



Bulletin from the

EUROPEAN COMMUNITY

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COMMON MARKET PRESIDENT DISCUSSES 'ATLANTIC PARTNERSHIP' DURING U.S. VISIT

"ATLANTIC PARTNERSHIP" WAS THE THEME of a three-week visit to the United States last month by Professor Walter Hallstein, president of the Commission of the European Economic Community (Common Market).

During his U.S. stay Professor Hallstein conferred with President John F. Kennedy, Secretary of State Dean Rusk, Secretary of Commerce Luther Hodges, Attorney General Robert Kennedy, Secretary of Labor Arthur Goldberg, Secretary of Agriculture Orville Freeman, and numerous public and private leaders in business, labor and agriculture. In addition, he delivered addresses at the National Press Club and Georgetown University in Washington, D.C., at the Fletcher School of Law and Diplomacy at Tufts University in Boston, and at the Economic Club of New York.

In all his talks and discussions President Hallstein stressed the opportunities for United States-Common Market cooperation in developing trade and in aiding emergent nations. He also called for avoidance of crystallized or enlarged systems of commercial preference or discrimination among the Community's friends and allies.

White House Hails 'Historic Opportunity'

President Kennedy reciprocated the Community's offer of partnership. A joint communiqué, issued after a White House luncheon on April 12, made particular note of the present "historic opportunity to build an Atlantic partnership founded on close cooperation between two equal partners [the United States and the European Community]."

Members of Congress directly concerned with trade and foreign policy were present at the luncheon, given by President Kennedy for President Hallstein.

European Political Union Emphasized

Professor Hallstein also emphasized during his visit the

political ties now growing within the European Community.

"European integration is irreversible," he declared in his speech before the National Press Club on April 11. "The acceptance of a common agricultural policy [last January by the Common Market member countries] is a pledge that this process has already begun."

President Hallstein said that Stage Two of the Community's transition period—now under way—marked "the point of no return" in European unity. "There will be no turning back," he declared.

Later, in his address at Georgetown University, Professor Hallstein pointed out that the Common Market's new anti-trust regulations are another factor in cementing political union.

British Entry Discussed

President Hallstein, in the last of his Clayton Lectures at Tufts University April 16-18, called the prospect of British

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membership in the European Community "a further stage in the continual revolution of which the Community's creation was an early factor."

"Satisfactory solutions," he said, would be found to problems created by application of Great Britain and other European countries—"even though it is against the rules in any negotiation to say so."

"It would be out of place," Professor Hallstein stated, "to try to predict what these decisions [regarding entry of new nations in the Community] will be. Within the Community, bad solutions would be those that weakened, disrupted or divided the enlarged Common Market, that made national exceptions to its common policies or that prejudiced its chances of further development toward unity. In external policy, likewise, bad solutions would be those that crystallized or increased commercial preference systems, that discriminated among the Community's friends and allies or that halted the 'continual revolution' that is leading to greater unity in the free world. Good solutions, on the other hand, would strengthen and further unite the Community and, at the same time, enable it and its partners to apply effective world-wide solutions to some of the major economic and political problems of our day, many of which are deeply involved in the present negotiations themselves."

New U.S. Trade Bill Praised

Professor Hallstein praised the U.S. Administration's recently proposed trade bill as a further step toward free-world economic health.

"These proposals potentially mark a revolutionary step forward," he said. "They seem to me to prove, first, that the United States Administration is more than ever determined never again to revive the long-dead policies of protectionism and isolationism which are now no longer appropriate—if indeed they ever were—to the world in which we live. Secondly, President Kennedy's proposals, like the actions of both President Truman and President Eisenhower, clearly recognize the existence and importance of the European Community as an opportunity for American exporters as well as a challenge to their dynamism and skill.

"Finally . . . the Trade Expansion Program is itself both

“. . . There is need to clear up considerable unfortunate ambiguity. This [U. S.-European Community partnership] is not an issue of an Atlantic 'Community'—noble as may be the intent of those who promote that idea. Obviously there is no question of the United States joining the Common Market or of the Common Market joining the United States. Neither is necessary, nor is either really desirable. Those who say new organizations are necessary are missing the point of what the transformation of Europe means vis-à-vis America:

"The United States is the most advanced and powerful of the industrialized nations. A commensurate Europe is swiftly becoming a reality, and the two are the world's dominant trading entities. Proceeding precisely from their respective positions of economic strength, the two now see the possibility of achieving an unprecedented liberalization of world trade and a much more efficient utilization of world economic resources—all this finally and simply for the benefit of people."

PROFESSOR WALTER HALLSTEIN, in an address at Georgetown University, April 12, 1962.

a challenge and an opportunity for us all and one which if handled rightly could lead to a new and creative approach to many of the economic and political problems that face the free world."

Honorary Degree Conferred

In Boston Professor Hallstein received an honorary degree from Tufts University, in addition to delivering the annual Clayton Lectures at the Fletcher School of Law and Diplomacy. He also appeared as a panelist at the New England Council's Foreign Trade Conference on April 18. In New York he and Secretary of the Treasury C. Douglas Dillon addressed the Economic Club of New York.

President Hallstein flew to Seattle for the opening of the Seattle World's Fair and dedication of the European Community pavilion there and left for Europe April 25 after another brief stop in New York.

STEEL RECOVERY: Record March Orders

RECENT SIGNS OF RECOVERY in the European Coal and Steel Community's steel industry were confirmed in March by a record total of orders for rolled steel. They reached 4,988,000 metric tons, 575,000 more than in February 1962 and 500,000 tons more than in March 1961. Monthly records were broken in three of the Community's steel-producing countries—Belgium, France and the Federal Republic of Germany—and the likelihood now is that Community steel consumption will reach a very high level this year.

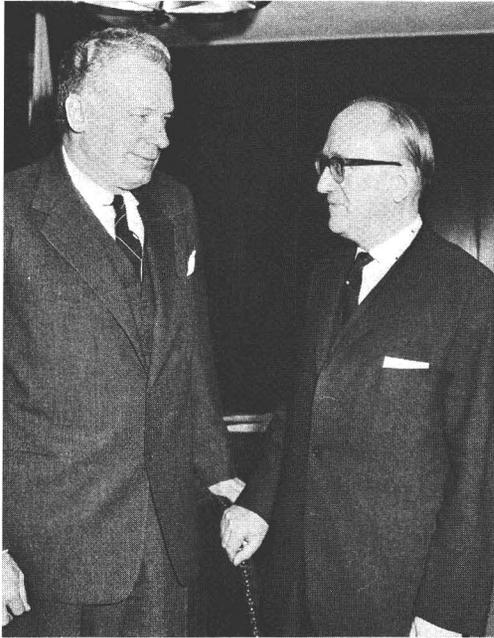
Total volume of orders for rolled steel in the first three months of this year amounted to 14,036,000 tons, 7.5 per cent higher than last year's total of 13,003,000 for the first quarter and 4.6 per cent higher than the previous

quarterly record of 13,414,000 in 1960.

Production of crude steel in the Community also rose in March, though at a slower rate than forecast at the beginning of the year. Crude steel production was 6,441,000 metric tons, 700,000 tons more than in February (but 340,000 less than in March 1961). The decline, compared with March 1961, occurred more or less equally in all the member countries except Italy, where March production (850,000 tons) was 6.3 per cent higher than in the same month last year and represents a record for monthly production in the history of the Italian steel industry.

Order books at the end of January 1962 stood at 10,425,000 metric tons, compared with 13,216,000 tons a year earlier.

President Hallstein in the United States

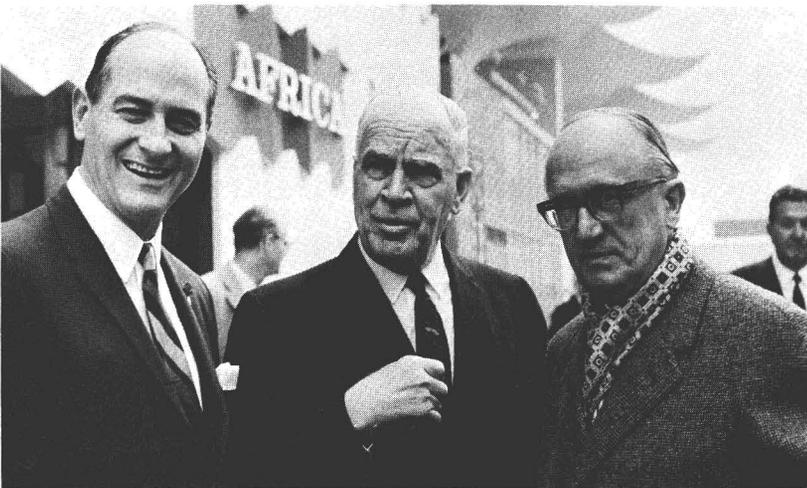


Secretary of State Dean Rusk and EEC Commission President Walter Hallstein reviewed Atlantic partnership affairs in Secretary Rusk's office. W. Walton Butterworth, U.S. Ambassador to the European Communities, is at right.

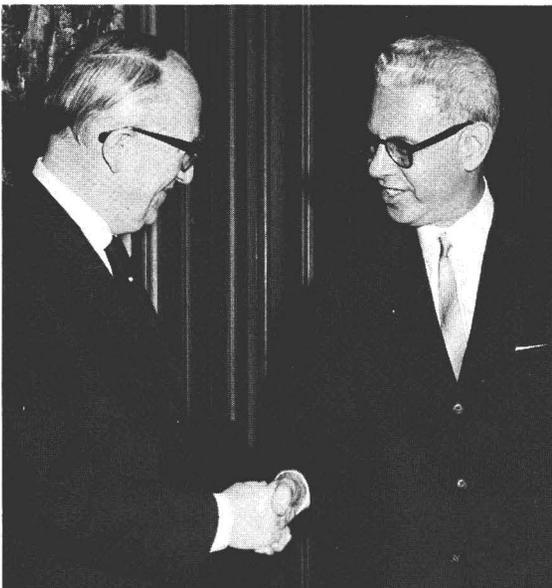
LEFT, President Hallstein also conferred with Under Secretary of State George Ball at the State Department.



Attorney General Robert Kennedy and Professor Hallstein held talks on Atlantic legal affairs at the Justice Department.

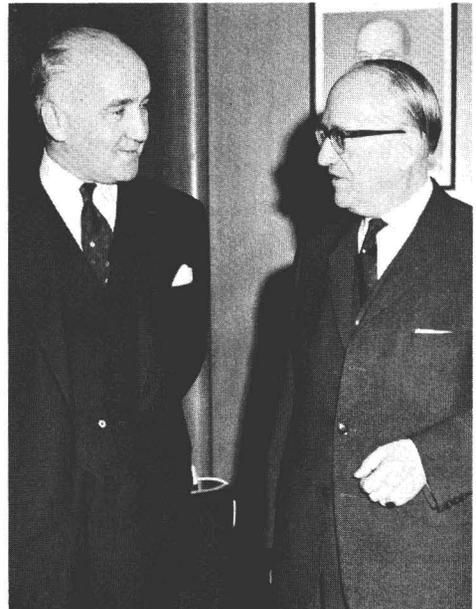


ABOVE, Washington State Governor Albert Rosellini, Secretary of Commerce Luther Hodges, and President Hallstein stroll down the International Mall on opening day at the Seattle World's Fair.



LEFT, President Hallstein's Washington talks included a meeting with Secretary of Labor Arthur Goldberg.

AID Administrator Fowler Hamilton met with President Hallstein to discuss mutual problems on aid to developing nations.



THE U.S., THE COMMUNITY, AND THE U.S.S.R.

THE RUSSIANS HAVE ASSERTED that by 1970 the superior growth rate of the Soviet Union will enable them to overtake the United States and then forge ahead. The Organization for Economic Cooperation and Development (OECD) recently adopted a U.S. proposal to aim at a collective increase of 50 per cent by 1970 in the gross national revenue of OECD members (which include all the European Community countries and the U.S., plus 13 other Western nations).

Do the facts support the Soviet claims? And where does the European Community stand in the economic growth race?

Here are predictions on the likely course of economic development in the United States, the Soviet Union and the European Community. They are the views of Professor Rolf Wagenfuehr, Director General of the Statistics Bureau of the European Communities. Dr. Wagenfuehr, who holds statistics and economics professorships at Heidelberg University, Vienna University and the College of Europe in Bruges, is particularly interested in the adaptation of statistical methods to economic questions.

Q. *Professor Wagenfuehr, the public must be pretty disturbed by Russian statements on growth rates and their planned future expansion. Could you give us some idea of what their figures are worth?*

A. The first thing to do is to take an objective look at Russian statistics and see if we can make them comparable with our own. Before doing so, we should get rid of the idea that the Russians are bad statisticians or that they cheat. That is not so. Indeed, they are well ahead in some theories such as probability and linear programming. The difference between their statistics and ours is one of needs and concepts. In the Soviet Union, statistics are compiled for use in planning; in our countries, they are generally intended to inform people—perhaps the Government. And in the second place, their methods are different.

Their statistics on industrial production, which play a major role in this matter of growth rates, are a typical case in point. In the West, we calculate net industrial productions: For each industry we count only the value added by each particular industry, without counting the same product several times over; this gives us, naturally, the net figure. The Russians, on the other hand, add together the products of all their industries: This means that in cotton, for instance, they first count the yarn, then the cloth, and then perhaps again the finished cloth, and finally the item of clothing made with this cloth. That is what they call gross industrial production.

They go about it in this way in order to be able to see in detail the results of their planning—in order to get a global view of the whole of their industry.

Our problem is therefore to render comparable the statistics produced by these two widely differing methods. The first conclusion that we can draw is that in a rapidly developing economy, in which efforts are continually being made to separate production processes involving the manufac-

ture of a particular end-product, the Russian system gives us industrial production indices which greatly overestimate the rate of industrial growth as compared with Western indices based on net industrial production.

Q. *It would seem to me, however, that we still have plenty of reason to be worried. For example, the U.S. Government economists have estimated that in 1959 the Soviet Union's total industrial development, calculated at 1959 prices, reached no less than \$29.9 billion, or nearly 70 per cent more than American investment in the same year, which amounted to \$17.6 billion. This was the reverse of the situation in 1951. In agriculture, the situation was similar: In 1959 Soviet investments, at \$10.1 billion, were more than double the U.S. total of \$4.8 billion, at 1955 prices. Perhaps, Professor Wagenfuehr, you could now give us some indication of how growth rates are being affected by this overwhelming volume of Soviet investment.*

A. In my studies I have taken 1956 as a reference year because, for the Western countries, business was good, and in general, statistical material is relatively abundant. In the most recent study I have made in this field,¹ I conclude that the industrial production of the European Community and that of the Soviet Union both reached, in 1956, roughly 45 per cent of American industrial production. I should stress here that I am now talking about global industrial production (including armaments) and am not taking population levels into account.

If we do take population into account, we get output per head of population. This gives a situation more favorable to the United States and the Community: per head of population, the Community's industrial production in 1956 was roughly 46 per cent of the U.S. level, while that of the Soviet Union was approximately 38 per cent. Thus the Community's industrial production per head of population exceeded that of the Soviet Union by 21 per cent.

(I should perhaps add, for statisticians, that my calculations are based on a whole series of parameters.)

The First Lap: 1956-1959

In view of the difficulties inherent in the Soviet Union's indices of gross industrial production, I have based my calculations of future development in the Soviet Union on the steel consumption indices. The close relationship between the development of steel consumption and that of industrial production has been firmly established.

Between 1956 and 1959 the Community's industrial production rose by 16 per cent, while that of the United States fell by 3 per cent. By 1959 the Community's industrial production had thus already reached 54 per cent of that of the United States, against 45 per cent in 1956.

In the same period, the index of gross industrial production of the Soviet Union showed an increase of roughly 38 per cent. My more cautious estimate is roughly 26 per

¹ *Croissances industrielles comparées de la Communauté européenne, des U.S.A., et de l'U.R.S.S.*, published by the Centre de Recherches Européennes, Université de Lausanne, 1961.

cent. At all events, this means that in 1959 Soviet industrial production had reached at least 57 per cent of American production and was 5 to 6 per cent higher than that of the Community.

Per capita, however, Community production was 31 to 33 per cent higher than that of the Soviet Union, as the Soviet population is increasing more rapidly than that of the European Community.

The Course Ahead

Turning to the future—and I am well aware that the fate of prophets, particularly statistical prophets, is frequently a wretched one—I readily admit that my estimates of future development contain a considerable element of uncertainty.

After the experience of the United States between 1956 and 1959, when industrial production retreated instead of advancing, it would seem reasonable to me to limit our estimate of the growth rate in industrial production in that country to 3 per cent a year; even this may in fact be too optimistic. In these conditions, U.S. industrial production will have risen by 43 per cent in 1972, compared with 1956. (In a previous study I adopted estimates made by Charles F. Roos, who had predicted an increase of 65 per cent between 1956 and 1972.)

For the European Community we can be more optimistic. Between 1955 and 1959 the annual increase of industrial production was 6.2 per cent, although the forecasts of the ECSC's High Authority a few years ago had anticipated a percentage increase of only 4.9 per cent. If we take an average growth rate of only 4.2 per cent, the Community's industrial production would still show an increase of 90 per cent between 1956 and 1972.

This would mean that, by 1972, the Community's industrial production would already have reached 86 per cent of the American level in 1956 and 60 per cent of the level which U.S. production will probably reach in 1972.

As for the Soviet Union, it is practically certain that her industrial production will in 1972 reach the American level of 1956, amounting to about 70 per cent of the probable 1972 level of the United States. Soviet industrial production is likely to surpass that of the Community, which in that year should amount to between 77 per cent and 92 per cent of the 1972 Soviet level.

Production per head will still be higher, however, in the United States and in the Community, as shown below:

Industrial production per capita in the European Community and the Soviet Union

compared with that of the U.S. in the years shown

Year	European Community as % of U.S.	Soviet Union as % of U.S.	European Community as % of Soviet Union
1956	46	38	122
1965	62	57 - 60	104 - 110
1972	68	53 - 63	107 - 127

compared with U.S. per capita production in 1956

Year	European Community as % of U.S.	Soviet Union as % of U.S.
1956	46	38
1965	65	59 - 63
1972	80	62 - 75



Professor Rolf Wagenfuehr

Thus by 1972 per capita production in the Community is likely to reach roughly four-fifths that of the U.S. in 1956 and the Soviet Union's per capita production may be approximately 62-75 per cent of the U.S. output per head in 1956.

At all events, we should be quite clear that, on the basis of my estimates, both the Community and the Soviet Union will still be some considerable way from reaching the level of industrial production per capita likely to be attained by the United States in 1972.

We should be quite clear, however, about the enormous progress being made by the Community, whose output per capita is gaining on that of the United States every bit as fast as that of the Soviet Union.

Q. *What, in your opinion, are the reasons for the high rate of growth in the Soviet Union?*

A. In the first place, the general course of development. Everything depends on where you start. This was undoubtedly an important factor at the start of the Soviet Union's five-year plans: Enormous rates of growth could be recorded because of the very low initial production figures. However, for some years now, this factor has no longer been of major significance.

Secondly, planning. In this field, we shall find it extremely difficult to rival the Russians. In democratic countries, you cannot exercise the same degree of direction and control as is enforced in the Soviet Union. But we can step up the rate of our progress toward integration, with everything which that entails for mass production, specialization, automation and the extension of markets. It is of particular significance that the Community's growth rates in recent years—years of a high level of economic activity—have been fully comparable to those of the Soviet Union. In 1960, for example, the increase in the Community's industrial production was 12 per cent. Our task in the years ahead is to get rid of recessions—to eliminate the unemployment of men and machines.

Q. *How can the Common Market contribute to eliminating recessions?*

A. The governments must cooperate much more closely than they have done so far. The experts are already making the joint analyses we need, but the governments are not drawing the appropriate conclusions. Or, if they do, they do not put them into practice.

Q. *To sum up, Dr. Wagenfuehr, can the European Community keep up with the Soviet Union in the field of economic growth, and can it reduce the Soviet lead in economic and political power?*

A. As regards the first part of your question, I think it emerges fairly clearly from what I have already said that the Community's industrial output per head of population is already increasing at roughly the same rate as that of the

Soviet Union. But Russia's population is increasing much more rapidly than that of the Community. By 1972 it will probably reach some 250 million.

This already provides part of the answer to the second part of your question. For the rest, it is a question of

choice and priorities—of what we want to do with our industrial production. In the Soviet Union a high proportion is devoted to investments and to armaments. In our democratic countries the demands of the voters ensure that a high proportion of our resources is destined for consumption. In other words, we devote a major part of our efforts to the improvement of living standards. And yet it is investments and armaments, together with aid to the less-developed countries, which constitute “the economic and political power” you speak of.

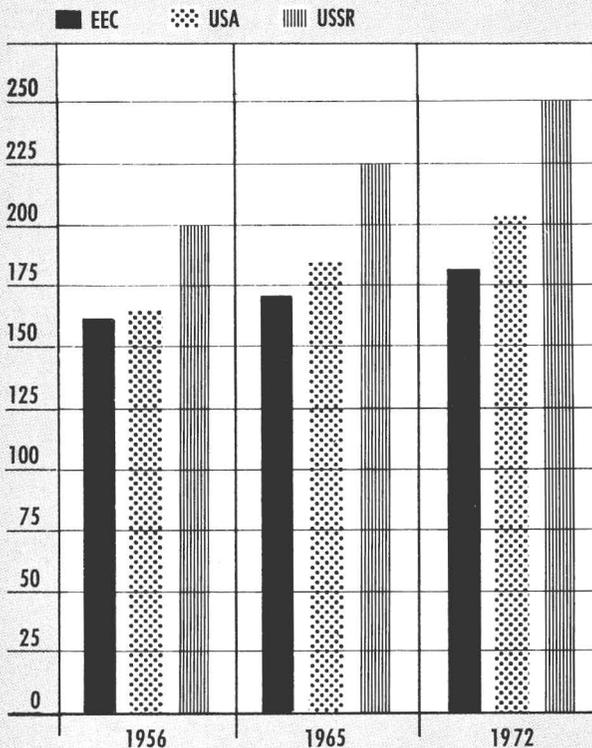
Q. *Doesn't this mean, though, that the Soviet Union is bound to draw ahead in the field of world power?*

A. Everything depends on what we consider to be necessary and possible with regard to armaments and investments. It is impossible to be more explicit than that and remain in the field of economic investigation. Perhaps, to conclude, you will permit me to quote a passage from the study I have already mentioned:

“The rapid growth in the Soviet Union's social product enables its government to have at its disposal resources which are increasing with every year that passes, in order to intensify its activity in any one of the sectors I have mentioned.

“We must in consequence have the courage to look reality in the face. There is no need for panic. But it is time to recognize that the union of the six countries of the European Community constitutes one of the means of speeding their economic growth and of thus enabling them to raise the living standards of their people, to promote a better distribution of wealth, to improve their competitive capacity in the world economy, and at the same time contribute effectively to the prosperity of developing nations.”

Estimated Population Growth, 1956 to 1972 (in millions)



EURATOM'S FIFTH GENERAL REPORT

THE ANNUAL REPORT of the European Atomic Energy Community for the period April 1961 to March 1962, addressed by the Euratom Commission to the European Parliament, revealed that Euratom's activities, particularly in the research field, are continuing to expand.

Between March and December of 1961 the number of research personnel increased by 24 per cent from 1,178 to 1,466 (and, by the end of 1961, 1,670 were authorized), while administrative personnel increased by 3 per cent from 512 to 531 during that period. Expenditure allocated for research amounts to \$70.6 million for 1962, as against \$85 million authorized and \$70.4 million allocated for 1961. The administrative budget rises from \$9.3 million in 1961 to \$10.2 million in 1962.

At the end of 1961 total installed nuclear capacity in the European Community amounted to 73 MWe, and 270 million KWh of nuclear electricity were produced during the year. By the end of 1962 a further 78 MWe of capacity will have been added (10 MWe in Belgium and 68 MWe in France). During 1963, 563 MWe of capacity will be installed (15 MWe in Germany, 198 MWe in France and 350 MWe in Italy). Between 1964 and 1966 approximately 950 MWe will be added (740 MWe in France, 165 MWe in Italy and 50 MWe in Germany).

By the end of 1966 the Community's installed capacity will exceed 1,600 MWe, and the annual electricity production rate is expected to be eight to ten billion KWh, or 2 per cent of the total electricity produced in the Community. The annual consumption of natural and slightly enriched uranium is put at around 340 tons, and it is estimated that by 1966 about 1,500 tons will have been required.

There is general agreement that nuclear power in the Community will be competitive with conventional power by the end of the present decade. Euratom has an important role to play in encouraging the advance from the prototype stage to construction of full-scale power stations despite the obstacles to this undertaking—namely, high investment costs and the precedence of conventional power stations.

Through the U. S.-Euratom Joint Power Program and its participation in power reactor construction costs, experience of full-scale power reactor construction is being put at the disposal of the Community as a whole. Euratom is also encouraging the production of fuel elements and the installation of plants for re-treating irradiated fuel.

Copies of the *Summary of Euratom Fifth General Report* are available at the European Community Information Service, 235 Southern Building, Washington 5, D. C.

POLITICAL UNITY: Discussion Continues

AS THE NEGOTIATIONS between Great Britain and the Common Market enter the hard-bargaining stage, European Community statesmen are continuing their efforts to reach agreement on political union. The two questions have become linked since two of the six member countries of the Community, Belgium and the Netherlands, have publicly stated that they would like to have Britain taking part in the political discussions now. The other members would prefer the political discussions to go ahead without Britain until her entry into the Common Market is certain.

The Points at Issue

Since the Fouchet Committee was set up last summer under the chairmanship of Christian Fouchet, then French Ambassador to Denmark, the Community's statesmen have encountered three main difficulties in formulating a charter acceptable to all six governments:

- 1) *The relationship between the new political organization and NATO:* Most member countries felt that the charter or treaty should explicitly state the link between the common defense policy and NATO, while others wanted a less explicit link which would not tie the Community.
- 2) *The role of the new political bodies vis-à-vis the existing Communities:* Notably, whether the political organizations should be able to intervene in the economic field where the powers of the existing Communities are carefully defined and balanced and where the Community executives play a major role.
- 3) *The nature of the union and British participation:* The French Government was anxious to go ahead with negotiations on the basis of an association of sovereign nations acting by unanimous vote—a concept for which the German, Italian and Luxembourg Governments have recently given guarded approval, subject to the possibility of revision at a future date. The Dutch and Belgian Governments, who prefer a "Community" or integrated type of union, with its built-in guarantees for the smaller nations, wanted the British to participate in the negotiations before they committed themselves to any form of association resembling a classical alliance of nations.

Series of Meetings

To resolve these difficulties Community statesmen met at frequent intervals in March and April. On March 20 the six foreign ministers met in Luxembourg, but without reaching fundamental agreement, although the mandate of the Study Committee (previously headed by M. Fouchet) was renewed. Then followed a series of bilateral contacts.

On April 4 French President de Gaulle and Italian Prime Minister Amintore Fanfani, meeting at Turin, agreed that "the links already uniting the countries of the European Community must be strengthened in the political field." A few days later Signor Fanfani met German Chancellor Konrad Adenauer at Como to discuss the development of the Community and expressed the hope that economic cooperation would be strengthened by political unity "at the earliest date." German Foreign Minister Gerhard Schroeder

also saw Belgian Foreign Minister Paul-Henri Spaak in Brussels.

Much of the ground was reported to have been cleared; in particular the preservation of the powers of the existing Communities and the link with NATO seemed assured.

Heath States British Views

On April 10 the foreign ministers of all six Community countries heard British views on political union set forth, for the first time, in a statement by Lord Privy Seal Edward Heath at the ministerial meeting of the Western European Union in London.

Mr. Heath told the ministers of the Six :

- 1) In considering what might be the political structure for the enlarged European Community, Britain had "always assumed that the existing European Communities would be the foundation on which Europe would be built." He said he regarded the creation of the Communities as "one of the real inventions in our inventive age" and added, "I can assure you that the entry of Britain will not be used by us to discourage this work or to obstruct in any way the development of the European idea. On the contrary, we shall join wholeheartedly in helping to build the new Europe."
- 2) Nevertheless, the Communities "are not by themselves fully able to meet all the needs of Europe. . . . There must be some machinery whereby those who carry the highest responsibilities in their respective states can play a part." He suggested that periodic meetings of heads of government and of foreign ministers "would promote and set their seal on the day-to-day consultations which already exist."
- 3) That, while political union should be based on written texts, a full timetable should not be fixed in advance.
- 4) That the European Parliament should play an important role as a means of ensuring parliamentary responsibility, but the United Kingdom could not, at this stage, commit itself to specific proposals about its future development.

Mr. Heath added that it might be helpful if the British took part in the discussions on political union. The economic and political discussions might then advance together.

No Agreement Yet

The foreign ministers of the Six met again in Paris on April 16 for one of their regular quarterly consultations. They were still unable to reach agreement, however.

Dutch Foreign Minister Joseph Luns, who had meanwhile seen Herr Schroeder and M. Spaak, and former Euratom President Etienne Hirsch, now associated with the Monnet Committee, informed the ministers that the Netherlands wished to invite Britain to join in the talks and that he could not consider further discussions without British participation; M. Spaak supported this view. The other governments were unable to agree, however, and no further advance was made. But they hoped that discussions would continue in Brussels and at the NATO conference scheduled for the beginning of May in Athens.

EEC ANTITRUST REGULATION ENTERS INTO FORCE

THE EUROPEAN ECONOMIC COMMUNITY'S first antitrust law is now in operation. The "cartel regulation"¹ of the antitrust provisions of the Treaty of Rome, which was finally approved by the Council of Ministers in December 1961 (see *Bulletin* No. 51, p. 9), came into force with its publication in the *Journal Officiel* on February 21. In addition, the first directives to carry out the cartel regulation (No. 17) were published on May 10, to be effective on May 11. Questionnaire forms have been prepared for the use of firms applying to the Commission for clearance and registering new agreements.

According to Article 5 of Regulation No. 17, "the Commission must be notified before August 1, 1962, of any agreements, decisions and concerted practices referred to in Article 85, paragraph 1, of the Treaty which are already in existence at the date of entry into force of the present Regulation. . . ." The directives now in force concern the procedure to be used by firms applying to the Commission for clearance and registering new agreements.

Regulation 17

The cartel regulation governs the detailed application of the antitrust provisions of the Common Market Treaty (Articles 85-89) and marks a major step to ensure that, as tariff and quota barriers go down, private interests will not be able to replace them with their own restrictions.

Merely to remove the trade barriers erected by governments in the past is not sufficient to make certain that competition will be either free or fair. That is why the Treaty provides not only for a customs union, but also for rules of competition and a broad measure of common economic policy.

The rules governing competition are thus intended to ensure that the benefits of a larger market are achieved in practice. In particular, these rules must make sure:

- That firms do not get together to fix prices, restrict production or divide markets.
- That no firm or group of firms shall abusively exploit a dominant position in the market.

The cartel regulation, which very largely determines the real powers of the Commission in ensuring that the Treaty's antitrust rules are observed, was adopted unanimously by the Council of Ministers in its marathon session at the turn of the year. The unanimous decision was obtained despite initial opposition from some governments (which would have liked to weaken the Commission's powers); this decision was the first of several instances during the session when the European spirit prevailed over national obstacles.

The Treaty's Antitrust Articles

Article 85 of the Treaty bans all agreements between firms or groups of firms which are likely to affect trade between member states and which have as their aim or result the

prevention, restriction or distortion of competition within the Common Market, particularly those consisting in:

- the direct or indirect fixing of prices or other conditions of sale
- the restriction or control of production, markets, technical development or investment
- market-sharing or the sharing of sources of supply
- the application of unequal terms to trading partners
- the forcing of additional goods on a purchaser, as a condition of a contract.

The Treaty, however, permits firms to make agreements which improve production or distribution, or which promote technical or economic progress, as long as they do not impose restrictions not essential for achieving these aims and do not eliminate competition for a substantial part of the products concerned.

Article 86 prohibits one or more firms from exploiting a dominant position in the market or in a substantial part of it, insofar as this is likely to affect trade between the member countries. The existence of a dominant position as such is not considered contrary to the Treaty, however.

Examples of the practices banned include the limitation of production, markets or technical development to the prejudice of the consumer, the application of unequal conditions for equal supplies, and the direct or indirect imposition of inequitable purchase or selling prices.

Problems of Application

Among the complex problems which had to be overcome in adopting these rules were those arising from the different approaches to antitrust legislation existent in the various member countries. For the Common Market's rules, it was clearly necessary to adopt a uniform system, valid throughout the Community. Methods had also to be worked out for close cooperation between the Commission and national authorities, particularly on the provision of information about the agreements submitted for examination. A way had to be found of ensuring that the Commission be notified of all agreements (as required by the Treaty) without precipitating the descent of a mass of papers on Brussels which would have made speedy decisions impossible. Finally, it was necessary to evolve both a system of penalties to ensure the enforcement of the rules and a procedure for appeal by affected parties against the Commission's decisions.

Terms of the New Regulation

The basic provision of the cartel regulation which has just come into force is that those agreements, decisions and concerted practices which are defined in the Treaty as being harmful to the Common Market, together with any abuse of a dominant position on the market as defined in Article 86, are banned—no prior decision of the Commission being required to this effect. At the request of any firm or group of firms concerned, however, the Commis-

¹ Officially called *Regulation 17, First implementing regulation pursuant to Articles 85 and 86 of the Treaty*; it is available in English at the European Community Information Service, Washington.

of trading or to regulate, for instance, the use of patents or trademarks. A third type of agreement which is exempt from compulsory registration is that whose sole object is joint research or the development (or uniform application) of standards and types.

Existing Agreements. Before August 1 of this year all existing agreements for which exemption is sought under Article 85, paragraph 3, must be registered with the Common Market Commission. The only exceptions are those agreements which fall into the three categories (mentioned above) which are permissible under the Treaty. In the case of agreements contrary to the Treaty which are modified to qualify for exemption, the prohibition will apply only for a period fixed by the Commission. Similarly, the Commission's decision to apply the "waiver" allowed for beneficial or innocuous agreements will also be granted for a specified period and may have certain conditions and stipulations attached to it. This "waiver" may be renewed on condition that the agreement in question continues to fulfill the terms of the article in question, but the Commission may also revoke or alter its decision or in certain defined cases prohibit an agreement.

The Commission's role: As in the case of the recent agricultural policy decisions, the Commission will play a central role in carrying out the provisions of the antitrust regulation. Subject only to the possibility of review by the Court of Justice, the Commission alone has been given power to grant exceptions to the general ban and to apply the regulations if the enterprises concerned fail to submit agreements for examination within the time limit established.

The regulation also gives the Commission power "to seek all necessary information from the governments and competent authorities of the member states as well as from enterprises and associations of enterprises." Should the requested data not be forthcoming, the Commission can take a decision requiring that the information be furnished by a particular date and indicating the penalties should this not be done. Furthermore, the Commission can also decide to hold a general inquiry into a sector of the economy if the trend of trade within the Community, price movements, inflexibility of prices or other circumstances suggest that competition is being restricted or distorted. In this case it can ask any firm or group of firms to furnish the information relevant to its inquiry.

In undertaking these tasks, the Commission is given power under the implementing regulation to examine the books and other documents of firms, to acquire copies or extracts from them, to ask for verbal explanations and to have access to all premises, land and vehicles of the enterprises concerned. It may be assisted in its investigations by the competent authorities of a member state, either at its own request or at theirs, and it may send its own officials to assist the national authorities during an investigation. Before decisions are taken, the Commission is to confer with a Consultative Committee on Cartels and Monopolies which will consist of one expert appointed by each of the member governments.

Fines and penalties: To guarantee the observance of the regulation, the Commission is empowered to impose fines of between one thousand and one million dollars, and the upper limit may be increased to 10 per cent of a firm's



As business booms in the Common Market, measures taken to safeguard competition will ensure that all citizens of the Six benefit from European Community prosperity.

sion may investigate the situation to determine whether the Treaty is being violated. If it finds that, on the basis of the information available, no grounds exist for it to intervene, the firms receive a "negative clearance." Should the Commission decide otherwise, it can provide the firm or firms with recommendations designed to put an end to the infringement. Should action not be taken on these recommendations, sanctions can be applied.

Registration of new Agreements: The regulation provides that agreements concluded after the entry into force of the decision must be made known to the Commission, and that until this has been done no decision can be taken exempting the agreement in question from the general ban. Certain types of agreements, however, do not have to be communicated to the Commission, though those concerned may submit them if they wish. Such agreements include those concluded between enterprises in any one member state which do not concern intra-Community trade; and those involving only two firms whose sole effect is to restrict one party's freedom to fix retail prices or conditions

turnover if there has been, either wilfully or through negligence, an infringement of the general ban or a failure to observe the conditions imposed at the time permission was granted to continue the agreement.

Other fines, ranging from \$100 to \$5,000, may also be imposed by the Commission for failure to supply information or for giving false information.

Penalties may also be imposed by the Commission for failure to comply with its decisions, to supply information or to submit to an investigation. These may range from \$50 to \$1,000 *per day*.

Judicial Review: Appeals against the Commission's decisions may be made to the Court of Justice which has power to cancel, reduce or increase the fine or penalty imposed.

Procedure for Firms

The first implementing regulations, or directives, effective May 11, make the following detailed arrangements:

1. It is made clear that the applications or notifications (under Articles 2, 4 and 5 of Regulation 17) may be made by any one of the parties to an agreement, decision or concerted practice or by a representative or representatives who should, where possible, be appointed by common agreement.
2. When the application or notification is not submitted by the entire group of firms party to an agreement, the other parties must be informed in order that they can make

their comments on the applications submitted.

To meet the requirements of Article 10 of the cartel regulation (No. 17) concerning liaison with the authorities of the member states and to enable copies of all applications and notifications, including any material enclosed, to be transmitted to the competent authorities without delay, it has been established that:

1. Seven copies of applications and notifications and other materials enclosed must be submitted in one of the official languages of the Community. Documents attached may be either the original or a copy, and a translation into one of the official languages must be enclosed where appropriate.
2. The applications or notifications must contain a certain minimum of information to be detailed on two printed forms which are submitted as an appendix for reasons of uniformity and clarity. This information will concern the parties to the agreement, decision or concerted practice; its exact content; and the facts and reasons advanced to justify the negative clearance requested, or the declaration under Treaty Article 85 (3). (No form, however, is required for use by those seeking negative clearance in connection with Article 86.) Further arguments with additional figures—based, for example, on inquiries—may also be submitted later.

In drawing up the forms to be used by the firms, many valuable suggestions from the member states of the Community and from business circles were taken into account.

EEC STUDIES UNIFICATION OF TRADE POLICY

THE COMMISSION OF THE European Economic Community (Common Market) submitted to the Council of Ministers at the end of March its second memorandum containing recommendations for developing a common commercial policy, as required by Article 111 of the Treaty of Rome.

The Commission's memorandum includes a program of action fixing objectives to be attained in regard to the six EEC member states' import and export systems. It notes that, though realization of the common commercial policy must be as rapid as possible, the policy itself must be worked out pragmatically and with regard to the aims of the Treaty of Rome, which stresses the harmonious development of world trade, the progressive abolition of restrictions on international trade and the removal of customs barriers.

Recommendations for Import System

The objectives of the action program, in its outline of procedures to be followed to attain uniformity in the import systems, are:

- a. Alignment of liberalization lists in trade with the other members or other countries with comparable economies: The ultimate aim is complete liberalization according to the GATT rules, and this will apply equally to other countries with comparable economies.
- b. Alignment of quota policies in trade with countries which are not members of GATT or whose economic structure is not comparable with that of the European Economic Community: The objective to be attained during the tran-

sitional period is the gradual introduction of trade regulation arrangements based on uniform principles. Not later than the end of the transitional period, common import rules will apply to all products coming from these countries. National quotas will be replaced, under the procedures laid down in Article 113 of the Treaty, by quotas negotiated or established on proposals made by the Commission.

c. Alignment of protective commercial measures: Article 113 of the Treaty states that after the expiry of the transitional period the common commercial policy shall be based on uniform principles, particularly in regard to protective commercial measures, including measures to be taken in cases of "dumping" or subsidies.

Program on Exports

For the alignment of export arrangements, the action program sets forth:

- a. Progressive harmonization, by the end of the transitional period, of any aid given by member states to exports to non-member countries.
- b. The progressive removal of restrictions on international trade as part of an export policy worked out on common lines. The ultimate aim is to align at the highest possible level all liberalization measures affecting exports to non-member countries.
- c. The harmonization by member states of measures to promote trade and of export drives staged in non-member states.

THE COMMISSION OF THE European Economic Community (Common Market) has published its quarterly survey on *The Economic Situation in the Community*. In the survey, after reviewing the economic activities of the Community and of each member country in 1961, the Commission analyzed the situation at the beginning of 1962 and the outlook for the full year and also examined the problems of economic policy involved.

The Community's economic growth in 1961 was somewhat less than in the previous year, the Commission observed. Industrial production rose by about 6.5 per cent, after year-to-year growth rates of 13 per cent in 1960, 7 per cent in 1959 and 3 per cent in 1958. Industrial production in 1961 was 32 per cent higher than it was in 1957 before the establishment of the Common Market. For a proper appreciation of this result it must be remembered that up to the beginning of 1959 economic development in the Community was still suffering from the deterioration in the world economic situation, which had begun in 1957 with the recession in the United States. Yet the American recession of 1960 and early 1961 affected Europe less severely, largely in consequence of the stimulus provided in that period by the build-up of the Common Market.

Gross Product Up by 5% in 1961

Despite rather poor harvests on the whole and consequently only a slight rise in agricultural production, the Community's gross product rose in 1961—partly as a result of progress made in the services sector—rather more than 5 per cent in real terms, compared with 7 per cent in 1960, 5 per cent in 1959 and 2.5 per cent in 1958. This gives a total increase of 21 per cent for the four years since the Treaty came into force.

The fall-off in expansion, already apparent in 1960, was mainly due to labor shortages, which have become a fairly general problem in the northern areas of the Community. Furthermore, the expansion of demand lessened in the course of 1961; in some fields there was even a decline, with repercussions on production.

Slower expansion in external demand and in stockpiling was largely responsible for this trend. Exports in 1961 were up only 5 per cent in value and 4 per cent in volume over the previous year. After starting the year at a fairly low level, they showed a definite rise in the second and third quarters, following the economic recovery in the United States, and leveled off toward the end of the year.

Stockpiling was on a considerably smaller scale than in 1960; in some sectors, particularly the iron and steel industry, manufacturers and dealers made special efforts to reduce stocks.

Investment and Consumption

On the other hand, fixed investment again rose sharply, although the propensity to invest declined in some member states under the influence of cyclical factors—in particular, some pressure on profit margins caused by wage increases without a commensurate rise in productivity, the slower expansion of exports and keener competition from abroad. By and large, it was only investment programs and new orders for capital goods which were affected, but in

the second half of 1961 the growth of investment expenditure also slowed down somewhat.

Private consumption again rose rather rapidly—by about 6 per cent in real terms, which is almost as much as in 1960. As compared with 1957, the total increase in consumption amounts to 19.5 per cent and on a per capita basis about 15 per cent. The expansion of consumption in 1961 is mainly attributable to large wage increases; but the increase in employment, although on a smaller scale than in 1960, also added to the increase in consumer expenditure.

Finally, public expenditure on investment and consumption again rose appreciably in all member countries.

Imports Up

As for supply, in addition to the expansion of domestic production, imports from non-member countries again moved upward—a trend that was particularly marked in finished goods. However, imports of raw materials remained fairly low, owing to the cautious stockpiling policy of industry and the slowing down in the growth of industrial output; the good harvests of 1960 also accounted for a fall in imports of agricultural produce in 1961. Imports for the whole year rose therefore by only 5 per cent in value and 6 per cent in volume, as compared with 21 per cent and 20 per cent in 1960.

Nevertheless the Community's balance of trade deteriorated slightly and closed with a deficit of \$29 million, as compared with a \$59 million surplus in the previous year. The surplus on the over-all balance of payments dwindled considerably, owing to a further rise in capital transactions by the authorities, chiefly in the form of advance repayment of debts to non-member countries and participation by the member countries in the International Monetary Fund's credit for Great Britain.

The level of consumer prices, which had remained more or less unchanged in 1960, rose slightly in most member countries. This can mainly be attributed to the higher cost of services and a rise in food prices, partly due to government farm support measures. In some member countries the prices of industrial products also rose; in this development the pressure of demand on supply became less and less important, being gradually replaced by heavier wage costs, which manufacturers sought to pass on to the consumer.

Predictions for 1962

The Commission expressed its view that economic development in the Community promises further growth in 1962 but also that this will continue to be at a reduced pace. The growth of over-all demand may fall off slightly.

External demand, as reflected in exports to non-member countries, will hardly rise much faster than in 1961, despite better sales prospects in the United States. The weakening of the propensity to invest will be reflected in a lower growth rate of expenditure on investment. Finally, private consumption also might well advance somewhat more slowly than in 1961: Though further considerable wage increases are expected, they will not be so steep as in the last few years; in addition, a slowing down in the growth of employment is likely.

Despite these developments in the demand situation, the position on the labor market is not likely to change radically enough to remedy the shortages which are hampering the expansion of production in some sectors, especially since further cuts in working hours can be expected. Under such conditions the growth of industrial production might reach about 5.5 per cent while that of the real gross national product in the Community would be 4.5 to 5 per cent.

If we assume that there will be no marked upturn of the stockpiling trend in the near future, imports are unlikely to show a much greater advance in 1962 than in 1961, despite a further rise in agricultural imports. However, since the terms of trade are not expected to improve as they did in 1961, the balance of trade might well deteriorate to a somewhat greater extent. In spite of this, the over-all balance of payments should tend to remain favorable.

Coordination of Economic Policy

The monetary and financial policies of the member countries are largely planned with these economic prospects in view. Further discouragement of the propensity to invest should, however, be avoided. A policy of restraint on wages in most member countries and on distribution of profit in some might be advisable and might also mitigate the increase in prices expected in 1962, especially if accompanied by a more vigorous encouragement of savings.

Furthermore, the economic situation at present and as forecast for 1962 calls for improving and strengthening the machinery for combating tendencies toward recession. Coordination of policy must be improved, especially in view of the need to keep in line other measures designed to build up the economic community. Important steps in this direction are already being taken and others are being prepared.

BRITAIN AND EURATOM

THE BRITISH GOVERNMENT'S REQUEST for membership in the European Atomic Energy Community opens up new possibilities for the development of a European nuclear industry. Britain's entry would mean that Euratom would gain as a member a country whose nuclear experience and program surpass those of any of the present individual member states of the Community.

Power Aspects of the Two Programs

Britain plans to have about 3,500 MW of atomic capacity installed by 1965 (5,000 MW by 1968); the Community is likely to have about 1,500 MW by 1965. British research expenditure over the last three years has ranged between \$218 million and \$262 million. In the Community countries research expenditure is about \$400 million a year, plus \$215 million Euratom expenditure for 1958-62 and \$480 million (\$96 million a year) proposed for 1963-67.

The United Kingdom Atomic Energy Authority (UKAEA) employed a staff of 41,000 in 1961, many of whom are engaged in activities other than research, such as the manufacture of fissile materials, the treatment of irradiated fuels, the production of fuel elements and radioisotopes and the operation of plutonium-producing reactors. The corresponding figure for the Community is smaller, though it is hard to determine because much of Euratom's research is done under contract with national organizations or in joint teams of Euratom-national personnel. Euratom employs approximately 1,700 research staff plus a little over 500 at the administrative headquarters in Brussels.

Research: Reactors and Fusion

The UK has concentrated on the Calder Hall gas-cooled type of reactor. Research on improvements in this reactor type is an important part of UKAEA's work. In the European Community, France has developed its own version of the gas-cooled reactor, on which the French power program is mainly based. The UKAEA is developing more advanced gas reactors which aim to increase efficiency and reduce the size of the reactor through a higher degree of "burn up" and operation at high temperature. The first of these

is the advanced gas-cooled reactor (AGR) experiment at Windscale. In the Community a somewhat similar project, the French medium-temperature reactor, has been abandoned. A still more advanced version is the high-temperature gas-cooled reactor, the subject of the Dragon experiment. Here Community experts are working with scientists from the UK and other OECD countries which, through the European Nuclear Energy Agency, are conducting the reactor experiment under an agreement which expires in 1964.

Both the UKAEA and Euratom have an important interest in heavy-water reactors. The UKAEA has carried out a design study for a steam-cooled heavy-water reactor, and another version, the steam-generating heavy-water reactor, is being studied. Euratom's ORGEL (organic liquid-cooled heavy water reactor) project has been launched and is the main subject of study at the Ispra research establishment, where the ECO critical assembly is being built.

In addition, the UKAEA is carrying out advanced work on fast breeder reactors, a type of reactor that holds great promise for the future. The center of this work is at Dounreay, Scotland. Euratom too is undertaking fast-reactor research, mainly under research contracts with institutions in member countries, and the Community will also be associated with the French Rapsodie project at Cadarache.

The UKAEA has done a number of design studies on reactors for ship propulsion. Euratom is participating in this field through association contracts, two in Germany, one in Italy and one in Holland, and is contributing both money and personnel; research is being coordinated by a Euratom-sponsored liaison committee.

In fusion research the UKAEA is investigating various aspects of the industrial harnessing of thermonuclear fusion. Euratom is working on fusion under contracts with the French CEA at Fontenay-aux-Roses (40 Euratom scientists are at work here), with the Italian CNEN at the Frascati center and with the German Institut fuer Plasma-physik at Munich.

ECSC: YEAR 10

THE 10-YEAR-OLD European Coal and Steel Community, like the European Community as a whole, has reached a turning point in its history. The possibility of a larger Community—above all, the possible accession of the United Kingdom, a change in market conditions, and the general impetus to integration given by the progress of the Common Market—are factors which promise to make the Community's eleventh year one of decisive importance, says the High Authority in its tenth annual report, which has just been published.

If Britain Joins

The entry of the United Kingdom, says the introduction to the report, would radically alter the face of the Community. Coal output would be practically doubled, rising to 400 million metric tons and thus exceeding the present production of either the United States or of the Soviet Union. Steel production would reach approximately 100 million metric tons—almost the same as that of the United States and considerably more than that of the Soviet Union. The ECSC thus expanded would be easily the biggest unit in the world steel market and, as an exporting area, would be in a position of responsibility comparable to that of the European Economic Community as an importer of raw materials.

Britain's entry would also be important from the point of view of the various problems connected with energy; she has a major interest both in coal and oil and would thus be well placed to assist in the difficult debates on the coordination of energy policies. The proportion of total energy requirements covered by coal, which has currently shrunk to less than 50 per cent in all the Six, would increase again to 60 per cent with Britain in the Community.



Steel plants such as this one in Luxembourg have provided for the Community's growing steel needs. If the Six become Seven with Britain's entry, the ECSC will become the world's largest steel producer.

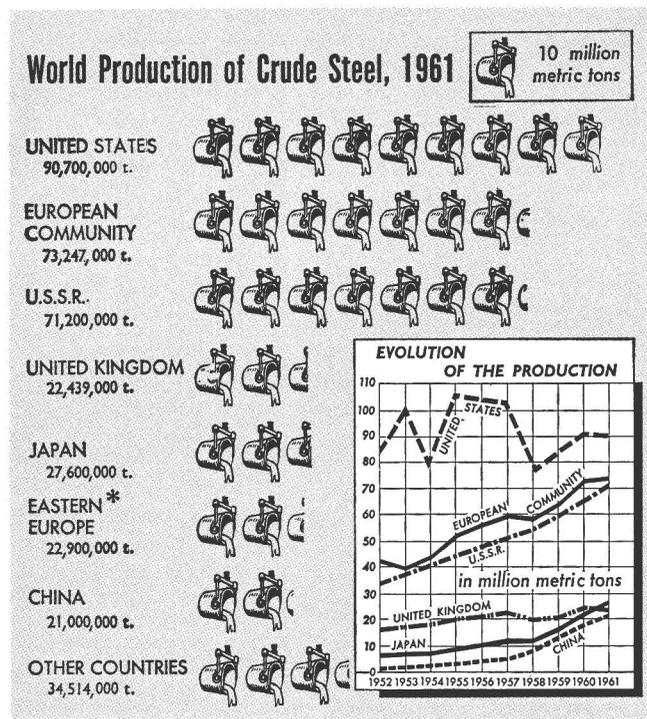
Steel: Continued Expansion

The expansion of the steel industry, which has continued almost without pause since the end of the war, is likely to continue, says the report. Nevertheless, a point now seems to have been reached where demand will no longer consistently outpace supply, and producers will need to make greater efforts with regard to quality, costs, specialization and marketing. The position may vary from one product to another, but the over-all trend in the steel market is likely to be somewhat different from that of the past six years. At the same time the scrap market appears to be easing into a more settled state, in spite of the high level of steel production; while for iron ore the larger tonnages of high-grade ores being imported are reducing the share of Community ores, with their lower ferrous content. A further major change is the use of oxygen-blown processes in steelmaking, which is enabling metal of considerably better quality to be produced.

To help the industry in these changed conditions the High Authority has decided that it should publish more frequent studies of probable future trends. Its new *General Objectives for Steel for 1965* (see p. 14) are a major contribution to this program. The High Authority also intends to be more selective in its approach to the opinions it gives on investment projects and to work out more detailed criteria for evaluating applications from firms for financial help with investments. It also underlines the greater need for technical research in the new conditions, stressing in particular that it has no intention of limiting its own activities in this sphere.

Coal: Problems to Be Solved

The High Authority is now working on a draft of its general objectives for coal and is taking into account the over-



* Soviet Zone of Germany, Bulgaria, Poland, Rumania, Czechoslovakia and Hungary



all energy outlook in the six Community countries. This is a particularly difficult field, for the coal market is subject to a broad measure of government intervention varying from country to country and applying in both the coal and oil sectors. At present, there is no prospect either of the industry being left simply to cope on its own or of its being granted full protection against solid fuels from outside the Community or against newer sources of energy. In the absence of any decisions on long-term energy policy, great uncertainty prevails in the matter of coal import levels and of the trend of oil imports.

In comparison with the beginning of 1958, the first year of the coal crisis, production has fallen by 7 per cent to 230 million metric tons; nearly 100 pits have closed; the number of underground workers has dropped by 136,000 (22 per cent); while the output per man-shift has increased approximately 30 per cent (nearly half a ton). During these years readaptation aid has been made available to 97,000 mine workers, but the situation is still not satisfactory. The process of rationalization must therefore be continued unremittingly, and the High Authority must make use of every means open to it, the report states, to draw attention to the prospects now looming and to ensure insofar as it can that the tremendous changes in the energy market do not have undesirable economic and social repercussions. This it strove to do in 1961, not always with full success. It is in this context that the High Authority's industrial redevelopment policy and its readaptation of superfluous labor are of particular importance.

Energy Policy: More Speed Essential

A number of unfavorable factors—among them the absence of a firm treaty commitment and timetable, such as

proved so effective in overcoming national differences on agricultural policy—have so far combined to impede the establishment of a coordinated energy policy. Nevertheless, now that common policies are being progressively worked out in agriculture, transport, external trade and other fields, the High Authority believes it impossible that the six Community countries should fail to arrive ultimately at a common denominator on energy policy, despite clashes of short-term interests. The High Authority therefore stated its intention to continue its efforts in the coordination of energy policies, which it regards as the most important of all its tasks. But, according to the report, more speed is essential in this field if the building of Europe is to go forward smoothly.

Danish Government Applies for Euratom and ECSC Membership

Denmark officially asked on March 19 to enter into negotiations with a view to joining the European Coal and Steel Community and the European Atomic Energy Community. Hans Tabor, head of the Royal Danish Mission to the European Communities, presented to Christian Calmes, Secretary General of the Communities' Council of Ministers, letters of application dated March 16 from J. O. Krag, Danish Foreign Secretary. Denmark applied for membership in the Common Market on August 10 of last year, and EEC-Danish negotiations began November 30.

ECSC STEEL OBJECTIVES FOR 1965

EFFECTIVE PRODUCTION CAPACITY OF STEEL in the European Coal and Steel Community will rise by 1965 to 99 million metric tons (97.4 million long tons, 109.1 million short tons), if present investment plans are fully implemented, according to the High Authority's *General Objectives for Steel for 1965*, recently published. This level of capacity is likely to be adequate to cover the probable requirements of the internal and export markets, which are estimated at 89 million metric tons if 1965 is an average year for business and at 94 million if it is a particularly good year.

Economic Background

The High Authority bases its calculations on the expectation of a continued high rate of economic growth, itself the result of the psychological impact of integration. In spite of a shrinkage—and indeed disappearance—in some countries of manpower reserves, all estimates, both from official and private sources, now predict a high rate of growth: an increase in the national product of the Community of 4.7 per cent per year in the next few years and an increase in industrial production of 6.1 per cent per year; these compare with actual rates of growth, between 1955 and 1960, of 5.1 per cent and 6.9 per cent respectively.

The industry itself takes a similar view, as can be judged

from the high level of investment. In 1960 actual expenditure was 30 per cent higher than for the average of the five preceding years, while that for 1961 and 1962 is estimated to be 50 per cent higher than the previous average, despite a recent falling-off from the spectacular levels of the first half of 1961.

Technical Changes

Another important factor influencing the industry is technological change, which is bringing many radical innovations. Production costs at blast furnaces, for instance, have dropped and capacities have been increased by a number of major improvements: these have meant, for instance, a fall in the coke consumption rate through better burden-preparation methods and the injection of fuel oil. At the steelworks the most striking development has been the advance of the oxygen steelmaking processes which yield metal of better quality than the traditional basic Bessemer converter. There have been a number of other improvements, including the development of oxygen-blowing devices which can be fitted to most types of existing plants.

As a result, the proportion of high-grade steels produced is now increasing sharply.

Forecasting Methods

The new memorandum on general objectives is the third that the High Authority has prepared. The trend in steel has in fact closely followed that foreseen in the previous memorandum, published in 1957: Actual steel production in 1960, 72.8 million metric tons, was very close to the upper limit of demand, 73.5 million tons, given in the High Authority's document. Meanwhile, on the basis of its previous work the High Authority has sought to improve its forecasting methods.

The first stage of its work has been to examine how the various equilibria—supply and demand, raw materials and manpower—necessary to the smooth operation of the iron and steel industry within the general economy could best be assured. At the same time its studies have spotlighted a number of elements of uncertainty which have previously attracted little attention. In the first place, the many improvements introduced in steelmaking in recent years have broadened the range of qualities available, while the rapid development of certain potential competitive products, such as plastics, is obliging the industry to devote special attention to problems of quality. The use of new types of prod-

uct and the improvement in the intrinsic qualities of the metal cause changes in specific steel consumption in the various manufacturing industries, and a great deal of study is still required to gauge more accurately the likely course of demand.

Expansion Problems

The rate at which it is desirable—from the point of view of the balance and profitability of the iron and steel industry as a whole—to adopt integrally the latest technical developments has yet to be determined. The introduction of electronic apparatus and the prospect of full automation raise many problems in the training of staff. A further problem concerns the size of production units. The expansion of capacity will require increasing numbers of new and, for the most part, very large production units, and careful thought will have to be given to their siting.

The High Authority proposes to examine these and other problems as part of its forecasting work. Significantly, its report adds that, as its present study is based on the European Coal and Steel Community as it now stands, the entry of new members would necessitate new forecasts based on a different set of assumptions.

Newsbriefs

Common Market

Euratom

Coal & Steel Community

EEC to 'Europeanize' Public Works Contracts

Common rules for the awarding of public contracts within the European Economic Community are being prepared by a working party which held its seventh meeting on April 5 in Brussels. When completed, the rules will be submitted by the Common Market Commission as proposals to the Council of Ministers. It is expected that they will come into force on January 1, 1964, simultaneously with the abolishment of discrimination on the basis of nationality in the awarding of public contracts.

At its meeting the working party discussed arrangements for common standards in selecting candidates and accepting tenders, the publication of calls for bids and the contract value at which bids should be invited on a Commu-

nity-wide basis. Under consideration is a solution which would mean that: from January 1, 1964, to the end of 1965 the rules on publication of calls for bids will be applied only to public works contracts of over \$1 million; from January 1, 1966, to the end of 1967 this figure will be reduced to \$600,000; and from January 1, 1968, onward it will be fixed at \$300,000. All the other common rules—in particular those relating to standards for selection and award—will apply to public contracts in excess of \$60,000. The conclusion of smaller public works contracts will continue to be governed by national procedures.

Effective January 1, 1964, all public works contracts, of whatever value, are to be liberalized, i.e., all formal or factual discrimination on grounds of nationality must be abolished, within the framework of the Community's program for the removal of restrictions on the right of establishment and on the free supply of services.

Fifth Anniversary of Treaties of Rome

The European Parliament at its March 29 session in Strasbourg observed the fifth anniversary of the signing of the Rome Treaties which created the European Economic Community (Common Market) and the European Atomic Energy Community (Euratom). At the commemorative meeting Couve de Murville, President of the EEC and Euratom Council of Ministers, spoke on behalf of the two five-year-old institutions. Representatives of the three Community executives—EEC Commission President Walter Hallstein, Euratom Commission Vice President Enrico Medi and ECSC High Authority President Piero Malvestiti—also addressed the assembly.

UK-Euratom Committee Meets

The United Kingdom-Euratom Continuing Committee for Cooperation held its third meeting in London on April 16 to review collaboration already undertaken between the United Kingdom Atomic Energy Authority and the European Atomic Energy Community and to consider possibili-

TALLY of applications to the European Economic Community

June 8, 1959	Greece applied for association. (Agreement of Association signed July 9, 1961.)
July 31, 1959	Turkey applied for association.
July 31, 1961	Ireland applied for full membership.
August 10, 1961	Britain applied for full membership.
August 10, 1961	Denmark applied for full membership.
December 15, 1961	Austria, Sweden and Switzerland applied for association.
February 9, 1962	Spain applied for association.
May 2, 1962	Norway applied for full membership.

ties for further cooperation.

The United Kingdom was represented at the meeting by Lord Hailsham, Lord President of the Council and Minister for Science, and Sir Roger Makins, UKAEA Chairman. Euratom was represented by Commission President Pierre Chatenet and Emanuel Sassen, member of the

Commission. The Committee surveyed the prospects for nuclear power in Britain and in the European Community. The following day the Euratom representatives visited the atomic research center at Winfrith, where they saw the Dragon reactor (see *Bulletin* No. 51, p. 7) and met the joint research staff which is collaborating on the project.

PUBLICATIONS AVAILABLE

Lectures delivered by Prof. Walter Hallstein, President of the Commission of the EEC, at Tufts University, April 1962, mimeographed:

Part I: THE HISTORY OF EUROPEAN INTEGRATION, 24 pp. free

Part II: THE ECONOMICS OF EUROPEAN INTEGRATION, 24 pp. free

Part III: THE POLITICS OF EUROPEAN INTEGRATION, 28 pp. free

THE EUROPEAN DEVELOPMENT FUND, 1959-1961, a set of 22 8½ x 11 charts describing the operation and activities of the fund free

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