

Opera Mundi **EUROPE**

A WEEKLY REPORT ON THE ECONOMY OF THE COMMON MARKET

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May 19 - May 25, 1969

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Opera Mundi **EUROPE**

A WEEKLY REPORT ON THE ECONOMY OF THE COMMON MARKET

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May 29, 1969.

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COMMENT

Big Deal

Although no undue importance has been attached to them, three quite independent sources have this week made statements that seem to promise some positive action on the enlargement issue within a very few months. To all intents and purposes it seems as though some real hard bargaining is to be done over the common agricultural policy financing negotiations. It has for some time been in the wind that some "sop" might be offered to France in return for a more constructive attitude to the question of the candidature for Community membership of Britain, Denmark, Ireland and Norway, but now more definite evidence of this has come to light.

In the first place, in putting forward his twelve-point plan as candidate for the French presidency, M. Poher (see Community) stated: "Only a common European agricultural policy, backed by the opening up of the British market, and with an organisation taking in the developing countries can solve the problem of French surplus farm production, and provide an answer to the world food shortage problem."

Second, it was reported from Brussels last week that the Commission was currently engaged on the formulation of a package deal which would provide concessions for French farmers in return for the opening of negotiations for British entry. The details would be worked out after the French elections, and the aim would be to get negotiations under way in the autumn. Coupled with the deal would be provision at last for Commission autonomy in the farm finance sector, with its own budget for FEOGA derived from common external tariff revenue.

The third statement came from Commission President Jean Rey himself, addressing the Antwerp Chamber of Commerce and Industry on May 19. The Belgian daily "L'Echo de la Bourse" reported from that speech the following:

"We are this year to be presented with a golden opportunity to make progress. There is nothing for it but to re-negotiate the financing of the common agricultural policy, but there is no hope of these negotiations leading anywhere unless they conduce also to the enlargement of the Community."

Time and the creaking machinery of EEC negotiations will tell, but with such words as these in the mouths of certain of Europe's leading figures, it could well prove that after all the waiting Europe is at last on the verge of its "great leap forward".

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THE WEEK IN THE COMMUNITY

May 19 - May 25, 1969

INTEGRATION

Although the chances of Britain's eventual entry into the Common Market now look much more hopeful than they have done for a long time, there are still some doubts as to her exact intentions. Fresh surmise has arisen as to her aims and how far the Common Market as it stands at present fulfills her needs, even if it is enlarged to include the candidate countries. Suggestions have been made that a Community which might resemble a free trade area, rather than an economic unit as closely integrated as the present Six, might be a more suitable vehicle, even though it seems that greater European economic coordination and integration will in any case occur as a result of modern industrial developments. However this approach to the question of joining the Common Market tends to ignore the political nature of such a move, and a good many of the other problems which would arise in an attempt to create a free trade area as such.

If the Community is to be enlarged, then urgent action will be needed to tackle some of the problems it is now facing. For instance, the reform of the EEC's agricultural policy and structures, if undertaken in the light of British entry along with that of countries like Denmark and Ireland, is likely to reappear in a different guise. Then there is the question of the common commercial policy and trading agreements with non-member countries and the coordination of economic policies. A Community which included more members would obviously be unwieldy, and majority voting would be needed. Again, under the EEC rules, when the transitional period terminates at the end of 1969, customs revenue and farm levies are paid to the Community. This raises the problem of the Commission administering vast sums of money, paid out largely through the farm guidance and guarantee fund, FEOGA. To control this, further moves to strengthen the powers of the European Parliament over the Commission and the work of the Community may be expected. It is also possible that we may see the members of the European Parliament elected by direct universal suffrage, a move which would in itself strengthen and stress the character of the organisation.

M. Alain Poher, one of the two leading candidates for the French Presidency now that General de Gaulle has gone, suggested when President of the European Parliament that direct elections could give it more prestige as "elections ... by all the citizens of our countries would represent a powerful means of arousing public interest in the current problems of building Europe". Whether or not M. Poher will be elected on June 15th, is far from certain, although he seems likely to survive the first round on June 1. With his "European background" it is however already clear that France's partners in the Six and her allies in the West would welcome his election. Nevertheless doubts will exist as to whether he will be able to form a successful government, but even

M. Pompidou his rival were to win, there would still be the strong possibility of difficulties especially from the unions. M. Poher might turn out to be a strong defender of French interests, but there would be the feeling that basically he was in favour of increased European cooperation.

His views on Europe were summarised in the twelve-point guidelines which he issued on Tuesday May 28. In this he states that France needs Europe as much as Europe needs France and that Europe is the best guarantee of peace, social progress and independence. To enable Europe to make the fullest use of its resources it must unite, and this will result in a large market for goods, techniques and capital, which would be further helped by the creation of a common monetary unit. Europe should coordinate its scientific and nuclear research programme so as to limit wasteful and ruinous competition between neighbouring countries, and this would create scientific and technological Europe. M. Poher wants the economic union to be completed by a political union, but insists that Europe must be a democratic entity. He insists that it must be enlarged and "the strengthening of Europe requires the entry of new countries into the existing European organisations. Talks will be started with Britain and all countries ready to accept the rules established by the treaties". Joint European aid to the poorer countries would lead to a new relationship with the developing ones. Finally M. Poher states that if elected he is willing to call a conference of heads of states or governments which will deal with "new perspectives for a Europe of the people".

Although M. Pompidou started out the campaign by making encouraging sounds with regard to Europe - no doubt as a result of M. Giscard d'Estaing's support - the phrases he is now using are tending to echo those of General de Gaulle. Perhaps he intends to give a positive interpretation to these if elected, and is adopting this more traditional approach in order to keep those who voted for de Gaulle amongst his own voters. His problem in the fortnight up to June 15 will be to increase his share of the poll, as his position has been virtually static (between 43% and 41%) since the start of the campaign. If he is elected he should be able to rely on a majority in the National Assembly, but should he start to modify previous Gaullist policies, he may begin to lose some support.

Another fact which may have an influence on eventual policies is that a recent poll in France (between April 15 and May 15) shows that 75% of Frenchmen are in favour of France remaining within the Atlantic alliance. This is backed up by the fact that 60% believe that her own armed forces are insufficient for her defence. Two years ago just 50% wanted France to remain with the Atlantic alliance, and this change has been brought about by the appearance of the Soviet navy in the Mediterranean and the invasion of Czechoslovakia by the Warsaw Pact countries.

The need to pursue with greater vigour the integration and strengthening of European industry was raised by the vice-president of the Commission, M. Raymond Barre last Friday. He maintained that much time in Brussels had been spent on dealing with agriculture, in particular its social aspects. "In future everything should be done to

enable European industry to meet international competition. The successes which has been achieved in the industrial sector did not prevent increasing competition from countries like Japan and Britain, which was reshaping its industrial structures. If Britain was a member of the Community, this would be a further reason for taking into account its competitive capacity." M. Barre called for the definition of long-term objectives and the means to achieve them, and in his view there was a special need for such an approach in France which was only half-industrialised, and the country still had to face up to massive changes.

Although M. Barre envisages British membership of the EEC, M. Albert Coppe a member of the Commission considers that Britain might join by 1971. He put this view forward during a speech in London on May 22nd and added that a five-year transition period would probably be needed before Community policies could apply in their entirety. M. Coppe also stressed the need for supranational institutions if effective progress towards European integration was to be made. The growing conviction that enlargement of the Community to include the candidate countries is likely was supported by the Commission's President M. Jean Rey, who was speaking in Antwerp. He felt that if new countries were admitted to the Community it would help to overcome the unpleasantness which had existed between the member states during the past two years.

M. Rey did not consider that the transitional period of the Community - which is due to expire on December 31, 1969 - would need to be extended, since the EEC had already carried through its major objectives. He did not however think that monetary cooperation within the Common Market had made sufficient progress. Europe had had to face up to four major crises; the devaluation of the pound in November 1967; the Stockholm conference of May 1968 when Community solidarity was not all that it might have been, and the crisis of confidence in the French franc last November. The latest had been the rush on the West German mark. M. Rey, who attacked speculators, considered that a policy where the Six would help each other if faced with further monetary crises should be established at all costs, and he also believed they would now push ahead to try and implement the proposals contained in the Barre Plan.

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EURATOM

Enriched Uranium: Who Steps Down?

There is no disputing the fact that unless a major effort is launched immediately to provide Europe with an independent source of enriched reactor fuel, there will be a desperate shortage of supplies within ten years. The EEC Commission endorses this observation in its recent recommendations on Community objectives in this sphere, based on a report from its nuclear research consultative committee, and forwarded now to the Euratom Council for consideration. Moreover, it is plain that any such effort will have to base itself upon research and development work using pilot plants, and in fact plans for three such plants have now been devised: it is the implementation of these, and the political background to them that contains the dilemma of European nuclear fuel supply during the next decade.

As ever, in technological matters, it is the continuing division of Europe that poses the problem, for of the three pilot schemes on the drawing board two are sponsored by the European Community, the Commission in its recommendations having proposed a pilot "gas diffusion" installation in France, and an "ultra-centrifuge" trial plant in the Netherlands, and the other, scheduled to "go commercial" much sooner, is to be pursued as a three-nation venture (Germany, the Netherlands and Britain). We are now within an ace of witnessing some sort of confrontation of the two schemes, for with the Commission's proposals now published, and with a recent report from the Dutch government on the three-nation scheme now in our hands, we can see precisely where, and how expensively the two projects overlap.

As far as the EEC Commission is concerned, the chief objective at this time is to decide unequivocally which of the two procedures is the more economical, so that a medium-term decision can be made on industrial exploitation. What is hampering matters at the moment is sheer lack of data on which to base any such decision, either for reasons of military secrecy (the French produce enriched uranium for military applications at Pierrelatte, but the quantities are too small to make any assessment, and are richer than need be for civil applications), or because insufficient work has been done to collate the data required. This being so, the Commission proposes a four-phase working programme. In the first period, which would take us to the end of 1971, the relative characteristics and performances of the two systems of isotopic separation would be logged and compared, and pilot plant studies already under way in France and the Netherlands would be pursued under the auspices of the Community - gaseous diffusion in France, the ultra-centrifuge in the Netherlands. The Commission would provide half the working capital for these two pilot schemes, and to this end a further \$ 10 million would be added to the Euratom research budget. At the end of the period, project evaluation would decide whether or not to axe one of the processes, or to combine the two in some way or other, and hence what sort of Community plant to build, and where. This second phase, of evaluation and decision, would be complete by June 30, 1973. In the third phase, by August 31 of the same year, the Six would decide on the best site for the complex, and construction would be put out to tender.

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In the final phase, there would be the physical construction of the separation plant, which should be completed in 1978.

As far as the economics of the project are concerned, and indeed the gain to be made from it, the Commission estimates that any final plant should have a capacity of about 8 million kilo units of separation (see No 499, p. 9), meeting a demand of some 40,000 to 60,000 MWe installed nuclear generating capacity, anticipated for the end of the next decade in the Community. Not only will the project have the merit of ensuring nuclear fuel supplies at reasonable prices, argues the Commission: it will also provide an excellent stimulus to the nuclear construction industry in Community countries, and orders should rise as a result to around \$ 150 million a year for this sector. Also, these companies will derive a better all-round capability from the scheme, for they will have not only to be building reactors and gearing their business to the export market, but also to be developing the means to meet demand for fuel preparation plant in general.

All well and good - but this still leaves us with the scheme in which Britain is included, which equally takes account of Dutch development work to date, which offers Germany attractive engineering contract work, and which would probably provide economically priced fuel within three years. The Commission has not made it clear in its recommendations how it stands in relation to this plan. While the scheme remains in its development stages, the problem is not extreme, and those behind it feel that adequate reporting back to the Commission should suffice to keep the whole thing "legitimate" for the time being. However, the project is an expensive exercise, and one that must needs lead on to commercial exploitation, and this of course calls in question the whole matter of the technological community and Euratom policy.

To what extent could Britain be allowed to participate in such a venture without compromising or embarrassing the Community? If membership negotiations get under way, then this will probably be a sufficient commitment for all concerned, the scheme not being expected to come to completion for ten years, in the case of the Community. Again, if talks lead to a much closer community of technological interests, outside the Rome Treaty preserves, British participation in such a project could be an easy process. At the present stage in the game, however, it is hard to see how the two schemes will be reconciled, especially if, as seems possible, we reach the situation where the French system is found to be the least viable of the two, and the Dutch ultra-centrifuge method is recommended. In these conditions, according to the Commission, the Community would give the go-ahead for the latter system to be launched at industrial level in 1973. However, under the three-nation plan as it stands - and a further meeting is to be held in Bonn on June 9 to clarify and discuss further details - this is the date by which full-scale industrial separation would be getting under way in Britain. Clearly, if British membership is not firmly decided by then, all manner of objections are likely to be raised, especially by the French, who would be extremely loth to see their own system abandoned, and a consortium embracing extra-Community interests controlling supplies to the Community.

The point about the three-nation plan, it should be stressed, is that like the Community plan it embraces the principle that fissile materials should not be produced on German soil. Unlike the Community Plan, which would give the backing of the Six to industrial implementation of the ultra-centrifuge process on Dutch soil, however, this scheme envisages continuation of present research in the Netherlands, setting up of the pilot plant there also - at Almelo, but construction of the industrial plant in Britain. The pilot plant would cost about \$ 12 million, to be borne by the Dutch Government, Nederlandsche Staatsmijnen, Shell, Philips and Werkspoor. This would house several thousand of the ultra-centrifuge separators, needed to meet the scheduled output capacity for the pilot plant of 25 tons of enriched uranium per annum. When the scheme "goes commercial", a plant of 300 t.p.a. capability is planned for Britain. The basic cost of this could rise as high as nearly \$ 75 million, 49% being covered by the British Government, and the rest provided in equal shares by the three-nation holding company sponsoring the project. There might well be official quibbles at such expenditure in Britain, and these could be further aggravated by the fact that the German contribution to the venture will very largely take the form of contributory engineering contract work done on German soil.

It is fairly clear that neither project for an isotopic separator for enriched uranium fuel, as they stand at present, is likely to be completely satisfactory to all parties, and it is to be hoped that in the course of ministerial talks in the coming months a more rational solution may be found to this problem.

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Scientific & Technical Committee Backs Commission

The EEC Scientific and Technical Committee has just drafted an opinion on the Euratom pluriannual research and training programme, in which it very largely endorses the Commission's findings as to future activities in the Euratom community. This goes both for the breakdown of appropriations for the various types of reactor, for public intervention, and for the modifications that the Commission has made to the basic principles of the pluriannual programme to bring it up to date with conditions now obtaining in the Six's nuclear community, as regards research. Members of the Committee were especially glad to see that the Commission had stressed the need for maximal flexibility in the realisation of the pluriannual programme (see No 510, p. 7), and that for instance it had envisaged the joint research centre carrying out studies requested by industry on contractual terms. The Committee also expressed satisfaction with all that part of the programme covering industrial policy in the nuclear field, and was especially taken with the problems of securing enriched uranium supplies for the Community (see above), which topic will be taken further by a special meeting of top-level experts convened under this Committee.

Approval was also given for the construction at the joint research centre

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at Ispra in Italy of the SORA project, a prototype fast breeder reactor, a field in which Britain leads, but where the Community in fact has the edge on the United States and the Soviet Union.

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Community Experts Visit the United States...

Experts from the Community's nuclear industry, from the six governments and from Euratom visited the United States between 11-22 May for a thorough exchange of ideas. This visit took place under the Euratom/USA Cooperation Agreement concluded in 1958 covering mainly cooperation in the light water reactor field. During this period the two partners have each spent \$ 28 million on a joint research and development programme, under which three nuclear power plants have been built in the Community. These are at Garigliano, in Italy, Chooz, in the French Ardennes, and Gundrem Mingen, in West Germany (150, 266 and 237 MWE respectively).

During the talks particular attention was paid to improving the behaviour of nuclear fuels in light water reactors and the re-use of plutonium in thermal reactors. Visits were paid to the research installations and laboratories of leading American firms, including General Electric, Babcock and Wilcox, Westinghouse and Gulf General Atomic, so that the European representatives could study the latest developments in the United States. In turn they informed their American counterparts of the work being carried within the European Atomic Energy Community.

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...Where Britain Clinches Light Water Deal

A few days after the return of the European representatives, it was reported that the United Kingdom Atomic Energy Authority had made an agreement with Gulf General Atomic, a subsidiary of the Gulf Oil Corporation to collaborate in the manufacture and sale of fuel for light water nuclear reactors in the United States. Gulf General Atomic is to build further fuel manufacturing facilities at San Diego in California, and according to the company, will draw on the excellent development facilities and production know-how of the Atomic Energy Authority. Because of a bilateral agreement between the two countries, there is no possibility of the AEA making direct sales, but it has been suggested that eventually the AEA might become a shareholder in a jointly-owned firm based in the United States. Such a move which would be in line with developments in the nuclear field, where most countries prefer to establish joint operations rather than be

totally dependent on foreign firms and interests. The market for light water fuel in the United States is considerable, with a capacity of some 70,000 Mwe in operation or due to be built.

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Orgel Reactor Prototype

The EEC Commission has decided to award \$ 600,000 to the industrial nuclear design group comprising GAAA - Groupement Atomique Alsacienne Atlantique (FR) Interatom - Internationale Atomreaktorbau GmbH (which recently became a 60% stake of Siemens AG with 40% shared equally by Demag AG and Deutsche Babcock & Wilcox) and Montecatini-Edison for their design of a commercial prototype of the Orgel reactor (heavy-water-moderated organic cooled reactor). This design is based on work carried out on the Orgel project at the Euratom Ispra research centre in Italy, which has involved the expenditure of considerable sums of money for a small return. The project has however suffered because of clashes between the Six's different national attitudes to the role which Euratom should play.

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AGRICULTURE

Further Increase in Dairy Cow Numbers

The West European dairy industry is entering the new grazing season with a further small rise in the number of dairy cows. During the six winter months 1968/69 in the four EEC countries, for which recent figures are available, there has been an increase of 1.2 per cent, with the largest increase in the Netherlands, followed closely by Belgium, a small expansion in France and only a very slight one in West Germany. There are no census figures available for Italy but it appears that numbers have recovered after the decline in earlier years.

	Census date	1967/68	1968/69 (x)	percentage change 1967/68 to 1968/69
West Germany	December	5,866	5,878	+ 0.2
France	October	8,674	8,762	+ 1.0
Netherlands	March	1,835 est.	1,912 est.	+ 4.2
Belgium	December	1,040	1,074	+ 3.3
Four EEC countries		17,415	17,626	+ 1.2

EEC dairy cow numbers will probably exceed those in 1968 during the summer months too for the measures proposed by the Commission for restricting milk production have not yet proceeded beyond the discussion stage. Although there has been little alteration in the rate of growth of dairy herds, the upward trend in West European milk production should slow up appreciably in 1969. However unless drastic measures are taken soon to reduce production rise in dairy output should again accelerate from the end of this year.

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European Parliament Attacks Stringent Tobacco Proposals

The majority of the European Parliament's external relations committee have voted against the proposals for the tobacco common market organisation put forward by the EEC Commission. These proposals revolve around an intervention price system and complete production freedom. The members of the committee considered that because of the different character of the community tobacco market, with some two-thirds of requirements being covered by imports, there was no special requirement for a community market structure along the lines of those established for cereals, dairy products etc. The committee favoured a more flexible market structure broadly similar to that put forward by the rapporteur of the European Parliament's agricultural committee. It is felt that the Commission's proposals are too stringent and that if they are left unchanged might well affect tobacco imports from third countries. The external relations committee considered that there should be no limits on imports with the exception of the common external tariff duties.

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COMPETITION

Practice not Theory Counts

The Court of Justice of the Communities recently heard a case dealing with the question of an exclusive representation agreement. This involved Article 85 of the Rome Treaty, which qualifies as incompatible with the Common Market and prohibits "any agreement between enterprises, any decisions by associations of enterprises and any concerted practices which are likely to affect trade between the Member States and which have as their object or result the prevention, restriction or distortion of competition within the Common Market.

A West German washing manufacturer, Herr Franz Völk made a

contract with a Belgian firm, Ets J. Vervaecke giving the latter the exclusive sales rights for the German concern's products in Belgium and Luxembourg, although some 80 units a month had to be ordered. However the German firm came to the conclusion that its Belgian partner was not fulfilling its side of the agreement and took the case before a German court, whose decision was broadly favourable to Herr Volk. The Belgian concern then took the matter to the Munich Court of Appeal on the grounds that the clauses in question were null and void since they involved total territorial protection forbidden by the Treaty. The Court of Appeal faced with the problem, sent the matter to the Court of Justice for a ruling as to whether or not there was a violation of the Treaty.

Ets Vervaecke in the presentation of their case to the Community Court maintained that the clause because of its exclusive nature - which also prevented parallel imports - was incompatible with Article 85 and with regulations and the decision adopted by the Commission to enforce the said article. However the Commission's representative considered that neither its decisions nor those of the Court in the Grundig-Consten case lead to the conclusion that a contract with the characteristics of the one in question was prohibited by Article 85.

In the Commission's view contracts of this type are aimed at restricting or distorting competition. But according to past decisions by the Court of Justice and the principles it follows in deciding whether or not Article 85 applies, it is not sufficient for the agreement to have the intention or effect of restricting competition in theory. It must be "sufficiently detrimental" in practice and restrict competition "in an appreciable manner". But in this case, the product in question is almost unknown and has to compete with a wide range of similar products. In the Commission's opinion therefore it is unlikely that the clauses in question will be affected by Article 85 (para 1).

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E.C.S.C.

Readaptation Aids for France and Germany

The Commission recently decided to grant readaptation aids to workers in a German steel plant, a German coking concern and a French coal mine. The aid is granted under Article 56 of the Paris Treaty which provides for such assistance if fundamental changes in marketing conditions forces certain undertakings once and for all to cease, reduce or alter their activities. In some cases the granting of aid under the ECSC Treaty is dependent on the state concerned granting a similar sum.

1) A total of Dm 500,000 (\$ 125,000) for 609 workers affected by the closing of a hot rolling mill owned by Ohler Eisenwerk Theob. Pfeiffer Plettenberg-Ohle

in Westphalia, which made thin sheet by traditional methods. Despite rationalisation efforts and a concentration on the production of special steels, the mill has been unable to meet the new market conditions and production, which fell from 112,166 tons in 1964 to 77,259 tons in 1967, has now had to cease.

2) It has been decided to raise by Dm 30,000 from Dm 410,000 to Dm 440,000 the readaptation aid granted during 1967 to the workers at the Norstern coking plant, since the closure of this plant has resulted in a fall of the output of the Norstern power station.

3) Because of changes in the regional energy market, the small French mine at Ahun-Nord in the Creuse, which had remained unnationalised, has had to close. The mine produced some 8,000 tons of soft coal annually, and the 40 miners have been granted F 39,000 (\$ 7,889) by the EEC.

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TRANSPORT

Commission Warns Bonn

The West German Government (on January 16, 1969), acting in accordance with Article 93 (3) of the EEC Treaty, informed the Commission of a draft set of directives on Federal aid for the development of feeder lines and combined transport; Dm 250 million would be made available for this purpose each year from 1969 to 1972.

Independently of the procedure for the examination of State aids laid down in Article 93 of the EEC Treaty, the Commission has thought it expedient to examine the draft in the light of the Council decision of 21 March 1962. The draft was discussed with the Six in Brussels on 12 February. The Commission has now decided its attitude to the draft and has informed the German Government and the Governments of the other member states accordingly.

The Commission's view is that the draft directives do not run counter to the general concept of common transport policy as it derives from the guidelines laid down by the institutions of the Community. Co-ordination measures in the shape of State aid which would promote mutual assistance by the various forms of transport and modernisation of the existing transport system, are not automatically incompatible with the aims of the common transport policy. However the Commission draws the German Government's attention to the need to grant the aid with due regard for the profitability of the proposed investment projects. This approach is necessary if the form of transport most suitable for a specific purpose is to be promoted and there are to be neither distortions of competition incompatible with the optimum allocation of transport among the

forms of transport and transport firms nor restraints of intra-Community trade on a scale incompatible with the common interest.

Furthermore, the Commission points out to the German Government that the level of aid which can be granted in an individual case - it may reach 75% or even 100% of the investment costs - appears to be excessive and probably goes beyond what is needed to ensure the adequate development of feeder lines and combined transport. The Commission therefore takes the view that before implementing the proposed measures the German Government should carefully examine their possible effects on the conditions of competition, particularly where aid accounts for a high proportion of total investment costs.

The Commission's attitude, shortly to be published in the Journal Officiel, will have to be reviewed if and when, on the basis of the Council decision of 13 May 1965, provisions are adopted covering the whole complex of State intervention in the transport field, or regulations are brought into force covering the co-ordination of investment or the rate system for use of the transport infrastructure.

The Commission has at the same time informed the German Government of the result of the examination which it has made in accordance with the procedure of Article 93 (3) of the EEC Treaty and on the basis of the provisions laid down in Articles 92 and 77.

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ENERGY

Dirigiste or Liberal Policy?

The basic guidelines to be adopted for the EEC's common energy policy have yet to be resolved, as there is a conflict between those who favour a dirigiste approach and those who would back a liberal attitude to the problem. Strong supporters of the latter point of view include amongst their ranks, UNICE - Union des Industries de la Communauté Européenne, the representative of EEC industry. Unice criticises the Commission for apparently ignoring the problem created by the need to limit and reduce the powers of the state monopolies in this sector, especially those in France and Italy - although this is mentioned in the Rome Treaty - and it also stresses the importance of fiscal harmonisation in this context.

Unice rejects any attempt to introduce dirigiste planning to this sector, and would oppose the participation of the Commission in a Community oil prospecting concern. It would adopt a similar approach towards a Nuclear Fuel Supply Agency, whose work should be limited to coordinating national policies. Furthermore Unice considers

that if the common energy policy had to depart from the principles it considers fundamental on the grounds of social or regional needs, any additional costs arising out of such modifications should be borne by all, and not by the consumer alone.

This liberal approach is in complete conflict with French practice, especially that of the French state sector. France is unwilling to relinquish her state monopoly over oil imports, but would like to see Community countries - and other European states - draw their supplies from a wider range of countries. The April newsletter of the French state group ELF-ERAP calls for a closer coordination between producer and consumer countries and in particular between Europe - which imports 96% of its needs - and the Arab world. The article considers that the problem of oil supplies is probably more a political question than an economic one. It suggests that oil agreements should be arrived at on the basis of a country's long-term overall interests, rather than on purely commercial grounds, thus falling within the category of economic, cultural and scientific agreements where there is the opportunity for long-term cooperation on a reasonable basis by both sides.

"Slowly Europe is beginning to understand the limits imposed by its lack of cheap energy and the advantage it has in its immense purchasing power ... provided it is able to command a sufficient know-how. The common energy policy which is starting to evolve in Brussels is a sign of this awakening".

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Natural Gas

During the last meeting of the Energy, Research and Nuclear Questions Committee of the European Parliament a discussion was held which dealt with the cost and supply of Dutch natural gas. For the first time since the EEC was established a Community energy supply has come on to the market, and the question arose whether the larger Dutch natural gas deposits are being used in the interest of the Community as a whole. It was suggested that as matters stand at present, their exploitation might infringe Article 86 (competition) or even Article 37 (elimination of quantitative restrictions between member states). One of the most interesting facts to come to light was that the delivery price for Dutch natural gas in West Germany was 50% above the delivery price in the Netherlands.

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COMMERCIAL POLICY

France Signs Soviet Pact

The establishment of an EEC common commercial policy by its members is one of the more thorny problems they are faced with during the coming months. Under existing Community procedure, as well as under Article 113 of the Rome Treaty, the common commercial policy is due to be based on uniform principles. There is also supposed to be discussion of member countries proposals for bilateral trade agreements extending beyond the end of 1969, when the transitional period of the Common Market is due to terminate. These measures are aimed at trying to maintain some form of status quo in order to avoid complicating negotiations over the CCP. Since however there are some hundred bilateral trade pacts it is virtually impossible to harmonise them all by the end of the year, so that the Commission has come up with a compromise suggestion, whereby bilateral agreements due for renewal should be submitted to a Committee established under Article 113 to assist the Commission, which would decide whether or not the agreement in question would prejudice the CCP. If it was found to clash with the CCP, then the Committee would have to decide whether to replace the agreement by a Community pact or by bilateral renewal for one year. A recent example of the latter was the decision by the Council of Ministers on May 12 to allow the tacit renewal until 30 June 1970 of the trade agreement between the Benelux countries and Yugoslavia as from July 1, 1969.

More serious problems are likely to arise however as a result of the signature of a five-year trade agreement between France and the Soviet Union in Moscow on May 26. Covering the period 1970-74 this is aimed at doubling Franco-Soviet trade to around some F 7,000 million. According to figures recently released France was the leading Western exporter to the Soviet Union during 1968 just ahead of Britain which was followed by Italy and West Germany. Under the agreement the Soviet Union will increase its exports to France of oil and oil products, of timber, machinery and equipment, whilst France expects to sell a lorry plant and paper-making machinery, agricultural machinery, food production units and consumer goods as well as non-ferrous metal plants.

The clauses governing the operation of the new pact are the same as those in the previous agreement, according to French sources. This means that there is a revision clause, which in the French view amounts to an annual renewal clause and as such is used to counter attacks on the agreement. Nevertheless the fact that it has been signed will complicate efforts to establish the CCP, although it is possible that France and her partners may reach some compromise as to future policy before the end of the year when the pact comes into force.

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