariffs are persuasive as a valid means of interpreting the headings in the common customs tariff.²

¹ CJEC 18 February 1970 (*Hauptzollamt Hamburg v. Bollman*, 40-69), *Recueil*, 1970, p. 69 (on this judgment, see also *supra*, sec. 6 (V,1); CJEC 18 June 1970 (*Hauptzollamt Bremen v. Bremer Handelsgesellschaft* 72-69), *Recueil*, 1970, p. 427; CJEC 18 June 1970 (*Hauptzollamt Bremen v. Waren-Importgesellschaft Krohn*, 74-69), *Recueil*, 1970, p. 451; CJEC 8 December 1970 (*Deutsche Bakels GmbH v. OFD Munich*, 14-70); CJEC 8 December 1970 (*KG & Fa. Otto Witt v. Hauptzollamt Lüneburg* 28-70).

² Judgment 14-70, mentioned above.

In addition, the Court took the opportunity to make clear that the interpretation of one tariff heading in relation to another must take account not only of its function for customs purposes but also of its function as regards the requirements of the organization of agricultural markets.

In this sphere further developments may be expected during the years to come.

Similarly, the Court gave judgment for the first time on a question concerning the interpretation of Regulation No. 803/68 on the customs value of goods.¹ It held that the idea of the normal price, used for determining customs value, is mainly intended to establish the true price of the goods. Normally, the price actually charged for sale in conditions of full competition is the price which corresponds most closely to the normal price. As regards the inclusion of the cost of transport in the customs value, the Court held that (subject to exceptions mentioned expressly) it is the cost actually borne by the buyer which must be taken into account, even if the cost of the normal mode of transport for the same goods is lower.

Thus the application of Community provisions on the customs union is assuming an increasingly important place in the development of Community law.

THE RULES OF COMPETITION

562. But the enforcement of the rules of competition retains all the importance which it acquired during previous years. Here, too, recent developments coincide with developments in the case-law.

The interpretation of Article 85 of the EEC Treaty, and of the two Regulations Nos. 17 and 27 enacted to implement it, gave rise to many preliminary questions submitted to the Court.

563. In one of these cases, for instance, the Court held that an agreement for exclusive supply, the performance of which does not require the crossing of national frontiers by the goods in question, does not concern

¹ CJEC 10 December 1970 (*Entreprise C.W. Edding v. Hauptzollamt Hamburg St Annen*, 27-70).

imports or exports between Member States within the meaning of Article 4(2) of Regulation No. 17. Such an agreement is therefore exempt from notification.¹

As such, the agreement remains valid as long as it has not been declared void. By so holding, the Court extended, to agreements which were exempt from notification and had not been notified, the principle of provisional validity, which had previously been applied to agreements duly notified under Regulation No. 17.² In the same case, the Court answered the question, which had hitherto been doubtful, whether national courts form part of national authorities within the meaning of Article 9(3) of Regulation No. 17. The Court, relying on the fact that Article 88 of the EEC Treaty refers to national rules of procedure and competence, answered this question in the affirmative.

At the same time the Court considered that national courts had jurisdiction to determine the invalidity, under Community law, of an agreement which, although falling under Article 85(1) of the Treaty, is exempt from notification and has not been notified. However, national courts may only declare such an agreement void for the future.

No doubt it may be inferred from this judgment that national courts may no longer pass judgment on the application of Article 85(1) and (2) of the EEC Treaty once the Commission has initiated procedure with a view to exercising the powers conferred on it by Regulation No. 17.

564. The Court has also had to deal with the question of the provisional validity of agreements referred to in Article 85(1) of the EEC Treaty which are the exact reproduction of a standard-form contract concluded before the entry into force of Regulation No. 17 and duly notified under Regulation No. 17. The Court held that such agreements enjoy the same status of provisional validity as the standard-form contract.³ In the same judgment, the Court held that contracts existing when Regulation No. 17 came into force, concluded between two undertakings and duly notified as a standard-form contract within the meaning of Regulation No. 27, must be regarded, for the purposes of Article 5 of Regulation No. 17, as agreements in which only two undertakings participate, even if they form part of a network of parallel contracts.

¹ CJEC 18 March 1970 (*Brauerei Bilger v. Jehle*, 43-69), *Recueil*, 1970, p. 127.

² *Third General Report*, sec. 542.

³ CJEC 30 June 1970 (*Rochas v. Bitsch*, 1-70), *Recueil*, 1970, p. 515.

565. Other questions concerning the interpretation of Article 85 and of the provisions implementing it have been examined in the Court's judgments. For instance, the question arose of the consequences of the silence of Regulation No. 17 concerning periods of limitation for breaches of the rules of competition; should the principles common to national laws be invoked and applied to Community law? The Court did not recognize that it had the right to fill such a gap on its own; this function belonged to the Community legislator.¹

In the same judgment, the Court recognized that the procedure relating to restrictive practices and leading to financial penalties had the character of an administrative procedure. It also pointed out that the object of the penalties was to punish illegal behaviour as well as to prevent its renewal. The Commission's power to impose penalties was in no way affected by the fact that the behaviour constituting the offence, and the possibility of its harmful effects, had ceased.

AID GRANTED BY STATES

566. The Court had occasion to clarify the concept of aid by declaring that a preferential rediscount rate on exports granted by a State only to national products which were exported, in order to help them to compete in other Member States with products originating in those Member States, constituted aid within the meaning of Article 92 of the EEC Treaty.²

Another judgment³ provided an opportunity to clarify the relationship between the provisions of Articles 92 *et seq.* and those of Article 95. The Court emphasized that the fact that national measures satisfied the requirements of Article 95 did not imply that they were lawful under Articles 92 and 93. This judgment also clarifies the scope of the powers granted to the Commission by Article 93(2) of the EEC Treaty.

The question of the compatibility of aid with the common market must take account of the whole factual and legal context of such aid. In

¹ CJEC 15 July 1970 (*ACF Chemiefarma v. Commission, Buchler v. Commission, Boeringer Mannheim v. Commission*, 41-69, 44-69 and 45-69), *Recueil*, 1970, p. 661, 733, 769.

² CJEC 10 December 1969 (*Commission v. Government of the French Republic*, 6 and 11-69), *Recueil*, 1969, p. 523.

³ CJEC 25 June 1970 (*French Republic v. Commission*, 47-69), *Recueil*, 1970, p. 487.

particular, an examination of such aid cannot be separated from an examination of the way in which it is financed. The Commission did not therefore exceed its powers by making the amount of aid conditional upon an alteration of the basis of assessment for the quasi-fiscal charge intended to finance it. However, the low quantitative level of aid may render it admissible under Article 92(3)(c) if it has no qualitative features aggravating its disruptive effect on trade.

567. Thus, slowly but surely, the case-law of the Court, in response to an increasing number of requests from national courts and from the parties to cases pending in national courts, is developing large areas of Community law on the basis of the treaties and of the law derived therefrom. Contained in written provisions and clarified by the practice of the institutions (particularly the Commission), this law acquires a distinctive flavour when the Court exercises its power of review. It is becoming increasingly obvious that the cooperation between national law and Community law and the balanced development of relations between the institutions in this field are decisive factors in the dynamic development of Community law.

3. Information on the development of Community law

568. Such a development of Community law must be able to rely on widespread knowledge of Community law. Practising lawyers who are well informed and academic lawyers who are aware of its functions are the indispensable conditions for such a development. That is why the Commission has, as in previous years, continued its drive to inform the public concerning the development of Community law.

Representatives of the Commission, especially of its Legal Service, took part in the work of the Legal Affairs Committee of the European Parliament. During 1970 this work was not marked by debates on general questions such as occurred in 1968¹ and 1969.² However, it should be pointed out that the problem of rule-making committees and, more generally, the problem of the procedures for enforcing secondary Community law, were examined again in an opinion drafted by Mr De Gryse, which the Legal Affairs Committee submitted to the Agricultural Committee when a regulation on the manufacture of and trade in sugar was being examined. This opinion confirmed the conclusions reached in Mr Jozeau-Marigné's report in 1968. In addition, the Legal Affairs Committee is studying the extent to which the Council's directives for achieving the right of establishment and the freedom to supply services are being applied in Member States.

569. Various aspects of the application of Community law were studied in detail at a number of colloquia and seminars—e.g. the law relating to energy at Cologne in March, and the law on restrictive practices in the same city in October.

The legal consequences of the end of the transitional period were examined at several meetings at Brussels in March, at Nice in May and at Antwerp in June. The contribution by Community law to the development of law was the theme of a day of study at Brussels in May. The importance of Community law was discussed during several meetings of specialists in international law (members of national Parliaments, academics, practitioners)—at the colloquium at Grenoble in May, at the 54th

¹ *Second General Report*, sec. 659.

² *Third General Report*, sec. 547.

Conference of the International Law Association at the Hague in August and at the 8th international congress on comparative law at Pescara at the beginning of September.

The fifth congress of the International Federation for European Law at Berlin in September, devoted to cooperation between Community law and national law, was attended by several judges from the Court of Justice of the European Communities, by judges from national courts, by members of national Parliaments, and by law teachers and practising lawyers particularly interested in the development of Community law. The Community's institutions were represented at this meeting by a number of lawyers, as they were at the fifth colloquium on the merger of the European Communities at Liège in December, which was devoted in 1970 to the European "economic constitution" in the context of the merger of the Communities.

The interest in Community law shown by legal circles in the countries which have applied to join the Communities and in the other member countries of EFTA seems to have grown during the period covered by the present report, as shown by the seminars organized at Dublin in March by the British Institute of International and Comparative Law and at London in the same month by the International League against Unfair Competition.

Representatives of the Legal Services of the Commission and of the Council took an active part in an international legal conference organized at the beginning of October at Dublin by the British Institute of International and Comparative Law. During this important meeting, the many lawyers present from English-speaking and Scandinavian countries (judges, law teachers and practitioners) examined the legal repercussions which would be caused by their countries' entry into the European Communities.

570. The Commission established further contacts with judges in different countries and with senior officials responsible for the application of Community law in the Member States.

For instance, it was visited in November by a group of officials from the Ministries of the Interior and of Justice of the German Federal Republic. Similarly, visits to the Commission at Brussels and the Court of Justice of the European Communities at Luxembourg were organized in March for a group from the Belgian section of the International Union of Judges and in October for the future French judges from the Centre national d'études judiciaires.

Many visits were paid to the Communities' headquarters by groups of elected representatives, officials, academics and practising lawyers, during which members of the Legal Service explained various aspects of the development and application of Community law.

It should be emphasized that the number of visits by lawyers from the United Kingdom and the Scandinavian countries has increased during the period covered by the present report.

571. On the related question of documentation on Community law, the Commission has this year completed preparatory studies for an automated documentation system, which may eventually cover the treaties, rules enacted or agreed upon to implement the treaties, case-law and academic writings. Tests are being carried out, with encouraging results.¹ Thought will now have to be given to the necessary means and procedures for recording within a few years all the documentation in this field, and to the problems which will arise at a later stage concerning its dissemination.

¹ For instance, discussions with the countries which have applied to join the Communities on the adaptation of secondary Community law have taken, as their starting point, a catalogue of the applicable law partly drawn up by computer. The problem of indexes—which is very different, although relating to the same requirements—is being studied in connection with the *Journal officiel*. The Court has published very useful indexes of its case-law in its *Recueil* (see the volume for 1969).

TABLE 29

Work of the Court of Justice in 1970

A—New cases

Total: 80

- a) *Proceedings brought by the Commission against a Member State under Article 169 of the EEC Treaty*: 2
of these
1 concerns agriculture, and
1 concerns the customs union.
- b) *Proceedings brought against a Community institution under Articles 173 and 175 of the EEC Treaty or Article 88, second paragraph, of the ECSC Treaty*: 11,
of these
1 was brought by a Government,
1 was brought by an institution,
9 were brought by individuals,
and
7 concern the common agricultural policy,
2 concern scrap compensation,
1 concerns the Community's powers in external relations concerning common transport policy, and
1 concerns competition.
- c) *Requests by national courts for preliminary rulings under Article 177 of the EEC Treaty (Article 150 of the Euratom Treaty)*: 32
of these
15 concern the interpretation of Community provisions on agriculture,
5 concern the customs union,
4 concern social regulations, in particular the interpretation of those, on social security for migrant workers,
3 concern competition, and
5 concern tax questions.
- d) *Proceedings brought by staff against their institutions (personnel administration)*: 35.

B—Judgments

Total: 62

- a) *Judgments in proceedings brought by the Commission under Article 169 of the EEC Treaty*: 8
Case 7-69 (v. Italian Republic). Judgment of 10 March 1970 dismissing the proceedings brought by the Commission, which had challenged the legality, under Article 95 of the EEC Treaty, of the tax levied in Italy, by way of turnover tax, on striped wool and carded or combed wool from other Member States.¹

¹ *Journal officiel* No. C 41, 4 April 1970.

Case 26-69 (v. French Republic). Judgment of 9 July 1970 dismissing on the merits the proceedings brought by the Commission to obtain a finding that the French Republic, by excluding from the levy imports of olive oil of Tunisian production and origin, was failing to fulfil its obligations under Regulation (EEC) No. 136/66.¹

Case 28-69 (v. Italian Republic). Judgment of 15 April 1970 finding that Italy had broken Article 95 of the EEC Treaty by applying a consumer tax to cocoa powder imported from other Member States, but finding that there had been no breach of this Article as regards products derived from cocoa beans.²

Case 31-69 (v. Italian Republic). Judgment of 17 February 1970 dismissing the proceedings brought by the Commission to obtain a finding that Italy had failed to fulfil its obligations under the agricultural regulations by its delay in paying export rebates.³

Case 33-69 (v. Italian Republic). Judgment of 4 March 1970 finding that Italy, by not establishing the viticultural land register prescribed by Council Regulation No. 24, and failed to fulfil its obligations under that Regulation.³

Case 38-69 (v. Italian Republic). Judgment of 18 February 1970 finding that Italy, by not bringing its customs duties on imports of lead and zinc into line with the common customs tariff before 1 July 1968, and by not abolishing its customs duties on imports of those products on that date, had failed to fulfil its obligations under Council Decision (EEC) No. 66/532 and Article 23(1)(c) of the EEC Treaty.³

Case 77-69 (v. Kingdom of Belgium). Judgment of 5 May 1970 finding that Belgium had broken Article 95 of the EEC Treaty by applying a tax of the same rate on indigenous felled or unfelled wood and on imported wood, calculated on its value at the time of entry for home use.⁴

Case 8-70 (v. Italian Republic). Judgment of 18 November 1970 finding that the Italian Republic, by levying a tax of 0.5% for administrative services on goods imported from other Member States, had failed to fulfil its obligations under combined provisions of Article 189 of the EEC Treaty and of certain Council regulations on the common organization of agricultural markets, and under the combined provisions of Article 13 of the EEC Treaty and of Directive (EEC) No. 68/31.⁵

- b) *Judgments in proceedings brought against a Community institution (apart from proceedings brought by Community staff): 9*

Five judgments concerning agriculture:

Case 63-69 (Compagnie française commerciale et financière v. Commission). Judgment of 16 April 1970 dismissing as inadmissible these proceedings for the annulment of certain provisions of Regulation No. 1670/69 concerning measures

¹ *Journal officiel* No. C 122, 7 October 1970.

² *Ibid.* No. C 63, 29 May 1970.

³ *Ibid.* No. C 41, 4 April 1970.

⁴ *Ibid.* No. C 83, 4 July 1970.

⁵ *Ibid.* No. C 3, 11 January 1971.

to be taken in the sectors of cereals and rice following the devaluation of the French Franc.¹

Case 64-69 (Compagnie française commerciale et financière v. Commission). Judgment of 16 April 1970 dismissing as inadmissible these proceedings for the annulment of certain provisions of Regulation No. 1660/69 concerning measures to be taken in the sectors of cereals and rice following the devaluation of the French Franc.¹

Case 65-69 (Compagnie d'approvisionnement, de transport et de crédit, SA v. Commission). Judgment of 16 April 1970 dismissing these proceedings (which covered the same ground as case 63-69, *supra*) as inadmissible.¹

Case 6-70 (Consorts Borromeo v. Commission). Judgment of 15 July 1970. These proceedings against the Commission's failure to take action against the Italian Government concerning leases of farms in Member States were dismissed as inadmissible.²

Case 15-70 M.A. Chevalley v. Commission). Judgment of 18 November 1970. The proceedings against the Commission's failure to take action (which covered the same ground as case 6-70, *supra*) were dismissed as inadmissible.³

Three judgments concerning competition:

Joint cases 41, 44 and 45-69 (AGF Chemiefarma NV and others v. Commission). Judgment of 15 July 1970 dismissing proceedings for the annulment of a decision taken by the Commission on 16 July 1969 under Article 85 of the EEC Treaty, imposing fines on the undertakings participating in the international quinine cartel.⁴

Case 47-69 (French Republic v. Commission). Judgment of 25 June 1970 rejecting proceedings for the annulment of the decision taken by the Commission on 18 July 1969 concerning the French system of aid for encouraging research and modernization in the textile industry.⁵

Case 75-69 (Entreprise E. Hake v. Commission). Judgment of 8 July 1970 dismissing the proceedings, partly on the grounds that they were inadmissible, and partly on the grounds that the case had become moot. The proceedings were against the allegedly wrongful failure of the Commission to take action (under Article 65 of the ECSC Treaty) against concerted practices on the German scrap market.⁶

One judgment concerning the customs union:

Case 69-69 (SA Alcan Aluminium Raeren and others v. Commission). Judgment of 16 June 1970 dismissing as inadmissible the proceedings for the an-

¹ *Journal officiel* No. C 63, 29 May 1970.

² *Ibid.* No. C 138, 18 November 1970.

³ *Ibid.* No. C 3, 11 January 1971.

⁴ *Ibid.* No. C 130, 27 October 1970.

⁵ *Ibid.* No. C 97, 29 July 1970.

⁶ *Ibid.* No. C 130, 27 October 1970.

nulment of the Commission's decision of 12 May 1969 refusing to grant the Kingdom of Belgium and the Grand Duchy of Luxembourg a tariff quota for crude aluminium for 1968.¹

c) *Judgments on preliminary questions submitted by municipal courts: 28*

Fifteen judgments on the interpretation of Community provisions in the sphere of agriculture:

Case 40-69 (Hauptzollamt Hamburg-Overelbe v. Firma P.G. Bollmann-Bundesfinanzhof). Judgment of 18 February 1970 confirming the exclusive character of the Community's power in tariff questions, and holding that the descriptions of goods contained in the common customs tariff constitute independent concepts of Community law outside the power of national legislatures.²

Case 72-69 (Hauptzollamt Bremen-Freihafen v. Bremer Handelsgesellschaft m.b.H.-Bundesfinanzhof). Judgment of 18 June 1970 interpreting the expression "flour of manioc" in Article 1 of Council Regulation No. 19 establishing a common organization of markets in the cereals sector.³

Case 73-69 (Firma H. Oehlmann v. Hauptzollamt Münster-Bundesfinanzhof). Judgment of 24 June 1970 holding that an examination of this case disclosed no grounds for questioning the validity of Article 7(2) of Council Regulation No. 19, which prescribes countries, but not for those from Member States.³

Case 74-69 (Hauptzollamt Bremen-Freihafen v. Waren-Import-Gesellschaft Krohn-Bundesfinanzhof). Judgment of 18 June 1970 interpreting Article 23(1) of Council Regulation No. 19 to mean that Member States are not allowed to enact national provisions affecting the scope of the Regulation, and also interpreting the expression "flour of manioc" appearing in the same Regulation.³

Case 11-70 (Firma Internationale Handelsgesellschaft m.b.H. v. Einfuhr- und Vorratsstelle für Getreide und Futtermittel - Verwaltungsgericht, Frankfurt on Main). Judgment of 17 December 1970 confirming the validity of Article 12(1), third sub-paragraph, of Regulation No. 120/67 and of Article 9 of Regulation No. 483/67, which make issue of import or export certificates for cereals conditional upon the payment of security to guarantee that the cereals will be imported during the certificate's period of validity, and confine repayment of the security to circumstances which can be regarded as *force majeure*.

Case 12-70 (P. Craeynest and M. Vandewalle v. Belgian State - Court of Cassation, Belgium). Judgment of 22 October 1970 interpreting Regulation (EEC) No. 13/64 and the Commission's decision of 17 July 1962 to mean that goods imported from other Member States may only benefit from the intra-Community system if they are covered by a certificate DD4. The same interpretation applies to the calculation of the amount of levies evaded as a result of a fraudulent importation.⁴

¹ *Journal officiel* No. C 97, 29 July 1970.

² *Ibid.* No. C 41, 4 April 1970.

³ *Ibid.* No. C 97, 29 July 1970.

⁴ *Ibid.* No. C 145, 8 December 1970.

Case 16-70 (C.V. Necomout G.A. v. Hoofdproduktschap voor Akkerbouwprodukten and Produktschap voor Granen, Zaden en Peulvruchten - College van Beroep voor het Bedrijfsleven, The Hague). Judgment of 23 October 1970 interpreting Article 7, second paragraph, of Regulation (EEC) No. 1134/68 to mean that the cancellation of any fixing in advance of levies or refunds may apply to the balance of the quota still available on the date when the application is lodged, but only to the total amount of such balance.¹

Case 17-70 (Koninklijke Lassie Fabrieken v. Hoofdproduktschap voor Akkerbouwprodukten and Produktschap voor Granen, Zaden en Peulvruchten - College van Beroep voor het Bedrijfsleven, The Hague). Judgment of 23 October 1970, identical to the judgment given in case 16-70, *supra*.¹

Case 25-70 (Einfuhr- und Vorratsstelle für Getreide und Futtermittel v. Firma Köster, Berodt & Co. - Verwaltungsgerichtshof, Hesse). Judgment of 17 December 1970 confirming the validity of Regulation No. 102/64 on import and export certificates for cereals, particularly the provisions of Articles 1 and 7 thereof concerning export certificates and security deposited in order to obtain export certificates.

Case 26-70 (Einfuhr- und Vorratsstelle für Getreide und Futtermittel v. Firma G. Henck - Verwaltungsgerichtshof, Hesse). Judgment of 17 December 1970, identical to the judgment given in case 25-70, *supra*.

Case 28-70 (K.G. in Firma O. Witt v. Hauptzollamt Lüneberg - Finanzgericht, Hamburg). Judgment of 8 December 1970 interpreting the description "poultry hens" in headings 01.05 and 02.02 of the common customs tariff and in Article 1 of Regulation No. 22.

Case 30-70 (Firma O. Scheer v. Einfuhr- und Vorratsstelle für Getreide und Futtermittel - Verwaltungsgerichtshof, Hesse). Judgment of 17 December 1970 interpreting Article 16 of Regulation No. 19 concerning the national measures for implementation to be taken by Member States on a transitional basis before the entry into force of Regulation No. 87, and confirming the validity of Article 7, second paragraph, of Regulation No. 87 concerning the procedure for depositing and forfeiting security.

Case 31-70 (Deutsche Getreide und Futtermittel Handelsgesellschaft m.b.H. v. Hauptzollamt Hamburg-Altona - Bundesfinanzhof). Judgment of 15 December 1970 interpreting Regulation No. 19 to mean that imported maize which had deteriorated in transit and thus lost part if its value should bear the same levy as maize which had not deteriorated.

Case 34-70 (Syndicat national du commerce extérieur des céréales v. Office national interprofessionnel des céréales and Minister of Agriculture - Conseil d'Etat, France). Judgment of 17 December 1970 holding that the use of the expression "any holder" in Article 1 of Regulation (EEC) No. 1028/68 excludes any condition relating to the definition of the holder, or to his entitlement to make proper use of the machinery for intervention, from the scope of the conditions for buying-in additional quantities of cereals.

¹ *Journal officiel* No. C 145, 8 December 1970.

Case 36-70 (Firma Getreide-Import G.m.b.H. *v.* Einfuhr- und Vorratsstelle für Getreide und Futtermittel - Bundesverwaltungsgerichtshof). Judgment of 16 December 1970 interpreting Article 8(2) and (3) of Regulation No. 102/64 on import and export certificates for cereals to mean that omissions in the statement provided for in Article 8(3) produce no legal effects for the parties concerned.

Two judgments concerning competition:

Case 43-69 (Brauerei A. Bilger Söhne G.m.b.H. *v.* H. and M. Jehle - Oberlandesgericht, Karlsruhe). Judgment of 18 March 1970 interpreting Article 4(2)(1) of Council Regulation No. 17 on the notification of agreements, with special reference to a contract for exclusive supply.¹

Case 1-70 (Parfums Marcel Rochas Vertriebsgesellschaft m.b.H. *v.* H. Bitsch - Oberlandesgericht, Karlsruhe). Judgment of 30 June 1970 interpreting Article 85(1) of the EEC Treaty concerning the status of provisional validity of agreements notified to the Commission.²

Four judgments concerning the interpretation of Community provisions on social security for migrant workers:

Case 68-69 (E. Brock *v.* Bundesknappschaft Bochum - Bundessozialgericht). Judgment of 14 April 1970 concerning the retroactivity, of the more favourable provisions introduced by Council Regulation No. 130/63, and the interpretation of the provisions of Council Regulation No. 3 about the revision of pensions upon request.³

Case 3-70 (Caisse de compensation pour allocations familiales des charbonnages du couchant de Mons *v.* F. di Bella - Conseil de Prud'homme d'appel, Mons). Judgment of 17 June 1970 interpreting the expression "came under the legislation" in Article 42(6)(a) of Council Regulation No. 3 on social security for migrant workers.⁴

Case 32-70 (Union nationale des mutualités socialistes *v.* La Marca - Commission de réclamation en matière d'assurance obligatoire contre la maladie et l'invalidité, Liège). Judgment of 1 December 1970 interpreting Article 28(2) of Council Regulation No. 4 concerning the entitlement of workers who have worked in several Member States to sickness and disability insurance benefits.

Case 35-70 (S.a.r.l. Manpower *v.* Caisse primaire d'assurance-maladie, Strasbourg - Commission de première instance du contentieux de la sécurité sociale et de la mutualité sociale agricole du Bas-Rhin). Judgment of 17 December 1970

¹ *Journal officiel* No. C 41, 4 April 1970.

² *Ibid.* No. C 97, 29 July 1970.

³ *Ibid.* No. C 63, 29 May 1970.

⁴ *Ibid.* No. C 97, 29 July 1970.

interpreting Article 13(a) of Council Regulation No. 3 to apply to workers who are hired by an undertaking in a Member State and who, while still being paid by that undertaking and remaining under its control, go, on its behalf, to spend a period working in another undertaking in another Member State.

Three judgments concerning tax questions:

Case 9-70 (Firma F. Grad *v.* Finanzamt Traunstein - Finanzgericht, Munich). Judgment of 6 October 1970 replying to certain legal questions put to the Court concerning the compatibility of the German tax on road transport with the EEC Treaty.¹

Case 20-70 (Transports Lesage & Cie. *v.* Hauptzollamt Freiburg - Finanzgericht, Baden-Württemberg). Judgment of 11 October 1970, identical to the judgment given in case 9-70, *supra*.²

Case 23-70 (E. Haselhorst, Güterfernverkehrsunternehmer *v.* Finanzamt Düsseldorf-Altstadt - Finanzgericht, Düsseldorf). Judgment of 21 October 1970, identical to the judgment given case 9-70, *supra*.²

Four judgments concerning the customs union:

Case 13-70 (F. Cinzano G.m.b.H. *v.* Hauptzollamt Saarbrücken - Bundesfinanzhof). Judgment of 16 December 1970 holding that a duty levied on imports of products from other Member States, linked to the existence of a national monopoly and applied for the first time after the entry into force of the EEC Treaty, does not constitute a breach of Article 37(2) of the said Treaty, if the new duty does not fall more heavily on imported products than on national products affected by the monopoly.

Case 14-70 (Deutsche Bakels G.m.b.h. *v.* Oberfinanzdirektion - Bundesfinanzhof). Judgment of 8 December 1970 interpreting Regulation No. 950/68 to mean that Member States are not allowed to enact binding national provisions affecting the scope of the Regulation or of the tariff headings contained therein. In the absence of Community provisions, explanatory notes drawn up by national authorities are persuasive as a valid means of interpreting headings in the common customs tariff.

Case 27-70 (Firma C.W. Edding *v.* Hauptzollamt Hamburg-St. Annen - Finanzgericht, Hamburg). Judgment of 10 December 1970 interpreting Regulation (EEC) No. 803/68 on the customs value of goods to mean that the cost of a mode of transport which is more expensive than the usual mode of transport should (subject to exceptions mentioned expressly) be taken into account for determining the normal price which constitutes the customs value.

¹ *Journal officiel* No. C 138, 18 November 1970.

² *Ibid.* No. C 145, 8 December 1970.

Case 33-70 (SACE, S.p.A. v. Ministry of Finance of the Italian Republic - Civil and Criminal Court of first instance, Brescia). Judgment of 17 December 1970 interpreting Article 13(2) of the EEC Treaty, on charges having an effect equivalent to customs duties on imports, as creating, from the end of the transitional period onwards, rights for individuals which national courts must protect.

d) *Judgments in proceedings brought against Community institutions by their staff: 17*

Cases 12 and 30-68

Cases 13, 18, 23, 24, 32, 35, 36, 39, 42, 46 and 58-69

Joint cases 19, 20, 25 and 30-69

59 and 71-69

60, 61 and 62-69

Case 5-70.

TABLE 30
Cases analysed by subject matter
 (situation at 31 December 1970)

Type of case	ECSC				EEC							Privileges and immunities	Proceedings by staff of the institutions	Total	
	Scrap compensation	Transport	Competition	Other ¹	Customs union	Right of establishment, freedom to supply services	Tax cases	Competition	Social security and free movement of workers	Agricultural policy	Euratom				Transport
New cases	169	35	55	19	47	1	26	33	30	70	2	2	6	222	717
Cases struck off	22	5	15	9	7	—	3	1	1	3	—	1	—	54	121
Cases decided	143	30	39	10	37	—	21	21	28	50	1	1	6	132	518
Cases pending	4	—	1	—	3	1	2	11	1	17	1	—	—	36	78

¹ Levies, investment declarations, tax charges, miners' bonuses.

TABLE 31
Cases analysed by type (EEC Treaty)*
 (situation at 31 December 1970)

Type of case	Proceedings brought under Articles										Grand total ⁴		
	169 and 93	170	173				175	177		184		215	
			By Gov-ern-ments	By indi-vidu-als	By the insti-tutions	Total		Valid-ity	Inter-pretation				Total
New cases	26	—	13	45	1	59	5	9	95	102	3	17	209
Cases struck off	5	—	4	2	—	6	—	—	4	4	—	—	15
Cases decided ¹	19	—	9	29	—	38	5	9	81	88	3	7	156
In favour of plaintiff ²	16	—	1	6	—	7	—	—	—	—	—	—	—
Dismissed on the merits ³	3	—	8	5	—	13	—	—	—	—	—	7	—
Dismissed as inadmissible	—	—	—	18	—	18	4	—	—	—	3	—	—
Cases pending	10	—	—	14	1	15	—	—	10	10	—	10	38

* Excluding proceedings by staff and cases concerning the interpretation of the Protocol on Privileges and Immunities. For these, see Table 30.

¹ The number of judgments is smaller than the number of cases decided, because some cases were joined during the procedure.

² In respect of at least one of the plaintiff's main claims.

³ This also covers proceedings dismissed partly as inadmissible and partly on the merits.

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 32

Cases analysed by type (ECSC Treaty)*
(situation at 31 December 1970)

Type of case	Number of proceedings brought			Total
	By Governments	By the institutions	By individuals (undertakings)	
New cases	22	1	256	279
Cases struck off	9	—	42	51
Cases decided ¹	12	1	210	223
In favour of plaintiff ²	5	—	48	—
Dismissed on the merits ³	7	—	114	—
Dismissed as inadmissible	—	1	48	—
Cases pending	1	—	4	5

* Excluding proceedings by staff and cases concerning the interpretation of the Protocol on Privileges and Immunities. For these, see Table 30.

¹ The number of judgments is smaller than the number of cases decided, because some cases were joined during the procedure.

² In respect of at least one of the plaintiff's main claims.

³ This also covers proceedings dismissed partly as inadmissible and partly on the merits.

TABLE 33
Decisions by national courts concerning Community law¹

Country	Subject matter ²	EEC Treaty											ECSC Treaty ³	Total	
		Free movement of goods			Agriculture	Free movement of persons and right of establishment	Social security law ⁴	Transport	Competition			Tax provisions			Other ⁴
		Customs duties	Quantitative restrictions	Monopolies					Restrictive agreements monopolies	Dumping	Aids				
					1	2	3	4				5			6
Belgium		1			1	8		34				2	2	48	
Germany (FR)		18	2	2	12	2	1	41	2		34	8	4	170	
France		5	1	1	3	10	1	14	1	1		2	2	45	
Italy				1	1	2		1		2			12	20	
Luxembourg								1						1	
Netherlands		4		1		7		33				1		47	
	Total	28	3	5	17	29	2	124	3	3	34	13	20	331	
	Previous total	25	3	5	16	18	1	109	3	2	23	4	17	271	
	New judgments	3	0	0	1	11	1	15	0	1	11	9	3	60	

¹ Figures are for decisions published up to 15 December 1970, excluding cases which gave rise to a 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 Cases concerning social security and Article 119.
⁴ Cases concerning Article 7, Article 169 (effects of a judgment by the Court of Justice under Article 169), Article 177 (costs, examination by a national court of its obligation), Articles 189, 215 and 220, Protocol 1, 7 and association agreements with Turkey.
⁵ Prices, financing, social security, competition, transport, obligation to pay, and forced execution.

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ABBREVIATIONS

AASM	Associated African States and Madagascar
ADB	Asian Development Bank
ADELA	Atlantic Community Development Group for Latin America
AECL	Atomic Energy of Canada Ltd.
AETR	European Agreement concerning the Work of Crews of Vehicles engaged in International Road Transport
AGR	Advanced Gas-Cooled Reactor
ASELT	Association Européenne pour l'Échange de la Littérature Technique dans le domaine de la Sidérurgie
ASP	American Selling Price
AVR	Arbeitsgemeinschaft Versuchsreaktor
BIICL	British Institute of International and Comparative Law
BLEU	Belgo-Luxembourg Economic Union
BR-2	Belgian Reactor 2
CABEI	Central American Bank for Economic Integration
CANDU	Canadian Deuterium Uranium Reactor
CARIFTA	Caribbean Free Trade Area
CART	Cirene Assembly Reactor Test
CBNM	Central Bureau for Nuclear Measurements
CCNR	Central Commission for the Navigation of the Rhine
CCRN	Consultative Committee for Nuclear Research
CCT	Common Customs Tariff
CEA	Commissariat à l'Énergie Atomique
CEEP	European Centre for Public Undertakings
CEN	Centre d'Études Nucléaires
CENEL	Comité Européen de Coordination des Normes Electrotechniques
CEPCEO	Western European Coal Producers' Association
CERN	European Organization for Nuclear Research
CESC	European Confederation of Christian Trade Unions
CESL	European Confederation of Free Trade Unions
CETIS	European Scientific Data Processing Centre
CGIL	Confederazione Generale Italiana del Lavoro
CGT	Confédération Générale du Travail
CIAA	Commission des Industries Agricoles et Alimentaires
CID	Centre for Information and Documentation
cif	Cost, insurance, freight
CIPPT	Centre International de Perfectionnement Professionnel et Technique

CIS	Centre d'Information, de Sécurité et d'Hygiène du Travail
CLCA	Liaison Committee on Automobile Manufacture
CLEIC	Liaison and Research Committee of the Footwear Industry
CNEN	Comitato Nazionale per l'Energia Nucleare
COGECA	General Committee for Agricultural Cooperation in EEC countries
COFACE	European Communities' Committee of Family Organizations
COPA	Committee of Agricultural Organizations in the EEC
CREST	Committee on Reactor Safety Technology
DAC	Development Aid Committee (OECD)
DB	Deutsche Bundesbahn
DISC	Domestic International Sales Corporation
EAC	East African Community
EAEC	European Atomic Energy Community
EAGGF	European Agricultural Guidance and Guarantee Fund
EBU	European Broadcasting Union
ECA	Economic Commission for Africa (UN)
ECAC	European Civil Aviation Conference
ECAFE	Economic Commission for Asia and the Far East (UN)
ECE	Economic Commission for Europe (UN)
ECLA	Economic Commission for Latin American (UN)
ECMT	European Conference of Ministers of Transport
ECO	Expérience Critique ORGEL (ORGEL critical experiment)
ECOSOC	Economic and Social Council of the UN
ECSC	European Coal and Steel Community
EDF	European Development Fund
EDF	Electricité de France
EEC	European Economic Community
EEMO	Exposition Européenne de la Machine-Outil
EFTA	European Free Trade Association
EIB	European Investment Bank
ELDO	European Space Vehicle Launcher Development Organization
ELEC	European League for Economic Cooperation
ENEA	European Nuclear Energy Agency
ENPI	Ente Nazionale Prevenzione Infortuni
ERDA	European R & D Agency
ERDC	European R & D Committee
ERM	Ecole Royale Militaire
ESA	European System of Integrated National Accounts
ESC	Economic and Social Committee (EEC and EAEC)

ESRO	European Space Research Organization
ESSOR	Essai ORGEL (experimental reactor)
EURACOS	Enriched Uranium Converter System
EUREX	Enriched Uranium Extraction
FAC	Fonds d'Aide et de Coopération
FAO	Food and Agriculture Organization of the United Nations
FIFE	Fédération Internationale des Associations de Fabricants de Produits d'Entretien
FOM	Fundamenteel Onderzoek der Materie
GATT	General Agreement on Tariffs and Trade
GESCAL	Gestione Case per Lavoratori
GfK	Gesellschaft für Kernforschung
GKSS	Gesellschaft für Kernenergieverwertung in Schiffbau und Schifffahrt
GKN	Gemeenschappelijke Kernenergiecentrale Nederland
GNP	Gross National Product
GNV	Gesellschaft für Nukleare Verfahrenstechnik
HFR	High Flux Reactor
HKG	Hochtemperatur-Kernkraftwerk Gesellschaft
HTGR	High Temperature Gas-Cooled Reactor
HTR	High Temperature Reactor
IAEC	International Atomic Energy Agency
IA-ECOSOC	Inter-American Economic and Social Council
IANC	Instituto de Asuntos Nucleares de Colombia
IBRD	International Bank for Reconstruction and Development
ICAO	International Civil Aviation Organization
ICEM	Intergovernmental Committee for European Migration
ICFTU	International Confederation of Free Trade Unions
ICRC	International Committee of the Red Cross
ICSID	International Centre for the Settlement of Investment Disputes
IDA	International Development Association
IDB	Inter-American Development Bank
IFCTU	International Federation of Christian Trade Unions
IGOSS	Integrated Global Ocean Station System
ILA	International Law Association
ILAFSA	Instituto Latinoamericano del Hierro y del Acero (Latin American Iron and Steel Institute)
ILO	International Labour Office

ILO	International Labour Organization
IMCO	Intergovernmental Maritime Consultative Organization
IMF	International Monetary Fund
INDAC	Integral Nuclear Data Center
INEAC	Institut National d'Études Agricoles au Congo-Léopoldville
INFORTUNI	Istituto Nazionale Prevenzione Infortuni
INIS	International Nuclear Information System
IPP	Institut für Plasmaphysik
IPR	Investeringspremieregeling
IRAD	Irradiateur mobile appartenant au CEA (CEA's mobile irradiator)
IRFED	Institut International de Recherche et de Formation en vue du Développement Harmonisé
ISVET	Istituto per gli Studi sullo Sviluppo ed il Progresso Tecnico
ITAL	Instituut voor Toepassing van Atoomenergie in de Landbouw
ITO	International Telecommunications Union
JCA	Joint Church Aid
JRC	Joint Research Centre
KFA	Kernforschungsanlage
LAFTA	Latin American Free Trade Association
MASURCA	Maquette Surgénératrice à Cadarache (Cadarache breeder mockup)
MK-5	Organic loop for studying fuel elements in ESSOR reactor
MRCA	Multi Range Combat Aircraft
MTR	Materials Testing Reactor
NICE	Nomenclature des industries des Communautés Européennes
NIMEXE	Nomenclature harmonisée pour les statistiques du commerce extérieur des pays de la CEE
NPT	Non-proliferation Treaty
OAS	Organization of American States
OCT	Overseas Countries and Territories (EEC)
OECD	Organization for Economic Cooperation and Development
OTRACO	Office d'Exploitation des Transports Congolais

PEC	Prova Elementi Combustibili (fuel element test reactor)
PPBS	Planning Programming Budgeting System
PREST	Scientific and Technical Research Policy Committee
PZEM	Provinciale Zeeuwse Elektriciteitsmaatschappij
RAPSODIE	Rapid Sodium Reactor
RCN	Reactor Centrum Nederland
SDRs	Special Drawing Rights
SEFOR	Southwest Experimental Fast Oxide Reactor
SIECA	Permanent Secretariat of the General Treaty of Central American Economic Integration
SNCF	Société National des Chemins de Fer Français
SNEAK	Schneller Null-Energie-Anordnung Karlsruhe (Karlsruhe fast zero-energy assembly)
SNR	Schneller Natriumgekühlter Reaktor (fast sodium-cooled reactor)
SOEC	Statistical Office of the European Communities
SORA	Sorgente Rapida (fast source)
SUAK	Schnelle Unterkritische Anordnung Karlsruhe (Karlsruhe fast subcritical assembly)
STARK	Schnell-thermischer Argonaut Reaktor Karlsruhe (Karlsruhe fast-thermal Argonaut reactor)
tce	Ton coal equivalent
THTR	Thorium-Hochtemperatur Reaktor (thorium high-temperature reactor)
UCN	Ultra Centrifuge Nederland
UDAO	Union Douanière de l'Afrique Occidentale
UDEAC	Central African Customs and Economic Union
UIC	International Union of Railways
UKAEA	United Kingdom Atomic Energy Authority
ULB	Université Libre de Bruxelles
UNCTAD	United Nations Conference on Trade and Development
UNCITRAL	United Nations Commission on International Trade Law
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	United Nations High Commissioner for Refugees
UNICE	Union des Industries de la Communauté Européenne
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNIDROIT	International Institute for the Unification of Private Law

UNIPEDE	Union Internationale des Producteurs et Distributeurs d'Energie Electrique
UNITESA	Unione Nazionale dell'Istruzione Tecnica e Professionale
UNRWA	United Nation Relief and Works Agency
UPU	Universal Postal Union
URANEX	Groupement d'intérêt économique pour la commercialisation de l'uranium (Economic interest group to market uranium)
USAEC	United States Atomic Energy Commission
VAT	Value-added tax
WCL	World Confederation of Labour
WEU	Western European Union
WFP	World Food Programme
WHO	World Health Organization
WMO	World Meteorological Organization

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